

# **TEES VALLEY CITY REGION DEVELOPMENT PROGRAMME**

**MAY 2005**

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## PREFACE

The Tees Valley City Region Development Programme has been commissioned by One NorthEast and prepared by the Tees Valley Joint Strategy Unit. The Tees Valley City Region Sounding Board, comprising officers from Darlington Borough Council, Durham County Council, Hartlepool Borough Council, Middlesbrough Borough Council, North Yorkshire County Council, Sedgefield Borough Council, Stockton on Tees Borough Council, Business Link Tees Valley, Tees Valley Learning and Skills Council, Tees Valley Regeneration, Tees Valley Partnership, One NorthEast, Government Office North East and the North East Chamber of Commerce, has provided guidance on the preparation of the programme and endorsed the report. Consultations have also taken place with key partners in drawing up the programme.

## 1.0 INTRODUCTION

1.1 Moving Forward: The Northern Way was launched in 2004 setting out the Government's proposals to bridge the £29 billion output gap between the north and the rest of the UK. Central to the strategy is the need to accelerate the economic growth across the North through working together on 10 investment priorities, bringing more people into work, strengthening our knowledge base to support innovation, building a more entrepreneurial culture, capturing a larger share of global trade, meeting the skills needs of our employers, developing our airports and ports, better integrated public transport within and between regions, creating truly sustainable communities and market the north to the world.

1.2 The Northern Way wants to place the eight city regions at the heart of the drive to promote faster economic growth. We in the Tees Valley welcome the opportunity to develop a city region development programme which accelerates economic growth, improves the economic performance of the Tees Valley, supports the 10 investment priorities of the Northern Way, and closing of the productivity gap between the north and the national average.

1.3 The City Region Development Programme builds on the work of the Tees Valley Vision, a long-term economic strategy for the Tees Valley which is designed to raise the economic performance of the Tees Valley, promote economic and social inclusion and create sustainable communities. We have also set up institutions such as the Tees Valley Partnership to develop and implement our programmes and an Urban Regeneration Company, Tees Valley Regeneration to implement five flagship schemes and attract investment to the area. The City Region Development Programme also builds on the work of our colleagues in County Durham and North Yorkshire.

1.4 The development programme is divided into five sections:

- a) A description of the economic geography of the Tees Valley City Region;
- b) An analysis of the economic challenges facing the Tees Valley City Region;
- c) An analysis of the work undertaken by Tees Valley local authorities, the Tees Valley Partnership, Durham County Council and Sedgefield Borough Council in developing proposals for inclusion in the programme;
- d) The programme itself;
- e) The implementation of the programme.

1.5 The report is backed up by a series of papers which set out the evidence base for the programme. These papers are on:

Chemicals	Stockton-Middlesbrough Initiative
The New Energy Economy	Darlington Gateway
University of Teesside	Coastal Arc
University of Durham	Skills and Aspirations
Teesport	Building Futures
Durham Tees Valley Airport	Worklessness
NetPark	Business Support

1.6 We believe the proposals set out in the programme working in partnership with Government will transform the economic performance of the Tees Valley.

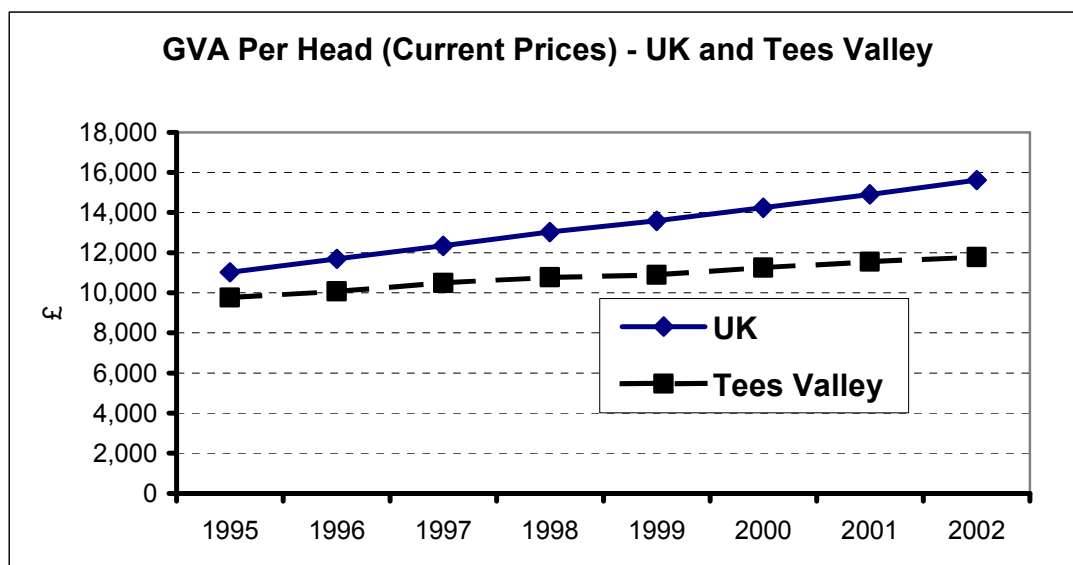
- 2.0 THE ECONOMIC GEOGRAPHY OF THE TEES VALLEY CITY REGION
- 2.1 The Tees Valley City Region has a population of 875,000 people, almost half of whom live within the Teesside conurbation – Middlesbrough, Stockton and Redcar. It displays a polycentric settlement pattern based around the Teesside conurbation and the main towns of Darlington and Hartlepool and includes the Borough of Sedgefield. The sphere of influence extends from Peterlee in the north to Northallerton in the south and from Richmond in the west to Whitby in the east.
- 2.2 We believe our economic assets are unique. We have the largest heavy industrial complex in the United Kingdom based on a world-class chemicals industry, the Redcar steel complex, an engineering industry which services the steel/chemical complex, and the largest deep-water port on the east coast of England. The petrochemical cluster at Wilton, Billingham and Seal Sands is the largest integrated chemicals complex in the UK in terms of manufacturing capacity. It contributes £3.5 billion to the UK economy and 70,000 jobs in the UK depend on it. Recent announcements such as the £200 million investment by Huntsman in a polyethylene plant show that it has the potential to grow based on a 50 year supply of feedstock from the North Sea. It is also backed up by the Wilton Centre which is the largest private sector petrochemical research centre in the UK and a world-class engineering design and plant maintenance capacity employing 5,000 people. The Redcar steel complex, one of the three main producer sites in the UK, has secured long-term international partners and will be dedicated to serving main export markets. The industrial base also provides us with the skills and infrastructure to develop a new economy based on renewable energy and agricultural feedstocks.
- 2.3 Our second unique asset is Teesport – the second largest port in the UK which handles 10% of all UK traffic. It is the only deep-sea port on the East Coast capable of taking vessels up to 150,000 tonnes and has the potential to become a major deep-sea container port catering for the growing Far East trade with the potential to employ 5,000 people.
- 2.4 Our third asset is our two universities – Durham and Teesside. Durham University is one of the top 12 research universities in the UK and through its development of a health and medicine cluster at Queen's Campus and a novel electronics technology park at Sedgefield can help the area diversify its economy. The University of Teesside has a world-class reputation in digital/multi media which can be built upon to develop a new digital/multi media industry.
- 2.5 Our fourth asset is Durham Tees Valley Airport which has the potential to grow from 900,000 passengers in 2004 to 3 million passengers in 2015 which could attract 5,000 – 7,500 jobs in airport and airport related uses.
- 2.6 Our fifth economic asset is our places. Middlesbrough is the largest retail centre in the Tees Valley and a major cultural and service employment centre serving the City Region. It also contains the University of Teesside and is developing its cultural role through the construction of the Middlesbrough Institute of Modern Art, the refurbishment of the Town Hall Complex and the creation of a digital multi-media cluster around Digital City. In the future therefore it makes sense to develop new city scale leisure, cultural, office and retail development in the town centre and Middlehaven.
- 2.7 Stockton is a major employment and retail centre in the Tees Valley. It contains the Queen's Campus of the University of Durham and is an historic market town. Recent developments such as Wellington Square have enhanced its retail function and the development of the Teesdale area has provided the city region with financial and business services. The development of the Tees Barrage has transformed Stockton

- Riverside and provides a focus for attracting further office development, employment uses, housing and the expansion of the university at North Shore. There is also a major opportunity to link the town centre back into the Riverside.
- 2.8 Darlington has an important role as a sub-regional employment, retail and cultural centre serving a distinct catchment area covering South Durham and a large part of North Yorkshire, stretching into Richmondshire and Hambleton District. It also provides key links into the national transport network through its location on the A1(M) and East Coast Main Line and the international network through Durham Tees Valley Airport. Its unique location together with its market town environment enables Darlington to attract employment in the financial, business services and logistics sectors which would not otherwise locate in the Tees Valley or the NE.
- 2.9 Hartlepool is a major retail, service and manufacturing centre serving the North East part of the City Region. Its economic base will be strengthened through the development of Queen's Meadow and Wynyard. However over the last decade through the regeneration of its docks Hartlepool has developed into an office and maritime tourism centre. The development of the Hartlepool Quays and particularly the Victoria Harbour project will enable Hartlepool to develop a critical mass of tourism attractions and businesses, office employment and a wider choice of housing.
- 2.10 In addition to being the location of the Redcar Steel Complex, one of the three main producer sites in the UK, and the Wilton Petrochemical Complex, Redcar is also a traditional seaside resort and the main service centre for East Cleveland. Its retail function has been enhanced by the recent Regent's Walk development. There is an opportunity to increase its tourism potential with new, all season attractions at Coatham, Redcar Racecourse, and Kirkleatham together with realising the potential for activity tourism on the Heritage Coast and rural areas of East Cleveland, part of which lies within the North York Moors National Park.
- 2.11 Newton Aycliffe is a former new town. Aycliffe Industrial Park is home to 250 companies employing 8000 people in mainly manufacturing employment. There is a need to continue the regeneration of the industrial park and help firms to retain their manufacturing competitiveness in the face of globalisation.
- 2.12 Our seventh major asset is our people. In order to improve our economic performance we need to harness the skills and aspirations of the people of the Tees Valley. The issue of skills is analysed later in the report.
- 2.13 Whilst the Teesside conurbation is the hub of economic activity and our strategy is to develop the critical mass of assets and opportunities in the conurbation, it is important to recognise that the main towns of Darlington and Hartlepool, the Borough of Sedgfield and rural North Yorkshire have a major role to play in improving the economic performance of the city region. The City Region Development Programme is therefore about building on the key assets of the whole of the City Region to achieve the economic objectives of improving our economic performance and the regeneration of our main communities which is essential to the long term performance of the Tees Valley.

### 3.0 ECONOMIC CHALLENGES FACING THE TEES VALLEY

#### a) Economic Structure of the Tees Valley

3.1 In this section most of the statistical information relates to the Tees Valley as defined by the five authorities of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton on Tees. Because of data amalgamation problems it has not been possible to include the Borough of Sedgefield or parts of North Yorkshire in the data set for the City Region, although we will put in place actions to enable these areas to be incorporated into the data set for the City Region in the future.



3.2 The GVA per head in the Tees Valley in 2002 was £11,777 compared to the UK figure of £15,614. Figure 1 attached shows that the gap between GVA per head in the Tees Valley and the UK is growing. Indeed the region is close to qualifying for the new Objective 1 convergence areas in the 2006/13 European Union Structural Funds Programme. The City Region therefore has much farther to go than other city regions in regenerating its economy. **Economic Challenge 1 therefore is to grow the Tees Valley economy faster than the UK economy to narrow the gap in GVA.**

3.3 The primary cause of the widening gap in GVA has been the decline in manufacturing employment in the Tees Valley. The table below shows the figures.

Employees in Employment in the Tees Valley.

	1971	1981	1991	2001	2003	Change 2003 from 1971
Primary	8,560	9,657	3,518	4,497	4,977	-3,583
Manufacturing Industries	128,028	85,585	60,041	39,288	39,219	-88,809
Construction	21,629	18,259	20,536	15,866	16,730	-4,899
Services	119,346	138,994	159,587	193,119	207,415	88,069
<b>Total</b>	<b>275,592</b>	<b>250,514</b>	<b>243,681</b>	<b>252,768</b>	<b>268,341</b>	<b>-7,251</b>

Source: Census of Employment/ABI

3.4 **Almost 90,000 jobs were lost in manufacturing between 1971 and 2003, although these have been partly replaced by an increase in service employment of a smaller magnitude. There are however encouraging signs that the loss of manufacturing employment has been stabilised and the significant growth of services has added 15,000 new jobs to the economy in the period 2001 to 2003.**

3.5 In terms of employment by major industry groups the 2003 figures are shown below:

	Tees Valley	North East	Great Britain
Primary Industries	5,000 (1.86%)	15,900 (1.6%)	398,800 (1.6%)
Manufacturing	39,200 (14.6%)	146,900 (14.5%)	3,236,400 (12.6%)
Construction	16,700 (6.2%)	53,400 (5.3%)	1,139,600 (4.4%)
Service Industries	207,400 (77.3%)	795,900 (78.6%)	20,941,400 (81.4%)
Includes :			
<i>Distribution, hotels etc</i>	60,200 (22.4%)	225,800 (22.3%)	6,345,800 (24.6%)
<i>Transport &amp; comms</i>	15,000 (5.6%)	51,200 (5.1%)	1,540,700 (6.0%)
<i>Banking, finance etc</i>	40,300 (15.0%)	142,900 (14.1%)	5,086,200 (19.8%)
<i>Public admin</i>	78,400 (29.2%)	319,700 (31.8%)	6,642,200 (25.8%)
<i>Other services</i>	13,600 (5.1%)	56,300 (5.6%)	1,326,500 (5.2%)
Total	268,300	1,012,100	25,716,200

Source : Annual Business Inquiry (NOMIS)

3.6 The figures above show that the Tees Valley has a greater dependency on manufacturing and primary industries than the national economy and the Tees Valley's share in banking and financial services employment is 25% lower than the national average whilst public administration is 25% above the national average. Sedgefield has a particular dependency on manufacturing industry – 41% of employment in the Borough is in manufacturing.

