CARDIFF:

A COMPETITIVE EUROPEAN CITY?

Final Report

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July 2006

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1. CARDIFF, CITIES AND ECONOMIC COMPETITIVENESS

What's happening to cities globally?

1.1 These are exciting times for cities. A great debate is taking place about how much they matter to European and national success. During the past decade many cities in many countries have emerged from a period of decline to find new economic, political and cultural niches. There has been a sea change in how they are regarded. Governments, the private sector and researchers increasingly see cities as the dynamos of national and regional economies rather than economic liabilities. Cities are becoming again 'the wealth of nations'. Many have assets which make them more - not less - significant in an increasingly globalised world. Some are centres of strategic decision-making, exchange and communication. Many have concentrations of intellectual resources in universities and research institutions, which encourage high levels of innovation. Many cities have achieved substantial physical regeneration especially of their centres, which offer impressive commercial, residential and retail facilities. Many have substantial cultural resources, which are increasingly the source of economic growth and job creation.

1.2 But cities are not only economic assets – not merely marketplaces. They have great capacity to promote community development, social cohesion and civic and cultural identity. However, despite this potential, the pursuit of economic success has not led to the elimination of social problems in many different countries with very different institutional, economic and social arrangements and policies. Achieving economic success with social justice in sustainable cities remains a challenge to many governments and organisations – local, regional, national and international.

1.3 For all these reasons, across Europe, North America and beyond, cities are moving up the political agenda and have become the focus of many policy initiatives. Much of this attention has been generated by concerns about national prosperity in the face of growing internationalisation of the world economy and competition from the newly industrialising countries. In response to these competitive pressures many first world economies are developing activities based on high levels of knowledge where they still have the competitive edge in world markets. It is increasingly realised, however, that such actions do not take place on the head of the proverbial pin, but in real places – often cities. As a result there is a growing recognition that the characteristics of cities - and the ways policies affect them - are crucial determinants of regional and national economic performance. Urban economic competitiveness has become a crucial concern for leaders at national regional and city level.[1]

1.4 It has become of great concern for the UK government in recent years, as it has increasingly recognised that English provincial cities have not been pulling their weight in an international context nor have they been keeping up with the successful global city of London. A series of reports supported or produced by the UK government in recent years have underlined this concern with the economic competitiveness of English cities. In particular this would include *Competitive*

[1] For a discussion of many of the issues see *Cities Matter* by Michael Parkinson and Martin Boddy (2004)

European Cities: Where Do the Core Cities Stand, (ODPM, 2004), *Cities Are Back* (ODPM, 2005), *State of English Cities* (ODPM, 2006) and *Devolving Decision-Making: The Contribution of Cities to Regional Growth* (HM Treasury 2006), *Competitive Scottish Cities* (Scottish Executive 2005). Much of this work measured the competitiveness and economic performance of English cities, assessed how they are changing and compared them with the most successful European cities to understand what their current performance was and to identify policy messages about how their performance could be improved. Much of this work was undertaken by the European Institute for Urban Affairs. However, most of this work did not include Cardiff in its sample of cities.

1.5 This is the context in which the Economic Scrutiny Committee of Cardiff Council commissioned this independent research to locate Cardiff in its UK and European context. The Council was aware that Cardiff had changed significantly in recent years. It wanted to be able to compare its performance with that of comparable cities in the UK and continental Europe. This report prepared by the EIUA tries to do this by answering the questions:

- How competitive a city is Cardiff?
- How does it compare with its English and European counterparts?
- What does it need to do differently or better in future to improve its economic performance?

1.6 The report is based on three different kinds of evidence:

- a detailed analysis of much quantitative data about the city's economic performance in a regional, national and European context;
- a review of a wide range of primary literature;
- interviews with many of the key stakeholders in Cardiff both inside and outside the Council.

1.7 The report is organised into 5 sections.

Section 1. Cardiff, cities and economic competitiveness reviews the arguments about the role of cities. the nature of economic competitiveness and some key messages from the study

Section 2. How does Cardiff perform in a UK context? Compares Cardiff in relation to the UK Core Cities as well as Belfast, Glasgow and Edinburgh on a wide range of indicators of economic competitiveness

Section 3. Cardiff – Driver of the S.E. Wales regional economy? Reviews the performance of the 10 local authorities in the South East Wales city region, showing Cardiff's contribution to the development of the economy.

Section 4. Cardiff's place in Europe reviews Cardiff's performance in the wider European context looking at over 50 cities but focussing upon a smaller number of about 25, which seem most sensible to regard as peers and competitors.

Section 5. What's next for Cardiff? assesses Cardiff's recent and future economic performance and identifies some key messages about key economic drivers. It particularly focuses upon ways in which it can strengthen its decision-making processes to build upon its many achievements of recent years.

What do we mean by and how do measure urban competitiveness?

1.8 We define competitiveness as “the ability of an economy to attract and maintain firms with stable or rising market shares in an activity while maintaining stable or increasing standards of living for those who participate in it.” (Storper 1997). The competitiveness of cities is not just about the income of firms but also how that income goes to residents. Also competitiveness is not urban renaissance, which is primarily concerned with the physical regeneration of city centres and brownfield sites using prestige projects. And competitiveness is not urban competition. That is zero sum, meaning that if one city wins economically another city loses. In principle the competitiveness of all cities in a national urban system can be improved simultaneously, growing the urban economic pie so that all cities can share in increased prosperity. National urban economic competitiveness is win win.

1.9 The Institute’s work for the UK government and others has identified six critical drivers of urban competitiveness. They are:

- Innovation in firms and organisations.
- Economic diversity.
- A skilled workforce.
- Connectivity – internal and external.
- Quality of life – social, cultural and environmental.
- Strategic capacity to mobilise and implement long-term development strategies.

1.10 We use these six drivers of competitiveness to assess the current performance of Cardiff, illustrating them where possible with a set of quantitative indicators. It is easier to develop quantitative indicators for the first five of our indicators. For the sixth, strategic decision making capacity, we rely on more qualitative evidence. For this study the quantitative includes: GDP per capita, the European Union Innovation Index, the proportion of workforce with high level skills, employment and unemployment levels, demographic composition and change, education levels, crime levels, airport passengers, assessment of European accessibility by air road and train, internet connections, private sector assessment of the city’s attractiveness. The project uses the most robust data from the most reliable sources including the ONS, NOMIS, the Urban Audit II and Eurostat. A fuller explanation for this selection of drivers and quantitative indicators can be found in Competitive European Cities.

1.11 This study of Cardiff builds upon previous comparative analysis of UK and continental European cities. From the UK we look at the leading provincial cities which are arguably Cardiff’s peers and competitors. We do not compare Cardiff with the global city of London. So we include Cardiff, Belfast, Edinburgh, Glasgow, Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. The continental European cities included in this study are: Copenhagen, Dortmund, Frankfurt, Munich, Stuttgart, Lille, Lyon, Toulouse, Helsinki, Milan, Turin, Amsterdam, Rotterdam, Stockholm and Barcelona. These are some of the most successful and dynamic cities in Europe. But they also include some like Rotterdam, Lille, Barcelona and Dortmund which have faced many of the economic problems of industrial restructuring faced by Cardiff in recent years and which have some distance to travel before they catch up with the leading continental cities. We believe this selection of peers and competitors provides a good guide to Cardiff’s comparative position.

What policy messages from our work apply to Cardiff and Wales?

1.12 Our work on competitive European cities has generated a number of conclusions about trends in urban areas and urban policy which are relevant to decision-makers' reflections upon Cardiff's role and contribution to the Welsh economy. For example, it has shown that although the European hierarchy is relatively stable, it is possible for cities to improve their competitiveness and relative economic standing. It also shows that cities are important to the performance of national economies and that many European governments are operating polices on that basis. It particularly shows that the contribution of large - especially capital - cities is particularly important to the performance of the national economy. It shows that economic competitiveness is compatible with social cohesion so that a search for a more competitive economy based upon high value added knowledge based jobs creates more opportunities to address social exclusion. It also underlines that the policies, resources and powers that national governments allocate to cities can have a major impact upon their performance and can help or hinder that performance. Our work underlines that government need to regard their cities as part of a system and need to frame policies for them as if they were a PLC which needs to improve overall. It underlines that cities and regions are not mutually exclusive and that urban and regional competitiveness is a bridge not a barrier, a lever for improved regional and national performance. Our work emphasises that cities must do all within their powers to promote their own economic destiny and can do so. But it finally emphasises the need for joined up and grown up government with mature political relationships between cities and national government a key to improved economic competitiveness. We shall return to the implications of some of these findings for Cardiff and Wales in the final part of this report.

Rebirth of a Capital?

1.13 Before looking at the comparative performance it is worth briefly identifying the major changes which the city of Cardiff has undergone in the past two decades. It has experienced major economic, social, physical and political changes which have transformed it. These big trends were fully reported in the Rebirth of a Capital[2]. As that book made clear, Cardiff grew on coal but survived the decline of the coal industry in the 1980s to reinvent itself as service sector city. In fact Cardiff was never a truly manufacturing city. For example, in 1971 it had only 20% of the population employed in manufacturing in contrast to 35% in the UK and 30% in Wales. In 2001 the city had only 9% of the population working in manufacturing in contrast to 17% in Wales and 14% in the UK. In 1974 only 7% worked in banking finance and insurance by the turn of the century it was 20%. And in that transition to a service sector economy, public sector functions, devolution and the creation of the National Assembly for Wales in Cardiff in 1999 played a major part. In recent years, there has been steady growth in public administration, health and educational institutions, which are now by far the largest employer in the city. 30% of the employment is in the public sector. Cardiff Council with 18,000 employees is the single largest employer in Wales.

