

LANCASTER VISION

**LANCASTER DISTRICT
FUTURES BASELINE:
WORKING PAPER**

Final

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1. Introduction

- 1.1 This working paper provides a baseline of the future of the Lancaster district economy. It provides an overview of the sorts of economic activity by which Lancaster district is likely to earn its living in the future.
- 1.2 It focuses on those sectors which in future are likely to be:
- Important in creating wealth directly through production and employment
 - Important in creating wealth indirectly through links with other sectors or improving the quality of life in Lancaster
 - A real opportunity to intervene to raise prospects for wealth creation through both these direct and indirect impacts.
- 1.3 Prospects are considered through six sector groupings set out below. These groupings have been selected due to important overlaps between sector definition, growth prospects or implications within each. We take a view on likely growth potential, highlighting opportunities and threats and scope for intervention. We then take a view of the growth prospects of the overall economy, taking into account implications for underpinning growth factors of labour market and skills, sites and premises, transport and housing.

Lancaster University and Higher Education

Directly provides 9% of jobs in Lancaster. Its presence however offers the best transformative potential for the economy, through graduate retention and knowledge transfer and attracting inward investment.

ICT, new media & creative

Relatively small sector grouping in Lancaster district providing **4% of jobs**, broadly defined. ICT and new media specifically has strong growth potential given the District's latent skills base and developments around Lancaster University.

Private office economy

Accounts for **13% of jobs**, including office based ICT and new media. Strong growth prospects for certain sectors within this, dependant on local labour market and property.

Health

A key sector accounting for **14% of jobs**. Likely to grow in future.

Tourism, retail and leisure

Intersecting sectors together account up to **22% of jobs**, most broadly defined. Growth prospects depend on successful local intervention. Implications for quality of life offer.

Manufacturing, transport and energy

Together account for **13% of employment**, but 25% of that of full-time males. Growth prospects at best mixed.

2. Higher Education

- 2.1 The sector is defined as employment in Lancaster University at St. Martin's, including academic, research and support staff, and employment in agencies directly linked to the these institutions (e.g. student union activities).

Direct wealth creation

- 2.2 Higher Education is the sector which provides perhaps the most distinctive feature and asset of Lancaster district's economy. It is one of its true USPs. The sector provides 9% of jobs – some 4,170 - in Lancaster district, three times more than an average area.
- 2.3 Direct employment at Lancaster's two largest institutions account for 95% of these jobs:
- **Lancaster University** – 2,800 employed directly by end 2003/04 (approximately 75% full time, split approximately 50%-50% male and female), of which 530 (19%) were academic (of which 312 were at senior lecturer/professor level) and 282 (10%) were research staff
 - **St Martin's College** – 1,160 employed directly at the Lancaster Campus in 2005/06 (710 FTEs, of which 250 are academic and 460 were support staff).
- 2.4 Both institutions have seen significant growth in staff numbers between 1998 and 2003, representing a continuation of expansion commenced since their founding in the mid 1960s. In total the sector **grew by 16% or 560 people** over this period, driven largely by expansion of Lancaster University.

Spillover effects

- 2.5 There were 23,800 students studying in Lancaster district by the end in 2003/04, three quarters (17,700) at Lancaster University and a quarter at St Martins (6,100). These accounted for 14,900 FTE places, the same proportion of which are shared between the two institutions. There was a 35% (6,200) growth in student numbers in the three years to 2003/04, driven by a 44% (5,400) growth at Lancaster University (most of this is growth in part-time students, full-time students increased by 17%). These spent an estimated £174m in 2003/04¹ in the Lancaster district economy, an average of £7,300. Applying multipliers to spend, student expenditure accounts for up to 15% of Lancaster's output².
- 2.6 Education is seen at least in part as a human capital investment made by universities and the students themselves (in the form of their contribution to their education through tuition fees and other costs). The returns from this investment mostly accrue to the individual concerned through increased wages and their employer through raised outputs. Retaining graduates in the Lancaster district means the value of this significant investment can be realised by employers in the district. It is also a means to retain individuals who can bring a more dynamic and entrepreneurial outlook to the local economy.

¹ Based on DfES Avg Student expenditure for 2002/03 and student numbers in Lancaster.

² Salford University Business Services (1995) report on Greater Manchester Universities apply an multiplier range of 0.35-0.5 on top of total student spend to estimate expenditure impact of students on Greater Manchester. Applying this for Lancaster gives expenditure impact of between £235m-£261m, 14-15% of GVA (£1.7bn).

- 2.7 St Martin's College specialises in training of teachers of and allied health professionals. A third of their students are associated with Teacher Training Agency funding and another 22% with the NHS (the remaining 45% a range of programmes funded through HEFCE). The presence of one of the UK's largest training providers means that there is a relatively high supply of trainee teachers and NHS professionals in Lancaster district since many students choose to remain based in or around the district. As a consequence there are few shortages and a high competition for employment at entry level in these professions.
- 2.8 The extent of graduate retention at Lancaster University is more uncertain. Undoubtedly the high concentration of resident students gives Lancaster a head-start on other districts. The question is whether there are missed opportunities by local employers and firms to make more of the resource. Of the 840 Lancaster University graduates in 2003/04 recorded as going into full-time work (not including study/HEI research), 7% (60) were retained in Lancaster district while 93% left the area.
- 2.9 The third spillover is the extent to which the strong knowledge base primarily at Lancaster University is being utilised by the business base in Lancaster district. Since 2000, the University has invested heavily in its knowledge transfer facilities, as part of its third mission activities.
- 2.10 External revenue funding for third mission activities brought in by the University has increased from approximately £0.5m for 2000/01 to up to £3.2 by 2004/05³. Staff numbers engaged in the University's third mission have risen from 2 to 27⁴ over the same period. Most of this revenue funding has funded programmes to use knowledge and resources embedded in the University to support businesses in the wider North West. Given its geographical proximity, a disproportionately high amount of this business support reaches Lancaster district firms. It is estimated that around 160 Lancaster district firms benefited from the externally-funded business support activities undertaken between 2002 and 2005, some 15% of all firms assisted and by 2006 £2.0m (15%) of a £13.4m budget will have gone to assist Lancaster district firms. Thus far the creation of **200 new jobs** (and a further 230 jobs safeguarded) and **5 spin out companies** in Lancaster district has been recorded by these projects. Around 40 of these are associated with ICT or engineering, although it is hard to be more specific about the rest as they are in generic business support programmes.
- 2.11 There has been significant capital investment in the Management School, the InfoLab and the Lancaster Environment Centre. These investments have made knowledge transfer easier and are all likely to have a significant positive impact on the economy of Lancaster. The InfoLab houses a Knowledge Business Centre, with workspace for up to 20 firms with strong potential and willingness to work closely with the University research facility and grow. The new Lancaster Environment Centre is to house a Knowledge Business Centre with the same model, focused on firms who show willing and work closely with the research staff at the Centre. These facilities increase the chances of spin-out activity, and allow the building of close relationships with commercial clients who take up space. This is likely to be the seeds of any future cluster of technology experts and firms outside of these workspaces.

³ Revenue funding comprises an ERDF package of £6m for 2000 – 2006, along with Higher Education Funding Council for England (HEFCE) funding of £2.4m for 2004/05-2005/06, matched with £2.04m NWDA.

⁴ New staff are associated with the expanded role of the universities central Business Enterprise Centre (BEC, from 2 to 14 staff), the establishment of the IEEU at the Management School (3/4 staff), the Infolab (5 staff) and the Lancaster Enterprise Centre (LEC).

- 2.12 Much of the knowledge transfer activity undertaken by the university requires minimal funding from external sources and relies on building working relationships between commercial interests and the University. A perceived lack of openness has hampered this sort of activity in the past. However, significant work has been done in the University over the last five or so years, especially under the new Vice Chancellor, to change the reality and perception of this culture. The new capital works, with modern high-impact and accessible buildings, continue to drive this change.
- 2.13 The potential impact of the University on the quality of life in Lancaster district cannot be overstated. It is an institution that permeates most aspects of life in Lancaster district. It forms a vital part of the cultural offer, as providers and consumers, and colours local political life and society in general, bringing youth, diversity and ideas to the district.

Future prospects as wealth & employment provider

Key Drivers:
<ul style="list-style-type: none">• Research funding allocations and HE funding• University policy & external funding for 'third mission'• Quality of life/study attraction• Future student funding and Lancaster's relative cost advantage

- 2.14 While there has been significant growth in student and staff numbers in recent years at both institutions neither envisages anything other than modest growth in the short to medium term. Lancaster University intends to focus on strengthening its research base, while St Martin's are expanding training provision in other parts of the country. A contraction in employment, however, is highly unlikely.
- 2.15 Given the strategy of both main institutions, the numbers of students in Lancaster district is not set to rise much further to 2015. The contribution of student spending to local employment is unlikely to rise significantly over this period.
- 2.16 The greatest contribution to wealth creation in Lancaster district is likely to come through increased retention of talented graduates and networks around knowledge transfer. At present retention at 7% of graduates is not high. This is largely because of a lack of sufficient 'pull factors' in Lancaster. Many graduates are attracted by 'big city' lifestyle opportunities elsewhere. However, even for those who are attracted to the district as a place to live, there have traditionally been few opportunities for graduates outside of the University, especially in the private sector. This has fed a 'chicken and egg' problem. Low retention mean that businesses experience a shortage of skilled, experienced labour, making it harder to establish and grow in Lancaster. However, these are precisely the sorts of businesses who can offer suitable career development opportunities for graduates. The growing ICT/new media sector and potential future growth in technology and business services firms has the potential to turn round this problem and kick-start a positive retention dynamic. Indeed, this is required if they are to meet the growth scenarios set out above. 'Push factors' such as activities by the University to provide links with graduates and local employers will also have a part to play in raising retention.
- 2.17 The impact of the knowledge embedded in the University is likely to be very much an increasingly important factor driving growth in Lancaster district and its impact could be substantial. The shape of the University's activities is likely to change substantially over time however. The scale and scope of external projects will shift over the coming years. Support from ERDF will tail off leaving the pot somewhat reduced (to perhaps 60% of its 2005 peak)

It is likely that the University will continue efforts to focus external business support on firms and projects where the fullest use can be made of the Universities knowledge and expertise. Therefore, externally funded business support projects, as they have been seen in the last few years, may be scaled back somewhat but their pound for pound impact is likely to rise. It would be fair to assume therefore that the jobs created through such externally funded business support projects would not be vastly different than the estimated 40 a year for recent years for Lancaster (see full project breakdown in Appendix A).

- 2.18 However, this misses several routes by which often rich and sustained knowledge transfer is likely to realise significant job growth in Lancaster district. The Knowledge Business Centre at the InfoLab, and a similar development at the Lancaster Environment Centre, provide space for 40 firms in total. Many of these firms will be expected to graduate from this space and grow into larger premises in Lancaster, creating further jobs in Lancaster district and vacating room for new firms.
- 2.19 The planned Bailrigg Science Park, to be situated next to the Lancaster University campus, will be a substantial provider of quality space for firms with links to the University's knowledge base. It will be in the market to attract firms graduating from the University's Knowledge Business Centres. It is also hoped that it will attract larger technology companies with links to the University's research base, in particular those with links to the InfoLab.
- 2.20 The University aims to increase the extent to which it engages with collaborative research with commercial partners. Most of this given its nature is likely to be with larger firms, often leading multinationals, based outside of Lancaster. Some of this, however, might be with local firms where the technical capacity is there and where links can, or have already been established. Also, the Knowledge Business Centres offer the opportunity for larger firms to establish research bases in Lancaster district. The Bailrigg Science Park is likely to be a significant draw for such firms to invest in significant research bases in Lancaster district, and for spin out firms to expand into. It is through this sort of dynamic a technology cluster is likely to grow around the University.
- 2.21 In theory, many more firms not located at the University or any Science Park could benefit from links to the University and any technology cluster. Estimating the job growth associated with such a development is difficult. With reference to benchmark technology clusters, we have formed an estimate for such growth tied to Lancaster's two new workspace facilities: **ICT and new media** and **environmental technologies** (under manufacturing, energy & transport).

Implications and Scope for Intervention

- 2.22 It would be sensible to expect employment growth of those directly employed in higher education in the range of **8% or 350 jobs by 2015** (this compares to projected trend employment rate for education overall of around 20%).
- 2.23 A modest rise in graduate retention from Lancaster University, say from 7% to 10% would mean an extra 100 graduates each year entering the Lancaster district economy, or **up to 1,000 extra staff by 2015** (raising retention to 14% would double this to around 2,000). This should be seen as a potential labour supply, and tapping it would depend on the creation of more suitable career opportunities in the private sector. Raising retention is increasingly part of Lancaster University's third mission agenda, and it is likely that successful action to raise awareness of opportunities in Lancaster district would have a positive impact on this labour supply.

