Greater Birmingham Chambers of Commerce

Birmingham Economic Review 2017

Chapter 3: The Spatial Economy

UNIVERSITY OF BIRMINGHAM | BIRMINGHAM BUSINESS SCHOOL

CITY REDI

WEST MIDLANDS GROWTH COMPANY

Connect. Support. Grow.

Introduction

The Birmingham Economic Review 2017 is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and is a high quality resource for organisations seeking to understand the city to inform research, policy or investment decisions.

Index

Chapter 1: Foreword & Executive summary: Scorecard for Birmingham

Chapter 2: Economic Climate & Context

Chapter 3: The Spatial Economy

Chapter 4: The Economic Geography

Chapter 5: Key Sectors

Chapter 6: Population & Employment

Chapter 7: Skills & Labour Market

Chapter 8: Enterprise

Chapter 9: Innovation

Chapter 10: The Visitor Economy

Chapter 11: Inward & Foreign Direct Investment

Chapter 12: Conclusion

All Chapters of the *Birmingham Economic Review 2017* can be found online on the Greater Birmingham Chambers of Commerce website: www.greaterbirminghamchambers.com or via the contact details at the end of this document.

The Spatial Economy

While this review focuses on Birmingham itself, economic activity does not stop at local authority boundaries. An assessment of the linkages within the city and between neighbouring areas provides useful insight into Birmingham's wider economic role as well as internal economic and labour market dynamics. The quality and speed of linkages between areas (connectivity) are key factors that drive economic performance. The role that locations play within a given area are influenced by connectivity.

Transport

Birmingham is served by a range of key transport infrastructure. Birmingham International Airport is in close proximity and provides a gateway to a range of international destinations. Key rail and road links include:

- London Midland Trains, Virgin Trains and Cross Country provide direct services to London and the South West, the West Midlands, Scotland, the North West and Yorkshire.
- The M6, which provides access to the North West
- The M5, which provides access to the South West
- The M42, which provides access to the East Midlands
- The M40, which provides access to the South East

Looking forward, improving connectivity across the functional economic area whilst satisfying the expected increase in demand on the area's road and rail network presents a significant challenge. In order to tackle this, there are a number of major infrastructure schemes in the area that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally.

High Speed 2

High Speed 2 is potentially the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. HS2 will have a substantial impact on the economic and transport environment in Birmingham and its surrounding areas. In February 2016 the headquarters of HS2 were opened in Birmingham city centre. Up to 1,300 people will be employed at the premises. Phase one, under which trains would run from Curzon Street, Birmingham, is due to begin in 2017 and is earmarked for completion in 2026. It is expected to reduce rail times between Birmingham and London by 32 minutes. Connections to Crewe are expected to open in 2027, with lines to Leeds and Manchester planned for completion in 2033. The £50bn project will be one of the largest civil engineering projects ever undertaken in the UK. It is estimated that the project could create 104,000 jobs in the West Midlands area and bring £14bn additional economic input.

The project is expected to have significant economic benefits for the local area, attracting new business and investment to the city as well as enabling existing businesses to benefit from greater connectivity with London and other major UK cities and markets on the continent. The new station to be built in Birmingham city centre will also help to transform the Eastside area of the city centre stimulating regeneration in this part of the city.

More importantly, Phase 2A will embed Birmingham at the heart of the national network as better links with Leeds and Manchester will create a large number of supply chain opportunities and a windfall of jobs. Improving connectivity for local businesses will help rebalance the national economy and unlock the latent potential of Birmingham and the wider region.

Midland Metro

Work to extend the Midland Metro into Birmingham city centre has recently been completed and has significantly improved links between the Black Country and Birmingham by connecting to the National Rail network at New Street (Birmingham Gateway). It is estimated that it will add £50m per year to the region's economy and create around 1,500 jobs. Further extensions to the network are planned within Birmingham, specifically to the west of the city centre. These will provide transport through some of the most deprived local areas, improving access to jobs and services for residents as well as attracting new business and developments to them. There are also long term plans in place to enhance links between East Birmingham and Solihull.