1.14 Other important trends shaped Cardiff's economy during this period. The physical reconstruction of the Cardiff Bay area by the former Cardiff Bay Development Corporation, of the city centre and the construction of the Wales Millennium Stadium and Assembly Debating Chamber encouraged the emergence of a post industrial

[2] Cardiff: Rebirth of a Capital, edited by M. Ungersma (2005)

economy based upon leisure, tourism and major international events. Financial services also developed in the 1980s but at a slower rate in the 1990s and the city has relatively few foreign banks and headquarters or regional offices. However, the city is one of the largest clusters of call and contact centre activity in the UK. The city does have the advantage of having nearly total broadband coverage and has recently been selected as one of the first 6 wireless cities in the UK. And the cultural industries sector has grown with film, television and multimedia employing almost 4,000 people significantly up from a decade ago and the overall figure in the cultural industries 23,000 or 13% of employment in the city.

1.15 Changing patterns of employment have also led to shifts in the distribution of jobs across the wider Cardiff region as the coal industry and the valleys lost jobs to services and the coastal area. Historically the two parts of the region did not recognise their interdependence assuming that gains in one part of the region were necessarily at the expense of other parts. That inter-dependence is underlined by the fact that by 2002 36,000 people travelled into Cardiff to work from the valleys to the north of the coastal belt and that 70,000, more than a third of the city's workforce, commutes from south Wales and beyond. As we shall see later in this report the political, transportation and sustainability implications of this relationship poses major issues for the future.

What are the key messages of this report?

1.16 This report tries to make an informed judgement of how far Cardiff has come in recent years, how far it has to go and who needs to do what to get it there. It assesses Cardiff's position and role in the UK context, in the context of south east Wales and in a wider European context in that order. To anticipate the story this report demonstrates that Cardiff has come a very long way in a very short time economically. It has reinvented itself as a service sector based city. It has repositioned itself nationally and possibly internationally. It has had a brilliant first act based on huge achievements in urban regeneration in the city centre and waterfront. It has improved its economic performance during the past decade and has begun to catch up with many of its competitor cities in the UK. The evidence shows that Cardiff is the dynamo of the regional economy of south east Wales. It shows that it is a genuine competitor on the UK economic scene. But it also shows that Cardiff, although performing better than many provincial English cities, is as yet a long way from being a European economic star. It is not yet the dynamic European capital city that it aspires to be.

1.17 The report identifies a range of policy issues and concerns that Cardiff needs to address if it is to sustain the gains it has made in recent years and to achieve its ambition of being a major European capital city. These include moving its economic activities higher up the value added chain, becoming more innovative, improving linkages between government, industry and the universities, upgrading the physical infrastructure, spreading the benefits of economic regeneration more widely, working more corporately and more strategically within the Council, working more coherently at a city regional level, forming a more mature political relationship and new political settlement with the Welsh Assembly Government based upon the recognition of the value of Cardiff to the future of the Welsh economy. Many of those issues are part of the wider global and national economic scene over which Cardiff has limited direct control. But many of them are within the hands of the key stakeholders in the Cardiff economy. There are things that can be done to sustain and improve Cardiff's economic performance so that it can move towards its aspiration of being a dynamic European capital city.

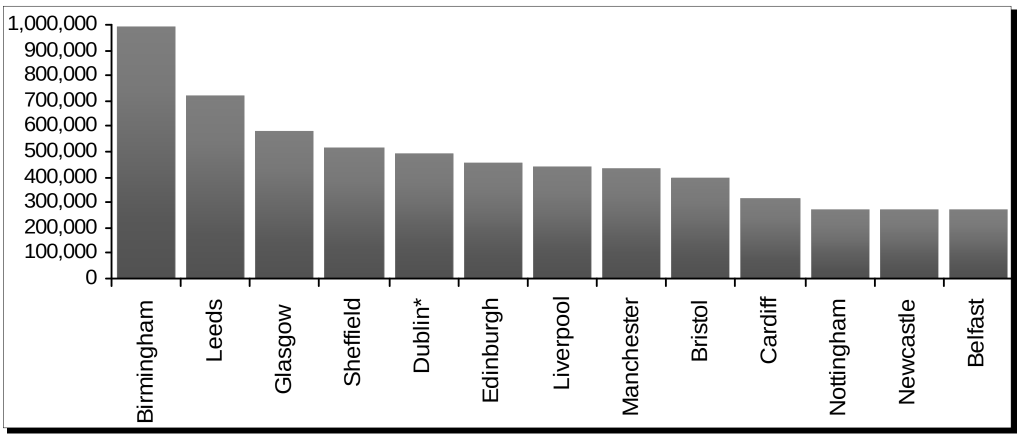
1.18 Even those who believe there could be improvements clearly recognised the extent of the city's achievements in recent years. There is great support for the way in which the city has responded to the economic, social and physical challenges it has faced in a rapidly changing global economy. There is extensive recognition of and great support for the Cardiff 'first act' – its restructuring into a service based economy; the huge physical transformation especially through major projects in the Bay and city centre; the successful marketing of the city in the service tourism and leisure industry; its repositioning of the city in the national UK policy arena; the drive and energy shown by the leadership of both the former Cardiff Bay Development Corporation and Cardiff Council in achieving much of that transformation. But there are things it could do better which we outline below.

2. HOW DOES CARDIFF PERFORM IN A UK CONTEXT?

Size matters – Cardiff's demographic performance

2.1 Cardiff is not the largest city in our study group with a population of 316,800. It is the 17th highest out of 408 Local Authorities in England, Scotland, & Wales Local Authorities. Amongst our sample of local authorities, Cardiff is 10 out of 13. For example Leeds is more than twice as big and Birmingham more than three times as big.

Figure 2.1: Total population, 2004

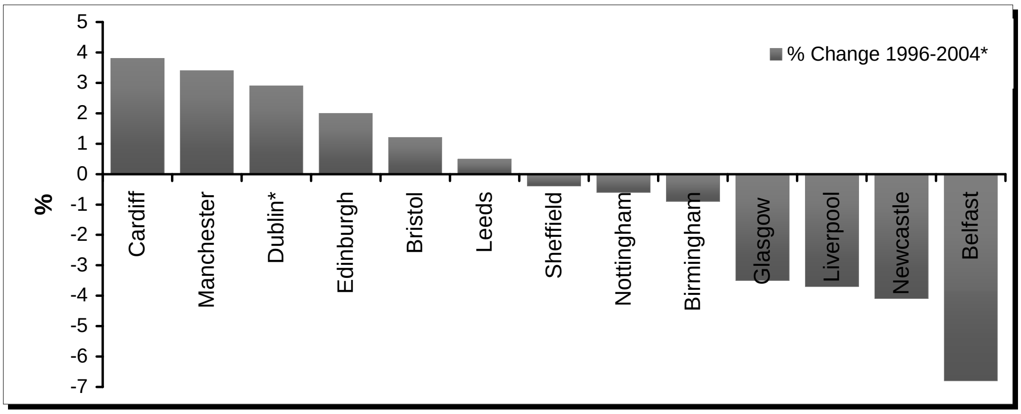


Source: NOMIS Mid-Year Population Estimates 2004
* Dublin's population data is for 2002 and is from Ireland's Census

Cardiff is growing

2.2 But if Cardiff is smaller than many of its counterparts its trajectory is different. Between 1971 and 2001, its population grew by over 5.2%. By contrast the eight English Core Cities all lost population, in many cases on a dramatic scale. Overall, the eight core cities combined, lost 14.2% of their population during this period. The trend continued in the most recent period. Between 1996 and 2004 Cardiff was the fastest growing city in our study.

Figure 2.2: Population change 1996-2004*

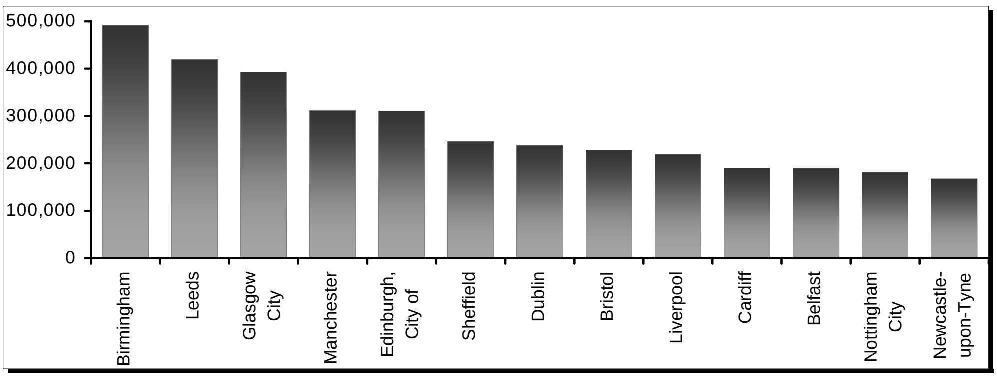


Source: NOMIS Mid-Year Population Estimates 1996, 2004
* Dublin's data is for 1996-2002

Relatively small in employment terms

2.3 Since Cardiff is not the largest city in the study it is no surprise that it is also relatively small in comparison to the other cities, in terms of total employment. It has 190,900 persons in employment[3](2004).