3.7 It should not be forgotten that the NE is a net exporter of goods and services contributing 4% of the UK's exports and receiving 2.8% of the country's imports. 58% of international trade in the NE is exporting compared to 44% in the UK. The automotive, chemicals and pharmaceuticals industry contributes 70% of the exports of the NE and the chemicals industry is the most productive in the UK with a productivity index of 187 against the UK average of 100.



**3.8 Economic Challenge 2 is therefore:**

- i) To continue the rise in the number of jobs in the Tees Valley;**
- ii) To encourage manufacturing industry to innovate and improve its productivity;**
- iii) To develop the service economy particularly in financial and business services.**

**b) New Business Formation**

3.9 In terms of business formation the Tees Valley performs way behind the UK. The table below shows that the stock of businesses registered for VAT each year and VAT stock ratios per 1000 resident population 1997 – 2004.

Table 1 VAT stocks 1997 - 2004

	1997	1998	1999	2000	2001	2002	2003	2004
Tees Valley	10,165	10,165	10,200	10,255	10,365	10,235	10,100	10,220
North East	42,965	43,235	43,560	43,925	44,445	44,500	44,775	45,405
Great Britain (ooo,s)	1,591.6	1,628.3	1,663.2	1,687.8	1,710.7	1,725.9	1,737.1	1,752.8

Source: ONS

Table 2 VAT stock ratios per resident population 1997 – 2004

Tees Valley	15.6	15.6	15.7	15.7	15.9	15.7	15.5	15.7
North East	16.7	16.9	17.1	17.3	17.5	17.5	17.6	17.9
Great Britain	28.1	28.7	29.2	29.5	29.8	30.0	30.0	30.3

Source: ONS

Table 3 VAT stock ratios per 1000 resident population by borough 1997 – 2004

Darlington	21.7
Hartlepool	13.5
Middlesbrough	13.6
Redcar and Cleveland	13.2
Stockton on Tees	14.8
Tees Valley	15.7
NE	17.7
GB	30.3

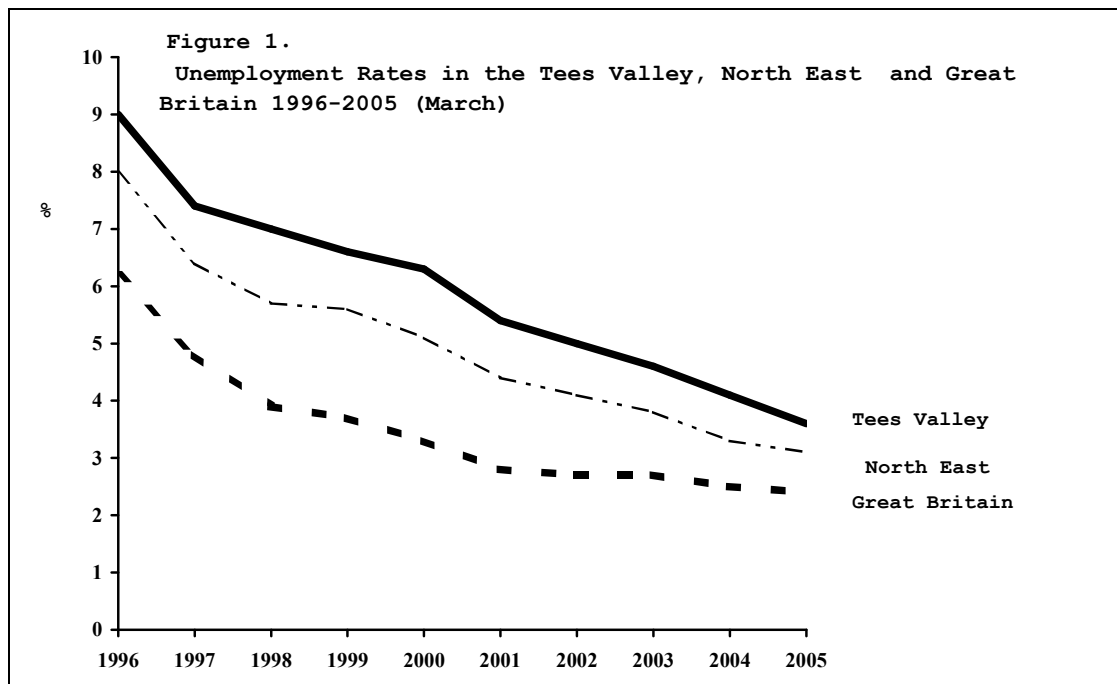
Source: ONS

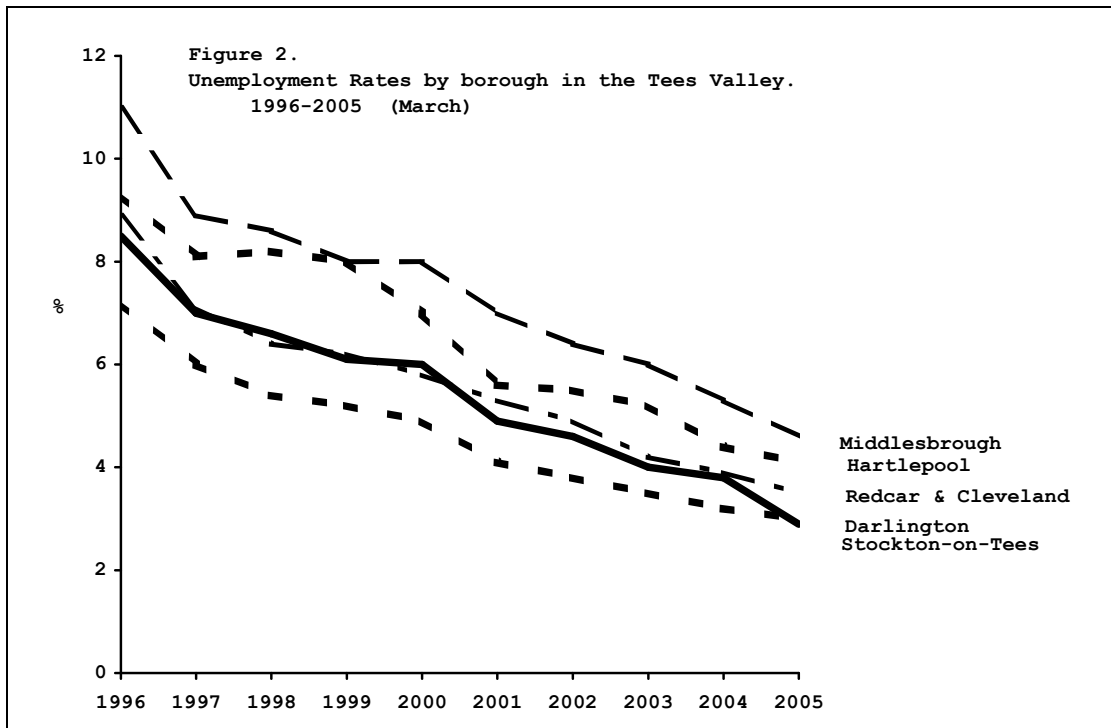
3.10 Whilst the figures may under represent the true level of new firm formation due to the informal economy and lower costs/turnover in the Tees Valley, there is an urgent need to increase the stock of firms in the Tees Valley through developing entrepreneurship and

encouraging new firm creation. Programmes have been developed by Business Link Tees Valley to tackle this problem. **Economic Challenge 3 is to increase the stock of firms in the Tees Valley.**

c) Economic Activity

**3.11** If the Tees Valley had the economic activity levels of the GB average, then a further 24,000 would be in employment. Figures 1 and 2 show the trend in unemployment rates. As a rule of thumb unemployment rates in the Tees Valley are 1 ½ times the national average.





3.12 An alternative view of unemployment or joblessness may be gained by simply measuring the total percentage of people of working age without work for whatever reason including those not seeking work and economically active of working age. The table below illustrates that joblessness in the Tees Valley is well above the GB average.

Table 4 Joblessness % of working age March 2005

	Male %	Female %	Total %
Darlington	23.1	30.1	26.5
Hartlepool	31.4	37.3	34.3
Middlesbrough	34.4	40.7	37.6
Redcar & Cleveland	29.5	36.9	33.1
Stockton-on-Tees	25.4	32.9	29.0
Tees Valley	28.6	35.6	32.0
Great Britain	22.2	31.0	26.4

Source: TVJSU/ONS

**Economic Challenge 4 is to increase economic activity in the Tees Valley and reduce worklessness.**

d) Household Income

3.13 Table 5 below show the average weekly earnings of male and female employees with an overall average.

	All	Male	Female
	£ per week	£ per week	£ per week
Darlington	347.5	442.8	256.5
Hartlepool	323.9	443.0	214.7
Middlesbrough	343.6	438.0	263.5
Redcar and Cleveland	390.3	513.1	252.1
Stockton-on-Tees	366.2	483.9	235.8
Tees Valley (weighted average)	356.8	466.7	247.6
North East	355.2	443.3	273.7
England and Wales	424.3	529.0	312.8
Great Britain	420.2	524.1	311.3

**Source: ASHE 2004**

3.14 The analysis shows:

- i) Average earnings are below the national average;
- ii) The manufacturing sector notably chemicals and steel pay higher salaries than some service employment and hence the importance to the region of these industries;
- iii) There is a need to diversify the economy by attracting higher value service sector employment to the city region.

It is therefore important to develop the chemicals industry and manufacturing industry because rates of pay are higher in these sectors.

3.15 Table 6 below shows the comparisons of people on benefits in the Tees Valley. The benefits include:

Low income households – the proportion of all households receiving any of family credit, income support or jobseekers allowance.

Working Families Tax Credit

Income Support – on income benefit payable to those households not expected to seek work e.g. elderly, disabled, lone parent families.

Children in Low Income Households – the percentage of a ward's children who are in families receiving one of the above benefits.

	% low-income households	% households receiving working families tax credit	% households receiving income support	% children in low-income households
Darlington	28	6	18	41
Hartlepool	39	7	26	51
Middlesbrough	43	8	28	56
Redcar & Cleveland	33	6	22	44
Stockton-on-Tees	30	6	19	41
Tees Valley	34	7	22	46
Great Britain	24	4	16	35

Source : DWP/JSU

3.16 Table 6 shows that a third of the households in the Tees Valley depend on benefits to boost their income and almost half the children in the Tees Valley live in low income households. Improving the economic performance of the Tees Valley is vital if we are to reduce dependency on benefits.

3.17 **Economic Challenge 5 is to improve household income and develop less dependency on benefits.**

e) Population, Deprivation and Journey to Work

The table below shows the population trends for the period 1981 to 2001.

	1981	1991	2001	2006	2011	2021
Darlington	98,700	99,400	97,900	99,800	100,300	99,300
Hartlepool	94,900	91,100	90,200	89,600	88,100	87,100
Middlesbrough	150,900	144,700	141,200	137,300	134,700	130,000
Redcar & Cleveland	151,000	145,900	139,200	137,200	134,800	131,900
Stockton-on-Tees	172,900	175,200	183,800	187,100	189,200	187,900
Tees Valley	668,500	656,200	652,200	651,000	647,000	636,200
North East	2,636,000	2,587,000	2,540,000	2,530,000	2,520,000	2,505,000
England & Wales	49,634,000	50,748,000	52,360,000	53,463,000	54,615,000	57,060,000

Source : TVJSU/ONS.

3.18 Regions which are successful in economic performance do not suffer from a declining population. The Tees Valley has a net outmigration rate of about 1900 residents/year. It is essential that the out-migration of residents from the Tees Valley is reversed. The key flows are:

- Long distance net-out migration outside the NE and Yorkshire and Humber to the rest of the UK, mainly in the SE;
- A net outflow into North Yorkshire, particularly from Middlesbrough and Redcar & Cleveland into neighbouring Hambleton District;
- Stockton is the largest net gainer of population from movement within the Tees Valley, driven by out-flows from Middlesbrough and to a lesser extent Redcar & Cleveland as a result of Stockton being the focus of new residential development;
- Although a recipient of population from Middlesbrough, Redcar & Cleveland lost around 100 residents, mainly to Stockton;
- There was a tendency for people to move out of the core urban area of population to the “better” areas.

3.19 A comparison of the journey to work data shows the effect of this out-migration is longer journeys to work. The table below shows the percentage of residents living in a district who were employed in the district in 1991 compared with 2001.