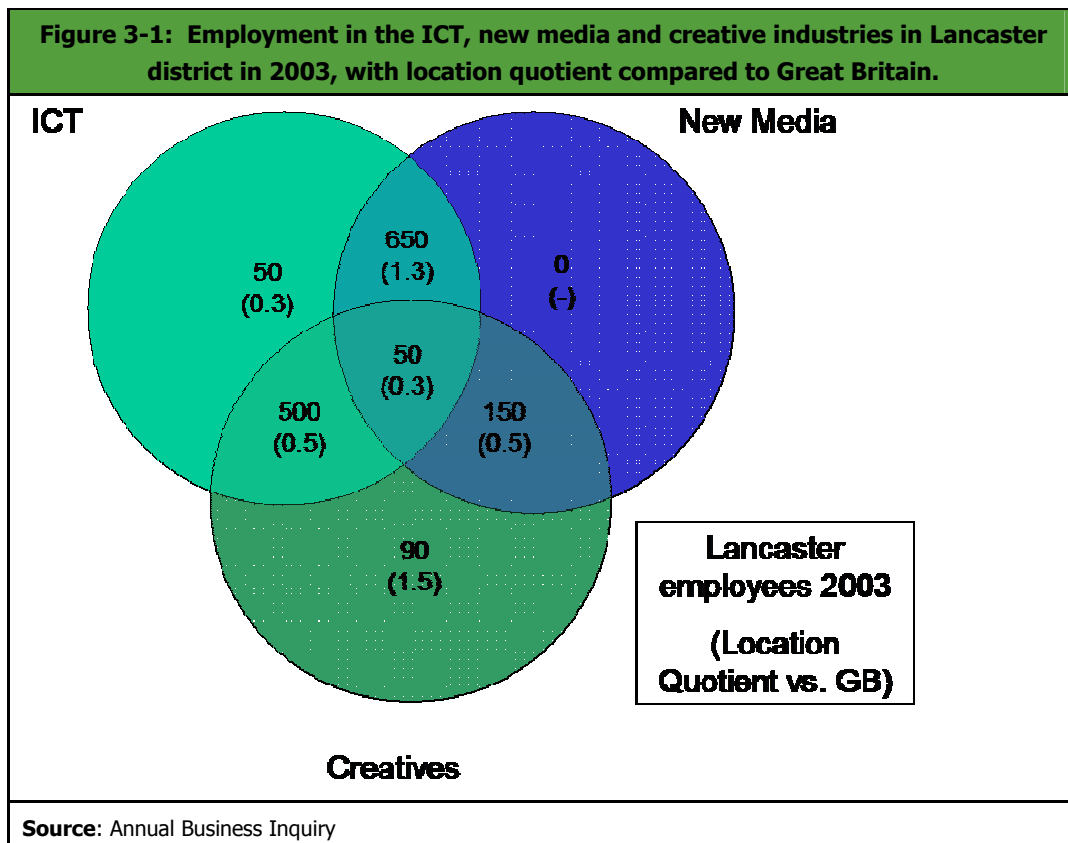
- 2.24 The InfoLab and Lancaster Environment Centre may house around **160 private sector jobs** by 2015. If the Bailrigg Science Park goes ahead and can successfully provide grow on space for firms and attract larger firms with links to the Universities research base, job growth would be much stronger. The Science Park could provide **employment growth of 500** in firms with direct links to the University. Most of these jobs would be expected in the ICT and new media and would help drive employment growth in the wider sector with fewer formal links to the University.

3. ICT, New Media & Creative

3.1 The ICT and the new media sector, and the creative industries sector, have been highlighted as potential growth sectors for Lancaster. There is a large degree of overlap between how these industries are conventionally defined. Here we attempt to unpick the various parts of these sectors and fully understand the opportunities and threats they present for Lancaster district.

Direct wealth creation

3.2 In all there are 2,250 employees working in the ICT, new media and creative industries in Lancaster district in 2003. This corresponds to 4.2% of all employees, compared to 5.2% for Great Britain, giving a location quotient of 0.8 (an average 'under-presentation' of 20%). Each of these sectors is generally inclusively defined using Standard Industrial Classification (SIC) codes, which gives broad overlap between these sectors. Figure 3-1 shows the overlaps between these sectors and employment in each section. We will explore the links between these sectors below.



3.3 Figure 3-1 shows that there is a significant overlap between ICT and both the creative and new media sectors. All of new media is also termed either ICT or creative industries. Most of the employment in the ICT sector in Lancaster district is also termed new media, and vice versa. However, there is a large part of "creative industries" is not part of ICT or new media sectors.

3.4 Therefore the sector can be understood in two parts:

- **ICT and new media** (around half of which is also part of the creative industries)
- **Creative industries** (half of which is also ICT and new media).

- 3.5 The **ICT and new media sector** as recorded in 2003 Annual Business Inquiry (ABI) was small in employment terms in Lancaster. It accounted for **1,350 jobs (2.5% of total)** for 2003. This compares to an average employment share of 4.0% for Great Britain, giving Lancaster district a **location quotient of 0.6**. Compared to benchmark areas, employment share was 71% of Preston's and 55% of Exeter's, although above Canterbury and Carlisle. Of this employment for Lancaster district the majority, 1,200, are in ICT while 850 are in new media.
- 3.6 Closer inspection of the data reveals Lancaster district has a low base of activity in nearly all parts of the sector, apart from telecommunications. It is likely, however, that in those parts of the sector where there is a mix of operation between technologists and other generic business functions (e.g. sales), employment may have been classified under other business service categories. Lancaster's sector employment data breaks down as follows:
- **Telecommunications** are a key strength area with 640 employees (LQ vs. GB of 1.3), as well as a research specialism for Lancaster University and is understood as both an ICT and new media sector
 - 240+⁵ were in **hardware or software consultancy** (LQ vs. GB of no more than 0.5). Although the sector was still relatively small in 2003, there is anecdotal evidence of start up activity and growth since then. Software consultancy is understood as ICT, creative and new media activity
 - 200+ in **other activities relating to computers**
 - A small number were in **advertising** (LQ of no more than 0.3), a new media and creative activity
 - No more than 200 were in **production/reproduction/publishing of digital media content**⁶ (broadly defined) (an LQ of around 0.5)
- 3.7 The **Creative Industries** in Lancaster, defined by the Department of Culture Media and Sport (using SIC codes), accounted for up to **1,600 jobs** in 2003 (3.0% of total). This represents a **location quotient of 0.74** compared to Great Britain. Just under half of these are in ICT and new media. 460 were in ICT (primarily software consultancy, database and other computer related activities) and 220 in new media activities (advertising and production/reproduction/publishing of digital media content (broadly defined)) mentioned above.
- 3.8 There is a more traditional creative industries sector accounting for up to 920 employees in the ABI, with a location quotient of 1.48. No more than 200 employees were recorded in **traditional printing & publishing** (LQ of around 0.5) and no more than 100 in **artistic activities** (LQ of 0.6). However the greatest concentration of creative industries sector is accounted for by over 600 (LQ of 5+) in **miscellaneous entertainment and recreation categories** 'other entertainment activities'⁷ and 590 in 'recreational activities not elsewhere

⁵ Due to reporting restrictions on certain ABI data points, bounded figures are given for certain sub-sectors.

⁶ Publishing of software, radio & TV activities, reproduction of computer media, reproduction of sound recording, reproduction of video recording, motion picture & video distribution, motion picture & video production, news agency activities, photographic activities, pre-press activities, publishing of sound recordings.

⁷ Includes activities of theatrical, artistic and dance schools and agencies etc., production of entertainment such as fun-fairs etc.

classified⁸. It is likely that these latter categories will contain large numbers of people not involved in industries that could strictly be called creative, and may slightly exaggerate the overall figures for creative industries employment, especially as there is a marked spike in the latter category for 2003.

- 3.9 The size of the creative industries sector was estimated across the region and by district for the North West Regional Intelligence Unit in 2003. These estimates put the size of the sector in Lancaster district as around 2,800 or 5% of employment (a proportion the same as the North West as a whole). The technique employed apportioned shares of certain SIC sectors to the creative sector and in so doing, assumed 1,400 workers in higher education in Lancaster district were involved in creative activities. Removing this gives Lancaster district a relatively low location quotient for *employment* relative to the North West. This is not to underplay the strengths of Lancaster's creative and arts community, much of which is likely not to be captured with conventional employment statistics, and its importance to the district.

Spillover effects

- 3.10 The ICT and new media sector has potentially significant links with the wider professional, financial and business services sector. First, professional, financial and business functions form supply services to ICT and new media firms, often specialising in this line of business where there is sufficient demand. Second, ICT and new media functions can form the base of a wider, more generic operation. For example, a core team of technologists may develop a product around which a larger sales and administration team deliver to a range of businesses (most of which are outside of Lancaster). This model, to varying degrees, describes much of the growth in business service activities in Lancaster district in recent years and illustrates how a technology base can create a larger number of jobs for workers at a range of skill levels.
- 3.11 Many parts of the creative industries sector provide important cultural, heritage and tourism offer to the district which serve to raise quality of life and the prospects of all businesses in Lancaster district through this effect.

Future prospects as wealth & employment provider

Key Drivers:
<ul style="list-style-type: none">• New technology creating market opportunities• Strong national growth• Increasing convergence of technology• Strong cluster group• Quality of life• 'Friends of Lancaster' skills pool• Need for critical mass to help firms grow and attract new talent and to make it an attractive place to re-locate to.

⁸ Includes tourism related activities related to parks and beaches, recreational fishing, transport activities, as well as theatrical casting activities etc.

- 3.12 The **ICT and new media sector** saw huge *proportional* employment growth between 1998 and 2003. Employment grew 86% overall nationally, almost doubling, the fastest growth associated with the 'dot com bubble' period prior to 2001. Growth in Lancaster district was almost as fast at 76%, accounted for 550 new net jobs.
- 3.13 It is hard to assess the growth of the **Creative Industries** overall, due to difficulties in measuring that part outside of ICT and new media. Growth of 1,000 employees (67%) was recorded between 1998 and 2003. This growth is primarily due to the ICT part of the sector, which accounted for 380 new jobs, and a jump in recreational jobs not elsewhere classified from close to zero to around 500.
- 3.14 Much of the traditional creative industries in Lancaster district caters for local (or tourist) markets (e.g. theatre, artistic work). Moreover, much of this activity is undertaken by the artist themselves. There is a less constraint on employment and output growth in the ICT and new media sector. Most of its output is sold to markets external to Lancaster, and generally most firms in the sector aim to grow. This part of the sector with higher growth potential includes those creative industries which could be termed either ICT or new media.
- 3.15 The ICT sector in the UK is subject to quite rapid fluctuations in growth and projections. Industry analysts⁹ generally agree growth will be slower than the double-digit rates seen before 2001. They still predict strong growth of 6-7% per annum beyond 2004 for the sector as a whole beyond 2001. It is likely, given productivity growth, that employment can be expected to grow 2-4% per annum for this period. However, in such a variegated and dynamic sector, there are more mature markets where firms are consolidating their position (cutting costs through outsourcing functions for example) on one hand, and on the other new opportunities for fast employment expansion. Those sectors highlighted for this growth are hard to predict, since so much depends on the latest technological development. The mobile sector and certain parts of IT services (e.g. public sector) which have seen the fastest growth at the time of writing.
- 3.16 There is significant scope for Lancaster district to forge its fortunes within this environment. There has been a significant investment into the infrastructure to support the sector. Most substantially the Knowledge Business Centre at the Lancaster University Infolab (see Higher Education above) opened up flexible workspace for 20 ICT enterprises in 2004 (of which 14 were occupied at the time of writing). These might be expected to produce between five and ten spin-out firms each year by 2015. It has provided greater business access to academic and research excellence at a HEFCE Research Assessment Exercise (RAE) 5 star rated Computing School and a 4 star rated Communications School (of some 260 academics and research staff).
- 3.17 It is anticipated that a future Bailrigg Science Park would house a significant number of firms in the ICT sector, many of which may be graduates from space at the Knowledge Business Centre. The University and partners hold strong expectation that, given the go ahead, the Science Park could attract significant multi-national technology firms, based around an R&D function, the like of which the university already has research links¹⁰.

⁹ OVUM Euroview ICT bulletin (March 2004).

¹⁰ The Infolab has existing research links with BT Labs, Microsoft, Orange, Cisco, HP Labs, France Télécom, Lucent, Intel, Agilent Labs, Telekom Austria and ETRI (S. Korea).

- 3.18 Growth of the wider ICT and new media sector in Lancaster district is dependent upon a labour base with entrepreneurial and ICT skills, and the infrastructure around them, such as access to suitable space, links to specialists and clustering interactions. Growth will often be tied with those with experience at the university or in larger firms. Lancaster district has a distinct opportunity in respect of its labour market, since it has a large pool of graduates from its university with (especially ICT) skills, its strong school system and quality of life offer means skilled individuals with and without ties to the district can be attracted and retained.
- 3.19 The problem in the past has been of the 'chicken and egg' type. The lack of suitable graduate opportunities of the type ICT and new media provides means suitably skilled workers have sought to pursue careers elsewhere, and the lack of this labour base has made it difficult for technology firms to grow. The lack of a base of firms has made it harder for firms to find mutually beneficial collaborations and for the university to engage fully with a base of local ICT and new media firms.
- 3.20 A problem of this sort presents an opportunity, since the right impetus can create a 'virtuous cycle'. Lancaster district has one of the strongest and fastest growing ICT cluster groups, sector led¹¹, in the North West with over 50 firms employing an estimated 650 employees. There is anecdotal evidence of large numbers of ICT SMEs, as high as one a month, establishing since 2003. This is a group Lancaster University is keen to engage with. InfoLab Associate Companies Group has been established, whereby the InfoLab hosts monthly technology awareness and quarterly networking events a selected group of around 70 firms at the time of writing, drawn extensively from the Lancaster ICT cluster, and from further afield where appropriate. This Group is used to publicising and enhance links between firms and the services at the InfoLab and other public sector partners (e.g. Business Link and Lancaster City Council).
- 3.21 As part of its local and regional outreach function, the Knowledge Business Centre is likely to increasingly prioritise links between its research base and technology firms as a means of commercialising research and expertise, rather than providing more generic ICT/e-business support to the business base at large. As well as the Knowledge Business Centre, the City Council plans to provide space at a 'CityLab' at newly refurbished Dalton Square premises.
- 3.22 Lancaster University provides high speed (24 Megabit) broadband provision for its internal network, and plans to extend this, as a wholesaler, to the rest of the Lancaster district. This is significantly faster than BT, and is in IP rather than ATM mode. This means that video and other media, produced locally, can be sent up and down the network at limited cost. There are therefore potentially exciting opportunities for local media providers, together with a range of organisations, to make use of this asset. The potential range of employment implications, given the small scale of Lancaster's creative new media sector, is unclear. There is a proposal to provide a very fast 'dark fibre' (10 Gigabit) broadband line through the district. It is likely that this would be at some public cost, against which the range of benefits would have to be carefully considered. These are opportunities by which Lancaster district can 'put itself on the map' as a place with an excellent infrastructure to attract ICT and new media firms.