Birmingham Airport

Birmingham Airport is one of the largest employers in the West Midlands. Over 8,000 people are employed either on-site or within its immediate vicinity and are engaged in activities relating to the operation of the Airport and air services. In 2014, the Airport delivered approximately £1.1 billion to the regional economy and £1.7 billion to the national economy. This has increased as passenger numbers. 10.2 million passengers travelled through Birmingham Airport in 2015 – 5% more than the previous year. However, this is still considered to be an under-utilisation of one of the area's most significant economic drivers.

The three year runway extension project at Birmingham Airport opened in summer 2014. This allowed aircraft to carry more fuel and fly further. It brought with it new direct long-haul destinations for the first time. These routes cater to both business and leisure travellers. Between 2015 and 2014 long haul traffic increased by 21.4% due to greater capacity from Birmingham to destinations such as Dubai, Delhi and Amritsar.

Over £300 million has been invested in the Airport over the past 10 years, including an extended and full-length runway for serving global destinations. This opened in 2014. The runway extension gives the airport the capacity to increase its passenger numbers and as a result the economic impact of Birmingham Airport is eventually expected to rise to 19,000 full time equivalent jobs and £824m of annual economic output by 2030. On a wider note, the extension of the Metro, the arrival of HS2 and the improvements made to the bus networks in the West Midlands will all help to improve the accessibility of the airport and in turn, boost domestic and international connectivity for the region.

Commuting patterns

Data is available (now somewhat dated - but nevertheless the message remains relevant) that allows an analysis of commuter flows and flows of people engaged

in leisure and retail activities. As the labour market has changed over the past few decades, so have commuting patterns, with more people travelling longer distances to access employment opportunities.

People are more likely to commute if employment is available that pays a higher wage than that which is available locally and covers the cost of the commute. There is some data to support this. Workplace earnings are generally higher in key commuting destinations.

Chart 6: In - Commuting to Birmingham

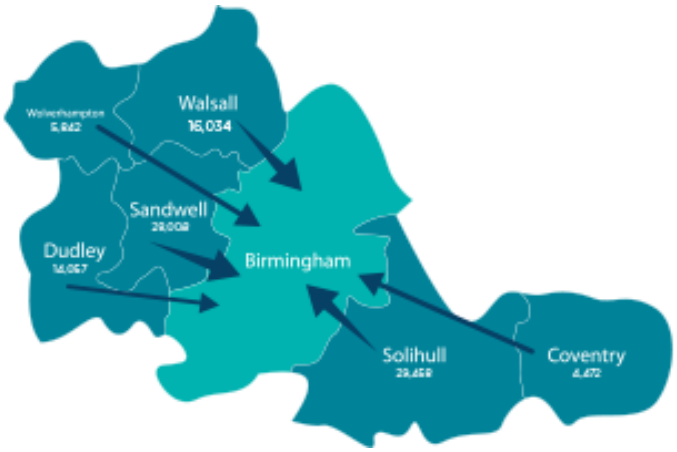

Chart 6 shows in-commuting to Birmingham from surrounding areas. If we look at total in-commuting to Birmingham from this area, 166,272 commute to the city. Within the surrounding areas a strong relationship exists between Birmingham and Solihull, with 29,458 of Solihull's employed residents working in Birmingham. There are also strong in-commuting linkages with Sandwell, Walsall, Dudley, Bromsgrove and Lichfield. To some extent this high level of in-commuting is to be expected; as a core city Birmingham is an employment hub for its surrounding areas. However, the magnitude of the in-commuting levels, coupled with the relatively low levels of employment amongst Birmingham's resident population, indicates a disconnect between local residents and the jobs generated in the city.