	% of residents in employment	
	1991	2001
Darlington	75%	70%
Hartlepool	76%	72%
Middlesbrough	66%	59%
Redcar & Cleveland	66%	60%
Sedgefield	65%	54%
Stockton on Tees	69%	65%

Source: 2001 Census

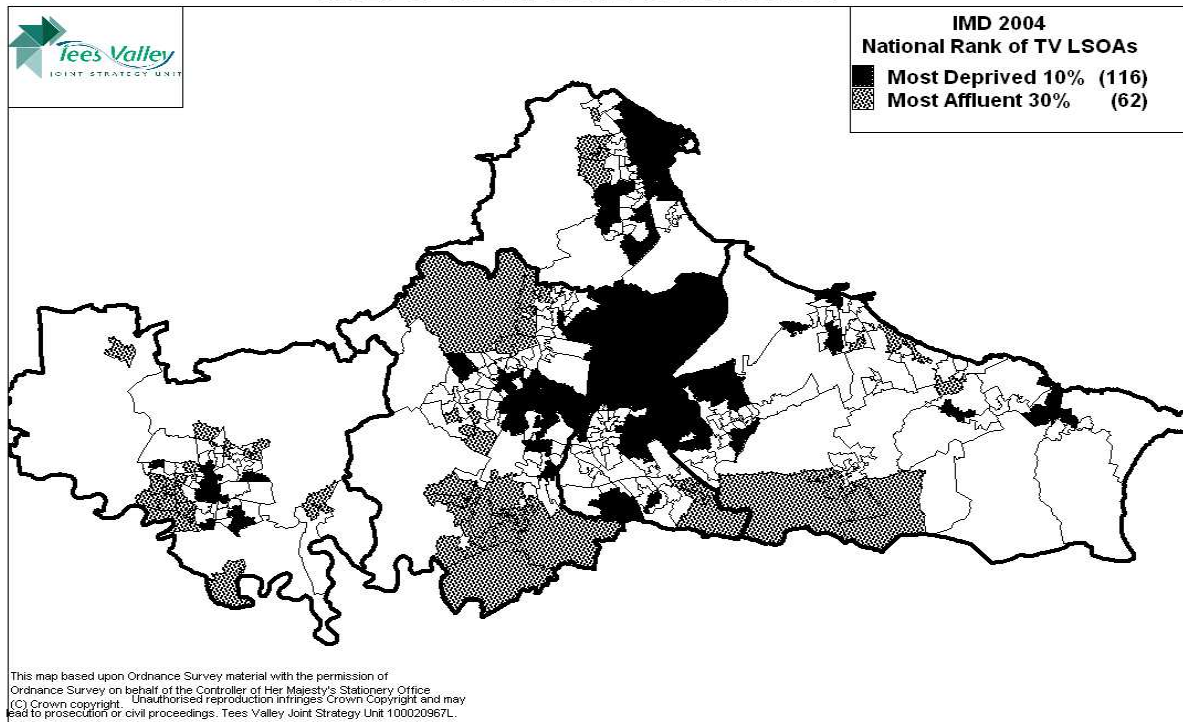
3.20 It is noticeable that out-commuting has increased substantially in Sedgefield because of the collapse of the mining industry and the decline in employment in manufacturing industry. 25% of workers who commute into Darlington, 5% of those who commute into Stockton and 5% of commuters to Hartlepool come from Sedgefield.

3.21 There is substantial commuting from North Yorkshire into Darlington (17% of all commuters), Redcar & Cleveland (16%), Middlesbrough (10%), and Stockton (10%) from North Yorkshire.

3.22 The figures above show the importance of the main towns in the Tees Valley as employment locations for residents of Sedgefield and North Yorkshire but also show the impact of out-migration into North Yorkshire on longer journeys to work.

3.23 The impact of out-migration from the centre of our towns to the suburbs and on to North Yorkshire has been to widen spatial disparities within the City Region. The Index of Deprivation (see map below) shows the most affluent areas to be those areas where new housing development has taken place e.g. Ingleby Barwick, NW Hartlepool, or the more attractive towns such as Yarm or Guisborough, whilst the more deprived areas are located in the centre of the conurbation and the main towns of Hartlepool and Darlington.

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### 3.24 Economic Challenge 6 is therefore:

- a) To reduce out-migration out of the Tees Valley;
- b) To reverse the level of outmigration from the core to the outer suburbs and North Yorkshire and hence reduce the length of journey to work trips through the provision of a broader choice of housing in the centre of our main towns, in keeping with the wider aspirations of its residents;
- c) Reduce economic and social disparities within the region.

f) Skills and Educational Attainment

3.25 Table 8 below shows the percentage of people of working age (men aged 16 – 64 and women aged 16 – 64) by highest level of qualifications achieved.

	NVQ4 and above	NVQ3	Trade apprenticeships	NVQ2	NVQ1	Other qualifications	With no qualifications
Tees Valley	18.4	14.7	8.5	17.0	16.5	6.2	18.8
GB	25.2	14.7	6.5	15.2	14.6	8.8	15.1

Source: Labour Force Survey

The table indicates that the Tees Valley is performing at or above the national average in terms of qualifications except NVQ4. It is important to the Tees Valley economy that a greater emphasis is placed on upskilling the workforce to obtain NVQ3 and 4 level qualifications. However there is a large part of the workforce which has no qualifications and 19% of school leavers in the Tees Valley do not go into education, training or employment compared with 13% in Great Britain. There is a need to tackle this problem.

3.26 The Learning and Skills Council aims to reduce by at least 40% the number of adults in the workforce in the Tees Valley who lack an NVQ Level 2 or equivalent qualifications by 2010.

3.27 Work to reduce the number of school leavers not in education training or work is underway through a range of activities to increase participation and retention of young people most at risk. Further work is needed however.

3.28 The Learning & Skills Council Tees Valley and its education and training providers in the Tees Valley will work during 2005-2006 to manage a reduction in Level 1 provision that does not lead to progression, particularly in key sectors, and will make sure that full and appropriate progression routes, up to and beyond Level 3, are in place. Learning provision will be further aligned to the requirements of the economy in the Tees Valley and the region and with the emerging Sector Skills Agreements for key sectors in the region.

**3.29 Economic Challenge 7 is to both upskill the workforce to obtain NVQ 3 and 4 qualifications but also reduce the people of working age with no qualifications.**

g) Conclusion

**3.30 The conclusion is that the Tees Valley still has a strong manufacturing base which contributes nationally to exports. It is important to develop the competitiveness of the manufacturing base to improve economic performance and to maintain higher household income. The loss of jobs in the manufacturing industry has been replaced by the growth of the service industry. There is scope for the Tees Valley to attract more higher value jobs in services in business and financial services and tourism jobs to the Tees Valley.**

**3.31 The economic challenges facing the city region are:**

- 1. To grow the Tees Valley economy faster than the UK economy to narrow the gap in GVA.**



- 2. To continue the rise in employment in the Tees Valley, encourage manufacturing industry to innovate and improve its productivity, and develop the service economy particularly in financial and business services.**
- 3. To increase the stock of businesses in the Tees Valley.**
- 4. To increase economic activity and reduce worklessness.**
- 5. To improve household income and develop less dependency on benefits.**
- 6. To reduce out migration out of the Tees Valley, to reverse the level outmigration from the core to the outer suburbs through the provision of a wider choice of housing in the centre of our main towns and reduce economic and social disparities within the region.**
- 7. To upskill the workforce to obtain NVQ3 and 4 level qualifications but also reduce the people of working age with no qualifications.**

#### 4.0 DEVELOPMENT OF THE TEES VALLEY VISION

4.1 In 2000 the five Tees Valley local authorities, One NorthEast and English Partnerships recognised from the analysis outlined in the previous section that there needed to be a new approach and strategy to the economic development of the Tees Valley which concentrated on improving economic performance and building on our assets. This new approach became the Tees Valley Vision. The purpose of the Tees Valley Vision was:

- a) To provide a long-term strategic vision to the Tees Valley for the next 15 years to which all the partners can subscribe through their activities;
- b) To provide a policy context in which Tees Valley Regeneration, the Urban Regeneration Company for the Tees Valley, can operate;
- c) To provide a long term response to recent job losses;
- d) To argue the case to justify public sector expenditure in the Tees Valley on the economic development and regeneration of the city region;
- e) To provide a coherent long-term programme for the development of the area.

4.2 The first stage of the Tees Valley Vision was to commission consultants to provide a baseline analysis of the Tees Valley. The Tees Valley Baseline and Scenario Study prepared by GHK in 2001 provided a baseline analysis of the Tees Valley from which were developed:

- A set of scenarios showing how the Tees Valley could develop under a series of different assumptions;
- The proposed strategic initiatives which can accelerate the development of the Tees Valley and move the sub-region towards a preferred scenario; and
- Highlight the nature and role of the institutional delivery mechanisms required to accelerate development.

A summary of the analysis identifying the problems of the Tees Valley, the material with which to work and the solution is attached as an appendix.

4.3 The key proposals which arose out of this work were:

- Support the development of the chemicals industry;
- Develop the role of Teesport and the Durham Tees Valley Airport as logistics hubs;
- Develop new industries in renewable energy, health and medicine and digital/multi-media around the expertise of the Universities of Teesside and Durham;
- Encourage entrepreneurship and new business development;
- Develop Stockton-Middlesbrough to make the most of the potential of the riverside site and develop the critical mass of city scale functions that the city region requires;
- Develop the economic potential of Darlington because of its location on the East Coast Main Line and the A1 and develop further its role as a service centre;
- Formulate a plan for developing the tourism potential of the Coastal Arc from Hartlepool to the North Yorkshire coast;
- Improve external and internal connectivity in the Tees Valley;
- Develop an environmental improvement programme for the Tees Valley to green the derelict and underused land;
- Promote social and economic inclusion.

4.4 The report also proposed that:

- a) The Tees Valley Partnership takes forward the development of the Tees Valley Vision around these proposals;
- b) An Urban Regeneration Company, Tees Valley Regeneration, is set up to develop and implement key flagship projects in the Tees Valley in support of the three spatial initiatives; Stockton/Middlesbrough, Darlington Gateway and Coastal Arc. From this Tees Valley Regeneration took over the Middlehaven and North Bank projects in Middlesbrough and Stockton, and identified three new opportunities, Victoria Harbour Hartlepool, Central Park Darlington and Durham Tees Valley Airport.

4.5 In County Durham the Vision was concerned with:

- a) Creating a strong tourism sector;
- b) Securing the creation of NetPark as the hub of countywide provision for knowledge industries and higher value added manufacturing;
- c) Developing a strong economy, a commitment to lifelong learning, strong healthy and safe communities and an enhanced environment.

4.6 Following the completion of this stage various pieces of work were undertaken to take forward, test and develop the key proposals from the baseline and scenarios study:

- a) In terms of the chemicals industry ONE and DTI commissioned Arthur D Little to produce a report on the competitiveness of the chemicals industry. This report indicated that the industry is competitive and has potential to grow. Its conclusions form the basis of the chemicals programme proposed in the City Region Development Programme;
- b) One NorthEast through the Strategy for Success set up the Centre of Excellence for Process Industries to encourage innovation and technology transfer in the chemicals and process industries;
- c) Redcar and Cleveland set up Renew Tees Valley to develop new products and encourage innovation in the renewable energy and environmental industries area;
- d) The local authorities found a private sector partner to invest in Durham Tees Valley Airport to enable it to expand and develop;
- e) The University of Teesside developed further its digital city concept into a concrete proposal;
- f) P D Ports have identified the opportunity to develop a deep-sea container port and associated distribution depots;
- g) The University of Durham is looking to raise the importance of the health and medicine cluster through the expansion of the Wolfson Institute;
- h) Darlington Borough Council commissioned consultants to develop further the Darlington Gateway concept;
- i) An economic futures study was commissioned which identified the economic prospects for key sectors in the Tees Valley. It concluded:
  - The focus on the development of chemicals, the exploitation of renewable energy opportunities, the importance of digital technology and environmental industries was correct;
  - In promoting entrepreneurship and new firm formation, the aim should be to increase the number of new businesses across all industries rather than simply focus on high growth new starts;
  - However, there were two new areas where priorities should be developed – the development of the area's distinctive engineering services/construction

cluster as a main route to the development and attraction of business and professional services and developing call centres and the back office functions of companies such as human resources, marketing etc;

- j) A tourism strategy which reaffirmed the need to build on the economic driver of the coast, the Tees Barrage, business tourism and railway heritage;
  - k) Tees Valley Regeneration was given responsibility to develop master plans and proposals for Middlehaven, North Shore, Victoria Harbour, Central Park, and Durham Tees Valley Airport;
  - l) Redcar & Cleveland BC and Hartlepool BC worked together to develop proposals for the Coastal Arc;
  - m) Stockton BC and Middlesbrough BC commissioned consultants to look at how they could develop both settlements as a competitive city in the region, through the Stockton Middlesbrough Initiative;
  - n) A cultural strategy was commissioned to identify how cultural development could contribute to the development of the Tees Valley;
  - o) Tees Valley Living was set up to provide a sub-regional focussed case for housing market renewal in the Tees Valley. The County Durham Coalfields Partnership performs a similar task in County Durham;
  - p) Business Link Tees Valley has developed a competitive business support package to encourage entrepreneurship in the Tees Valley;
  - q) Tees Valley Learning and Skills Council has developed training and skills programmes to address the needs of the Tees Valley;
  - r) In terms of connectivity the following studies have been commissioned:
    - Tees Valley 2010 to make a case for an LRT for the Tees Valley and a further Tees Crossing;
    - Tees Gateway study to look at improving the A66 around Darlington;
    - Tees Valley Rail Strategy and Bus Network Review.
  - s) The development of the first phase of NetPark and a master plan by Durham County Council and Sedgefield Borough Council and partners;
  - t) The development of Locomotion (national rail museum) at Shildon by Sedgefield BC and partners.
- 4.7 It is important to recognise that the Tees Valley Vision was built on an extensive body of research undertaken by consultants from outside the region and major contributions from key partners in the private sector, universities, voluntary sector and Government agencies. It has the support of all the key partners and agencies in the Tees Valley. We have therefore in the City Region a long history of the public, private and voluntary sector working together and for these reasons our proposals are well developed and ready for implementation.