¹¹ <http://www.lancaster-ict.com/>

Implications and Scope for Intervention

- 3.23 The ICT and new media sector in Lancaster district was relatively small in 2003. It accounted for 2.5% of employment in 2003, compared to 3.5% for Preston, 4.0% for Great Britain and 5.2% for Cambridge. Cambridge provides a good upper bound benchmark for employment concentration that can be achieved in Lancaster, with which it shares its rural location, quality of life assets and the heavy presence of a quality research institution. However, Cambridge University has been engaging in significant third mission activities for longer than Lancaster University, and has a long-recognised world class research tradition and skills base. The same concentration in ICT and new media as in Cambridge would imply a sector of 2,800 instead of 1,300 employees.
- 3.24 Given the infrastructure put in place, the area has all the ingredients for a self-sustained 'catch-up' to at least national levels. ICT and new media employment in Lancaster district should grow over the postulated 5% per annum nationally. It would not be unreasonable to expect a growth path of 10% per annum between 2003 and 2008, against growth of 2.5% per annum elsewhere. This would be equivalent of 800 employees and would move concentration from 52% to 68% of the Cambridge level. If growth fell to 6% a year between 2008 and 2013 (another 600 employees) before settling at a rate of growth of 2.5% a year, this would give the sector 3,000 employees by 2015 (3,400 by 2020), 20% below the benchmark concentration. This is **1,700 extra jobs** or a 130% increase between 2003 and 2015. At least **550 of these new jobs** would be in firms with **close links to the University research base** which have taken up space either the InfoLab or the Bailrigg Science Park at some point.
- 3.25 This 'catch up' by the ICT and new media sector would be the fruit of sustained third mission effort from the university and partners, appropriate space being developed and the support of the Council. The creative industries may be the focus of some of these supporting activities. The sector also contain other areas where important interventions should be made to generate significant incomes and quality of life benefits.

4. Private Office Economy

4.1 The Lancaster district office economy defined here is private sector office-based employment, and excludes public sector activities. It comprises financial professional and business services sector (excluding renting of vehicles and machinery and including IT services), travel agencies, telecommunications, publishing, printing and media activities (excluding large scale printing), and activities of business, employers and professional organisations.

Direct wealth creation

4.2 The sector accounted for 7,200 jobs in Lancaster district in 2003. This is 13% of employment, well below the Great Britain average of 21% (location quotient of 0.62). These jobs are accounted for by:

- **1,500 in professional services** (legal, accounting, consultancy etc.) (LQ of 0.8 and job growth of 550 compared to stagnation nationally). Aside from some medium-sized accountancy practices such as *Dodd & Co., Lonsdale and Partners Ltd* and solicitors like *Jobling & Knape* and *Ratcliffe & Bibby* with between 50 and 100 employees, most of this employment is in small local firms
- **1,100 in (office-based) ICT and new media**, including **500 in telecommunications**. (LQ of 0.7 overall, and growth of 500, compared to even faster national growth). This is likely to include 50-100 at the *Teleconomy Group Plc.* research house, around 200 at the *BT Customer Division*, around 40 at *MonsterMob* mobile phone services, and over 100 at *Business Serve* and *Ufindus/Iomart*) Internet Services, and a range of small firms.
- **1,000 employees involved in estate agents and other real estate activity** (LQ of 1.2, and accounting for employment growth of 300 people, around double the national rate of growth), largely small local operations
- **1,050 employees in banking and financial services** (LQ of 0.5 and a fall of 350 employees compared to slow growth nationally). This includes around 400 at *Axa Direct* and *Natwest Commercial banking and Premier Line* business-to-business insurance (undisclosed employment)

4.3 There are another 2,200 jobs in other and miscellaneous business services. There are around 1,300¹² employed in **contact centres** in Lancaster, as identified by Lancaster City Council¹³. Using data for contact centre seats this give Lancaster district a location quotient of 1.1 compared to the UK. Therefore, call centre employment does not make up an especially large proportion of overall employment in Lancaster, although it does its office economy.

4.4 The office economy has seen huge growth in Lancaster district in the five years to 2003. Employment increased by 2,200 and proportionally at more than double (43%) the rate seen nationally (21%). This growth was accounted for by key growth sectors, with approximately:

- 700 extra jobs growth in contact centres

¹² This falls within the bounds of 500 and 1,500 call centre seats identified in Lancaster by *Call North West*.

¹³ Includes Axa Direct, BT Customer Division, MonsterMob, Premierline, Business Serve, RAC, Ufindus/Iomart) and around 400 at Sunterra travel services and 100 at the RAC.

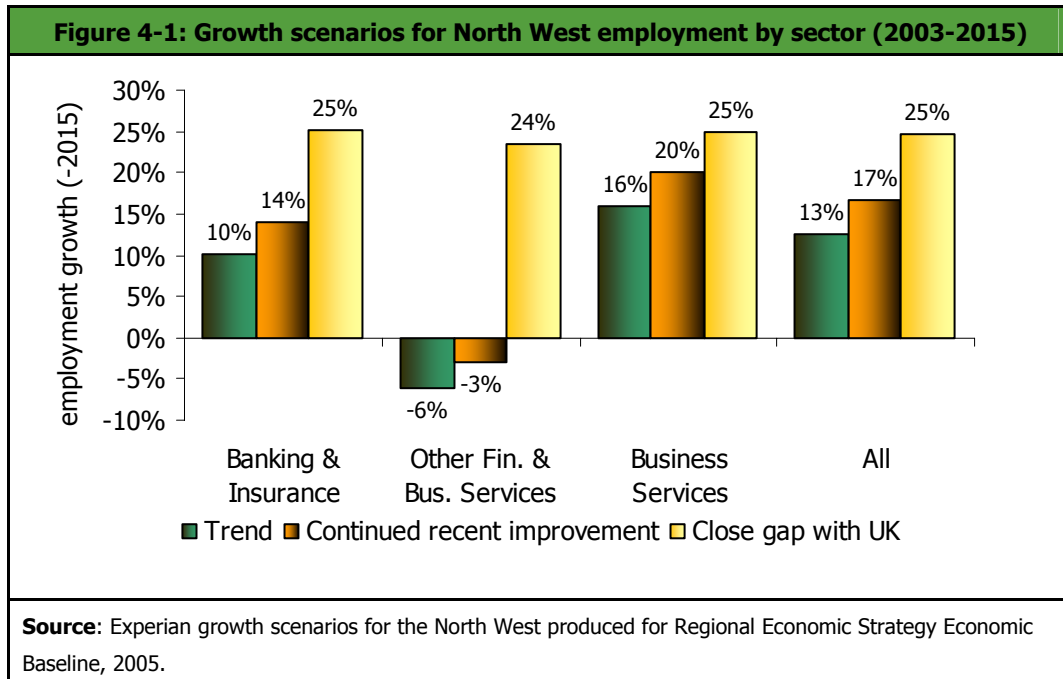
- 500 in professional services
 - 300 in real estate
 - 500 in ICT and new media.
- 4.5 Contact centres have been a key driver of overall employment growth since 1998, much of which is provided by new ICT/new media operations like *Business Serve*, *Iomart/Ufindus* and *MonsterMob*.
- 4.6 Lancaster's contact centres do not follow a generic model. What they have in common is that they serve a largely non-local market and in doing so a large part of their workforce provides customer service by telephone. Some firms have at their core a ICT/new media product, *Sunterra* sells travel services, while *BT Direct*, *Axa* and *Natwest* are parts of a wider national customer service operation. Part of what drives technology-orientated firms is the University presence in Lancaster, while other operations where competitive advantage depends less on product innovation are attracted by large numbers of students who are able to man call centres part-time. Other employment sites in Lancaster district serving non-local markets include headquarters for *Reebok Plc*.

Spillover effects

- 4.7 There are two main spillover effects of office economy firms, which largely benefit other firms in the sector. Some parts of the sector do not depend on local demand, such as ICT/new media, contact centres, headquarters and some business services firms. A large part of the sector, such as real estate and notably business services, serves local markets. Growth of office-based employment in firms serving markets outside of Lancaster district is likely to lead a further increase in employment in the firms serving these.
- 4.8 The second spillover effect works through the labour market. Many of the skills required by many office based firms, especially management skills, are transferable between different firms and sectors within it. In this way a growing base of mobile office firms is likely to be self-reinforcing to some extent, attracting a pool of skilled professionals and further growth.

Future prospects as wealth & employment provider

Key Drivers:
<ul style="list-style-type: none">• Strong national growth in business services – increased outsourcing and specialisation in service delivery• Concentration of higher value specialist business services (e.g. legal and accountancy) in core cities• Lancaster's knowledge assets as a catalyst• High latent skills base• New office development on edge of Lancaster and City Centre.



- 4.9 Employment in the office economy at large is likely to continue to increase to 2015. The trend growth for North West employment is for 13% growth between 2003 and 2015, driven by growth in business services. Under more optimistic scenarios this growth is as high as 25% for the region. Within this figure for the North West, some sectors are likely to perform stronger than others, as are some districts. It is a benchmark which can be used, in combination with specific knowledge about the sectors that make up the Lancaster district office economy, and what we know about the Lancaster district economy in general.
- 4.10 In Lancaster district, growth in contact centre employment is unlikely to provide large amounts of new jobs in future. While there is some debate as to the scale of the negative effect at present, it is generally agreed that there are downward pressures on the sector nationally through outsourcing abroad and technology changes are likely to lead to different, though not necessarily less labour-intensive modes of interaction with customers. Anecdotally, the technology-based contact centre operations in Lancaster district are planning to consolidate their operations in Lancaster district and grow into new markets. However, employment prospects do not look good in many of the other, less technology-based operations in Lancaster and *RAC* and *Sunterra* have recently announced cut-backs. That said, it is likely to remain a staple provider of jobs in future, given the large student population, quality of life offer and growing larger office space offer. The overall view therefore is neutral employment change in future.
- 4.11 Technology advances and outsourcing is likely to put downward pressure on employment in financial and insurance services, much of which is in contact centres in Lancaster. Employment growth is likely to be no better than neutral, reflecting trends of the North West.
- 4.12 Professional and business services employment is likely to increase somewhat in Lancaster district for a number of reasons. At a local level, as the Lancaster district economy grows the numbers of professionals to serve them is likely to increase. More generally, there are larger numbers of young people graduating from university looking to enter the sector, and more professionals than ever undertaking (e.g. legal practice, accountancy) training courses at a national level. This makes labour supply relatively abundant. Some parts of the professional

and business services sector are able to serve wider markets. Lancaster district has the right quality of life assets to attract and retain entrepreneurs and a suitable workforce, given job opportunities being available in Lancaster. This sub-sector, worth a total of 3,700 jobs, is likely to provide large numbers of absolute growth for Lancaster, perhaps as high as a quarter on 2003 levels by 2015, equivalent to 900 new jobs, especially given the impetus of growth in ICT/new media firms.

Implications and Scope for Intervention

- 4.13 The best prospect for growth in the office economy is the ICT and new media sector. Banking and financial services and some form of contact centre activity are remain an important part of the Lancaster district economy but with slow growth prospects nationally will be unlikely to provide much employment growth for Lancaster. Professional and business services are likely to continue to grow. Part of this would be fuelled by the growth in the rest of the local economy, especially ICT and new media, the other strong supply of labour to meet demand, attracted by Lancaster's quality of life offer. A rough estimate of *potential* job growth in Lancaster district would be of **3,500, 1,700 of which is in ICT and new media and 1,800 in professional and other business services** by 2015.
- 4.14 Growth of the sector in the past has been somewhat constrained by lack of suitable premises. A significant amount of property has come on-stream in Lancaster, especially that suitable for larger more mobile office firms (e.g. Lancaster Business Park). There is more space in the pipeline (e.g. Bailrigg, Dalton Square) which will allow for significant growth. There has not been much evidence of a mobile office sector moving into Lancaster district from further afield, although part of this has been due to a lack history of these sorts of sites in Lancaster district and a lack of visibility and marketing. Therefore it is likely that much of the growth will come, as it had in the past, from entrepreneurs with links with the district and bound by quality of life.

5. Health

- 5.1 The health sector in Lancaster district is defined as activities of medical practitioners, dentists, dispensing chemists, manufacture and retail of medical goods, social work activities with accommodation (including mental health units and care homes) and services relating to physical well-being (including fitness centres and saunas).

Direct wealth creation

- 5.2 The sector accounts for 7,800 employees in Lancaster district in 2003 or 14% of all employment. Confidentiality restrictions prevent the reporting of the exact breakdown of employment as tracked by the ABI. A broad picture of the sector is as follows:

- Almost three quarters of employment, around 5,500 is through the NHS, mostly employed through the Morecambe Bay Hospital Trust
- The Nuffield Hospital Trust employs around 200 people in private hospital services
- 1,400 providing health and social work with accommodation, most of which is in care homes for the elderly
- *Flexible Medical Packaging Ltd* manufacturing paper and film for medical packaging and employ around 100 people (other than this firm, little other medical technologies activity in the areas).

- 5.3 There is a high concentration of health employment in Lancaster district due to the presence of the Lancaster Royal Infirmary which provides acute care services for a large area of South Cumbria and North Lancashire (a catchment population of 350,000 which is over twice that of Lancaster district).

- 5.4 The substantive growth in the sector has been due to the expansion of the NHS and has seen increased numbers of hospital medical practitioners in and outside of hospitals. There has also been some growth in employment in other health activities of around 100 employees, likely to be associated with growth in private fitness and well-being activities seen nationally.

Spillover effects

- 5.5 The NHS has a huge supply chain, ranging from research and development, medical technologies, office equipment to cleaning and refuse disposal. Most goods and services will be procured from national or international suppliers, in the case of most medical technologies, or will be generic services supplied locally, such as cleaning and maintenance. There may be some small scope to raise business spillovers for some focused areas. One might be medical technologies and research and development, of which there is little activity at present in Lancaster.

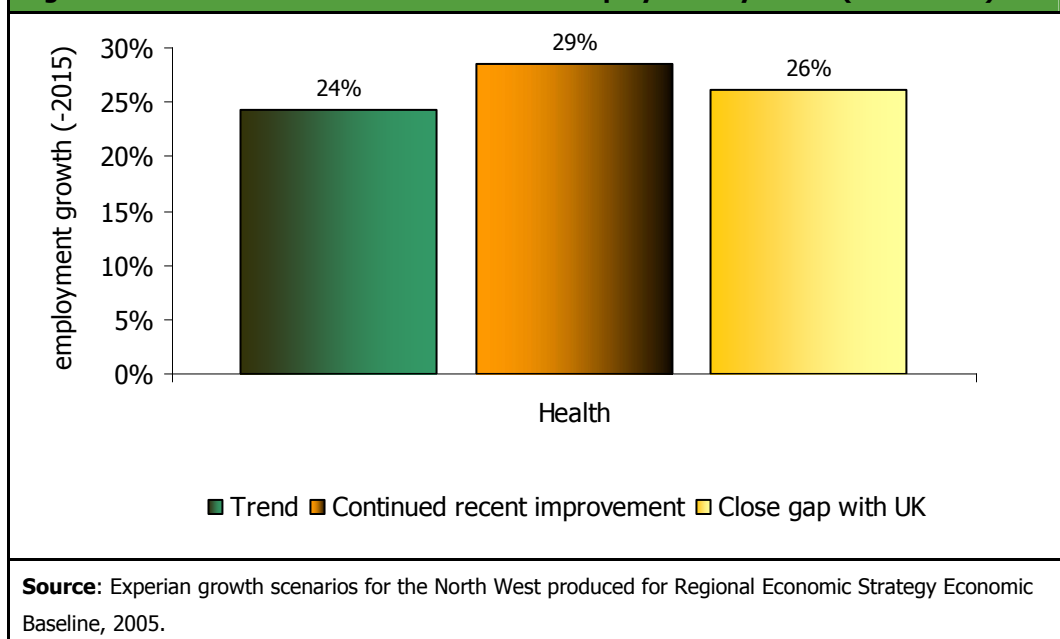
- 5.6 While the sector provides clear quality of life benefits, in the case of private health care, other health and well-being services and care homes these are likely to be as responsive to local demand as elsewhere. Likewise, the NHS aims for equality of service access by geographical area.