Figure 2.3: Total employment, 2004



Source: NOMIS Annual Business Inquiry Employee Analysis 2004
Dublin data is for 2002, Belfast data is for 2003 (City sources)

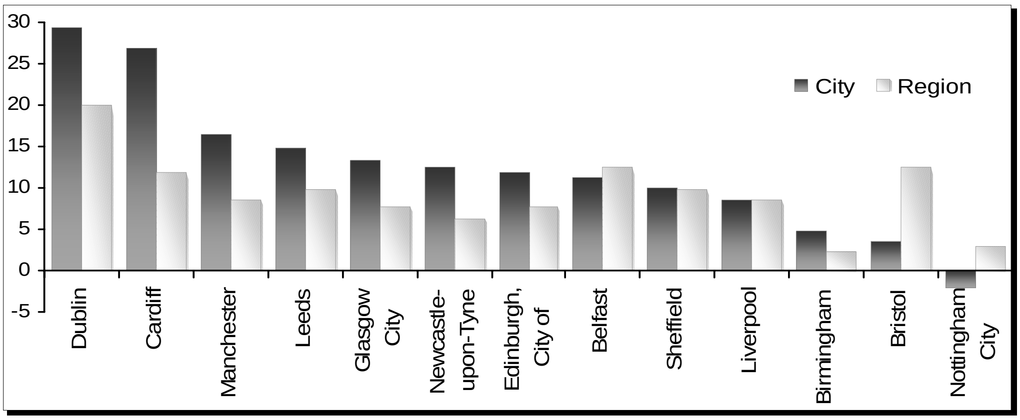
Strong recent employment growth

2.4 But if Cardiff is a small employer its recent trajectory is again better than many others. It experienced the largest percentage increase in total employment out of any of the

3

UK cities, with an increase of 26.9% between 1998-2004. Only Dublin beat Cardiff. And Cardiff's increase in employment far outstripped that of Wales as a whole.

Figure 2.4: Percentage change in total employment – cities and regions – 1998-2004

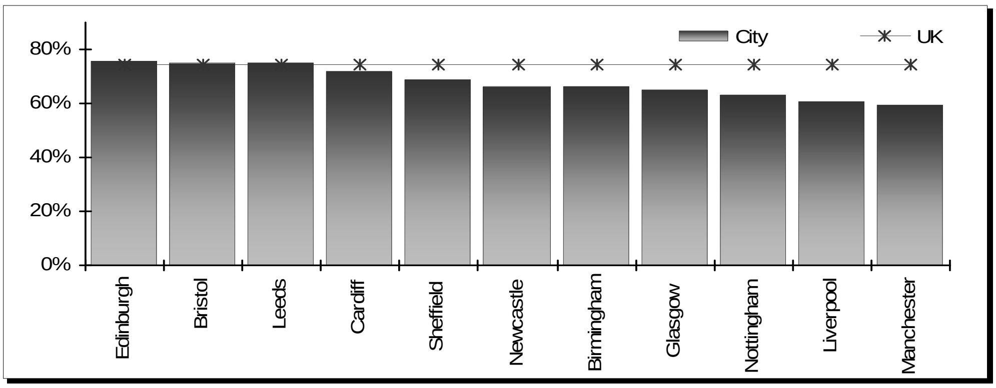


Source: NOMIS: Annual Business Inquiry Employee Analysis
Data for Dublin is for 1996-2002, data for Ireland is for 1998-2003.
Data for Belfast and Northern Ireland are for 1997-2003.
Standard statistical regions have been used.

Employment is 'quite high'

2.5 Cardiff's employment rate is quite high, relative to the other cities, at 71.8%. However it is below the UK average (74.2%).

Figure 2.5: Employment Rate, 2004



Source: ONS/NOMIS Annual Population Survey

Employment in key sectors

2.6 Cardiff's overall employment structure is comparable with the other cities in the sample. Table 2.1 identifies Cardiff's performance on a number of 'key sectors', which are key components of a successful economy. Cardiff tends to be in the middle of the city rankings but is ranked high for high tech industries and low for knowledge intensive business services.

Table 2.1: Shares of employment in key sectors 2004

Local Authority	Higher Education	High tech industries	High technology sectors	The 'creative industries'	Knowledge intensive business services – narrow definition	knowledge intensive business services – wide definition	Medium – high tech industries	Research & Development
Birmingham	2.7	0.9	1.5	4.3	7.4	19.3	4.9	0.0
Bristol	2.8	0.6	1.4	6.2	8.7	24.6	1.7	0.2
Cardiff	3.9	1.3	1.4	4.3	5.9	19.2	1.5	*
Edinburgh, City of	4.0	1.5	2.6	5.2	9.1	29.9	0.8	0.7
Glasgow City	4.0	0.3	0.8	5.2	7.1	21.9	1.1	0.2
Leeds	2.8	0.7	1.5	5.3	8.2	21.3	2.5	0.1
Liverpool	5.6	1.3	1.5	2.9	4.9	18.6	2.0	*
Manchester	4.9	0.4	1.2	5.8	10.4	27.2	1.5	0.2
Newcastle-upon-Tyne	6.1	0.6	1.1	5.5	7.9	24.3	2.5	*
Nottingham City	*	0.2	0.9	4.5	7.7	22.2	1.4	*
Sheffield	4.7	0.8	1.5	3.1	5.4	18.0	2.1	0.2

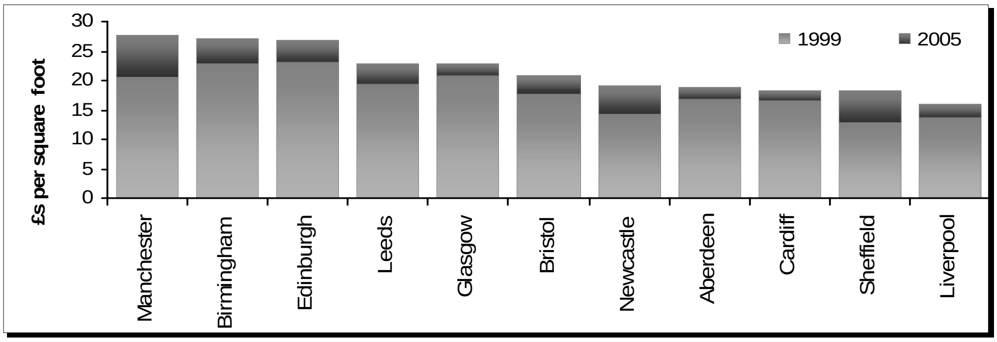
Source: Annual Business Inquiry Employee Analysis

4. ┌ Data suppressed for reasons of confidentiality

Office rents

2.7 Prime office headline rents are an indicator of commercial attractiveness. Cardiff's are comparatively low, compared with the other major UK cities. Manchester has the highest prime office headline rents in 2005, closely followed by Birmingham and Edinburgh.

Figure 2.6: Prime Office Headline Rents, 1999 and 2005

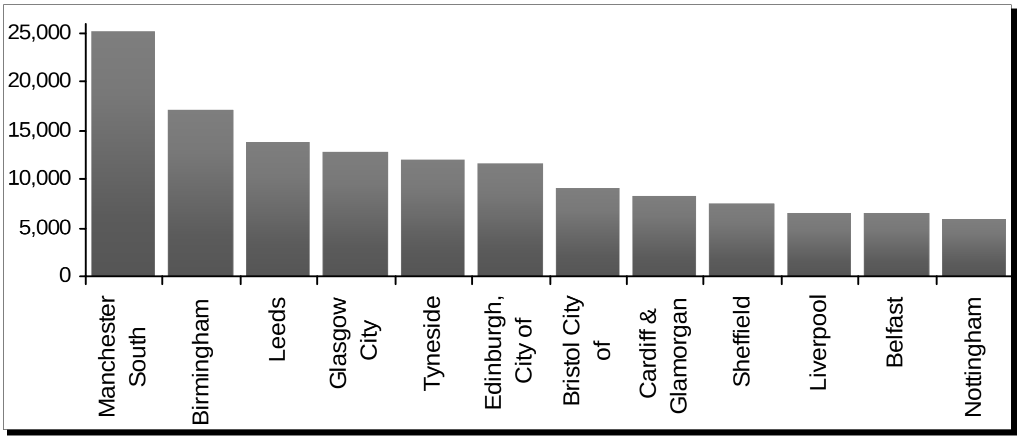


Source: Knight Frank

Gross Value Added (GVA) is moderate

2.8 Figure 2.7 shows the relative size of the economy of the Cardiff & Vale of Glamorgan NUTS 3 area in terms of GVA. Cardiff & the Vale of Glamorgan is less than half the size of Birmingham, and less than a third of the size of Greater Manchester South.