5.0 OBJECTIVES OF THE TEES VALLEY CITY REGION DEVELOPMENT PROGRAMME

5.1 The aim of the City Region Development Programme is to improve the economic performance of the Tees Valley through:

- a) Building a strong diversified economy based on the following economic assets
  - The industrial complex based on chemicals, hydrogen economy, renewable energy, and steel with a core of world-class companies and a strong research base;
  - A world-class port – Teesport;
  - A knowledge based economy based on the capacity of the universities to generate new sectors;
  - The development of Durham Tees Valley Airport as a major employment location.
- b) Developing sustainable communities based on:
  - The creation of attractive places and an environment with the quality of life which both makes people want to stay in the region and attracts entrepreneurs;
  - The regeneration of the inner areas of our main towns into vibrant, socially diverse communities;
  - The creation of a revitalised housing market fully integrated with the economic renaissance of the City Region;
  - Developing the financial and business services sector to create jobs in the core of our urban areas.
- c) Removing barriers to growth by:
  - Increasing the stock of companies in the Tees Valley;
  - Developing UK levels of economic activity and improved skills;
  - Reduced levels of worklessness; and
  - Developing high quality public transport as the key means of accessing locations for economic growth from both the urban and rural areas of the City Region.

5.2 It is important to recognise that the City Region Development Programme is not a comprehensive economic strategy for the Tees Valley. Its purpose is to:

- a) Build on the economic assets of the Tees Valley to improve our economic performance;
- b) Identify the barriers to economic growth and outline the action that needs to be taken to remove these barriers to growth;
- c) Influence the Regional Spatial Strategy and the Regional Economic Strategy;
- d) Identify how a review of aspects of Government policy could help the improvement of the economic performance of the region.

5.3 It should be recognised that:

- a) Most of the resources to implement the programme will come from the private sector. The programme concentrates primarily on the public sector investment (predominantly capital investment and infrastructure) which will enable the private sector to invest in the Tees Valley City Region. It should be noted that there are significant programmes in skills, worklessness, business support. The

City Region Development Programme does not repeat these programmes but rather concentrates on how these programmes could be developed to support the economic drivers in the programme. For the most part large parts of the City Region Development Programme are being implemented or require in most cases the maintenance in the future of current levels of expenditure to complete the programme.

6.0 THE CITY REGION DEVELOPMENT PROGRAMME – DEVELOPING OUR ECONOMIC ASSETS

a) Economic Driver 1 : Chemicals

6.1 The chemicals industry is the largest industry in the Tees Valley. It employs 12,000 people, about 6,000 people in petrochemicals and 6,000 in fine and speciality chemicals. It is largely based on three sites, Wilton, Billingham and North Tees/Seal Sands. The petrochemical cluster is the largest integrated chemicals complex in the UK in terms of manufacturing capacity. It contributes gross domestic output of £1.6 billion and £3.5 billion to the local and national economies respectively. It supports 69,000 jobs in the UK, of which 20,000 are in the Tees Valley. The petrochemical cluster is based on the olefins, aromatics and ammonia derivative chains. Feedstock is provided by the CATS pipeline from the North Sea gas fields, which provides 20% of the UK's oil and gas. At the terminal the gas is processed into natural gas for transmission to the national grid or fractionated into butane, propane and condensate which forms the basic feedstock for the petrochemicals industry. The supply of feedstock from the North Sea will last for at least 50 years.

6.2 The three derivative chains of olefins, aromatics and ammonia are generally competitive in Europe. Antwerp and Rotterdam score better on access to markets but Teesside scores better on labour costs and productivity. It is important that the North East Process Industries Cluster works with the companies to keep Teesside competitive. Nevertheless it is likely that major investments in Teesside will come from companies which have a presence here already.

6.3 The area contains a significant speciality chemicals industry based on Avecia, Johnson Matthey and Tioxide at Billingham and Greatham and Lucite International at Wilton.

6.4 The area contains the Wilton Centre which is the largest process industries research centre in the UK, the Centre for Process Innovation and universities with research capability at Durham and Newcastle. The Wilton Centre contains 40 firms all involved in innovation, research and new product development in the process industries.

6.5 **One NorthEast has set up the NE Process Industries Cluster led by an industry led NE Chemical Leadership Council. The cluster team should develop the following programmes:**

i) **Trade and Investment Programme, the main components of which are:**

- **Work with existing companies to identify major new developments which could locate in the Tees Valley;**
- **Identify opportunities in the olefins, aromatics and ammonia chains which could be brought to Teesside;**
- **Identify opportunities to consolidate and grow the specialist chemicals industry in Teesside and take forward the Pioneer Process Park;**
- **Develop opportunities for processing heavy crude oil into diesel, naphtha and asphaltenes;**
- **Develop the potential for biodiesel, biofuels, biomass and gasification.**

- ii) **Innovation and Research Development**
  - **Develop the role of the Centre for Process for Innovation and the Wilton Centre;**
  - **Identification of the strategic R&D themes which are important to the success of the chemicals sector or associated areas;**
  - **Identification of potential partner opportunities;**
  - **Brokerage and development of new industrial R&D collaboration;**
  - **Development of interdisciplinary and cross industry knowledge transfer;**
  - **Facilitate the integration of university activities into “real” industrial innovation projects;**
  - **Develop a business database of chemical innovation and R&D capabilities;**
  - **Clarify the current initiatives and funding sources in the region for innovation and R&D;**
  - **Development of a reputation for the rapid transition of innovative ideas into marketable products.**
  
- iii) **Skills**
  - **Develop a skills action plan for the industry to include an upskilling programme to level 3 and 4 for the industry, the feasibility of a bursary scheme, expansion of the modern apprenticeship scheme, the feasibility of an adult apprenticeship scheme, a diversity programme, develop further Children Challenging Industry, develop a directory of training providers and programmes and a skills brokerage model.**
  
- iv) **Manufacturing Excellence**
  - **Develop with PICME and NEPA a manufacturing excellence programme**
  
- v) **Quality of Feedstock and Infrastructure**
  - **Develop a programme of improvements**
  
- vi) **Regulation**
  - **Work with Tees Valley JSU to ensure environmental legislation is introduced in a way which reduces the impact of legislation on the competitiveness of the industry.**
  
- vii) **Centre of Excellence in Biocatalysis, Biotransformations and Biocatalytic Manufacture**
  - **Developed through the Northern Way cluster mainstream work, this project aims to link research facilities in Manchester, York and elsewhere to the Centre of Process Innovation in the Tees Valley by developing new manufacturing sites for commercial exploitation across the North. The initiative is supported nationally by the DTI’s Chemistry Leadership Council. In the longer term it will enhance the productivity of Northern companies and in the short term**



**expose 100 companies to the potential of the technology through having a pilot plant facility available for business use.**

The engineering and plant maintenance sector plays an important role in support of the chemicals and steel industry able to design and maintain major aspects of the plant and machinery used in the industry. This industry employs about 5,000 people and carries out projects on a global basis. **The Tees Valley Engineering Partnership has recently carried out a Foresighting Exercise and is developing a strategy to improve the productivity and competitiveness of the industry.**

b) Economic Driver 2 : The New Energy Economy

- 6.6 The World Energy Outlook 2004 published by the International Energy Authority indicates that world energy needs will be 60% higher than now by 2030. Fossil fuels will continue to dominate global energy use accounting for some 85% of the increase. Demand for natural gas will grow most rapidly. By 2030 the UK will import 90% of its gas from Russia and the Middle East. The need to restrict CO2 emissions, stronger environmental regulations and the need to secure energy supplies will provide a major driver to developing renewable energy such as hydrogen, feedstocks and fuels made from agricultural crops and the use of new technologies such as CO2 sequestration. The Tees Valley has a unique geography which can take advantage of these trends, which if developed, can help to ensure security of supply of energy for the United Kingdom.
- 6.7 The economic, physical and human geography of the Tees Valley presents a combination of characteristics and assets which is leading to new and growing economic and investment opportunities in the renewables and recycling sectors. These include, in particular, the emerging hydrogen, biomass, biodiesel and wind energy technologies, but also opportunities for green hydrogen generation through clean coal gasification and CO2 sequestration, and to a lesser extent photovoltaics, and solar energy. Added to those are opportunities arising from the Tees Valley Industrial symbiosis programme, which is a Teesside University/Industry forum aimed at utilising waste streams. It is this combination of these different energy vectors, and the physical and operational synergy between them coupled, with close integration with our chemical and petro chemical industries, that is creating a critical mass which is unique to Tees Valley.
- 6.8 The Tees Valley also has some of the required delivery mechanics in place and will develop a transitions management programme that takes into account the public and organisational support that will be essential for acceptance of the technology and market growth. If successful, the Tees Valley will be an exemplar of how to achieve commercial economic and social benefit from the new energy economy and a test bed for the UK.
- 6.9 To ensure that success the Tees Valley strategy is being integrated with and is part of the two key regional energy and environment and process industry priority programmes being developed by One NE.
- 6.10 The basis of the new energy economy in Tees Valley is the combination of extensive energy management experience and skills that exist together with the outstanding physical infrastructure opportunities. The key skills relate to high tech control systems, pressure vessel specification and design, fabrication, leading edge materials development, and quality R&D and training facilities. The existing steel and chemical industries provide the foundation for this human resource; they also provide the physical infrastructure, which includes extensive hydrogen generation (75,000 tonnes per year), vast underground hydrogen storage (1,000 tonnes) and a 30km hydrogen pipeline network. In addition they provide available industrial sites, ranging from large-scale industrial and R&D expansion capacity at Wilton Centre and Wilton International, (which have the benefit of a hydrogen and steam networks, high safety and security systems, pilot plant facilities and high quality office based research facilities,) through to available brownfield riverside sites with high capacity grid connections. There is a growing commercial interest in the potential of these assets – as evidenced by the recently announced large scale £60m biomass fuel conversion of a major power plant (the largest in the UK), and a £30m biodiesel production facility, the largest in the world. An impressive range of other, large and smaller scale projects are also being developed.
- 6.11 The location of Tees Valley supports that commercial potential. As a major landing point for North Sea oil and gas (20% of the UK total), and with deep water port capacity, the

proximity to the North Sea basin is a further key advantage, particularly, for example for clean coal gasification with CO<sub>2</sub> used for enhanced oil recovery. Such a project, which is under development, would generate significant 'green' hydrogen adding significantly to the hydrogen capacity of the area, while producing 800 mega watts of power if it goes ahead.