Future prospects as wealth & employment provider

Key Drivers:

- Considerable growth forecast regionally and nationally, driven by ageing population and high propensity to spend on health/care as incomes rises
- Ageing & demanding population
- Scale of future public service investment also critical as is pricing and public sector support for care homes
- Ability to recruit and retain staff, especially for lower skilled and paid jobs a major issue, in part because of ageing nature of some of the health sector workforce

Figure 5-1: Growth scenarios for North West employment by sector (2003-2015)



5.7 The population accessing health services in the future is more affluent, health conscious, older and generally more demanding on health resources than previous generations. Other things being equal this is likely to continue to drive increasing demand, not only in acute and non-acute health services, but also a variety in health and well-being activities. This, combined with the slow nature of productivity for many health services, means employment will continue to rise in the future. The trend for the North West's health sector is for employment to rise by another quarter between 2003 and 2015. The huge employment growth since 1998, driven by an expansion in health expenditure, feed into these trends. This sort of expansion is unlikely to continue into the medium term given the current political climate, possibly lending an upward bias to the projections for employment growth.

5.8 Population aged over 65 in Lancaster district is projected to rise from 24,000 to 29,000 people in Lancaster district between 2003 and 2015. This projected increase of 21% includes a 14.5% increase in those aged over 80, and compares to a projected growth of working age population (aged 20-64) of just 1.4%¹⁴. This is likely to place increased demands on both

¹⁴ Source: ONS 2003-based Sub national population projections.

acute and non-acute health services (especially that in care homes). In 2003 those over 65 made up 18% of the population in Lancaster, compared to 16% in the North West – proportionally a tenth more. Lancaster district has a fifth more people aged over 80 at 5% of the population. The district's relatively elderly population is one of the reasons for high employment in health. The population of Lancaster district is set to age more rapidly than the North West. By 2015 21% of the population of Lancaster district is projected to be aged 65 and above, now 12% greater than the North West compared to 10% in 2003. This will put an upward pressure on health sector growth in Lancaster district compared to other areas.

Implications and Scope for Intervention

- 5.9 The future employment growth of the sector as a whole is likely to be strongly determined by central government policy on health. Staff levels providing acute and other medical care through the NHS will be determined through the Department of Health and HM Treasury.
- 5.10 The numbers employed in providing locally traded services (e.g. maintenance, cleaning etc.) to the NHS will largely be determined through central guidance and productivity changes general to these services. There may be some opportunity to ensure the NHS makes full use of local procurement, with some limited employment benefits. Where Lancaster district may be able to act is to raise the collaboration between the NHS in Lancaster, Lancaster University and technology firms on research and development and medical technologies products. However, at present there is little evidence of any base of true medical technologies firms that could link with the Trust. Prospects do not therefore look strong for this sector in Lancaster.
- 5.11 Employment in care homes is likely to increase with the demands of an aging and more affluent society and technological trends in other sectors freeing up labour for carers while employment in fitness and non-acute health services are all likely to increase following national trends.
- 5.12 Overall, it is likely therefore that Lancaster district will grow as strongly that forecast for the North West by 2015, of **25%** or by **2,000 employees between 2003 and 2015**. The greatest public policy challenge is likely to be finding suitably skilled staff to man the health service in the future.

6. Tourism, Retail & Leisure

6.1 This driver encompasses a shared set of activities which take place in Lancaster district. We have grouped them together for several reasons

- First, there are significant overlaps between tourism (which is defined by who spends the money in Lancaster- that is to say visitors spending essentially on leisure activities¹⁵) and retail/leisure which is an activity that partly caters for local residents and partly for visitors.
- Second, there are common strands in the nature of employment – and the sort of people employed – across all retail, leisure and tourism related activities.
- Third, because of the above two factors much of the economic activity and employment is supported by a mixture of tourism and local resident spend. The main exceptions are some of the specialist tourism attractions and accommodation (such as static caravans), where local resident spend will be less significant.

6.2 It is the case that there are different drivers for elements of tourism activity and for locally generated activity. These are set out below.

Direct wealth creation

6.3 This sector is a very important source of employment in the district, as indeed it is elsewhere in other areas. In 2003 10,000 people were employed in this broad sector (retail and hotels and catering combined) or around 18% of all employees in the district. This definition excludes a range of non-hotel/catering leisure activities which would add another 2,000 or 4% to the total, giving 12,000 or 22% of all employment.

6.4 There are three components, which have different but at times overlapping drivers:

Tourism driven economy (around 2,500 direct jobs)

6.5 The driver here is the amount of visits and then tourism spend in Lancaster district. Tourism itself has various sub-sectors driven by the type of visitor, length of stay and type of accommodation used. The latest STEAM data for 2004 indicates that direct tourism spend of around 5 million visitors and 6.5 million tourism days on goods and services in the district was around £87m (excluding VAT), which generated a further £33m in indirect spend. Just over a third of spend (37%) was generated by day visitors and the rest by staying visitors. Interestingly, the total amount of direct employment supported in the accommodation, recreation, food/drink and retail sectors was estimated at 2,300 or roughly 19% of all employment in these sectors in Lancaster district, meaning that local spend accounts for 81% of employment. However, tourism's relative contribution is much greater in the hotel/catering sector (around 40%) and lower in retail sector (under 10%).

6.6 Tourism is of course relatively concentrated in the Morecambe area (51% of all tourism spend - where much of the accommodation is located and which was, traditionally, a major sea side destination) and to a lesser extent the rural hinterland. In proportional terms tourism in Lancaster city itself is modest.

6.7 The area has several distinct tourism products and markets itself as such:

¹⁵ According the STEAM data for Lancaster in 2004, 86% of direct spend by tourists (day trippers and overnight visitors) was on retail, catering, accommodation and recreation).

- City – Lancaster itself with its historic attractions and the historic area around the castle
- Country – the Lune Valley, Forest of Bowland and the AONB areas of Arnside and Silverdale (where bird watching has been an important source of visitors), in both cases the are areas linked to Cumbria and the Lake District
- Coast – focused on Morecambe itself, where the main current sources of tourism are coach parties and caravan parks.

6.8 A noticeable feature of the district is the number of self-catering establishments, caravan parks and places such as South Lakeland Holiday Village which have grown at the expense of the traditional seaside B&B and hotels. There is relatively little hotel accommodation in Lancaster City itself.

6.9 Although parts of Lancaster district have, traditionally, had a strong reliance on tourism, overall the district as a whole has only a modest specialisms in tourism (a locations quotient of 1.1 or around a 10% above average representation compared to the North West or England averages).

Day Retail/Local Visitor Economy (around 6,000 employees)

6.10 The driver here is largely the spend by the local population of Lancaster district (as suggested above tourism retail spend is a small part of total spend. There are generally seen as two type of retail spend – **convenience** (local supermarket and grocery shopping which is driven almost entirely by the local population) and **comparison** good shopping – for less commonly purchased items such as electrical goods, white goods, fashion etc. According to the Shopping and Town Centres Monitoring Report the great bulk of comparison goods spend in the district (84% in 1998) was in Lancaster City Centre, with the rest in Morecambe Town Centre (a district shopping centre). Lancaster City Centre is a sub-regional shopping centre and was ranked 16th in the North West as a retail centre and 4th in Lancashire (just ahead of Burnley and behind Blackpool)¹⁶. In total an estimated 57% of all retail spend in the district was on comparison goods and 50% on comparison goods in Lancaster City Centre. The City Centre's primary shopping area is quite tightly defined with a small area of Grade A property¹⁷ where retail spend is concentrated and rental levels are at their highest (around £90/ft sq). In comparison they are nearer £130 ft sq in Preston. Rentals drop off very rapidly outside this area in the city centre and vacancy rates rise.

6.11 Lancaster City Centre has a relatively self contained and tight retail catchment area which extends across the whole district and includes parts of the north of Wyre Borough (Garstang, Pilling, Greater Ecclestone) and the southernmost parts of South Lakeland (Kirkby Lonsdale, Milnthorpe, Arnside). Altogether these areas account for about 20% of the total retail catchments population.

6.12 There is some significant "leakage" of retail spend for comparison goods out of the district, especially for clothing (around 70% of main trips are in the district and 50% of all trips). The leakage occurs in two forms:

¹⁶ Source: Town Centre Assessment – White Young Green Planning for the NWRA, June 2005

¹⁷ The lower section of Penny Street, Cheapside, Market Street and the two shopping centres of Marketgate and St Nicholas.

- Residents living on the edge of the district for whom other centres are more convenient (Kendal or Preston)
 - Where the retail offer in Lancaster is unable to match that of larger centres with greater variety and choice (largely Preston, but also to a small degree Manchester/Trafford Centre)
- 6.13 Our discussions with those involved in retailing in Lancaster indicate that the extent of retail leakage out of Lancaster is unlikely to vary much into the future and that, realistically even with the Canal Corridor retail development, the ability to extend dramatically the comparisons goods offering in Lancaster itself is limited.
- 6.14 The growth and health of retailing in Lancaster district will depend on local population and income growth, with tourism and reductions in leakage offering a modest opportunity for extra growth.

Leisure/Night Time Economy – (around 5,000 employees)

- 6.15 The driver here is more a mixture of spend by the local population on bars, clubs, restaurants etc (including the student population who are a significant source of spend) and tourists (especially in Morecambe) in catering and accommodation. The activity is focused on Lancaster City Centre and to a lesser extent Morecambe, although accommodation is, as noted above, spread across the coastal and rural areas of the district.

Role in Wealth Creation

- 6.16 We have identified the large number of people employed by the broad sector, however its GVA contribution is rather less as: firstly a large part of employment is part-time; and secondly average earnings per hour tend to be low. We estimate that average GVA per employee in hotels/catering is around 50%, and in retail around 70%, of average district productivity. This means that overall the sector's contribution to Lancaster District GVA (around 15%) is around two third its contribution to employment. Given the relatively low paid nature of employment and the part-time nature of much of the work, we expect most staff to live locally to where they work and for there to be little in or out commuting from the district. The sector therefore relies on local labour (including students working part-time), although especially in the tourism sector there is a significant element of seasonal workers, over the period November to March tourism/visitor activity is 40% to 50% of that of the peak months of July/August.
- 6.17 What have been the indicators of change over time?
- **Tourism:** we only have STEAM data for 2003 and 2004 so it is too early to establish a time trend. However, we know that over the past 15-20 years there has been a very significant decline in the fortunes of Morecambe as a visitor destination although there has been some compensating growth in tourism in Lancaster City itself and in surrounding areas. More recently there has been significant public investment in Morecambe (on sea defences, public art and the harbour area). The data from visits to the Tourism Information Centres suggests, as far as we can see, that total visits have remained fairly level over the last 5 years (although Morecambe was affected by Foot and Mouth in 2001). The employment data suggests modest growth in jobs in accommodation and catering, although this is likely to be driven by increased disposable income of local residents rather than tourists.

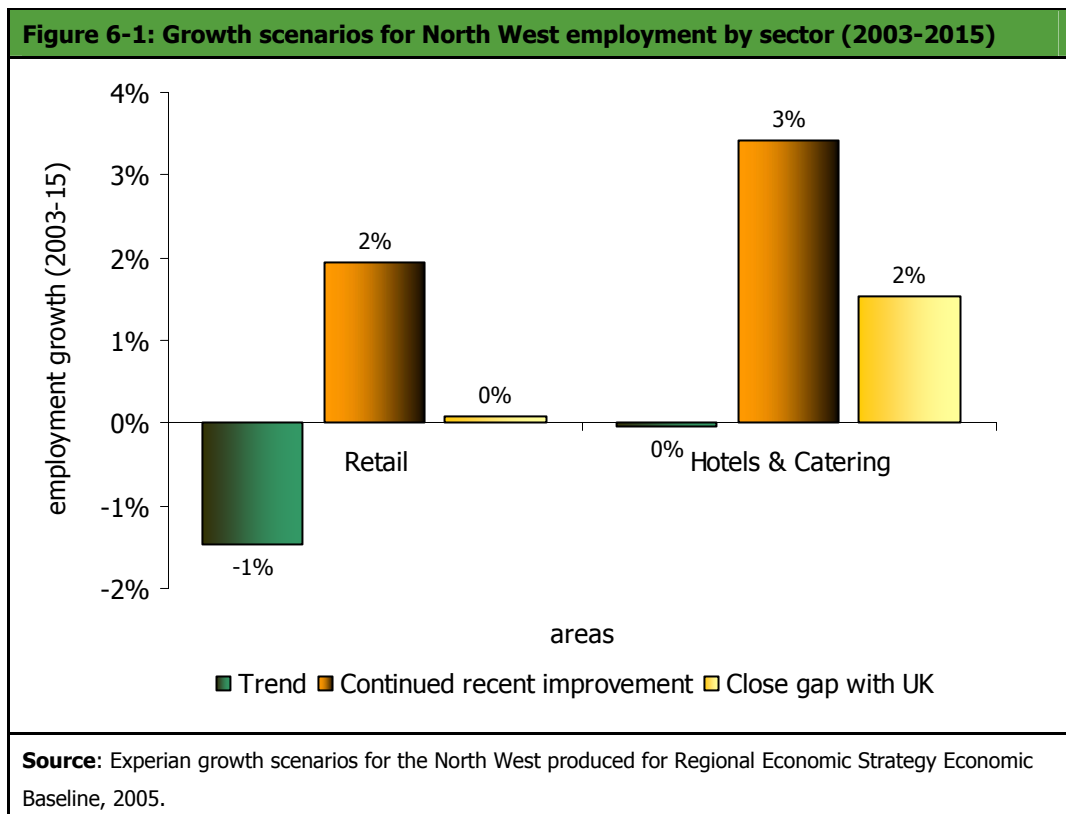
- **Retail:** the health of both Lancaster City Centre and Morecambe Town Centre are tracked by vacancy rates, retail rentals and retailer representation (as part of vitality and viability measures). The overall conclusions on the health of Lancaster as a centre is that it has remained **broadly static** over the last 4-5 years in terms of rentals and retailer representation and that vacancy rates have tended to fall slowly over time to around 7% by 2003 (as would be expected given that total retail floorspace in the primary shopping area has changed little over the period and overall retail spend has risen). However, this largely static performance is against the backcloth of growth in some larger retail centres such as Preston and Manchester. In contrast Morecambe town centre is a poorly performing retail centre with low rentals and high vacancy rates.
- **Leisure:** The leisure economy has grown significantly in the district as it has elsewhere on the back of strong consumer spending growth in recent years. In Lancaster City Centre the strongest growth in space use has been in food and drink use of floorspace (from 15% to 18% in the 10 years to 2003). Over the period 1998-2003 total employees in pubs/bars/restaurant rose by 13% across the district (260 extra jobs).