Figure 2.7: Total GVA (£million) in 2003



Source: ONS
Manchester South is an abbreviation for Greater Manchester South
** Cardiff & Glamorgan is an abbreviation for Cardiff & the Vale of Glamorgan

GVA is rising

2.9 But between 1995 and 2003 Cardiff & the Vale of Glamorgan had the largest increase of the twelve areas – up by over 72%.

Table 2.2: Total GVA (£million) 1995-2003

Total GVA (£million)	1995	2003	% Change 1995-2003
Cardiff & Vale of Glamorgan	**4,753**	**8,201**	**72.5**
Bristol City of	5,407	8,984	66.2
Belfast	3,863	6,418	66.1
Greater Manchester South	15,345	25,130	63.8
Glasgow City	7,990	12,829	60.6
Edinburgh, City of	7,270	11,613	59.7
Leeds	8,704	13,870	59.4
Birmingham	11,042	17,065	54.5
Tyneside	7,790	11,996	54.0
Liverpool	4,253	6,459	51.9
Sheffield	4,902	7,425	51.5
Nottingham	4,272	5,829	36.4

Source: ONS

2.10 GVA per capita data is also available at the Local Authority level. Edinburgh tops the list, followed by Manchester (in 2002). Cardiff is seventh out of twelve. In a national context Cardiff is in 46th position, having climbed up the rankings by 30 places between 1997 and 2002.

Table 2.3: GVA per capita and national ranking 1997 and 2002

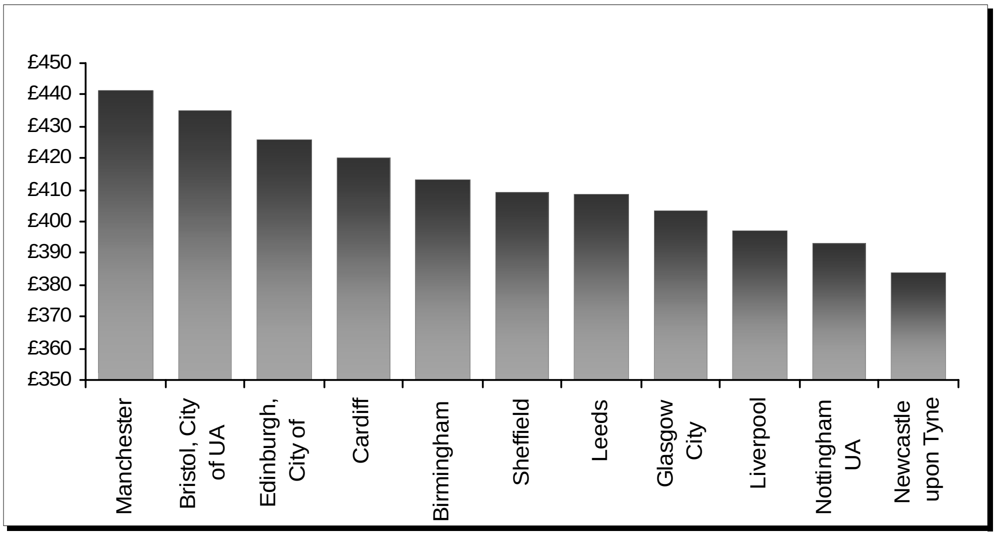
	GVA per capita 1997 £ per head	1997 Rank (out of 434)	GVA per capita 2002 £ per head	2002 Rank (out of 434)
Edinburgh, City of	£18,301	21	£24,016	24
Manchester	£16,810	29	£22,928	27
Belfast	£15,932	40	£22,123	33
Bristol	£16,630	32	£21,513	36
Glasgow City	£15,398	46	£20,575	40
Nottingham	£16,919	28	£20,113	44
Cardiff	£13,451	76	£19,904	46
Newcastle-upon-Tyne	£14,330	53	£19,640	47
Leeds	£13,817	67	£18,305	61
Birmingham	£12,608	110	£16,466	90
Sheffield	£10,705	195	£13,835	160
Liverpool	£10,508	204	£13,776	164
UK/GB	£12,339	N/a	£15,614	N/a

Source: Huggins

Earnings are high – and increasing

2.11 Median earnings in Cardiff are the fourth highest, out of the eleven cities. Also Cardiff experienced the highest percentage increase between 1998 and 2004, up 32.6%.

Figure 2.8: Gross median weekly earnings (£) full-time employees, 2004

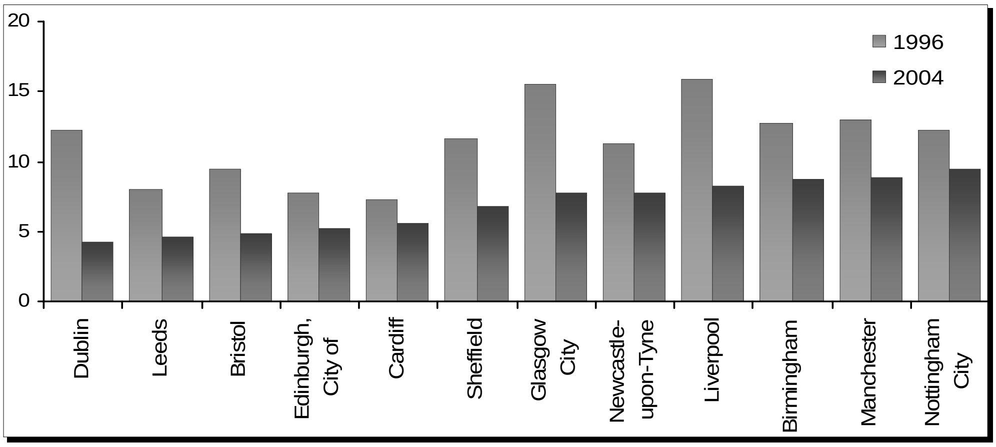


Source: Annual Survey of Hours & Earnings

Unemployment is low

2.12 Cardiff has the fourth lowest unemployment rate in 2004 at 5.6%, out of our twelve cities. Using claimant count unemployment data, in 2005, Cardiff had the second lowest rate.

Figure 2.9: Unemployment rates 1996 and 2004

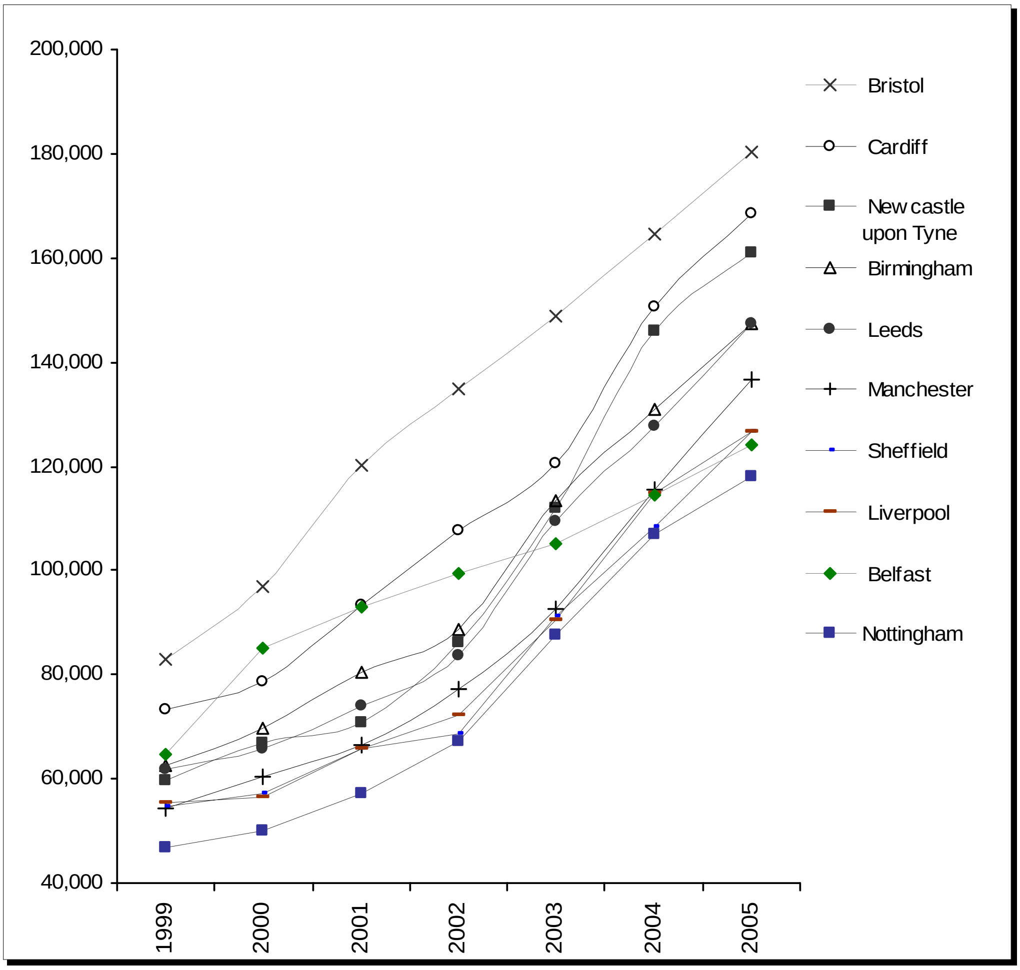


Source: ONS/NOMIS Labour Force Survey / Annual Population Survey

Housing is expensive

2.13 The price of housing clearly represents a mix of supply as well as demand. And high house prices can be seen as a problem. Nevertheless, house prices are often regarded as an indicator of economic buoyancy. In this respect Cardiff performs well. House prices in all twelve cities have climbed sharply. In 1999 Cardiff had the second highest average selling price of a semi-detached house out of the twelve cities. This remained the case in 2005. Bristol has the highest house prices.