- 6.12 The skills and expertise embedded in the major producer companies and the wide range of specialist professional consultancies, is supported through highly regarded international standard training generated by TTE (originally created by the steel and chemical industries locally) and TWI who are proposing a dedicated Renewable Energy Manufacturing and Technology Centre (REMTEC).
- 6.13 **Climate change, security of supply and global market opportunities are the economic drivers for the new energy market. The strategy being put in place in Tees Valley is a transition management programme involving eleven key elements:**
- (i) **Strategic direction and management support via the Centre for Process Innovation, (a regional centre of excellence) Tees Valley New Energy Forum and Renew Tees Valley Ltd (established to assist project development, inward investment and supply chain support), and the regional One NE Strategy for Success programme management.**
  - (ii) **Green energy generation via biomass and gassification/Co<sub>2</sub> sequestration, biodiesel and bioethanol and phytoremediation.**
  - (iii) **Recovery/recycling/waste minimisation/energy efficiency via industrial symbiosis (through University of Teesside), biomass, and CHP.**
  - (iv) **Technology platforms through a dedicated national Fuel Cell Applications Facility (CPI), developing knowledge, intellectual property rights and technical expertise.**
  - (v) **Demonstration projects that test operational performance, regulatory conformity and public perceptions.**
  - (vi) **Business supply chain via Renew Tees Valley Ltd and CPI.**
  - (vii) **Infrastructure development focusing on Wilton Centre, Wilton international, Pioneer Process Park (dedicated to specialist energy and chemical companies) Seal Sands, North and South Tees Industrial Zones, the storage caverns, the pipeline network and the river and port facilities.**
  - (viii) **Training and development though, for example, the TTE/Redcar & Cleveland College, Centre for Vocational Excellence, the Tees Valley Engineering Partnership and TWI's REMTEC facility.**
  - (ix) **Public awareness and acceptability initiatives through public, industrial and voluntary sector champions to offer leadership.**
  - (x) **Integration of renewable power and heat systems into both the key flagship regeneration initiatives being led by Tees Valley Regeneration as lead exemplars, and into public building and housing and Brownfield regeneration programmes in combination with high energy efficient and recycled materials with management and operation, where appropriate, through suitable locally based and established energy supply companies (ESCO's).**

**(xi) The development of an environmental industries park at South Tees.**

- 6.14 The new energy economy that will be created in Tees Valley will enable the area to become an area of expertise, leading to investment and employment growth, at all levels in what are global growth sectors. It is an evolution of existing industry which is readily embedded in the industrial structure of the area. The development of the new energy economy as the lead economic driver for Tees Valley provides focus and direction that will address not only economic and environmental objectives but contribute to the key issues of urban regeneration and the raising of aspirations about the future prosperity of the sub region.

c) Economic Driver 3 : Teesport

**6.15 The development of Teesport is vital to the future economic performance of the Tees Valley and the UK as a whole for the following reasons:**

- i) It is the second largest port in terms of volume in the UK and the 10<sup>th</sup> in Western Europe. 10% of all traffic through UK ports is handled at the Tees and Hartlepool. Its unique asset is that it is the only port on the East Coast capable of taking 150,000 tonnes vessels which can provide direct access to the sea in 30 minutes;
- ii) The port is essential to the well being of the chemical industry both in terms of export of feedstock and the import and export of chemicals. The development of agricultural feedstock for chemicals will help the port grow;
- iii) The requirement of Corus to export 2.7 million tonnes of steel slab will open up the South Bank Wharf for export and develop the potential for an environmental industries park next to the wharf;
- iv) The port has a proposal to create a deep-sea container port which will create 200 – 300 jobs in the port and 1000 to 1500 jobs in the ports, logistics and shipping sectors. The container terminal could help to divert 1 million containers from the south of England thereby freeing up congestion in the SE and reducing pollution;
- v) The business case for the deep sea container terminal is that it is the only deep sea port on the East Coast which can provide direct access to the sea without locks in 30 minutes, fast turnaround times for ships which cannot be achieved as quickly in the congested southern ports and can be constructed quickly with minimum environmental impact and only 2 km of dredging. The deep-sea container market is growing at 400,000 containers a year and there is a current shortage of capacity in the UK. Teesport could be in operation in 3 years. It will therefore help maintain the UK's competitiveness in port activity;
- vi) Containers bring in goods for assembly and for distribution to retailers in the UK. Already one assembly plant and distribution centre has been announced creating a further 450 jobs. There is the potential for the container port to accommodate a further 6 assembly and distribution hubs creating 3000 jobs;
- vii) The NE Cruise Marketing Group examines further the potential or developing Hartlepool as a port for cruises visiting the NE.

**6.16 A major constraint on the development of the port is the rail infrastructure. It is essential that a programme is developed to improve rail infrastructure.**

6.17 The port requires 21 in/out train paths a day and currently there is only capacity for 19 in/out train paths. There is an immediate need for an internal rail link between Corus and the Port which would enable the port to deal with its requirements for steel slab, international needs and salt.

**6.18 Within a 1 – 3 year period, the Port needs:**

- a) Rail infrastructure improvements to service the proposed deep-sea container terminal;
- b) Signalling improvements at Grangetown;
- c) A new rail head for Cleveland Potash.

- 6.19 **In the longer term there is a need to upgrade the East Coast Main Line and Yarm Tunnel to take 9'6" high cube bases which account for 50% of deep-sea container traffic. Container traffic needs to be transferred from the Teesport to the NW and the Midlands. It is far more cost effective and environmentally beneficial for as many containers to be transferred by rail than road. It is estimated that the work to the ECML and the Teesport – Northallerton line would be in the order of £10 – 20 million and clearly should take place in 3 – 5 years time. The Strategic Rail Authority's decision not to look further at the upgrade of the East Coast Main Line and the low priority mean that these critical issues are not being properly addressed. Currently the proposal to improve the line to take 9'6" high cubes is seen by the SRA as a tactical opportunity but not a key strategic scheme in its plan. The Northern Way connectivity workstream is identifying what can be done to tackle the problems of rail infrastructure at Northern ports including Teesport.**
- 6.20 There are also block signalling problems on the Stockton to Ferryhill goods line which reduces the line's capacity.
- 6.21 There are delays at peak periods at the A174/A19 junction. Access to the port at peak periods could be improved by minor improvements at the A174/A19 junction in terms of traffic lights and a slip road from the A174 westbound carriageway to the A19 southbound carriageway. It is estimated that the cost of these works is about £250,000.

d) Economic Driver 4 : Durham Tees Valley Airport

6.22 Durham Tees Valley Airport is used by 900,000 passengers a year and dealt with 1100 tonnes of cargo. The airport is home to 30 businesses employing 750 people. The expansion of the airport is supported by the Airports White Paper, the Northern Way, the statutory planning framework, the Regional Spatial Strategy and the Regional Economic Strategy.

6.23 There are five fundamental reasons why Durham Tees Valley Airport is strategically important to the development of the Tees Valley economy. They are:

- i) The airport itself is a major economic driver for the City Region. The Airports White Paper shows that for every 1 million passengers a further 500 jobs at the airport are generated;
- ii) The airport itself can be an attractive location for businesses which require to be located at or in close proximity to the airport;
- iii) The catalytic impact on investment decisions by businesses in, or contemplating investment into the region. The greater the range of scheduled air destinations and cargo services the easier it will be to attract those businesses who move goods or people frequently by air; such businesses are typically knowledge based and operate in high value sectors;
- iv) The impact on business competitiveness of existing businesses by the travel time saving for business-related passengers and air freight being able to use a more convenient airport. The Tees Valley contains global industries in chemicals, steel and engineering/architectural design which require frequent reliable services to major hubs such as Heathrow and Amsterdam. Newcastle International Airport is at least 1 ¼ hours drive along from Middlesbrough and Manchester Airport 2 ½ - 3 hours journey by car. The airport is therefore a key part of the competitive infrastructure of the Tees Valley which is vital to the economy of the city region.
- v) The impact on the tourism sector in the Tees Valley and the surrounding areas from the improvement in access to in-bound international visitors. The extra and more frequent scheduled services will help attract some additional visitors to the Tees Valley, but also to the more recognised tourism destinations of North Yorkshire and County Durham. The proportion of international visitors from the countries served by the new services is relatively low – suggesting a market development opportunity.

**6.24 Durham Tees Valley Airport is seeking planning consent for the extension and refurbishment of the Terminal Building and passenger facilities to accommodate 3 million passengers/year by 2015 and a Cargo and Maintenance village to cater for 26,000 tonnes of freight per annum together with related infrastructure including aprons, taxiways, car parks and drainage. The application also includes a North Side Business Park where a 100 bedroom hotel, associated family/pub restaurant and 18,600 sq metres gross of airport related B1 development is proposed.**

6.25 Outline planning permission was granted in April 1999 for the development of the south side of the airport. The development comprises:

- 52,902 sq metres of warehousing (use class B8)
- 80,855 sq metres of industry (use class B2)
- 43,120 sq metres of ancillary freight accommodation.

**6.26 It is envisaged that the following uses will be developed on the site:**

- **Units dedicated to both**
  - i) **Receiving airfreight for redistribution by land, air, sea and rail**
  - ii) **Receiving land side goods for redistribution by air.**
- **Distribution warehousing units which would hold just in time goods for onward shipment**
- **Offices for import/export businesses**
- **Industrial units for pre and post assembly works**
- **Aircraft servicing units**
- **An aircraft painting unit**

Tees Valley Regeneration are leading the development of revised proposals for the development of the South Side.

It is estimated that the proposals for the expansion of the terminal and the North Side would provide 2300 to 2500 net additional jobs by 2015. The South Side proposals could generate a further 5000 jobs.



e) Economic Driver 5 : Universities

6.27 The University of Teesside employs 1,800 staff and has a turnover of £80 m per annum. It has 22,000 students who contribute £69m to the Tees Valley economy. The university plays a key role in developing businesses in the Tees Valley. It has a clearly defined enterprise strategy, whose principal focus is upon regeneration and has developed a nucleus of professional staff in academic schools and central departments to support its delivery. The main gateway for businesses is the Centre for Enterprise. The university is an active member of Knowledge House, a collaborative initiative between the five NE universities and the Open University in the north to provide a unique access point for the private sector to academic knowledge, skills and expertise.

**6.28 The key programmes in support of businesses are:**

- **A graduate entrepreneurship scheme to encourage graduates from the city region to stay and set up their own businesses. The university has recently constructed 27 incubation units;**
- **Graduate placement schemes in SMEs;**
- **A Business 2 Business Manufacturing Centre;**
- **A Digital Knowledge Exchange and a New Technology Institute to support ICT development in SMEs;**
- **A Creative Industries Unit;**
- **A Food Technology Centre;**
- **Initiatives to help product and process development in computer aided manufacturing, environmental technologies and nano-microfabricated systems for diagnostics.**

**6.29 The future of some of these activities is under threat from the demise of European funding, uncertainty over the levels and focus of funding of the Higher Education Innovation Fund 3. There is a need for the University, One NorthEast, GO-NE and the Tees Valley Partnership to look at how this activity can be sustained in the long term given the reduction in European funding.**

6.30 Digital City is an ambitious economic development initiative for the Tees Valley, whose success is predicated on retaining, attracting and developing high-value skills, creativity and R&D in digital technologies as the basis for the creation of new businesses, new jobs and ultimately a new signature industry for the sub-region. Led by the University of Teesside, its key stakeholders include Middlesbrough Borough Council, Middlesbrough Town Centre Company, the Tees Valley Partnership, One NorthEast, Tees Valley Regeneration and GO-NE, with support from the private sector and other public sector partners.

6.31 There has been a clear recognition in the region that the University of Teesside's expertise in digital technology, digital media and their applications can make a significant contribution to local and regional regeneration. A strong focus on computing and digital technologies programmes and a growing research portfolio, coupled with a track record in new business generation and an excellent relationship with the relevant sectors, make the University ideally placed to supply both the skills and the business development opportunities needed to stimulate high-level growth. Some 1,500 students a year graduate in areas deploying these technologies and around 20 businesses in the digital media sector are currently being incubated on campus. (A number of them, such as the award-winning Onisoft and SEED animation, are achieving early success and wider recognition. Other successful Tees Valley companies established by Teesside graduates into Atomic Planet, Yuzu Limited and Chillimedia). There is both an

opportunity and a need to ensure that these and similar winning companies are given the opportunity to stay and prosper in the area.

**6.32 Digital City has been in development since 2003, and in its start-up phase has achieved some early wins that have helped to establish its credentials as a major strategic driver for the economy of the Tees Valley. Developed in the context of a Framework Plan agreed in early 2004 by all the major stakeholders, the initiative is based around three key capital developments:**

- **The Institute of Digital Innovation (IDI), sited on the University campus and the basis for the generation of R&D based digital technology applications; creative content; new business creation; and the supply of talented and entrepreneurial postgraduates. The IDI will provide the focus for:**
  - **Start-ups and spinouts developed on the back of R&D applications;**
  - **Co-locating businesses working directly with R&D teams in the development of digital products;**
  - **Digital City Fellowships, a programme enabling regional graduates to develop digital/multi media business ideas into commercial propositions;**
  - **Training and education programmes for existing and potential employees in the sector;**
  - **Festivals and conference programme, working with regional agencies to promote the Tees Valley and its digital companies and capabilities;**
  - **A Proof of Content fund, established to support the development of creative content business ideas.**
- **The Creative Industries Quarter (Boho) around Queen’s Square in central Middlesbrough, a nexus of refurbished buildings that will house new and growing digital and creative companies, including those moving on from the IDI. In addition to accommodation, new, growing and relocating businesses will have ready access to a tailored, specialist business development service designed to help them get the best out of their skills, know-how and market opportunities. This strand of activity will be led by a designated Business Champion.**
- **The Museum of Digital Media, planned for the Middlehaven development, a major tourism attractor for both Tees Valley and the region that will exploit the digital expertise and knowledge available in the University and in the growing cluster.**

6.33 The University of Durham is one of the top 12 research universities in the UK. At its base at Queen’s Campus Stockton it has 416 staff and 1,800 students contributing £3m to the local economy. Although the university staff can contribute to business development in the Tees Valley in its work, within the Agility programme there is a dedicated Tees Valley engineer by helping companies in logistics, factory and process improvements and product innovation to improve efficiency and profitability. The university also has the North East Centre for Environmental Science and Industry which aims to improve the environmental performance of businesses and assist with the research and development of new environmental products and processes.