Spillover effects

- 6.18 The retail and leisure offer of an area (and related tourism offer) plays an important role in quality of life considerations and so locational factors for people and for those businesses where this is an important consideration. In short, there are important spillover effects: a high quality and attractive retail/city centre offering will help attract and retain better qualified and paid workers. (It may also be a factor for students choosing where to study, although Lancaster cannot really compete with the large metropolitan based universities in this regard).

Future prospects as wealth & employment provider

Key Drivers:
<ul style="list-style-type: none">• Growth in catchment area population and disposable income – the success and scope for growth in retail and leisure are heavily driven by the performance of the wider economy in terms of incomes that can be sustained. In reality this means growth in population in Lancaster district in the main, with some contribution from South Lakeland and Wyre districts• Large scale growth in the retail sector is not expected in next few years as consumer confidence drops and retail spend flattens, also technology and productivity leading to some reduction in employment levels. Longer term forecasts are for limited regional employment growth.• All tourism and retail centres are investing in improving their product. Lancaster district will need to re-invest in improved quality just to retain relative position, never mind grow any faster.• The major expansion and improvement of retailing offer in Preston (or Kendal and possibly Blackpool), would make it harder for Lancaster district to clawback its “lost” spend in the future through local retail expansion• Changing leisure patterns are for short breaks rather than longer stays and for specialist activity holidays.• Increased choice for leisure breaks, especially fuelled by the explosion of low cost overseas destination, has increased range and scale of competition



Tourism

6.19 Against the background of past decline of tourism in Morecambe, the tourism sector nationally has seen considerable growth. In the future key factors driving growth will include:

- First, total growth in disposable income in the district's core market areas (North West and West Yorkshire).
- Second, tourism preferences. The key trends are toward shorter trips (short breaks) where people can now consider a growing range of low cost flights to European cities as well as and the propensity to travel abroad for short breaks is rising. The UK tourism product is seen as offering poor value for money compared to abroad. Also expectations of standards of accommodation and service will continue to rise (raising issues for traditional B&B establishments).
- Third, growth tourism markets. Business tourism has been one of the strongest growing sectors in the UK.
- Fourth, cost of air travel. The relative cost of low cost air travel will influence the propensity to travel abroad for short trips.
- Fifth, demographic trends – the ageing population of retirees will account for a growing proportion of the visitor market. This may work to the advantage of some of the elements of the area's package.

- Sixth, the organisation and delivery of tourism support services. This is now being driven by the NWDA's Regional Tourism Strategy and creation of the sub-regional tourism organisation for Lancashire/Blackpool.
- 6.20 Overall, it is interesting to note that the Experian forecast produced for the Regional Economic Strategy economic baseline only suggest very limited overall growth in employment in hotels and catering (the core part of the tourism sector), in large part because of modest assumed growth in regional population (see Figure 6-1).
- 6.21 Lancaster district's tourism offer has elements which remain underdeveloped resource. We believe that the revival in the fortunes of 'traditional seaside tourism' in Morecambe, the area's traditional draw, is highly unlikely. However, the district has a range of assets that in different ways can be used to raise the scale and quality of a tourism offer that could provide direct employment and indirectly through attracting visitors and enhancing quality of life. These include:
- The development and further marketing of Lancaster City's heritage assets, including Lancaster Castle as a short break or day visit location.
 - Build on Lancaster's excellent rail access on the West Coast mainline for city break packages
 - Further development of Carnforth railway station and a more specialist rail service there
 - There are likely to be opportunities to regenerate and reposition Morecambe's tourist offer, perhaps as a more genteel destination, building on the proposed regeneration of the Midland Hotel and Winter Gardens
 - Moreover, there is scope to develop quality hotel space in Lancaster City Centre and to make more use of the University and St Martin's College facilities to encourage business tourism.

Retail/Leisure

- 6.22 There is the view held by some consultees that Lancaster district is 'punching below its weight' in terms of its retail offer. This will be somewhat redressed with the proposed new retail development on the Mitchell's brewery site to the east of the City Centre.
- 6.23 In the future, what are the key factors driving growth:
- First, and most importantly total **local population** and disposable income of residents of Lancaster district – they will remain by far the main source of retail (and leisure) spend.
 - Second, the ability to offer a **competitive location** for retailing, especially for comparison goods. It is important to bear in mind that all significant retail destinations continue to invest in improvements in environment and extra space. So investment in Lancaster district will be necessary just to retain market share. It is the view of those we consulted in the retail sector that, realistically, Lancaster City Centre is unlikely to be unable to radically extend it's retail offer to be able to compete with the likes of Preston for specialist comparison goods shopping (unless of course the local population and disposable income grew dramatically). The existing information suggest that the key competitive threats are from Preston, Kendal and to a lesser extent Manchester – although this information is a bit dated. The proposed Tithebarn development in Preston might increase the rate of retail leakage out of Lancaster.

- Third, at a national and regional level employment forecasts in the retail sector are for **static employment growth** or employment decline as a result of productivity growth (fuelled by the internet and by growth in size of retail stores).

Implications and Scope for Intervention

6.24 This is an area where there is significant scope to intervene. There is the view that both Morecambe and Lancaster's town centre offers have become somewhat jaded overall, in terms of tourism, retail and leisure. There are a wide range of opportunities, in addition to some of those mentioned earlier including:

- A business development zone (Business Improvement District) and a City Centre Manager to brigade the town centre offer and improve management and maintenance.
- Facilitating the proposed major mixed use retail and leisure development on the Mitchell's brewery site (Lancaster City Council own some of the site)
- Eventual development of Lancaster Castle as a large scale tourism attraction (subject to being able to re-locate the HM Prison service from it!)
- Using Lancaster's excellent rail connectivity to market short breaks
- Encouraging the development of more and better quality hotels – for those visiting on business, visiting the University and leisure tourists
- Further investment in the improvement of the sea front in Morecambe.

6.25 However, we would counsel caution as to the scope to substantially increase the scale and volume of tourism activity in Lancaster district given the great range of alternative destinations (in the UK and overseas), some of which have a much deeper and broader range of visitor attractions.

7. Manufacturing, Transport & Energy

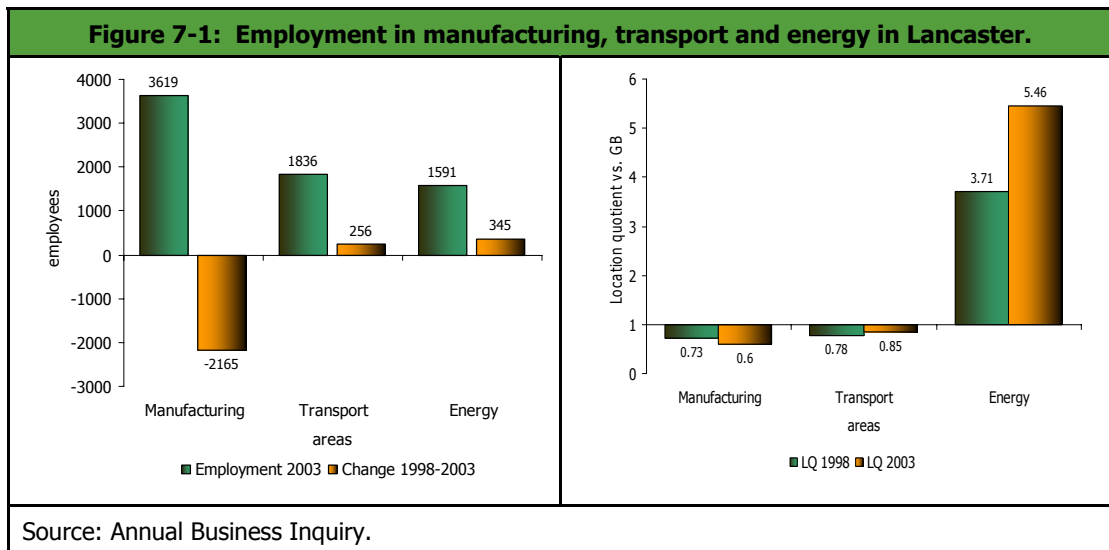
7.1 The manufacturing, transport and energy sectors in Lancaster district are defined as follows:

- **Manufacturing** – manufacturing of all intermediate and finished products (excluding publishing of media)
- **Transport** - all land, water, air and auxiliary transport operations (including cargo handling and storage and activities of travel and tourist agencies, excluding manufacture, sale or repair of transport equipment)
- **Energy** – electricity, gas, and water supply (including power station activities), recycling, mining and extraction of energy products (incl. gas).

7.2 We also provide some analysis of opportunities in environmental technologies.

Direct wealth creation

7.3 The manufacturing, transport and energy sectors account for 13% of all employment in Lancaster. All three sectors have in common a high proportion of male full-time employment (75%, 70%, and 87% in manufacturing, transport and energy respectively), and together they account for 25% of all male full time employment in Lancaster. All three have a distinct set of drivers and prospects, which are set out below.



7.4 Manufacturing accounted for 3,600 jobs in Lancaster district in 2003. At 7.0% of employment, this compares to 11.3% of jobs in Great Britain, or a location quotient of 0.62. The relatively small sector has seen rapid decline in employment since 1998, in both absolute and relative terms. Employment fell by 2,000 jobs or 35%. Concentrations remain in the following sub-sectors¹⁸¹⁹:

- **700 jobs in food and drink** (19% of manufacturing employment, LQ of 0.8 vs. GB) including 170 at *Gott Foods* poultry processors, 120 at *Diggles Ltd* making cooked meats, deli and sandwiches and 110 at *Pye Bibby Farm Feeds* (now *Carr's Billington*)

¹⁸ 2003 Annual Business Inquiry figures.

¹⁹ Job figures by firm from Lancaster City Council.

- **500** in **metal products** (14% of manufacturing, LQ of 0.8), including 180 at *SWS Shutters* in Cloughton, 120 at *T P Aspinall & Sons Ltd* providing metal products and services for a range of industries
- **400+** in **chemicals and chemical products** (12%+ of employment, LQ of 1.0+) including 100 at SRM (Solvent Resource Management) at Middleton Road conducting distillation of organic solvents, and processing organic and plastic waste materials
- **300+** in **motor vehicle parts** (9%+ employment, LQ of 0.8+), including 150 at *Lancaster GTB Systems Ltd* making fibres for the automotive, construction and filtration industries
- **200+** in **paper manufacturing** (6%+ employment, LQ of 1.4+), mainly associated with *Transprints* paper manufacturers (200 employees in Southgate)
- **200+** in **textiles** (6%+ employment, LQ of 1.4+), mostly at *Standfast & Barracks* textile and furnishings (160 employees on Caton Road),

7.5 However, none of these sectors have seen any employment growth between 1998 and 2003, and all but one (motor vehicles parts) have seen falls of at least 25%. There have been closures continuing up to 2003 including that of *Accordis Cellosic Polymers*, *Moll Industries* and *Lune Metal Spinnings*.

7.6 **Transport** accounted for 1,800 employees in Lancaster district in 2003. Just under half of these is engaged in generic passenger transport activities and just over half in freight haulage (both land and sea). Employment share in freight activities is at least 50% over the national average (reporting restrictions means this cannot be broken down more specifically).

7.7 The Port of Heysham accounts for the Lancaster's concentration of employment in freight transport. ABI figures suggest there are around 500 'extra' employees in freight transport in Lancaster. The Port itself accounts for little over 110 employees²⁰, the rest (some 400) is likely to be accounted for by haulage and warehousing operation tied to the Port (the largest being *Edmondson Freightliners Ltd* and *S J Bargh Ltd* with around 100 employees each). The fact that these sorts of hauliers choose to base their operations close to the Port may mean that Lancaster district becomes a base for other, wider haulage operations not necessarily directly linked to the Port. There has been a growth of around 250 jobs since 1998 in transport, around half of which is attributed to growth in freight movement employment. This growth is in a hundred or so workers, largely haulage operatives, has been due to a significant expansion of the Port's activities seen 1998.

7.8 **Energy** is a key specialism for Lancaster. There were 1,600 employees in 2003, over five times the national average. This employment is largely associated with *Heysham Nuclear Power Stations I and II* (around 500 full-time staff at each, plus around 300 contractors probably captured under other SIC codes and therefore additional to the total of 1,600) and 300 at *Hydrocarbons Resources Ltd* involved with natural gas production and processing also in Heysham. There has been some modest increase in employment by British Energy at the *Heysham Power Stations* over recent years.

Spillover effects

7.9 The manufacturing sector generally serves markets outside of Lancaster. Supply chain linkages direct to Lancaster district firms are not extensive. There are, however, business

²⁰ Lancaster City Council.