Figure 2.10: The average selling price of a semi-detached house, 1999-2005



Source: Land Registry & University of Ulster

Educational attainment is good

2.14 Between 1996 and 2002 Cardiff had the highest proportion of 16 year olds attaining 5 or more GCSEs at grades 'A to C', when compared with the eight English core cities. In 2005, Cardiff was third but was nevertheless ahead of six English core cities.

Table 2.4: Percentage 15 year-olds with 5 or more GCSEs A to C, 1996-2005

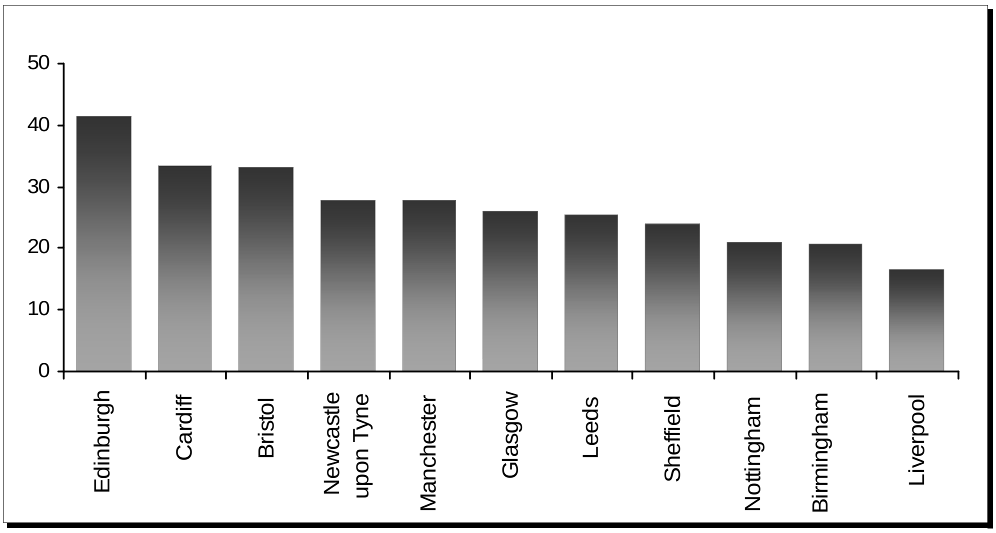
City	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Birmingham	32.9	35.3	35.9	38.1	40.8	41.2	45.3	49.4	51.2	56.6
Newcastle upon Tyne	32.7	31.6	31.0	33.6	35.0	36.7	38.0	40.0	45.6	52.3
Cardiff	38.6	39.7	43.7	43.7	44.6	45.1	46.4	47.8	48.2	50.1
Leeds	36.6	37.4	37.9	39.4	40.4	39.6	42.4	44.4	45.3	49.7
Liverpool	27.6	30.1	30.9	32.4	35.3	35.1	39.2	41.3	44.6	49.2
Sheffield	37.2	38.3	38	37.6	41.1	41.9	41.4	43.3	44.7	46.8
Manchester	27.0	26.3	28.7	30.2	30.3	31.0	33.3	39.6	39.5	43.9
Nottingham	n/a	n/a	26.2	28.7	28.7	30.3	31.3	35.1	37.7	41.7
Bristol	30.9	32.1	29.0	31.0	31.2	31.8	31.0	35.3	35.1	36.5

Source: Department for Education & Skills

A high proportion of skilled people

2.15 The Cardiff workforce is relatively highly skilled. 33.5% of people of working age are educated NVQ level 4 or above. This proportion is second only to Edinburgh. The percentage also increased by 3.6% (1999-2003), the fourth highest of the benchmark cities. In contrast two of the cities actually lost such skilled people.

Figure 2.11 percentage working age population with NVQ level 4 or above, 2003

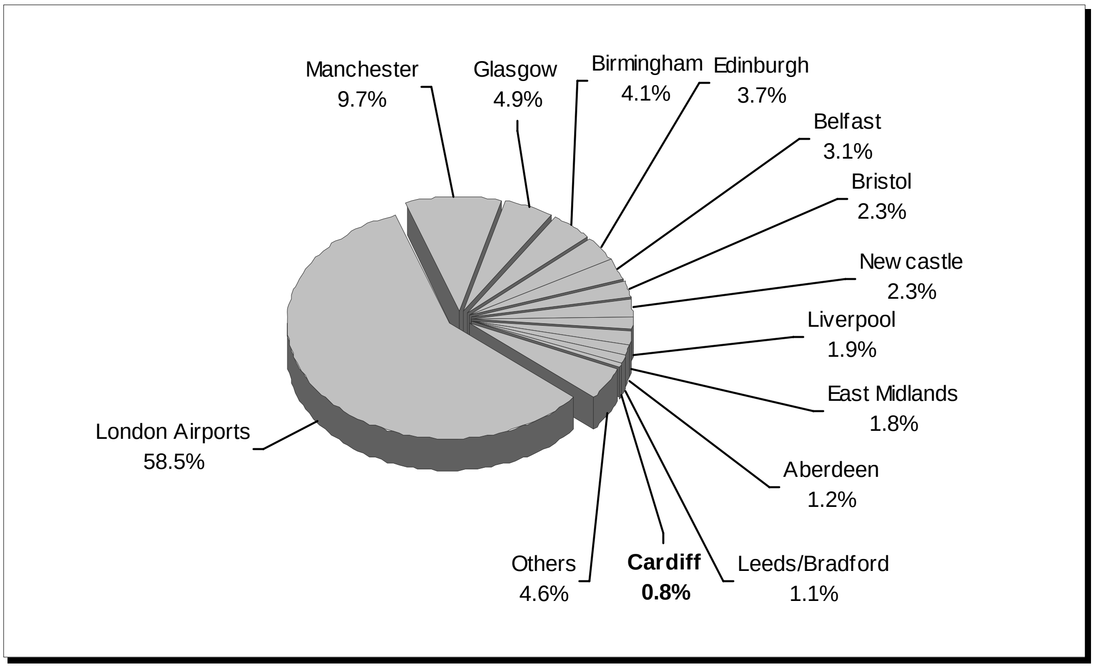


Source: ONS/NOMIS Local Area Labour Force Survey

Connectivity is weak

2.16 Airports are key drivers of local and regional economies. Almost 60% of UK terminal passengers either join or leave an aircraft at a London airport. The remaining terminal passengers are split between the regional airports. Manchester is the largest of these with 9.7%. But Cardiff performs poorly with just 0.8% of all UK terminal passengers.

Figure 2.12: Terminal passengers 2005

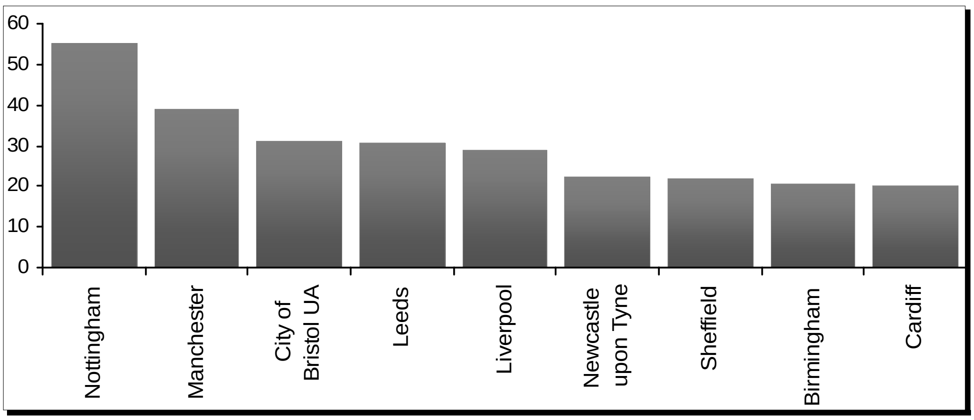


Source: Civil Aviation Authority

Crime rates are relatively low

2.17 Cardiff has a low incidence of 'violence against the person' offences and 'burglary dwelling' offences, although 'theft from a vehicle' offences are comparatively high. For example, out of the nine cities, it has the lowest incidence rate of recorded burglary dwelling offences.