**6.34 At Queen’s Campus Stockton the main area of growth is the expansion of the Wolfson Research Institute. 22,000 people are employed in the health sector in**

**the Tees Valley. The Wolfson Research Institute provides access to the research capability to underpin this cluster either via its own research in public health and biomedical science or as a gateway to the full research capability of the University of Durham in areas such as health care engineering, bioinformatics, stem cell biology, genomics, proteomics, pharmaceutical and biopharmaceutical engineering, bioactive chemistry and biological sciences. The extension of the Wolfson Research Institute will provide the opportunity to exploit commercially the Institute's work on health and medicine and to use research to underpin our understanding of the health issues facing the Tees Valley and its impact on social inclusion. The expansion of the Wolfson Research Institute is due to begin in 2006.**

- 6.35 The university also intends to expand its college and student facilities on to the North Shore development (see Stockton and Middlesbrough Initiative).**

f) Economic Driver 6 : NetPark

**6.36** NetPark is an initiative by Durham County Council and Sedgefield Borough Council to create a regional science/technology park in Sedgefield for higher-value added knowledge-based businesses. A 20 year development framework for the whole site has been prepared. Development of Phase 1 of the site has already commenced. The NetPark Research Institute was completed in May 2004, and is now fully occupied, bringing the University of Durham's world-class research and development strengths to NetPark. The Institute includes:

- The Centre for Advanced Instrumentation (a group which collaborates with observatories world-wide in the construction, commissioning and exploitation of innovative, high-tech instruments for optical and infrared astronomy);
- The Institute for Agility and Digital Enterprise Technology (harnessing the latest developments in computer modelling, graphic visualisation and information management to add value in product development and associated risk mitigation in manufacturing)

**6.37** The first NetPark Incubator was completed in November 2004, and provides accommodation for Science and R&D based business. The occupiers of this office and laboratory space include:

- Centre of Excellence or Life Sciences (CELS);
- Centre of Excellence for Nanotechnology, Micro and Photonic Systems (CENAMPS);
- Durham Scientific Crystals – optoelectronic crystals;
- Farfield Photonics – laser wavelength control;
- i2B – specialised software development.

**6.38** The remainder of the currently allocated land should be fully developed by 2007. This land will be developed to provide a mix of technology institutes, high tech businesses and research centres.

**6.39** Target users have already been identified by NetPark. These users have been drawn from academic and business excellence already evident in the region, and those users that will benefit from the mutual support and collaborations that result from clustering in one location:

- Advanced Instrumentation
- Nano-technology
- Bio-informatics
- Photonics

This is not an exclusive list: new products, services, and expertise are being developed in the region all the time, and the development of NetPark will be flexible to these changing markets. However it will concentrate primarily in the area of novel electronics.

7.0 ECONOMIC DRIVER 7 - TEES VALLEY CITY REGION DEVELOPMENT PROGRAMME  
– CREATING SUSTAINABLE COMMUNITIES

7.1 The spatial priorities below are vitally important in transforming the economy of the Tees Valley. They have been identified because of their direct contribution to improving the economic performance of the Tees Valley and the need to develop sustainable communities if the city region is going to be competitive in retaining its population, attract entrepreneurs and promote economic inclusion. They are concerned with:

- a) Development of an environment to develop the financial and business services sector in the Tees Valley (including the engineering design sector), knowledge based industry, the growth of tourism and diversifying the economy;
- b) Providing jobs close to the areas of deprivation and developing programmes to enable people from those communities to access those jobs;
- c) Creating attractive places which offer a wide range of leisure, cultural, shopping and learning opportunities;
- d) Providing greater housing choice to the people of the Tees Valley in the centre of our communities; and
- e) Improving the quality of our built environment.

7.2 The major reason why these sites are not being taken up is that there is not sufficient land value in their development to fund projects unless the public sector intervenes to reclaim often derelict sites, provide the necessary infrastructure and master planning to create a site ready for development and a plan which has the confidence of the private sector to invest.

7.3 A key element of this regeneration activity will be the development by Tees Valley Regeneration of the office market to make provision for financial and business services in support of the Tees Valley economy. The Teesside Development Corporation transformed the Teesdale area through reclaiming the land, providing infrastructure and selling off plots to developers. In the early 1990s land at Teesdale was valued at less than £100,000 per acre – today a conservative estimate would put the figure at £500,000. Rental levels in turn have grown from £6.50 per sq ft to around £17 per sq ft and this reflects a very significant transformation that in turn has seen considerable institutional investment activity.

7.4 The Teesdale experience has increased developer interest in the office market across the Tees Valley. In the last three years, as more space has become available, take up of new or high space refurbished space has seen some notable lettings including : Garlands (c125,000 sq ft in Hartlepool, Stockton and Middlesbrough); Hyder (25,000 sq ft in Middlesbrough); Capita (50,000 sq ft in Darlington); Serco (40,000 sq ft in Stockton); AMEC (40,000 sq ft in Darlington); RMC (20,000 sq ft in Stockton);

7.5 This developer interest is continuing to grow. By mid summer the Terrace Hill development (30,000 sq ft) at Middlehaven will be available for occupants and this will feature alongside other notable developments : Wynyard LLP (Wynyard – 50,000 sq ft); City & Northern (Morton Palms – 70,000 sq ft); Gort (Hopetown – 13,000 sq ft) as well as significant 'new' refurbished accommodation (Marchday, Lingfield Point). This very clearly reflects an unparalleled level of investor confidence in the Tees Valley product and, just as significantly, is driven by their own expertise and knowledge of future market opportunities.

7.6 The contribution to the regeneration of the Tees Valley of the four flagship projects being implemented by Tees Valley Regeneration (Middlehaven, Middlesbrough, North Shore, Stockton, Central Park, Darlington and Victoria Harbour, Hartlepool) is projected to be:

800 acres of brownfield land developed  
2 million sq ft of offices  
6,500 residential units  
1m sq ft of education facility  
12,000 jobs  
£220 million of public sector investment leveraging in £1,230 m of private sector investment.

a) Stockton-Middlesbrough Initiative

7.7 The Stockton-Middlesbrough Initiative is a 20-year vision for the urban centre of the Tees Valley primarily focussed on Stockton and Middlesbrough and the land on both banks of the Tees between the two towns. This centre of the Teesside conurbation was once the home of a thriving steel and engineering industry which has long since disappeared. The overall aim is to bring life back to the heart of the City Region which will be more competitive than Stockton and Middlesbrough acting separately, performs at a national average rate of economic performance within a 20-year period and delivers a City Region as competitive as the best of the Northern Way.

7.8 The Stockton-Middlesbrough Initiative will improve the performance of the Tees Valley economy in the following ways:

- a) The Teesdale area developed by the Teesside Development Corporation has seen a major increase of financial and business services supporting the Tees Valley economy creating over 5000 jobs. The engineering services design-offices which support the chemicals/steel industry have also located here. If the region is to be successful it needs to continue to develop the financial and business services sector. There is the opportunity to expand across the river to the North Shore and to link Teesdale into the Stockton Town Centre through developing a better quality of place along Stockton Riverside;
- b) Middlesbrough Town Centre is the largest retail centre in the Tees Valley serving the whole of the City Region. There is an opportunity to build on its commercial success and to develop the higher order facilities appropriate to a city scale which are lacking in the Tees Valley. Examples of this are facilities such as an Indoor Arena or specialist retailing facilities. Recent investment on Linthorpe Road has shown that the area can develop successful specialist retailing. The new Middlesbrough Institute of Modern Art will provide a modern art gallery and a new town square in Middlesbrough. The expansion of cultural, retailing and leisure opportunities creates the environment for bars and restaurants;
- c) The University of Teesside is located in central Middlesbrough and makes a major contribution to the local economy. The continued expansion of the university, the development of its Digital City project all help to underpin the urban renaissance and economic development of Middlesbrough. The proposed relocation of Middlesbrough College to Middlehaven will bring more life into the town centre. The expansion of Queen's Campus across the River Tees to North Shore will underpin the development of the North Shore;
- d) There is very little high quality housing in the centre of Stockton and Middlesbrough. The Stockton-Middlesbrough Initiative provides the opportunity to use the river and create a quality environment to bring in new apartments and family housing. This will provide a greater choice for the people of the Tees Valley and provide an alternative to new housing on greenfield sites or in North Yorkshire. It will also link into and complement housing market renewal initiatives in Middlesbrough, Thornaby and Stockton;

- f) The creation of the Tees Barrage with its world-class canoe slalom course presents a major opportunity to develop leisure and recreation opportunities for niche tourism markets in watersports;
  - g) The Stockton-Middlesbrough Initiative provides the opportunity to bring jobs back into the heart of the City Region close to the areas of highest unemployment in Thornaby, central Stockton and East Middlesbrough. There is an opportunity to directly link job creation with these communities through special training initiatives;
  - h) The creation of a modern, highly attractive heart of the City Region is essential not just to attract jobs but also to attract entrepreneurs and halt out-migration of our best young talent, without which the economy will not prosper.
- 7.9 To help the regeneration of the Tees Valley an urban regeneration company – Tees Valley Regeneration – was set up funded by English Partnerships, One NorthEast and the five Tees Valley unitary authorities. The company is carrying out major schemes at North Shore, Stockton and at Middlehaven, Middlesbrough.**
- 7.10 At North Shore the project will deliver over the next 20 years 66,000 sq metres of B1 office development, 450 residential units across a range of house types, 15,000 sq m of accommodation for the University of Durham to provide conference and college facilities, a new hotel and bar/restaurant facilities. In the long term there is the opportunity to expand this development along the river to the north and east.**
- 7.11 The vision for Middlehaven envisages development comprising of residential, commercial, educational, leisure and retail elements. The range of uses will include a new Middlesbrough College, a potential regional casino, high quality residential developments and state-of-the-art office development together with a significant element of leisure related uses. The residential development will include apartments and town houses offering “urban living” of a style not currently available in the town or indeed the Tees Valley. The homes will also be within walking distance of the town centre.**
- 7.12 The project is being led by Tees Valley Regeneration with support from key partners One NorthEast, English Partnerships and Middlesbrough Borough Council.**
- 7.13 The project will be delivered over 20 years to achieve the following quantum of development:**
- Residential units – c 3000 (phase 1, 766 units, phase 2, 1,200 units and phase 3, 1,085 units);
  - 93,600 sq me of commercial (office) use;
  - 6,400 sq m of retail including speciality and convenience retail;
  - Leisure use – 30,000m<sup>2</sup>;
  - Hotels;
  - Education – 30,000m<sup>2</sup> for Middlesbrough College plus primary school in phase 3.
- 7.14 In addition, high quality public realm will also be created that will provide the central parkland and the key attraction of Middlehaven – making the area a true destination. Work will also be undertaken to link Middlehaven back into Middlesbrough Town Centre.**
- 7.15 In terms of future development the priority areas are:**
- i) **Stockton Riverside where there is a major opportunity to:**

- **Link Stockton Town Centre to the river and provide improved public open space and new retail and commercial development;**
  - **Develop a new waterside village on Stockton Riverside which will feature bars, restaurants, riverside residential development and watersports;**
  - **Develop Green Dragon Yard as a cultural quarter.**
- ii) **Develop the retail and cultural environment of Middlesbrough Town Centre;**  
 iii) **Develop a high quality landscape around the River Tees at Portrack Riverside and the creation of a Tees City Park on the South Bank of the Tees;**  
 iv) **The rationalisation of the marshalling yards.**

b) Darlington Gateway

- 7.16 Research carried out by Donaldsons and SQW in 2003 demonstrated that Darlington could attract employment by virtue of its location on the A1(M), the East Coast Main Line and its proximity to Durham Tees Valley Airport and the quality of life provided by its tradition as an historic market town, a retail, leisure and cultural centre serving a large part of North Yorkshire and South Durham. The Darlington Gateway Development Framework demonstrated that there was sufficient demand for accommodation within specific sectors to justify major development. Demand exists particularly for modern, medium sized industrial units (900 to 10,000 sq m) and units in the 9,500 to 30,000 sq m range to accommodate large distribution and logistics operations. There is also significant demand for prestige office accommodation both in central and out of town locations.
- 7.17 Darlington's economy is becoming increasingly service sector focused and work carried out as part of an economic futures study by the University of Glasgow and the Darlington Gateway Development Framework identifies the key sectors that Darlington is able to attract. The financial and business services market is growing in the North East and Darlington is ideally placed to add to its existing cluster of similar successful businesses (AMEC, Capita, Darlington Building Society). The distribution and logistics sector is also an area of opportunity as existing distribution hubs elsewhere in the north are operating at capacity, and Darlington represents an attractive and potentially lower cost alternative. Success of the Gateway concept is therefore dependant upon creating the right offer to attract companies into Darlington.
- 7.18 **The highest profile 'employment generator' in Darlington is the flagship development at Central Park, adjacent to the East Coast Main Line. The 30 ha brownfield site, which will be developed by Tees Valley Regeneration, will incorporate 600 homes, high quality office accommodation, hotel, community facilities, leisure space and a new £30 million campus for Darlington College of Technology. The new college campus, due to open in 2006, will include a centre for delivering higher education and will enhance existing links between the business and education sectors. The proximity to a major East Coast Main Line station makes Central Park an ideal location for business services and financial sector companies, with the potential to generate up to 2,000 jobs and stimulate over £170 million of investment over a seven year period.**
- 7.19 **In addition to Central Park, the following projects will also assist the development of the Darlington Gateway concept:**
- **The completion of the Morton Palms Business Park creating over 35,000 sq metres of office space and, tailored to meet the needs of the higher value added service sector and with the potential to create 1,000 jobs;**



- Following completion of Central Park and Morton Palms the development of Darlington Great Park;
- The development of the 60 ha site at Faverdale East Business Park for the logistics and distribution sectors including the recent Argos development and preparatory work to bring forward the 121 ha Faverdale Strategic Reserve Site to provide long term supply;
- The further development of the town centre through the development of a £50 m shopping centre on Commercial Street funded by the private sector supported by improving the environment, townscape and infrastructure of the town centre;
- Developing tourism through the railway heritage theme. Linkages between locomotion at Shildon and Darlington Railway Centre and Museum will be developed including the feasibility of improving the rail connection to enhance visitor access to both facilities. The feasibility of reincorporating the Weardale Railway as the connection for tourists between Darlington, Weardale, Bishop Auckland and Wear Valley should be investigated.

c) Newton Aycliffe

7.20 Aycliffe Industrial Park is a key employment location within the North East region and is presently the home of over 250 businesses, employing more than 8,000 people. The Park has however seen a reduction in employment from a peak of approximately 12,000, which can be attributed to the challenges faced by the manufacturing sector over recent years and particularly, the relocation of branch operations to developing economies. Despite this loss of business stock, Aycliffe still has a regionally significant business base, and has been identified in studies, including the Regional and Durham sites and premises studies as being a strategic location with growth potential.