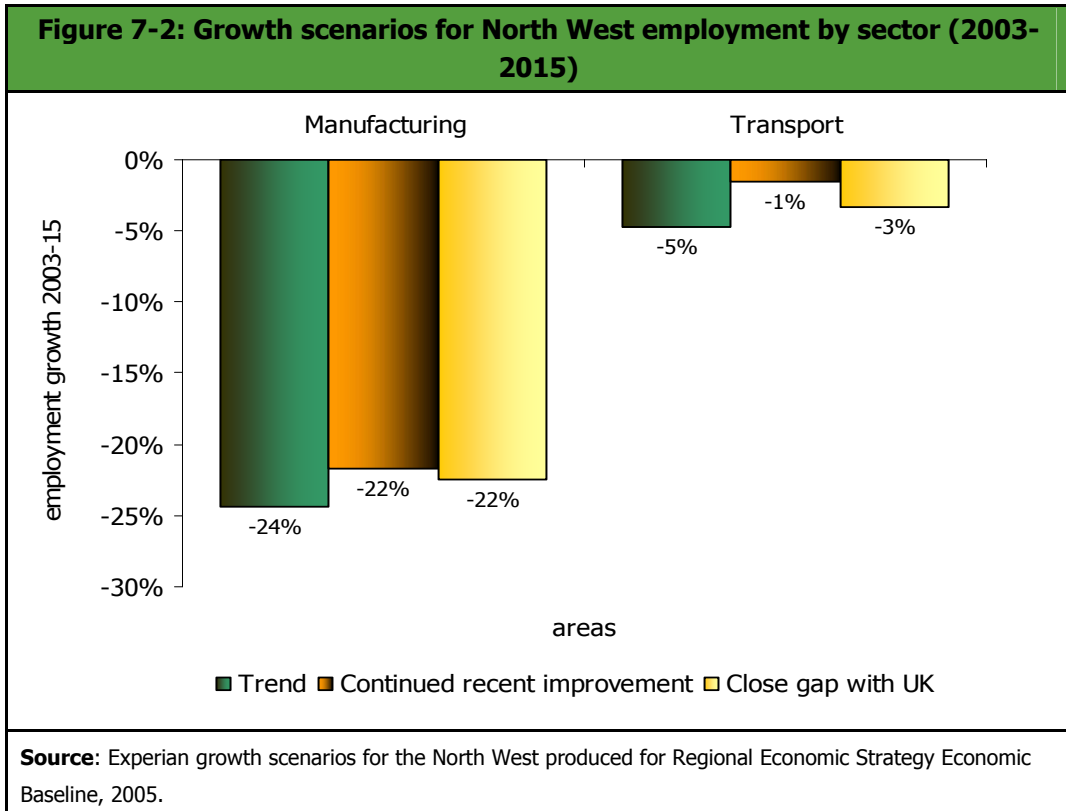
spillover effects between firms in Lancaster district in the sense of a shared pool of labour and expertise. There is a danger that once a sector has declined beyond a certain point, there is a fall-off in new recruits, entrepreneurs or ideas into the sectors which makes it even harder to halt employment decline.

- 7.10 There are few links between the extraction sector and the wider business base. However, there may be some possibility for labour trained in the sector to work in other parts the economy. Much of the more specific skills gained in these areas are, however, likely to non-transferable and workers could command the highest salaries staying within the sector and utilising these.
- 7.11 There are not likely to be these sorts of labour market spillovers for those employed in the transport sector. There may be some small effect on the costs of transporting certain bulk manufacturing goods for exports, but these will not be significant for the vast majority of firms in Lancaster district.

Future prospects as wealth & employment provider

Key Drivers:

- Continued Globalisation and shift to lower cost, low value manufacturing to Far East and Eastern Europe
- Technological & market change
- National Energy/Nuclear policy – affecting speed of shutdown of Heysham power stations and growth of alternatives
- Demand for freight movements



- 7.12 It is likely that the traditional manufacturing sector will continue to decline in Lancaster district in employment terms. Existing jobs are being eroded through competition with lower cost economies, and new job creation falling due to an aging workforce and reduced numbers of students in Lancaster district with suitable vocational qualifications. There are some successful firms providing for growing niche markets, such as *SWS Shutters*, or with links to local producers, such as food products. Lancaster University represents an asset which could spur growth products and processes in future, but there is not a significant base to capitalise on this in Lancaster district. Overall, jobs will continue to fall in the long run, perhaps by up to another 9000 jobs by 2015.
- 7.13 Current plans are for Heysham I to shut in 2014 and Heysham II in 2023²¹. With the workforce at Heysham currently on average in their mid-40's, voluntary retirement dampen the adverse employment effect. The staggered shut-down of the two plants, opportunities at other plants elsewhere in the UK and jobs in decommissioning (plans are very much in progress). Even so, since there is little 'wind down' of the plan up to closure British Energy expect significant numbers of involuntary redundancies in 2014 and 2023.
- 7.14 There is thought to be significant potential to grow the freight movement through the Port of Heysham, by at least double its present tonnage. The constraint on this growth would be the rate at which it could be transported into the port – either by road or through some rail link. The employment benefits will be minimal at the actual Port of Heysham however, perhaps up to 50 extra employees at the most. It will lead to a significant increased in haulage (and linked activities), theoretically by up to 800 jobs if for all firms involved if employment doubled. However, not all haulage firms catering for Port haulage are based in Lancaster district (although a significant number are), and even at Lancaster district firms many employees will not be Lancaster district residents. Therefore employment benefits are not likely to be higher than 250.
- 7.15 Lancaster Environment Centre houses around 300 academics and is one the world's leading research bases for environmental sciences. The Centre undertakes substantive research work with a number of firms at present. Most of these are not environmental technology firms, but are firms whose core products might be manufacturing or utilities but for whom environmental science plays a key role in product and process innovation. Of those firms with whom they undertake significant research work, there are very few examples in Lancaster district and none which there is any large employment implication.
- 7.16 The development of the Knowledge Business Centre at the Lancaster Environment Centre and the Bailrigg Science Park offer significant opportunities to attract research functions of manufacturing, utilities and other firms who rely on environmental science for product and process innovation to Lancaster. This relocation is likely to be based firmly around research as distinct from the core functions of the businesses. The largest part of the jobs attracted are likely to be solely those based in these facilities – that is 60 in the KBC at any one time (129 in total for 2006/07 – 2010/11) and a perhaps up to an additional 70-150 on the Science Park.
- 7.17 There are exciting opportunities for wider Lancaster district to capitalise on the University presence, linked to its quality of life and flavour, to be a leading centre for environmental technologies and sustainability. While it could be an exemplar and pilot area for certain technologies, the nature of economic activity around these technologies makes it unlikely

²¹ British Energy, Heysham.

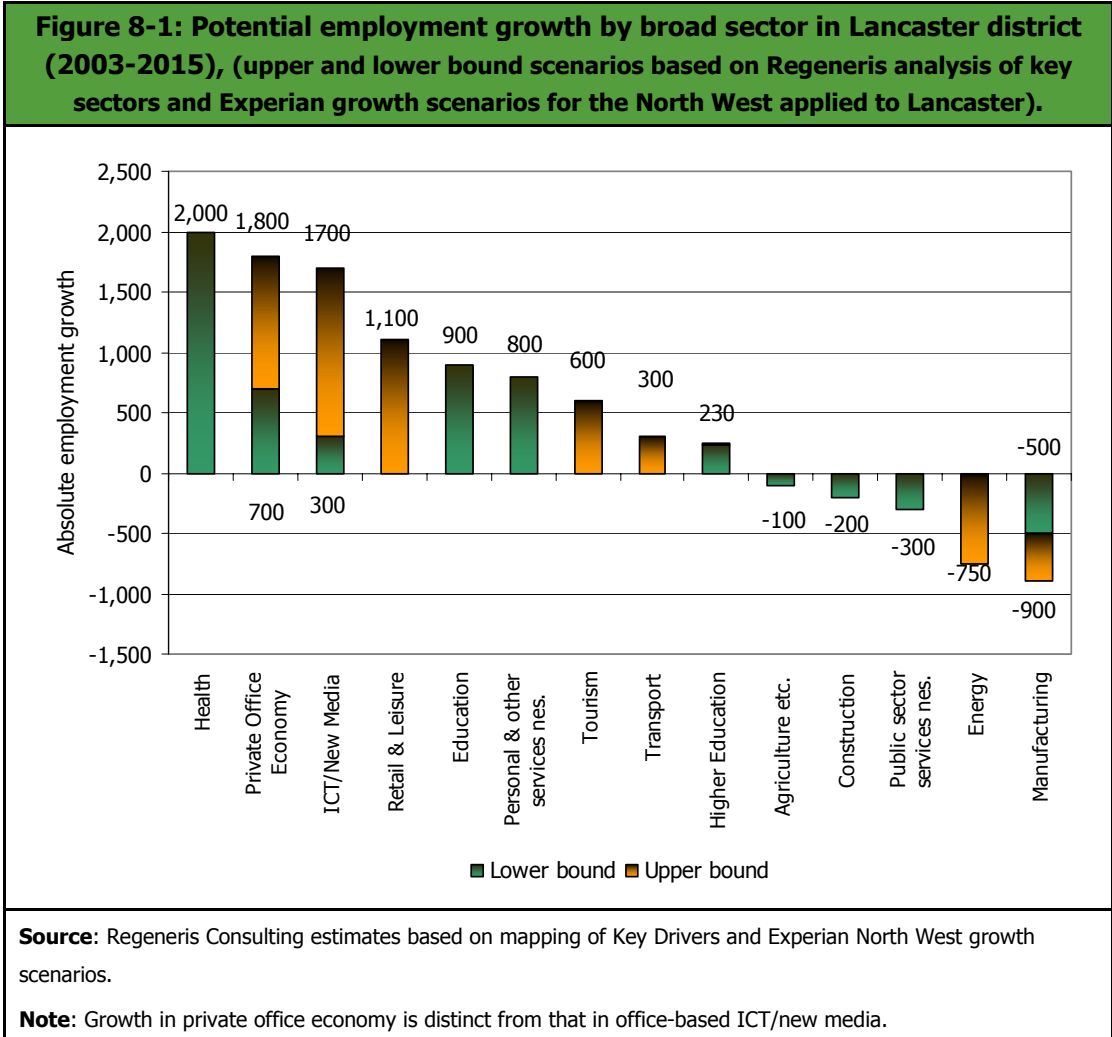
that there will be large numbers of people outside of the University involved in producing these goods and services.

Implications and Scope for Intervention

- 7.18 Decline is likely to continue in the medium run for manufacturing and by 2015, **another 1,200 or a third of jobs could have been lost** in Lancaster. This would be slightly faster than that projected for the North West, given the district's low base in advanced manufacturing activities.
- 7.19 Employment in **energy** is likely to **remain at present levels until 2014**, at which point it will start to taper off towards national averages towards 1,300 job losses by 2030. These job losses are likely to be managed so actual redundancies may be lower than half this figure, although this still represents a loss of employment opportunities in future. Jobs in **transport** are likely to provide some increase but not beyond the scale of around **300 jobs**.
- 7.20 There may be scope in Lancaster district to slow the pace of decline in manufacturing through reviving skills provision and networks in the sector, and providing an impetus into diversification through links to Lancaster University. Intervention at the local level is unlikely to fully arrest the continual downward trend in employment however. There may be some opportunities for providing links between environmental technologies production in Lancaster district and the Lancaster Environment Centre in future, although a significant activity outside the University has yet to develop in Lancaster. The Heysham-M6 link road will remove a key constraint for the Port of Heysham, perhaps leading to at most 300 jobs in transportation in the medium term.

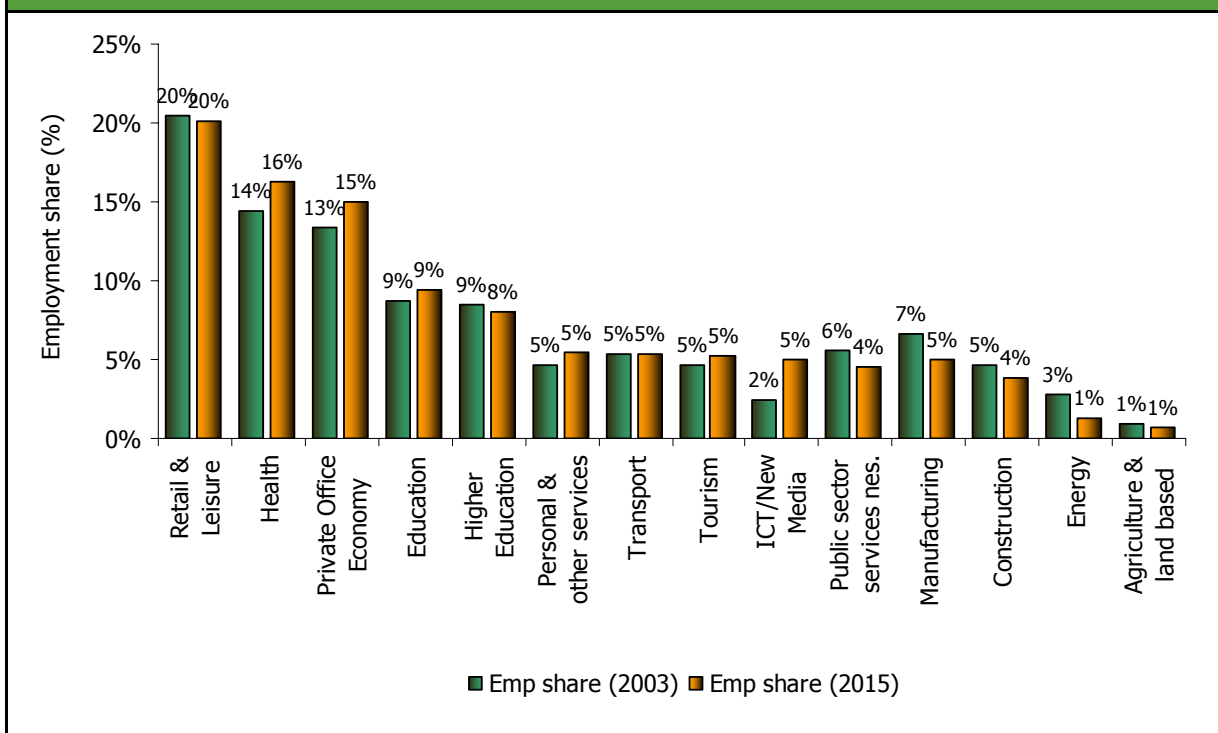
8. Summary of growth prospects

- 8.1 Our best estimate is that employment in Lancaster district is set to grow by between 2,700 and 8,300 net additional jobs between 2003 and 2015. Potential net employment growth by sector is set out in Figure 8-1. Growth in the health sector will contribute 2,000 of these net new jobs. ICT and new media and other parts of the private office economy have the potential to create another 3,500 jobs. Achieving more limited proportional growth in retail and leisure, because of the size of the sector, has the potential to provide 1,100 jobs. Tourism, given achievement of ambitions of Lancaster and Morecambe Tourism Strategies, has the potential to provide 600 more jobs over the period.
- 8.2 The Lancaster district economy will continue to restructure. Manufacturing employment is likely to continue to decline, by between 500 and 900 more jobs. Depending on policy outcomes on nuclear decommissioning employment in energy may have fallen by 750 in 2015 with further reductions in the pipeline.
- 8.3 This growth will depend in part on the success of public action and the business sector in Lancaster. This applies for ICT and new media, other private sector office-based employment, retail, leisure and tourism, and manufacturing to some extent.
- 8.4 These estimates are based purely on industry data and growth prospects for Lancaster district and the North West and do not make any assumptions about population growth in Lancaster. Were population to grow faster than the North West rate the Lancaster district economy could expect to support greater numbers of jobs in sectors which depend on local markets – principally health, education (excluding HE), personal & other services, retail and leisure and some of the office economy.
- 8.5 We judge this period to 2015 a sensible one for projections to be made on the basis of what we know at the time of writing, but one that is long enough for the effects of ambitious policy aimed at transforming Lancaster district to bear fruit. We would extrapolate trend growth in 2015 to extend scenarios beyond this period.