Figure 2.13: Recorded 'burglary dwelling offences', per 1,000 population, 2004-2005



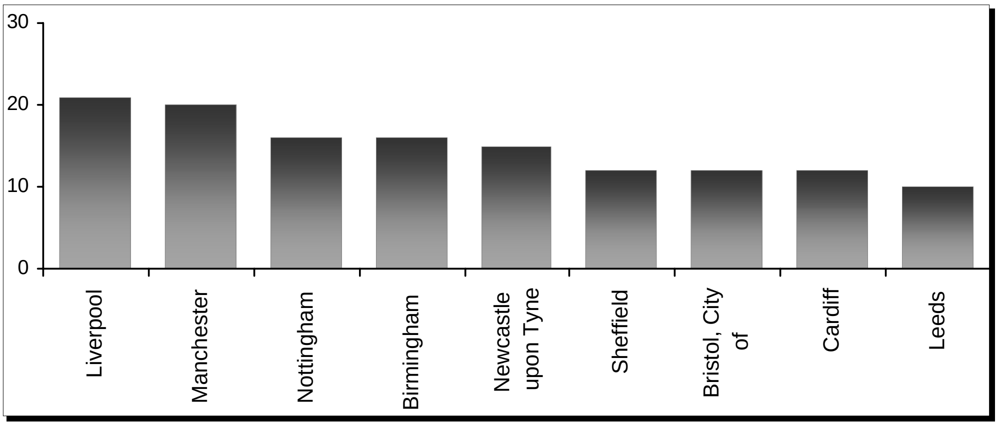
So

Source: Home Office

Low proportion of persons on low incomes

2.18 The proportion of people claiming income support in Cardiff (12%) is comparatively low. It is one of just four cities to show a decline in the number of income support claimants between 2001 and 2003 and its fall was the greatest.

Figure 2.14: Percentage income support claimants, 2003

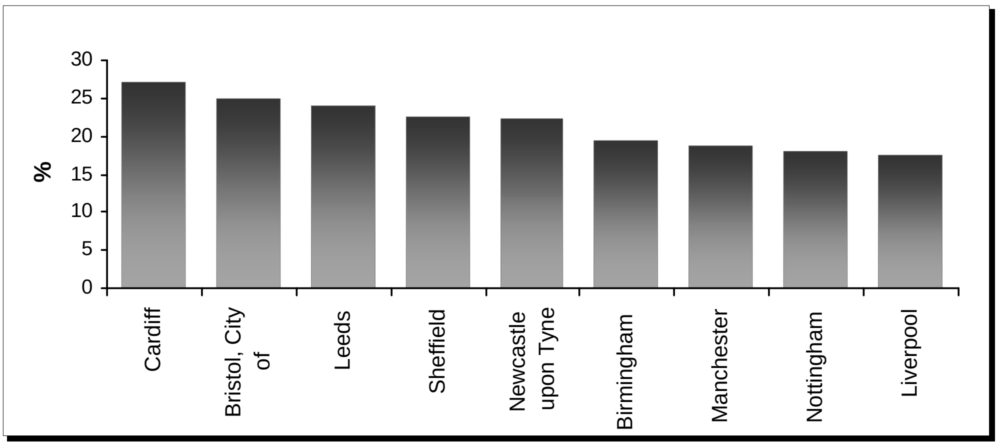


Source: Department for Work & Pensions

Social and occupational composition is high

2.19 Cardiff has a higher proportion of persons in social grade 'AB' employed in higher and intermediate managerial, administrative and professional occupations than any of the other cities.

Figure 2.15: Percentage of persons aged 16-64, who are 'Abs' 2001



Source: ONS Census

Cardiff's overall UK competitiveness

2.20 The 'UK Competitiveness Index 2005' by Robert Huggins provides a competitiveness score for all local authorities in the UK. It measures competitiveness in terms of economic activity rates, business start-up rates, number of businesses, proportion of working age population with NVQ level 4 or higher, proportion of knowledge-based businesses, GVA per head, productivity, employment rates, gross weekly pay, and unemployment rates. Table 2.5 gives the overall rankings for our cities for 1997 and 2005. Cardiff is placed third out of our twelve UK cities in 2005, and 115th out of 434 Local Authorities. It has improved its position since 1997 where it was fifth out of twelve, and was 36 positions lower in 151st spot.

Table 2.5: City Competitiveness Index 1997 and 2005

	1997 UK Competitiveness Index Rank (out of 434)	2005 UK Competitiveness Index Rank (out of 434)
Edinburgh, City of	60	66
Bristol	77	80
Cardiff	151	115
Manchester	132	122
Belfast	180	130
Leeds	148	159
Glasgow City	228	204
Newcastle-upon-Tyne	258	226
Birmingham	224	229
Nottingham	197	249
Sheffield	276	271
Liverpool	379	370

Source: Huggins

Private sector perceptions of Cardiff

2.21 Table 2.6 shows the results of a survey of over 400 senior executives which looks at the status of the UK's 28 largest cities as business locations. Cardiff performs well. It is placed tenth in this table, performing better than other cities in terms of workforce, premises, and environment (with 2nd quartile placings). But it is worse in terms of costs (3rd quartile) and especially transport (in the 4th quartile).

Table 2.6: Ranking of 28 UK cities in terms of best business location 2003

Overall Rank	City	Workforce	Premises	Transport	Costs	Environment
1	Leeds	1	1	2	4	1
2	Manchester	1	1	1	4	4
3	Newcastle upon Tyne	1	2	1	2	2
4	London	2	1	1	4	4
5	Salford	1	3	2	2	2
6	Birmingham	1	1	1	4	4
7	Glasgow	2	1	1	3	1
8	Bradford	1	2	2	2	1
9	Edinburgh	2	1	1	4	1
10	Cardiff	2	2	4	3	2
11	Sheffield	3	2	2	1	1
12	Brighton	1	3	2	3	3
13	Derby	2	4	3	3	3
14	Liverpool	3	2	1	2	3
15	Wakefield	3	4	4	1	1
16	Bristol	3	1	3	4	3
17	Coventry	2	3	3	3	3
18	Wolverhampton	2	4	3	2	4
19	Sunderland	3	4	4	1	2
20	Nottingham	4	2	2	2	4
21	Belfast	3	2	3	2	3
22	Swansea	3	4	4	1	2
23	Stoke-on-Trent	4	4	2	1	4
24	Aberdeen	4	3	3	4	1
25	Leicester	4	3	2	3	4
26	Plymouth	4	4	4	1	2
27	Southampton	4	3	4	4	2
28	Kingston upon Hull	4	3	4	1	3

Source: Omis

The big picture on Cardiff's national performance – a good news story

2.22 What does the evidence tell us about Cardiff's recent economic performance and prospects in a national context and in relationship to its UK peers and competitors? The story is essentially good news. Cardiff is a serious player amongst the UK provincial cities with many of the trends going in the right direction. It is relatively small but growing in population. It is experiencing strong employment growth, which is occurring at a much faster rate than that seen in other UK cities. It has a reasonably high employment rate. However office rents in Cardiff are comparatively low. In terms of economic size, as measured by total GVA, Cardiff is also moderate although it is experiencing quick growth. GVA per capita is also moderate. Median earnings are quite high and rising faster than many in other UK cities. Unemployment is among the lowest of the UK cities. House prices are the second highest. Educational attainment at the GCSE level is good or even very good in Cardiff. Skills levels are high in terms of those with NVQ level 4 or above. Crime rates are generally low. The proportion of persons on low incomes is also relatively low. Cardiff has a high proportion of people employed in higher and intermediate managerial, administrative, and professional occupations. It has a relatively low proportion of persons with a limiting long-term illness. Huggins' competitiveness index places Cardiff relatively high up the table in comparison with the other cities and it has improved its position during the past five years. Omis place Cardiff in tenth spot in terms of best UK business location. However, Cardiff's airport is small, compared with other regional airports and it is relatively poorly connected.

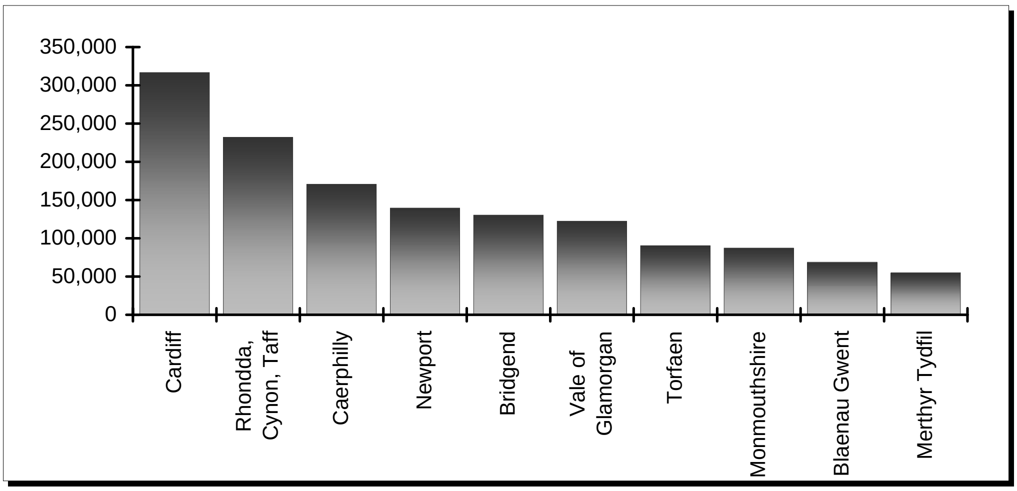
3. CARDIFF – DRIVER OF THE SOUTH EAST WALES REGIONAL ECONOMY

3.1 Urban policy in the UK is rapidly moving towards a focus on city regions, particularly as units for economic development. To explore this dimension of Cardiff's role and performance, this section focuses upon its performance as one of the ten local authorities in the south east Wales sub-region: Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Merthyr Tydfil, Monmouthshire, Newport, Rhondda Cynon Taff, Torfaen, and Vale of Glamorgan as a city region. In particular it assesses the economic role of Cardiff in and its contribution to this 'city region'. The key message is quite simply that Cardiff is the economic leader and driver of the city region across a wide range of indicators.