7.21 **The continued success and the opportunity to maximize the potential of Aycliffe Industrial Park will require the intervention of the public sector. The principal challenge on Aycliffe is that a large percentage of the existing Park is in private sector ownership. The establishment of the improvements programme has therefore necessitated consideration of how investment could be used to stimulate the market. Three core elements have been settled upon and are as follows:**

- i) **Corridor environmental improvement programme**
- ii) **An improvement fund to improve property**
- iii) **A demolition programme**

7.22 **The current Aycliffe Improvements Programme will contribute to raising the image of the Park and will help to attract investment. However, the size of the Park, and the large stock of older industrial premises necessitates the need for a much greater level of investment if the Park is to retain its strategic importance and more importantly, the number of jobs it contributes to the city region.**

7.23 **Future areas of work which form the basis of the development of Aycliffe Industrial Park within the Tees Valley City Region Development Programme would include:**

- **Intervention of the public sector to purchase and demolish unsuitable industrial stock, releasing brownfield development land**
- **Rolling out of the improvements programme across the Park and improving the infrastructure of the Park**
- **Intervention in the property market in order to provide high quality business premises which will meet current and future business need**

- 7.24 Whilst the physical improvements to the park is helpful, there is a need for a comprehensive programme to address how the companies in the park could be helped to improve productivity and competitiveness. A partnership of One NorthEast, Durham County Council, Sedgefield Borough Council, County Durham Business Link, Foresight North East and the North East Productivity Alliance should produce a coordinated programme to tackle the physical and economic problems facing the park.**
- d) Coastal Arc
- 7.25 The research carried out as part of the Tees Valley Vision has identified the Coast as a major economic asset comprising:
- i) The Heritage Coast east of Saltburn, which is part of the North York Moors National Park;
  - ii) Teesmouth with its unique RAMSAR sites and interesting industrial/enterprise environment;
  - iii) Hartlepool with its Marina and traditional settlements of the Headland and Seaton Carew, which have significant potential for tourism development.
- 7.26 The development of the tourism potential of these assets can contribute to improved economic performance in the following ways:
- i) The creation of a critical mass of attractions can bring day visitors and short stay city break visitors into the City Region;
  - ii) Tourism can act as a major regeneration force behind the urban renaissance of an area and help to reinforce the housing market in areas of market failure by providing greater choice;
  - iii) Tourism can provide a relatively easy entry point into business for new entrepreneurs with little capital or into employment;
  - iv) The development of tourism and leisure facilities creates a quality of place, which helps to attract and retain population.
- 7.27 The coastal resort towns of Redcar and Hartlepool are already major visitor attractions, as are the Heritage Coast and National Park in the rural area of East Cleveland. STEAM (Scarborough Tourism Economic Activity Model) data for 2003 suggests conservative estimate of tourism revenue of over £90m and employment of well over 2000.
- 7.28 Hartlepool is an important commercial centre. Development of the Marina, the Historic Quay and regeneration in the town centre has transformed the core of the town. Waterfront, office, residential and leisure developments continue to be very successful. With a focus on its maritime heritage, Hartlepool is the Tees Valley's major visitor destination, marketed by Visit Britain as one of its top UK mini-break cities, on a par with Oxford, Bath and Stratford-upon-Avon. It contains substantial opportunities for development and renewal.
- 7.29 The major regeneration area in Hartlepool is the Hartlepool Quays, which comprises the Marina, the town centre, the historic Headland, and in particular Victoria Harbour a TVR flagship regeneration site. Victoria Harbour is pivotally located to the north of the town centre between the highly successful Marina and the historic Headland. This substantial 133 ha site is a major and unique opportunity for quality waterfront development of regional significance and a comprehensive master plan has been prepared. It is of sufficient scale and quality to provide further impetus to the regeneration of the urban core of the town, the Marina and the renaissance of adjoining communities including the Headland and will significantly improve Hartlepool's offer as a tourism destination.

Opportunities for water related tourism include cruise tourism and the development of a new visitor attraction, the H2O Centre.

- 7.30 A new sustainable mixed-use community will be delivered, which will incorporate business, commercial, light industrial, quality residential, retail, community facilities, public realm/open space and the provision for leisure development, supported by new transport links, infrastructure and services.
- 7.31 **The Victoria Harbour project will be delivered over a period of 20 years to achieve the following quantum of development:**
- **Up to 3,500 residential units;**
  - **60,000 sq m of commercial and mixed use;**
  - **Approximately 20,000 sq m of retail including speciality retail, retail warehousing and convenience retail;**
  - **34,000 sq m of community space including a new primary school;**
  - **6,000 sq m commercial use**
- 7.32 **The development will create significant employment, include apartments and town houses offering “urban living” of a style not currently available and will play an important part in developing a viable housing market in the Tees Valley. High quality public realm will be created including a new promenade and a new pedestrian walkways connecting the Headland, Victoria Harbour and the Marina to the town centre and a stunning innovative new bridge at the harbour entrance.**
- 7.33 **Other key proposals are regeneration programmes for the Headland; high quality development and enhancement of key sites and buildings, linkages and public realm improvements in the town centre; the continued development of the Marina including the Historic Quay, development of business parks and a regeneration programme for Seaton Carew and the Southern Business Zone.**
- 7.34 **In Redcar a key project is Coatham Enclosure Project which is a partnership between Redcar and Cleveland Borough Council, Persimmon Homes, One North East and English Partnerships. This project will develop the tourism potential of Redcar and contribute to providing a vibrant housing market in Coatham.**

**The £55m project will provide:**

- **A first class pool-based leisure facility with six lane 25m pool, separate leisure pool and flume, fitness suite and gym, tenpin bowling**
- **A Performance Centre within the largest dance floor in the North East, a base for a national circus/performance company, cinema and theatre. It will also include viewing platforms, a café and achievement/showcase galleries celebrating people and energy, linking the industrial energy story of Tees Valley and the new energy initiatives (see Section 6) with climate change impact and showcasing local companies and business opportunities**
- **A major lifestyle sports venue for BMX, skateboarding, climbing which links indoor facilities for all with outdoor sports activities on the beach, and grows the current level of participation**
- **Commercial elements which include pub/restaurant and retail units**
- **285 new houses and seafront apartments.**

**7.35 Other key proposals are:**

- **An urban design and redevelopment plan for Redcar Town Centre;**
- **The commissioning of a development study to explore the business case for enhancing the potential of Redcar Racecourse;**
- **A programme of investment for Saltburn;**
- **An action plan to develop the tourism potential of Kirkleatham Village;**
- **Examining how the concept can be developed with Durham and North Yorkshire Heritage Coasts**

## 8.0 BARRIERS TO GROWTH

### a) Worklessness, Skills and Low Aspirations

8.1 The analysis of the economic geography of the Tees Valley has shown that low skills levels, low levels of achievement of young people and high levels of economic inactivity and disability together with a declining population is a barrier to the economic productivity and competitiveness and hence improved economic performance of the Tees Valley.

**In preparing these proposals for the City Region, the partners have prioritised those areas of activity which fall outside the mainstream resources and programmes of the key agencies. In particular, the partners identify a need for additional resources for:**

- **Capital funding, particularly outside the Further and Higher Education sector;**
- **Enhanced funding for Apprenticeships for both young people and adults to encourage both employers and learners to take part;**
- **Funding for Level 3 and Level 4 programmes to meet the higher level skills needs in key sectors of the Tees Valley economy;**
- **Financial incentives to individuals to encourage them to take part in careers in the key sectors, where there is often a poor perception and a low level of take up of learning opportunities.**

The first three points above are being taken forward by the Northern Way workstream in this area.

### i) Supporting and Motivating Employers

8.2 The market analysis identifies a generally improving level of general participation and achievement in learning, yet skill shortages still persist in the City Region economy. This can only be addressed by business led, sector focused strategies with additional investments targeted at key sectors identified in the Tees Valley Vision. This investment strategy will include support for:

8.3 Learning Centres in key employers – public and private to generate culture of work related learning. This will be targeted at the Digital Media, Engineering, Chemicals, Health, Transport (rail, road, air, port) and environmental industries, to reach 150 companies in these sectors. This will be expanded to other sectors as the initiative develops. The centres will be locally based and supported by learning professionals to ensure the learners have access to the highest quality resources and support. Employers in these industries will be given funding to provide their employees with paid time off to learn. Minimum standards and controls will be agreed.

8.4 All employers in the Tees Valley will be entitled to free information/assessment of skills needs to break into the culture of short term investments and low aspirations in the employer community. The information will provide up to date research in best practice within the specific sector. This research will be supported through the developing sector skills councils.

8.5 Capital funding will be provided to establish and grow the training infrastructure in new sectors, such as the Environmental Technology, Renewable Energy and Enterprise sectors. This would build on the developments within the existing CoVEs within Tees Valley, allowing access to a more advanced learning network. Ensuring that people learning had access to the most up to date equipment and

environment helping to ensure that they complete the learning they are undertaking.

ii) Supporting and Motivating Young People

- 8.6 A system of financial support for young people to pursue careers and learning in particular sectors will be established. This will be similar to a bursary programme including payments related to qualification achievement and gaining employment. A young person may typically be paid £3k per annum to study qualifications relating to the chemical industry, with payments of £1k on achievement and up to £3k as a “golden hello” to the industry. Applying this to 500 young people a year would cost an estimated £3m a year. A project on this scale is essential to redress the current low profile of such industries and to replenish the number of older people who are leaving the industry at the current time. The partners also believe that a similar incentive programme would be helpful for the construction sector to overcome negative perceptions of employment in the sector, provide reskilling for the older workforce and meet the demands that the regeneration of the City Region will create.
- 8.7 As well as the above programme which would focus on the academic route, there is a need to support Young people through increased funding for Apprenticeships in these sectors, so that they are more attractive to a wider range of young people. A doubling of current apprenticeship funding for these sectors would provide sufficient incentive for young people to follow Apprenticeships in these sectors at the expense of alternatives that are less beneficial to the future economy.
- 8.8 The above financial programmes will be accompanied by intensive promotional and information campaigns to attract young people into these industries. Some work of this type is already done but it is insufficient to meet the future needs of the sectors. In running such campaigns, priority could be given to lower achieving schools, so that school achievement is increased as well as economic benefit. This would be complemented by the work of the Sector Skills Councils where they exist.
- 8.9 All young people aged 11-16 in Tees Valley schools or alternative education will be provided with one hour per week enterprise awareness. This will cover the skills and qualities needed to run your own business but will also be aimed at increasing the aspiration of all young people. It is only by integrating this into the mainstream curriculum that young people will be fully exposed to enterprise as a concept and as a possible action.
- 8.10 A programme will be developed to give much greater emphasis to the concept of “specialist schools”. All schools in the Tees Valley will be a specialist in a particular subject or economic area. Enhanced funding will be provided to develop the school curriculum to focus on this area and to build more meaningful links with employers, colleges and training providers. This will promote progression through learning and employment and link into the other incentives and programmes described above.
- 8.11 The increased activity in urban regeneration and housing market renewal present a major opportunity for developing skills and creating jobs in the construction industry. The Tees Valley Construction Sector Group comprising the local authorities, Construction Industries Training Board, Tees Valley Learning and Skills Council, Job Centre Plus, Further Education Colleges, FE Plus and employers has been set up to develop employment and training initiatives in the construction sector. The group has developed a ‘Building Futures’ proposal to:

- Offer support to individuals and employers concerning training opportunities;
- Identify the scope to include targeted training and employment initiatives through contracts, development contracts and the Private Finance Initiative;
- Set up a series of pilot schemes.

Further details are provided in the paper in the appendix.

It is also intended to set up training initiatives which will enable people from the deprived communities in the Tees Valley to access the new jobs created as a result of the regeneration projects.