8.6 The effects of the upper bound growth path on the employment structure for Lancaster district is set out in Figure 8-2. The biggest shifts would be the increasing employment share of health from 14% to 16%, that of ICT and new media from 2% to 5% and a fall in manufacturing employment share from 7% to 5%. Those sectors where there has not been large absolute employment growth will still remain important sources of jobs in Lancaster.

Figure 8-2: Share of employment growth by broad sector in Lancaster district (2003 and 2015), based on upper bound growth estimates for 2015.



Source: Regeneris Consulting estimates.

Note: Private office economy includes office-based ICT/new media. There is overlap between the tourism and retail and leisure sectors.

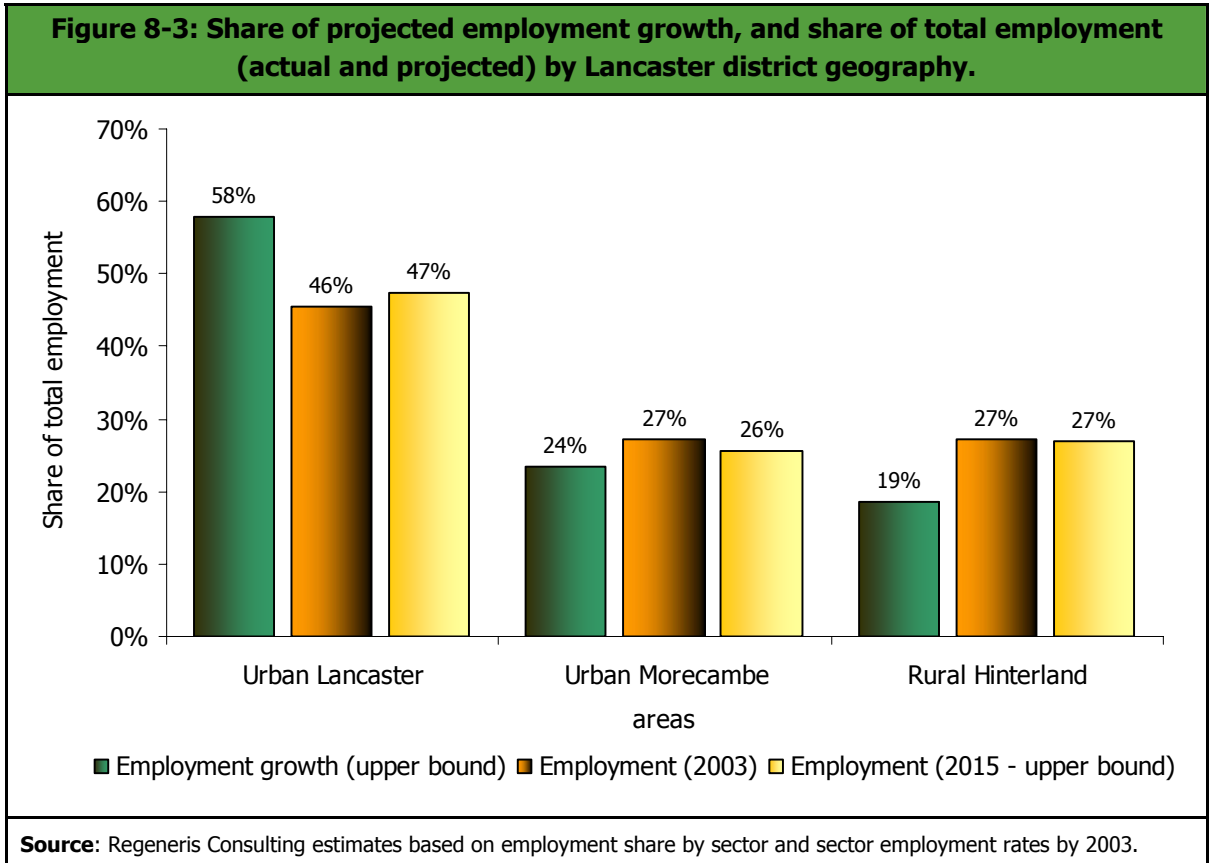
Local implications of growth prospects

8.7 Job growth is expected across all broad geographies in Lancaster district, but is not likely to be spread evenly. Given the present geographical split by sector, an estimated 58% (4,800) of the extra jobs are likely to be based in urban Lancaster²², compared to 24% (2,000) in Morecambe and 19% (1,500) in the district’s rural wards.

8.8 There are two notes of caution in interpreting these figures:

- Market forces will tend to shift these new jobs away from urban Lancaster to Morecambe and the rest of the district, as pressure on capacity and prices (land and property, transport, housing etc.) makes these relatively more viable locations
- Even if the growth in new jobs in urban Lancaster was unmitigated by market forces, the effect on shifting employment structure across the district is not as dramatic as might be imagined. As shown in Figure 8-3, fulfilling the upper bound growth path under these circumstances would raise urban Lancaster’s share of the district’s jobs from 46% to 47% by 2015, reducing that in Morecambe from 27% to 26%.

²² Calculated on the basis of share of district level employment in 2003 by geography, multiplied by sector growth prospects. This assumes sectors remain *proportionally* concentrated in the same parts of the district.



9. Future Underpinning Factors

Labour market & skills

- 9.1 The potential growth of the Lancaster district economy by between 2,700 and 8,300 jobs implies a growth in employee jobs of between 5.1% and 15.8% between 2003 and 2015. The higher growth path is of a similar scale again as the fast growth of 5,700 seen between 1998 and 2003. However, the earlier growth started at a period where there was considerable slack in the labour market.
- 9.2 The period 1996 to 2005 saw 3,200 people come off the unemployment register in Lancaster. Many of these were drawn into the labour market and contributed to employment growth over the period, while some went towards an increase in those inactive and claiming disability benefits. By 2005 there were 1,600 JSA claimants, 1.6% of the working age population, and 7,000 or 7.2% of the working age population on Incapacity Benefits. The 2001 Census shows that there were 13,500 people inactive in Lancaster, excluding students and retirees (19% of the working age population not including this cohort). This includes those disabled as well homemakers and other inactive. However, this pool of inactive is just 0.6% points above the England average (the difference would be equal to no more than 100 people in Lancaster).
- 9.3 There is now far less scope to draw people from the pool of unemployed people to service employment growth in Lancaster district than there was before 2003. The largest latent labour pool locally are those people not currently participating in the labour market. Indeed, employment growth in many sectors can be seen as an opportunity to engage those not participating in the labour market due to lack of opportunity (concentrated in certain wards in Lancaster city, but especially Morecambe). Considering there are not unusually large numbers of inactive in Lancaster district means, however, that these groups are likely to be 'hard to reach' and require proactive support into work. Realistically, successfully reducing this pool of inactive might support employment growth of 1,000 to 2,000 over this period, given the falls in manufacturing employment and the high-skilled nature of many of the new jobs created.
- 9.4 Much of the growth will therefore need to be facilitated by drawing from a wider labour pool, either by attracting additional residents to Lancaster district or net in-commuting from elsewhere. Achieving growth of 3,500 in ICT and new media and other professional and business services in particular is likely to require a mobile professional employment from outside of the current Lancaster district workforce. This could be achieved through increased retention of those with previous links to the district. A feasible increase in the graduate retention rate would imply an extra 1,000 jobs by 2015 for example.
- 9.5 It is likely that under the high growth scenario only 2,000 jobs could be increased from the existing local labour market. This leaves 6,300 jobs to be filled by those either locating or commuting to Lancaster. If as many Lancaster district workers commuted in as residents travelled out this could provide up to 3,100 (from 6,600 to 9,700). This is likely to be a high estimate for capacity to draw on outside labour – the potential increase from increased net commuting is likely to be a maximum of 2,000. The population implications of growth are covered more fully in Table 9-1.

Land & property

- 9.6 There are a round 110 hectares of allocated employment land across the district, of which around 44 hectares is greenfield and 65 hectares brownfield land²³. Much of this land is at various stages of development readiness. In addition there are development plans for further sites. What are the implications for future economic growth?

Office Accommodation

- 9.7 There has been relatively little quality private office stock in the district and until recently little development. In the City Centre there is some 83,000 sqm of floorspace, of which over half is accounted for by the White Cross centre (developed in 1984 in a former mill complex) – which has been a critical source of small office space for starter businesses. The vacancy rates across the city centre are very low. Until recently it has not been commercially viable to develop office accommodation in Lancaster, although this is now changing as rental levels for new high quality development are approaching critical levels. Most new office development has been along the A683 (Caton Road) out of Lancaster. Indications from the local authority's economic development service is that there is a buoyant and growing demand for office premises – mostly for very small starter units from local firms. Recently city centre office rental levels have risen relative to Preston and Kendal. Type 3 office rentals increased from £70 to £85 per square metre per annum in Lancaster city centre between 2001 and 2004, while price of equivalent space remained static in Kendal at £75 and rose somewhat from £90 to £95 in Preston²⁴. While appropriately-priced space has been available for start-up firms in the past, this market is approaching capacity. Given the current profile of property, finding suitable space will increasingly be a constraint for new and existing small firms.
- 9.8 Key sites and office property locations in Lancaster district include:
- **Lancaster Business Park** – has 6.5 hectares remaining and is located by Junction 34 of the M6 and is the only available employment land along the Caton Road corridor at present. It is owned privately and has been developed out slowly for a mix of commercial and leisure uses. There are a number of industrial sites along the Caton Road which have the potential for redevelopment in the future to more modern uses.
 - **White Cross** – as already stated a key location for new starter businesses, but fully let.
 - **Luneside East** – around 8,000 sqm of office space is to be developed by 2008 as part of this major mixed use redevelopment scheme
 - **Nos. 4/5 Dalton Square:** this site is being redeveloped for small workspace and will lead to around 2,000 sqm of refurbished floorspace
 - **Bailrigg** – has been identified by the NWDA as a regional strategic site, targeted at knowledge based industries due to its proximity to Lancaster University (it has been accepted as such in the draft replacement Lancaster Structure Plan and is for B1 uses only). It is 9.7 hectares in area and subject to a feasibility and master planning

²³ "The Local Economy Monitoring Report", Lancaster City Council, July 2005

²⁴ Source: Lancaster Local Development Framework Monitoring Report July 2005. Type 3 Offices are those in "High Quality Converted Victorian or Georgian Houses".

exercise. The idea is that it will offer grow-on space for business spun out of the University (e.g. in InfoLab 21), as well as potentially other knowledge based businesses in the area. Its potential capacity for employment uses is, we estimate, of the order of 2,500 to 3,000 jobs²⁵.

- In addition, there are some service sector office, businesses located on the White Lund Industrial Area which has a mix of retail, industrial and commercial premises.
- Finally the proposed redevelopment of the **Canal Corridor** area²⁶ includes, as part of mixed use development, creation of new employment uses, including new office development.

Industrial Sites and Premises

9.9 The District is much better served in terms of industrial land, although there is relatively little available for immediate development. Sites largely suffer from poor environmental quality and poor access and are at various stages of development readiness. There is a mix of brownfield (65 hectares in total) and greenfield sites, although the main greenfield site (Mellishaw) has not been commercially viable for development, with substantial servicing costs and is constrained by current road access (as is White Lund more generally). The largest brownfield development site in the district (Lancaster West) is located in South Heysham, where the district's greatest concentration of industrial land is located (around 30 hectares in total). However, the attractiveness of the location is very limited by environmental quality and its poor access.

9.10 For both the sites in Heysham and the White Lund/Mellishaw area, the critical issues for their future attractiveness for development is the M6/Heysham link which would radically improve motorway access.

Future role of land and property

9.11 How far will land and premises act as a constraint on the potential growth we have identified? There are two main issues:

- First, the potential scope for private sector ICT/new media and the private office economy to grow could be constrained by land and premises. As it stands there is a shortage of smaller starter accommodation and White Cross which has fulfilled this role is effectively full up. However, the increase in rentals will start to make private sector led development (of new and refurbished property) more likely. In theory we would see the capacity at Lancaster Business Park and the new Bailrigg site when developed as sufficient in total quantity terms to accommodate future growth needs. However, they will not necessarily offer the relatively cheap and cheerful accommodation that new starter firms need and also do not benefit from a town centre location. Successful development of small flexible workspace as part of the Storey Institute and Luneside East projects would provide some extra capacity in this respect. However, should Bailrigg not be developed then there would be a deficit of suitable land.

²⁵ 9.7 ha = 97,000 sqm, at a plot density of 30% and assuming 2 storey buildings gives 58,000 sqm or 630,000 ft sq

²⁶ Mitchells brewery and Bottling plant site, Alfred Street Workshops and Heron Chemicals site, [CHECK]

- Second, the overall quantity of overall employment land across the district should be more than sufficient. However, there are constraints on bringing forward most of this land for development in the short-run. The opening of the M6-Heysham link will increase the viability of development on sites around Heysham and should facilitate the bringing on-stream of a greater quantity of land to cater somewhat for the likely growth in employment. However, in the absence of this link the attractiveness of the land for any sectors relying on speedy transport of goods will be constrained.