Population

3.2 1,413,000 people lived in the south east region of Wales in 2004, 47.9% of the total population of Wales. Cardiff has the largest population 316,800 – 22% of the regional total. The smallest is Merthyr Tydfil, with 55,100 population.

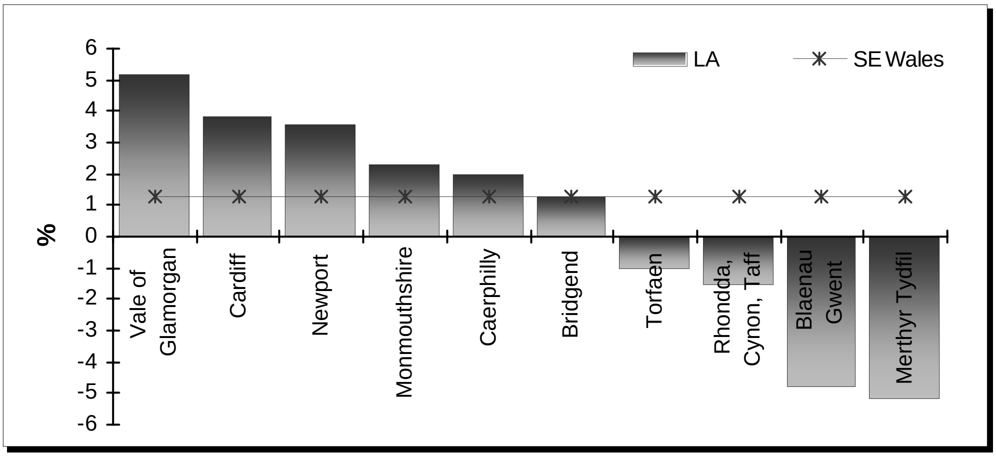
Figure 3.1: Population in the Local Authorities of South East Wales, 2004



Source: NOMIS Mid year population estimates, 2004

3.3 Cardiff increased its population more than all local authorities except one. Between 1996 and 2004 the region increased its population by 1.3% in comparison with a 2.1% increase in Wales. Six of the ten local authorities had population growth. The largest percentage increases were in the Vale of Glamorgan (+5.2%), Cardiff (+3.8%), and Newport (+3.6%). Merthyr Tydfil and Blaenau Gwent, the two smallest had declines of 5.2% and 4.8%. The three local authorities with the largest population increases are all adjacent to the Severn Estuary/Bristol Channel. The two that had the largest falls are located in the Heads of the Valleys sub-region.

Figure 3.2: Population change 1996-2004



Source: NOMIS Mid-Year Population Estimates 1996, 2004

3.4 Analysis of population change 1991-2001 in South East Wales, carried out by Cardiff Research Centre, identifies three zones covering the region: the coastal and rural zone, the hearts and mouths of the valleys, and the heads of the valleys. This analysis shows that population increases have been concentrated in the coastal and rural zone (+3.4%, +21,300 people) where Cardiff lies, and in the hearts and mouths of the valleys (+3.4%, +13,700). In the heads of the valleys area population has fallen substantially (-6.9%, -24,600).

Table 3.1: Change in Population mid-1991 to mid-2001

Change in Total Population for SE Wales & Sub Regions from mid 1991 to mid 2001		
Sub-region	Total Population Change	% Population Change
Heads of the Valleys	-24,600	-6.94
Hearts and Mouths of the Valleys	13,700	3.40
Coastal and Rural Zone	21,300	3.38
Capital Network Total	10,400	0.75

Source: Cardiff Research Centre / Derived from Final Revised Mid Year Estimates published by the RGO at ONS and rescaled Electoral Division population estimates for 1991 and 2001.

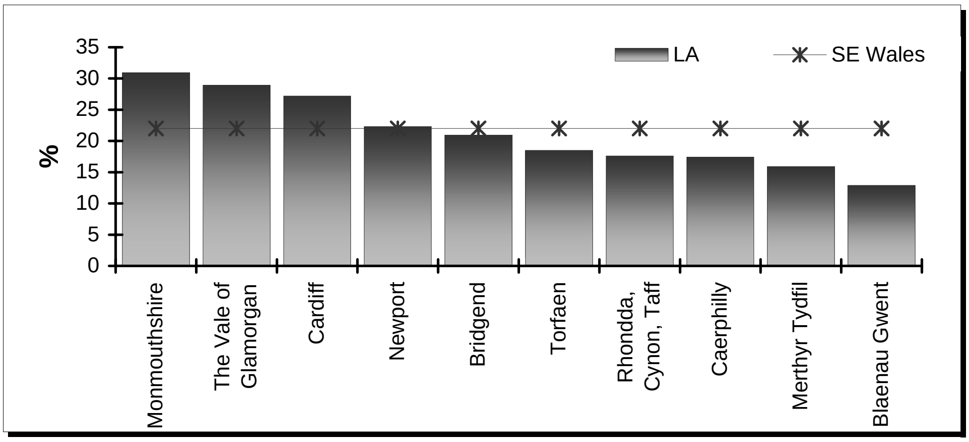
Age profile

3.5 Cardiff has a more youthful labour force than other local authorities in the city region. The proportion of persons 'of working age' in Cardiff is slightly higher than in the other local authorities, and the proportion of persons 'of retirement age' is slightly lower. However, there are only slight variations between the local authorities.

Social and occupational composition

3.6 Cardiff has substantial numbers of residents in the highest social and occupational groups. Figure 3.3 shows the proportion of people in each local authority employed in higher and intermediate managerial, administrative, and professional occupations. There is considerable variation. In Monmouthshire 30.9% of persons fall into the 'AB' category. In Cardiff the figure is 27.2%. The South East Wales figure is 22.0%. In Blaenau Gwent the figure is just 12.9%.

Figure 3.3: Social Grades, % of persons aged 16-64, who are 'Abs', 2001

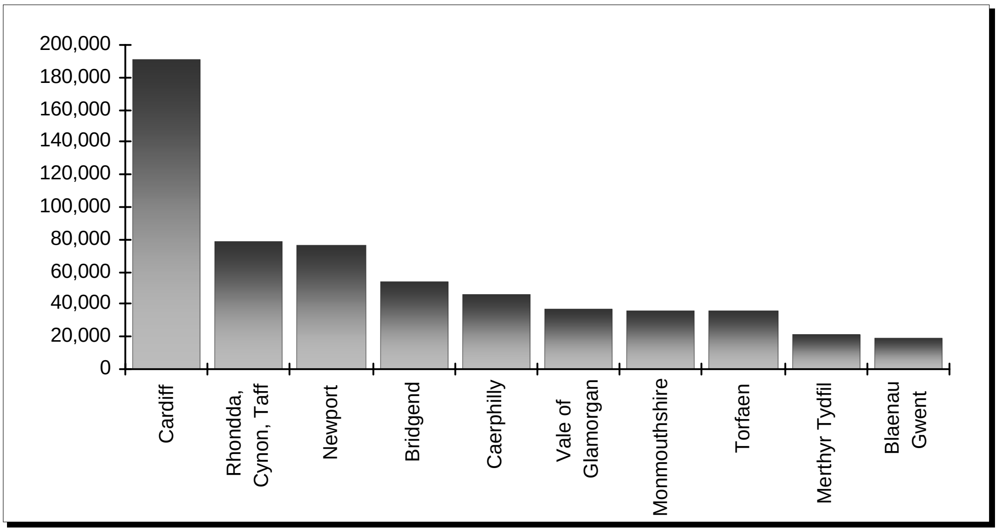


Source: ONS Census

Employment

3.7 Cardiff dominates employment in the city region. In 2004, there were 596,200 full and part time employees in the south east Wales city region. Over 190,000 were employed in Cardiff that is 32% of the city region. Just 19,200 were employed in Blaenau Gwent.