- 8.12 A key constraint on the development of the labour market is the poor image of the chemicals, engineering and manufacturing industry amongst young people in the Tees Valley City Region. The approach adopted by the Teesside Chemicals Initiative in its Children Challenging Industry Programme has been seen as more effective than other more mainstream approaches because it is related to the national curriculum.
- 8.13 It is proposed therefore that the Learning and Skills Council and Learning for Work should examine how the approach of Children Challenging Industry could be broadened across more schools.**
- 8.14 Within the Tees Valley there are 45,000 incapacity benefit claimants. If the economic activity rate in the Tees Valley was the same as that of England and Wales, an extra 24,000 people would be economically active. In January this year the Secretary of State for Work and Pensions confirmed that the Tees Valley is selected to deliver the Pathways to Work Programme beginning in October 2005. Pathways to Work combine a number of elements designed to help people move closer to work or into employment. Customers attend a series of work-focussed interviews with an advisor trained to help identify their capabilities and overcome any barriers preventing them reaching their work goal. A package of support is available from the advisor, ranging from skills development to confidence building, job searches and financial incentives. Through a partnership with the Local Primary Care Trust, Pathways to Work also offers Incapacity Benefit customers a programme of support to help them better understand and manage their health conditions. The availability of a Return to Work Credit of £40 per week for one year provides an additional financial incentive to make work pay.
- 8.15 As part of the Northern Way workstream, the enhancement of the Pathways to Work Programme is being examined. The Tees Valley Partnership will discuss with Job Centre Plus the feasibility of implementing the recommendations arising out of the Northern Way workstream on an enhanced Pathways to Work Programme. It is proposed that a pilot enhancement Pathways to Work Programme part funded by the Northern Way Growth Fund will be developed in Middlesbrough.**
- b) Business Support
- 8.16 Within the Tees Valley the main problems are:
- The lack of an innate culture of enterprise;
  - A low number and density of business stock;
  - Low levels of new business formation in relation to the UK business formation rate but average in relation to the existing business stock in the Tees Valley;

- The need for a business support manufacturing strategy to meet the needs of the manufacturing sector.
- 8.17 The Business Support programmes in the Tees Valley are well documented and existing programmes can be expanded to create an entrepreneurial culture, encourage higher rates of business formation and provide support for existing businesses. These are all documented in the paper in the evidence base.
- 8.18 The key programmes to support business are:**
- **Programmes to encourage new business formation;**
  - **Programmes to encourage the expansion of indigenous businesses through the use of brokerage;**
  - **A business support programme for manufacturing industry;**
  - **A programme to encourage more ethnic minority businesses, businesses run by women and social enterprises;**
  - **Support for innovation using where appropriate the universities and colleges of further education business support programmes;**
  - **Programmes to encourage workforce development;**
  - **Programmes to encourage entrepreneurship and raising the aspirations of young people.**
- c) Connectivity
- 8.19 There are three main barriers to growth in the Tees Valley which fall under the heading of connectivity. They are:
- The need to improve external connectivity to the Tees Valley City Region;
  - The need to improve internal connectivity by public transport;
  - A concern of the Highways Agency about the ability of the A19 and A66 to cope with future development.
- 8.20 External connectivity is important to the City Region for the movement of goods and freight, vitally important to the competitiveness of the heavy industrial complex and the port. Air connections to Heathrow and Amsterdam are vital for easy access for executives from the many global companies, particularly in the chemicals sector present in the Tees Valley.
- 8.21 Generally the road network in the Tees Valley is excellent except for certain congestion points on the A19/A66 at peak hours. However the public transport network is poor, particularly by rail and bus in connecting up our towns and in ensuring easy access from residential areas to areas of employment. For this reason the connectivity proposals concentrate on:
- a) Improving the rail and bus network;
  - b) Improving inter urban transport links between Darlington, Stockton, Middlesbrough and Saltburn and Hartlepool through Billingham to Stockton;
  - c) Supporting public transport access to the key Tees Valley Regeneration projects.
- 8.22 The Northern Way Growth Strategy First Report proposes a study into the Tyne Tees Express which will provide a fast direct service from Middlesbrough via Stockton and Durham to Newcastle in about 1 hour. In addition the Strategic Rail Authority should look at better connectivity between Hartlepool, Darlington and York. In any studies undertaken on Transpennine the through services to Middlesbrough must be retained.**



- 8.23 In terms of the road network the key improvements are:
- The upgrading of the A1 to motorway standard (already announced);
  - Improvements to the A75, A74, M6, A66 transpennine route to improve linkages between N. Ireland, Scotland and Europe through Teesport for freight;
  - Improvements to the A19/A174 junction.
- 8.24 In terms of rail connectivity for freight, the improvements around the port and the upgrading of the East Coast Main Line and Northallerton-Teesport to take high cube containers is very important (see section on Teesport).
- 8.25 In terms of air connections, regular services from Durham Tees Valley to London Heathrow and Amsterdam Schiphol are vital to an economy which is based on global companies. (See section on Durham Tees Valley Airport).
- 8.26 Bus patronage in the Tees Valley has fallen from 45 million journeys in 2001 to 43½ million in 2005. The existing bus network is largely based on the historic bus network set out 50 years ago. Within the Tees Valley the local authorities have:
- i) Worked with partners to develop a real time information system for bus passengers on key routes in the Tees Valley;
  - ii) Set up a bus quality partnership comprising the local authorities and bus operators to improve the quality of bus services in the Tees Valley in respect of marketing, ticketing, routes and infrastructure improvements;
  - iii) Commissioned consultants to look at the feasibility of bringing bus contracting into one office for the Tees Valley as a whole;
  - iv) Commissioned a review of the bus network to identify core routes and inter-urban bus services together with a series of physical improvements to the route such as bus priority lanes, bus priority traffic lights, guided busways etc.

These proposals will be submitted to Government in the Local Transport Plans.

- 8.27 In the longer term a light rail system based on the existing rail network is seen as a more effective way of providing a public transport system worthy of the needs of the region. Tees Valley Regeneration are currently developing proposals and a business case for a light rail system based on the existing rail network for consideration later in the year.
- 8.28 The five main towns of the City Region – Darlington, Hartlepool, Middlesbrough, Stockton and Redcar all serve rural hinterlands in South and East Durham and North Yorkshire. If the rural areas are to benefit from the activities of the main towns of the city region as places of employment, retail, leisure and cultural centres, there needs to be connectivity by public transport with Richmond, Barnard Castle, Catterick, Northallerton, Stokesley, Bishop Auckland, Easington and Whitby. It is proposed therefore to carry out a study to examine the existing public transport connectivity and identify proposals as to how this connectivity can be improved where necessary.
- 8.29 Concern has been expressed by the Highways Agency about the impact of our proposals in the Darlington Gateway, Stockton/Middlesbrough Initiative and Hartlepool on the capacity of the A19 and A66 such that there is a risk that the agency could use its statutory development control powers to slow down these key development proposals.

8.30 The problems are:

- a) Where multi-modal studies have been undertaken, the cost of the works required to cope with development and the projected growth in traffic to 2021 is so great that they are not affordable under current Government financial allocations to the region for trunk road improvements;
- b) Most of our regeneration schemes are being supported by the public sector in terms of land reclamation and the provision of infrastructure. There is not sufficient monetary value being created out of these developments to fund major highway improvements on trunk roads or new local roads which can alleviate the trunk road network.

**8.31 It is necessary for the Highways Agency and the Department of Transport to take a more pragmatic approach to these issues. We understand that most City Regions are affected by this policy. We consider it vital that:**

- i) The Northern Way connectivity workstream addresses this issue with both the Highways Agency and the Department of Transport; and**
- ii) Discussions take place with GO-NE, One NorthEast, Tees Valley Regeneration, the transport authorities and the Highways Agency to resolve these problems in the short term to enable these much needed developments to go ahead.**

d) Creating a Viable Housing Market

8.32 The overall housing offer in the city region, particularly the older housing areas, is acting as a constraint on economic performance, as it does not provide the quality and choice necessary to attract and retain sufficient numbers of wealth creators and skilled workers, particularly in key growth areas. In addition there are problems of obsolescence and poor housing, often concentrated in the most deprived areas, which together act as a major barrier to bringing residents back into the economy and enabling them to share in city growth. A key challenge for the city region is to provide the housing choice and quality of housing in our inner areas to reverse the migration of people out of the Tees Valley to North Yorkshire and the outer suburbs.

In Sedgfield there are major problems with low demand and obsolescence in some of the former mining villages notably Ferryhill Station and Dean Bank. Intervention is also proposed in Newton Aycliffe and Shildon to strengthen these settlements through stock improvement, improving choice and meeting future demand.

Tees Valley Living and the Durham Coalfields Communities Partnership have been set up to address these issues. The Government has recently announced £23 million over the period 2006/08 to help the Tees Valley address these issues. The Regional Spatial Strategy has addressed some issues in the Tees Valley and Tees Valley Regeneration proposes to build 6,500 houses on its key flagship schemes over the next 20 years.

**In terms of creating housing choice the strategy is:**

- a) To concentrate action on housing market renewal in an area containing about 45,000 households in the core of the Teesside conurbation from Parkfield in Stockton through Thornaby and Middlesbrough to South Bank and Grangetown, Dormanstown/West Redcar and Central Hartlepool. Priorities for HMR for resources will be drawn from this area;**
- b) In Sedgfield to concentrate housing market renewal activity in Ferryhill Station, Dean Park, Shildon and Newton Aycliffe;**

- c) **In the Tees Valley, three stock transfer housing associations and an ALMO own 40,000 properties containing most of the social housing stock. They will be spending almost half a billion over the next 5 years with private sector strategic partners delivering the decent homes standard;**
- d) **The Regional Spatial Strategy encourages the vast majority of new development on brownfield sites within the main urban centres, once Greenfield sites with consent have been completed. TVR will contribute 6500 homes over the next 20 years on its four flagship sites;**
- e) **Within North Yorkshire there is a need to reduce the build rates in Hambleton (currently 450/year) whilst recognising the need for the authority to provide affordable housing.**

**Government can help the Tees Valley City Region resolve these problems in three ways:**

- a) **Provide extra resources in CSR06 to tackle the housing market renewal problem. Tees Valley Living will be producing an evidence based strategy to justify this need in the summer;**
- b) **Recognise that in RSS planning totals for housing, there needs to be flexibility to allow for Greenfield consents which cannot be halted to be implemented and to give scope for housing development on regeneration sites to go ahead;**
- c) **Hambleton's high build rate is a direct function of its need to build 100 affordable houses a year funded by building a further 300 homes for sale. Government needs to find a mechanism to allow Hambleton to build affordable homes which it needs at a lower build rate so that it provides less opportunity for people in the Tees Valley to migrate to Hambleton.**

## 9.0 GOVERNANCE AND IMPLEMENTATION

### a) Governance

9.1 Existing governance structures do not operate on a City Region basis. There is a need to look at governance arrangements and the One NorthEast/Association of North East Councils led City Region Review process provides a basis for dialogue over the coming months. In the meantime the Tees Valley City Region Sounding Board will continue to monitor progress and the Tees Valley Partnership and County Durham Economic Partnership will be coordinating the implementation of the programme working with key partners. Tees Valley Regeneration will be the lead delivery body in implementing our five key flagship regeneration projects.

### b) Implementation

9.2 In terms of implementation, most of the proposals in the plan will be funded by the private sector. However in order for the public sector investment to take place, public sector funding needs to act as a catalyst to deal primarily with the provision of support infrastructure. Most of these proposals are already in the current three year programmes funded through One NorthEast, Business Link, the Learning and Skills Council, Local Strategic Partnerships and English Partnerships, and European funding. With the exception of the connectivity and housing market renewal programmes, all of these programmes can be funded under the existing level of resources. Nevertheless some proposals will require new approaches and funding through a reallocation of resources dealt with through the normal programme review processes. The Tees Valley City Region is close to qualifying for Objective 1 Convergence Area resources from the European Union as its GVA is close to 75% of the EU15 average. These resources would help to speed up the process of regeneration in the Tees Valley.

9.3 The proposals set out in the programme have been prepared at the same time as the Regional Spatial Strategy. The forthcoming RSS to be published in July will incorporate the main elements of the City Region Development Programme. The programme will also influence the forthcoming Regional Economic Strategy.

### c) How Government Can Help

9.4 Throughout the development programme, a number of issues have been raised where changes to Government policy could help the economic performance of the City Region. They are:

- a) Working with the industry to develop the potential of the chemicals industry and the new energy economy in the Tees Valley (see section 6.0(a) and (b));
- b) Developing a better understanding of the role northern ports can play in the UK economy, particularly in the growth of container traffic (see para 6.15);
- c) Giving greater priority to the development of rail infrastructure to serve northern ports, particularly Teesport (see paras 6.18 – 6.19);
- d) Identifying how the demise of European funding for business support programmes in the university sector could be sustained in the long term (para 6.29);
- e) Consider giving priority to funding NVQ3 and 4 programmes in the Tees Valley and developing enterprise awareness programmes in schools (paras 8.1 – 8.11 and 8.13);

- f) Consider giving greater priority to the transport needs of the City Region (paras 8.22 – 8.28);
- g) Addressing the issue of the potential impact of Highways Agency Development Control powers on the slowing down of key development sites in the City Region through the Northern Way Connectivity workstream (paras 8.29 – 8.31);
- h) Giving greater priority to the city region's housing market renewal needs in the CSR06 (para 8.32);
- i) Giving flexibility in RSS planning totals for housing to allow regeneration sites to go ahead (para 8.32);
- j) Consider how affordable housing can be provided in rural areas without the need for substantial build rates to subsidise the affordable housing (para 8.32).