Transport

- 9.12 Transport is a key issue in the district. Indeed, across Lancashire, Lancaster district is the area with the greatest degree of recorded dissatisfaction with transport infrastructure²⁷. The key constraint is the crossing over the Lune between Lancaster City Centre and the rest of the district. The congestion here creates several problems:
- First, it makes **access to employment sites** west of the Lune problematic as it does access to the Port of Heysham. This is likely to adversely impact on business competitiveness, as noted above on the suitability of sites for development and on the ability to attract new investment.
 - Second, and in our view as important, it effectively **severs the district's labour market** (and housing market) in two making access from Lancaster to Morecambe/Heysham and vice versa difficult during peak hours. This is a particular issue in that we expect much of the future employment growth in the future to happen in areas to the east of the Lune (Bailrigg, Lancaster Business Park, the City Centre etc). Yet the majority of areas in regeneration needs (with opportunities for housing development) and residents who are unemployed are to the area to the west of the Lune. Without measures to better link these two halves in labour market terms, this will stifle the whole economy's ability to punch its weight as a 150,000 person "mini conurbation".
- 9.13 However, in terms of wider external links Lancaster district is well placed: it is on the West Coast main Line, has direct links to Manchester by rail and of course has direct access to 3 junctions on the M6. In transport and distribution terms as it sits on a major north south transport artery.
- 9.14 The M6-Heysham Link is the County Council's adopted number one transport priority for the local transport plan. The scheme would need to go through a Public Inquiry and then be successful in making the case regionally and nationally for funding. We understand that, realistically the link road will be built by 2011/12, if it gets funding. As well as improving vehicular access to the motorway, the scheme is intended to ease congestion across the Lune and to allow for improved public transport links.
- 9.15 There are other traffic issues in the district (such as congestion around the city centre and the severance caused by traffic around the city centre). However, in many ways these are "typical" of a fairly successful local economy and are, in our view, unlikely to act as a significant constraint on growth.

²⁷ Lancashire County Council Transport.

Population and housing

- 9.16 Lancaster's industries are set to demand increasing numbers of workers to fill jobs in Lancaster district in the foreseeable future. Whether Lancaster district fulfils its growth potential will determine total jobs created. In turn, the extent to which Lancaster district can provide the workers to fill these jobs will impinge on growth. Table 9-1 shows potential job growth based on projected job growth by Lancaster's industries. Fulfilling likely trend growth for each industry implies total job growth of 2,700 by 2015 while fulfilling growth potential implies growth of 8,300.
- 9.17 As set out above considering the labour market, under the higher growth scenario there is in all probability potential to fill up to 2,000 of these jobs from the local inactive pool of labour (drawing 1,000 from the pool of those claiming IB/SDA would represent considerable policy success). Slower growth in job demand would probably mean less opportunity to draw the same numbers, although many of those job opportunities that could potentially be filled by incapacity claimants would be created since the higher growth scenario is based on relatively high-wage jobs. Given growth is likely in other parts of Lancashire, increased net migration over the period is likely to be possible to up to 2,000 employees in the higher growth scenario and 1,000 in the lower. This means (assuming employees fill a single job) that **if Lancaster district is to fulfil lower bound growth of its current industries there is likely to be a shortfall of up to 2,700 workers by 2015. If Lancaster district is to fulfil its growth potential, there is likely to be a shortfall of between 4,300 and 8,300 workers by 2015.**
- 9.18 To fill these jobs, Lancaster would have to accommodate up to an extra 5,400 residents, under the lower bound scenario, or up to an extra 16,600 under the growth scenario²⁸, by 2015²⁹. Given current average dwelling densities, this implies up to an extra 2,300 dwellings under the lower bound scenario, and up to an extra 7,200 under the higher growth scenario. Under present agreements, Regional Planning Guidance allows for the construction of 4,000 (net) new dwellings between 2003 and 2015 (380 per annum up to 2006 and 320 thereafter).
- 9.19 Therefore, it is likely that a lack of new housing will act as a constraint to achieving the high growth scenario for Lancaster, depending on the degree to which jobs can be filled by increased net in-commuting and increased employment rates in Lancaster district. If this is not possible, due perhaps to job growth and little housing stock growth in areas around Lancaster district, and a tight labour market within the district, then up to an extra 3,200 dwellings will be needed by 2015 to allow the growth scenario, equivalent to an extra 260 dwellings per annum between 2003 and 2015.
- 9.20 At the time of writing, the new draft Regional Spatial Strategy proposes a somewhat more generous housing allocation for Lancaster district. This allocation allows for 5,200 net new properties in Lancaster district between 2003 and 2015, 1,200 more than allowed under present agreements. This would go some way to providing sufficient housing to make the high growth scenario a possibility for Lancaster district. However, it still remains a distinct

²⁸ Based a rule of thumb ratio of jobs to total population of 2.0. This is also the ratio of working age (20-64) to total population increase projected in official ONS population trends.

²⁹ ONS Population Projections are trend-based and do not take into account future job growth, although they may have been used to derive housing growth estimates. Trend growth in population is for 2,200 growth between 2003 and 2015, 1,200 of which is those of working age (aged 20-64).

possibility that lack of housing will constrain this scenario if a significant increase in employment rate and increased in-commuting cannot be achieved.

Table 9-1: Potential job and employment growth 2003-2015, with implications for population and housing				
	Lower bound 'trend' scenario		Upper bound 'success' scenario	
Job growth 2003-2015	2,700		8,300	
Potential increased employment 2003-15	1,800		4,000	
. . from JSA & IB/SDA stock	600		1,000	
. . from other inactive	400		1,000	
. . increased net commuter in-flows	800		2,000	
Implications for population & housing	Min	Max	Min	Max
Remaining demand for jobs 2003-15 ³⁰	900	2,700	4,300	8,300
Implied population increase 2003-15 ³¹	1,800	5,400	8,600	16,600
Implied dwellings increase 2003-15 ³²	800	2,300	3,700	7,200
Permitted new dwelling increase (current) 2003-15 ³³	4,000		4,000	
Implied dwelling growth shortfall 2003-15 ³⁴	(3,200)	(1,700)	(300)	3,200
Source: Regeneris estimates, based on best available data.				
Note: Figures are approximate estimates based on assumptions discussed above.				

9.21 These population growth estimates are based on likely job growth for Lancaster district. They should not be seen as the upper limit to possible population growth. Rather, they are the minimum numbers needed to support growth scenarios. It is likely that Lancaster district could attract, given its quality of life offer, an increased number of residents on top of that needed to support estimated job growth if planning policy were relaxed. In this case, extra jobs would be created in local services (e.g. education and health) to meet the needs of a larger resident population. Increasing population size is likely to provide critical mass in many respects. For example, a larger population and labour pool is likely to draw cultural, leisure and retail assets as well as larger business and professional services firms to the district. The benefits of increased population should be weighed against the likely impact on green field land, transport infrastructure and quality of life in the district. The long-term desirability and viability of increasing population to achieve greater critical mass is one that must be made by the Vision Board with its partners inside and outside Lancaster district. It must be stressed,

³⁰ Increased jobs minus range of potential increased employment

³¹ Based a rule of thumb ratio of jobs to population of 2.0. This is also the ratio of working age (20-64) to total population increase projected in official ONS population trends.

³² Based on person per dwelling ratio of 2.3 (average dwelling ratio for 2005 used in the Barker Review of Housing)

³³ Lancaster City Council Supplementary Planning Guidance Note 16 sets out the annualised target for net dwelling construction (constructions minus demolitions) for Lancaster District at 380 dwellings per year between 2001 and 2006, and 320 per annum between 2006 and 2016. Overarching targets ordained by Regional Planning Guidance.

³⁴ Dwelling growth implied by necessary population increase minus permitted new dwelling increase.

however, that the rationale for increased housing to meet growth needs stand independent of this more general critical mass argument.

Implications for GVA growth

- 9.22 The upper bound success scenario will **raise GVA per head in Lancaster district by at least 5%** above what it would otherwise have been without employment growth. Differential productivity growth for Lancaster is harder to model, but it is highly likely that GVA per employee will rise quicker in Lancaster under the high growth scenario³⁵. Growth of 5% in GVA per head is a lower bound estimate based solely on increased employment in the North West of 6,300³⁶. Higher productivity growth means GVA per capita growth is likely to be substantially higher than 5%.
- 9.23 Lower per capita output in the North West implies a total output gap with England of around £10bn for 2002. Increased employment under the higher growth scenario would imply this gap, other things being equal, is closed by 1%. The Northern Way Strategy highlights that the lower employment in the North contributes £4bn to a £29bn gap in total output. Achieving the high growth scenario would, other things being equal, close this £4bn employment gap for *all Northern regions* by 2%.

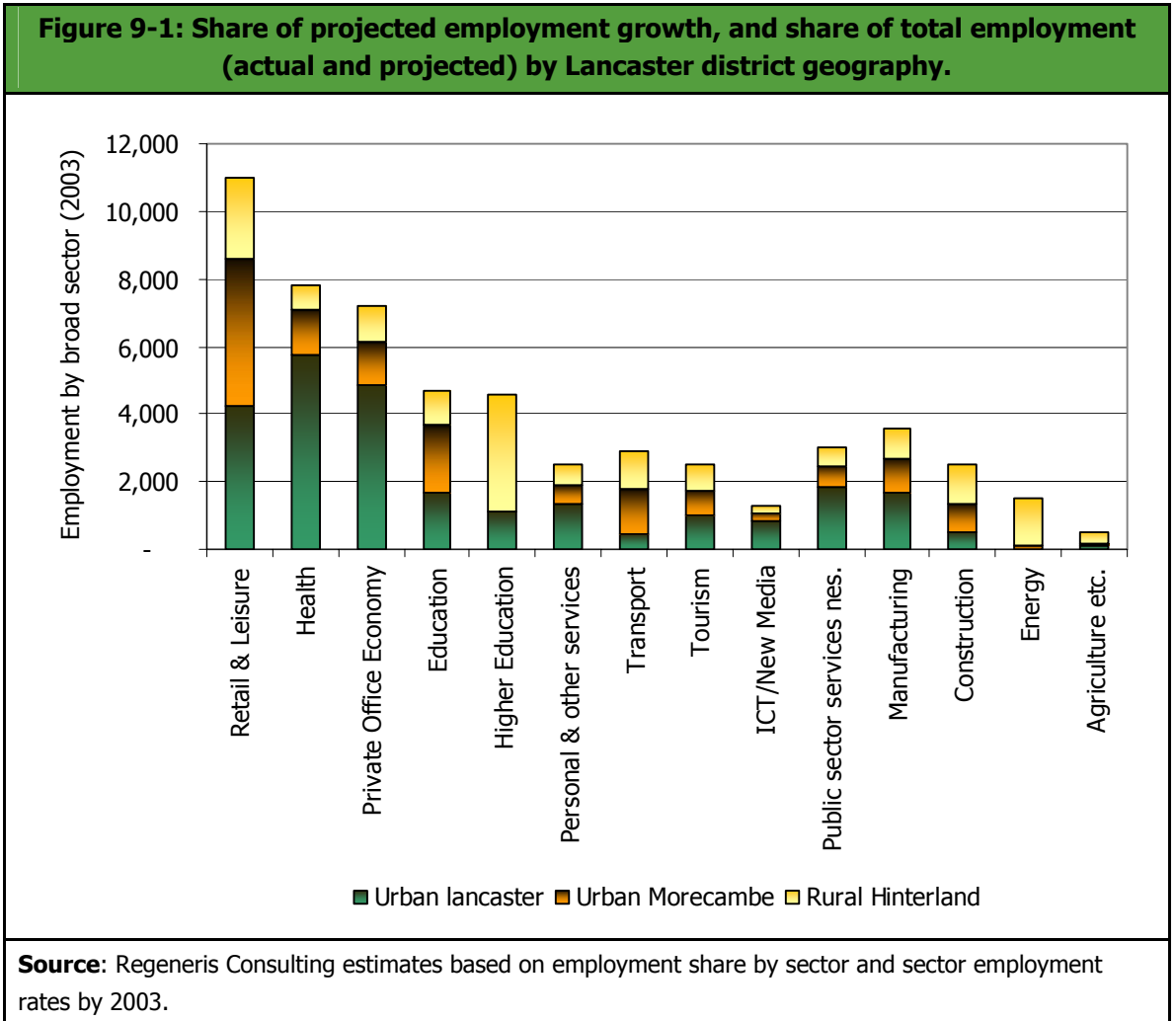
³⁵ GVA per employee under a reshaped industrial structure implied by the high growth scenario does not change alter from the 2002 level. This is due to figures only being available for broad sectors. The high value nature of the growth of service industries described under the high growth scenario means GVA per employee is likely to be in fact higher than the 2002 level.

³⁶ An increase in jobs of 8,300, of which 2,000 are taken up by changing commuting patterns (assumed to be from the North West), 4,300 are from in-movements of people (2,000 are assumed to be from the North West) assumed to be outside the North West) and 2,000 from increased employment rates in Lancaster district. This implies an increase in population of the North West of 4,600.

Appendix A

Expenditure and outputs from Lancaster University's externally-funded third mission activities January 2002 – December 2006.						
	Lancaster firms assisted	Lancaster firms as % total	Spend per firm in project	Spend on Lancaster firms	Jobs created in Lancaster	Jobs safeguarded in Lancaster
Lancaster University Management School						
Business Enterprise Development	8	11%	10,532	84,255	7	22
<i>Business Support Initiative</i>	18	45%	6,750	121,500	60	24
Entrepreneurial Performance	17	14%	11,174	189,961	17	50
ICT Management Support Initiative	1	3%	10,229	10,229	1	3
Regional Marketing Network	2	4%	10,435	20,870	2	5
Environmental Science						
DESIRE	3	10%	11,677	35,032	3	8
Computing						
Cumbria & Lancashire Knowledge Economy Initiative	29	21%	9,568	277,466	25	74
Geography						
Learning Tourism	4	4%	11,131	44,523	3	10
Tourism Development Programme	0	0%	3,758	0	0	0
Engineering						
<i>Virtual Prototyping</i>	11	11%	11,348	124,825	9	29
Virtual Prototyping 2	1	9%	10,278	10,278	1	3
Business Enterprise Centre (Cross disciplinary)						
Lancaster Business Creation	37	76%	16,210	599,753	76	N/A
Blackpool Business Development Initiative	0	0%	3,550	0	0	0
HEIF2 /NWDA	31	12%	14,006	434,196	N/A	N/A
TOTAL	157	15%	10,585	1,952,887	203	227

Source: Lancaster University BEC (June 2005).





Regeneris Consulting

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

Our philosophy is

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

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Economic research and policy advice

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