Chart 7: Out – Commuting from Birmingham

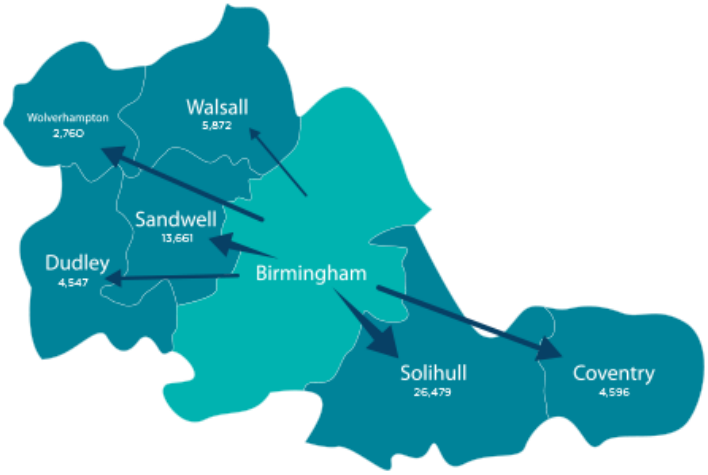

Chart 7 shows a detailed analysis of where Birmingham residents work. It highlights the significant contribution they make to the local labour markets of the surrounding authorities. As with the in-commuting patterns identified earlier, the strongest out-commuting links are with Solihull, where nearly 26,500 Birmingham residents work. Again strong links are evident with Sandwell, Walsall, North Warwickshire, Bromsgrove, Coventry and Dudley.

Alex Burrows, Marketing and Strategy Director, Alstom Transport UK

Birmingham's transport network has a critical impact on the economic performance of the city and the wider city region. The future looks bright in this regard with several Midland Metro extension projects in varying states of progress, alongside the coming of High Speed 2 opening in 2026.

However, recent months have illustrated the cost of maintaining infrastructure with major works on the trunk road network this summer giving us a foretaste of what is to come in future years – both in maintaining and enhancing our key roads and motorways, as well as the construction impacts of major new transport schemes.

An ongoing programme of major public transport enhancements is critical to the regional economy. Our road network simply cannot accommodate current demand and growth must be absorbed by increased public transport capacity. To do this, we will need to see more trains, trams and buses providing additional capacity to meet the demand for travel around the West Midlands.

Greater capacity and better connectivity both within Birmingham and the wider city region as well as across the West Midlands region is critical. Schemes such as the expansion of the Midland Metro network and the West Midlands Rail Hub are absolutely vital. We can be optimistic that the new West Midlands Rail franchise with the promise of new trains and improved services will support this ambition, improving links across the conurbation as well as regionally and nationally.

However, beyond capacity and connectivity, two other critical metrics are affordability and reliability. These latter two have a huge impact on the choices of commuters and travellers and both are currently supporting unsustainable options. Public transport fares continue to rise and journey times around the conurbation, especially at peak times, are unsatisfactory. Neither of these are likely to improve in the medium term as works to improve network capacity and connectivity (High Speed 2 and Midland Metro being prominent examples) kick off.

Congestion across the West Midlands is also a significant issue for our economic performance – which is even more concentrated due to our position at the centre of national rail and road networks. Our productivity suffers along with our attractiveness as a place to invest if our beneficial location is outweighed by an inability to access a wide pool of labour along with the facilities and opportunities that make our city such a great place.

There is ambition to use technological advances to mitigate these issues – for example, with the smart motorways programme introducing hard shoulder running and dynamic speed limits to squeeze more capacity out of our road network. In addition, emerging intelligent mobility solutions such as Mobility as a Service have real potential to improve the travelling options and experience for travelers. Technology alone is not the panacea some might suggest but it must be deployed where benefits can be quickly and effectively realised, complementing longer-term strategic planning and investment.

To finish on a positive note, Birmingham has significant potential to become a leading rail city on a global scale. We have significant existing skills capabilities and real potential to rapidly develop further with the opening of the National College for High Speed Rail complementing our Higher and Further Education rail skills offerings at the University of Birmingham, BCU, Aston and Birmingham Metropolitan College. With HS2 Ltd now located in Birmingham along with a large number of rail businesses, transport in general and rail in particular could be a major growth opportunity for our city and the wider region.

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