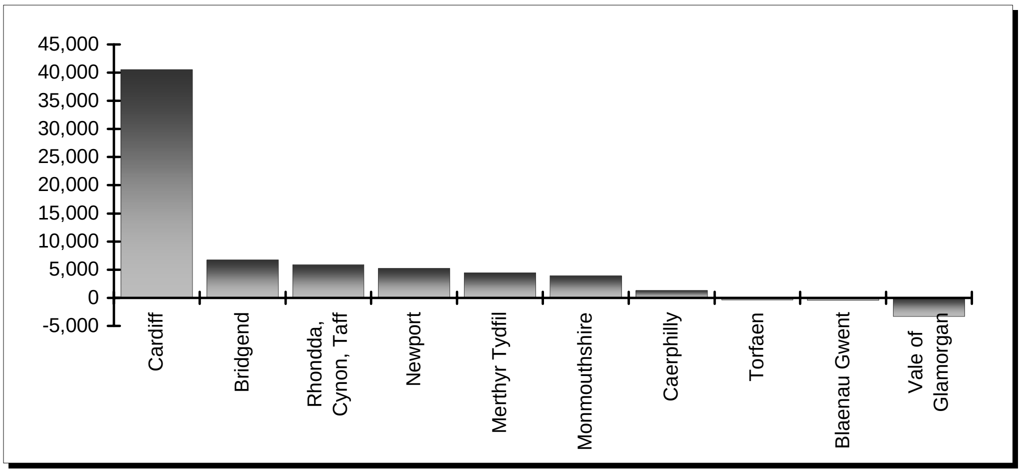
Figure 3.4: Total employment in the Local Authorities of South East Wales, 2004



Source: Annual Business Inquiry Employee Analysis

3.8 Employment grew faster and is concentrating more in Cardiff than anywhere else in the city-region. Overall the region had a 12.0% increase in employment, an increase of 64,100 employees, 1998 to 2004. The highest increase occurred in Cardiff (+40,500 employees). The second highest increase was in Bridgend (+6,700 employees). The largest fall in employment occurred in the Vale of Glamorgan, down by3,300 employees.

Figure 3.5: Changes in total employment, 1998-2004



Source: Annual Business Inquiry Employee Analysis

4. Employment in agricultural class 0100 (1992 SIC) has been excluded

Employment Structure

3.9 The employment structure of Cardiff is different from surrounding local authorities, in two ways. First it has a very low proportion of employment in ‘manufacturing’. Second it has a very high proportion of employment in ‘banking, finance, and insurance’. It also has a high proportion of employment, comparatively, in other services. Blaenau Gwent and Caerphilly have high proportions of persons employed in ‘manufacturing’. Merthyr Tydfil has a high proportion of employment in ‘public administration, education, and health’.

Table 3.1: Percentage employment in broad industrial groups, 2004

Local Authority	Manu-facturing	Construc-tion	Distribution Hotels & Restaurants	Transport and Communic-ations	Banking, Finance, Insurance	Public Admin, Education, Health	Other Services
Blaenau Gwent	28.6	4.1	22.5	4.0	5.4	30.0	5.4
Bridgend	21.2	5.2	24.5	2.6	9.0	33.3	3.8
Caerphilly	28.1	5.1	22.9	3.1	10.5	24.4	5.6
Cardiff	6.1	5.8	21.4	6.2	21.2	31.4	7.4
Merthyr Tydfil	21.5	1.9	20.4	5.5	6.4	39.9	4.1
Monmouthshire	13.4	4.3	27.5	5.8	10.6	33.6	4.2
Newport	15.3	3.4	22.4	5.9	17.7	31.1	3.4
Rhondda, Cynon, Taff	23.3	3.8	20.2	3.5	7.3	35.9	4.7
Torfaen	23.2	3.5	19.4	3.3	9.5	37.0	3.3
Vale of Glamorgan	13.9	5.4	27.4	5.6	9.5	31.8	5.0
Total	15.9	4.7	22.4	4.9	13.9	32.4	5.3

Source: NOMIS Annual Business Inquiry Employee Analysis

Employment in Key Sectors

3.10 Cardiff has higher rates of employment in some key sectors of competitive economies than the other local authorities. For example it has comparatively high proportions of employment in ‘knowledge intensive businesses’, in ‘creative industries’, and in ‘higher education’. Its proportions of employment in ‘medium-high tech industries’, ‘high tech sectors’, and ‘high tech industries’ are comparatively low.

Table 3.2: Percentage employment in key sectors of economy 2004

Local Authority	Higher Education	High tech industries	High technology sectors	The 'creative' industries	Knowledge intensive business services – narrow	knowledge intensive business services – wide	Medium – high tech industries	Research & Development
Blaenau Gwent	*	*	4.2	1.1	1.9	3.5	15.3	*
Bridgend	*	5.4	2.9	1.2	2.3	6.5	7.9	*
Caerphilly	*	5.1	7.7	1.8	3.0	6.0	8.3	*
Cardiff	3.9	1.5	1.5	4.6	6.5	20.5	1.7	*
Merthyr Tydfil	*	*	*	0.7	3.0	6.0	*	*
Monmouthshire	*	3.0	3.8	2.9	4.7	6.6	5.8	*
Newport	*	2.6	3.5	2.1	3.5	14.6	2.4	*
Rhondda, Cynon, Taff	*	4.4	4.4	1.0	2.2	8.6	7.3	*
Torfaen	*	*	1.9	1.1	3.2	6.0	9.7	*
Vale of Glamorgan	*	10.1	13.3	1.9	3.3	6.4	3.8	*
South East Wales	2.1	3.2	3.7	2.5	4.1	12.1	5.1	0.1

Source: Annual Business Inquiry

4. ┌ Data suppressed for reasons of confidentiality

3.11 Cardiff has 48.3% of office floor-space in South East Wales, 32.8% of 'retail' floorspace, and 24.5% of warehouse floorspace. Each of the other Local Authorities has smaller shares of each of the types of floorspace. Cardiff has 12.7% of all factories floorspace. The largest shares of the region's factories floorspace are found in Newport (16.0%), Caerphilly (15.1%), and Rhondda Cynon Taff (14.9%).

Gross Value Added (GVA)

3.12 Economic activity is concentrated and concentrating in particular parts of the city-region. In total the southeast Wales region accounts for 55.7% of all of Welsh GVA. Table 3.3 shows data for the five NUTS 3 areas in the city region. Cardiff and Vale of Glamorgan is the largest economic unit at £8,201 million, 39.4% in 2003. Monmouthshire and Newport is the second largest at £3,496 million in 2003. Between 1995 and 2003 certain areas grew much more quickly than others. Cardiff and Vale of Glamorgan, and Monmouthshire and Newport, both experienced high percentage growth rates in total GVA, far above the Welsh average.

Table 3.3: Total GVA in the NUTS 3 areas for South East Wales, 1995-2003

	1995 £million	2003 £million	1995-2003 % change	% share South East Wales GVA 2003	% share all of Wales GVA 2003
Cardiff and Vale of Glamorgan	4,753	8,201	72.5	39.4	22.0
Monmouthshire and Newport	2,162	3,496	61.7	16.8	9.4
Central Valleys	2,230	3,009	34.9	14.5	8.1
Gwent Valleys	2,465	3,144	27.5	15.1	8.4
Bridgend and Neath Port Talbot	2,455	2,942	19.8	14.1	7.9
Total	14,065	20,792	47.8	100.0	55.7
Wales	26,072	37,359	43.3	N/a	100.0

Source: ONS

3.13 GVA per capita is also highest in the Cardiff and Vale of Glamorgan and lowest in the valleys. A large amount of in-commuting however, into the Cardiff and Vale of Glamorgan area, coupled with low levels of out-commuting, may partially explain the strong performance of the Cardiff and Vale of Glamorgan area. The centrality of Cardiff to the economy of the South East Wales region is nevertheless clear from the above table. In addition the percentage change figures suggest that the extent of the concentration of wealth generating activities in Cardiff and Vale of Glamorgan is increasing further. The highest percentage growth in GVA per capita is found in Cardiff & Vale of Glamorgan (+64.9%), followed by Monmouthshire & Newport (+57.4%).

Table 3.4: GVA per capita, 1995-2003

	1995 (£)	2003 (£)	95-03 % change
Cardiff and Vale of Glamorgan	11,394	18,794	64.9
Monmouthshire and Newport	9,852	15,503	57.4
Central Valleys	7,580	10,486	38.3
Gwent Valleys	7,432	9,531	28.2
Bridgend and Neath Port Talbot	9,186	11,094	20.8
Wales	9,026	12,716	40.9

Source: ONS

3.14 Data at local authority level underline the significance of Cardiff to the region. The table shows Cardiff again at the top, although it is noticeable that Vale of Glamorgan is now further down. Caerphilly and Blaenau Gwent are at the foot of the table, and in a UK context lie in 426th and 424th spots out of 434 Local Authorities. Cardiff is placed in 46th position nationally. This is high, especially since London Local Authorities fill many of the top places.

Table 3.5: GVA per capita data 10 Local Authorities, 2002

2002	GVA per capita £ per head	Rank (out of 434)
Cardiff	£19,904.17	46
Newport	£16,102.26	96
Monmouthshire	£12,679.29	206
Torfaen	£12,149.63	229
Bridgend	£11,278.41	266
Vale of Glamorgan	£10,744.20	302
Merthyr Tydfil	£10,511.14	316
Rhondda, Cynon, Taff	£9,782.74	359
Blaenau Gwent	£8,041.47	424
Caerphilly	£7,966.93	426
UK	£15,614.00	-

Source: Huggins

Earnings

3.15 Employees in Cardiff earn higher wages and the gap between it and surrounding local authorities is growing. In 2004 the highest median wage is found in the Vale of Glamorgan (£425), followed by Cardiff (£420), and Newport (£410). The lowest median wages are found in Blaenau Gwent (£355) and Caerphilly (£359). The largest percentage increases in median wages between 1998 and 2004 were in Monmouthshire (+39.6%) and Cardiff (+32.6%). The smallest were in Caerphilly (+15.6%) and Merthyr Tydfil (+18.1%).

Table 3.6: Gross weekly median earnings (£s) for full-time employees, 1998-2004

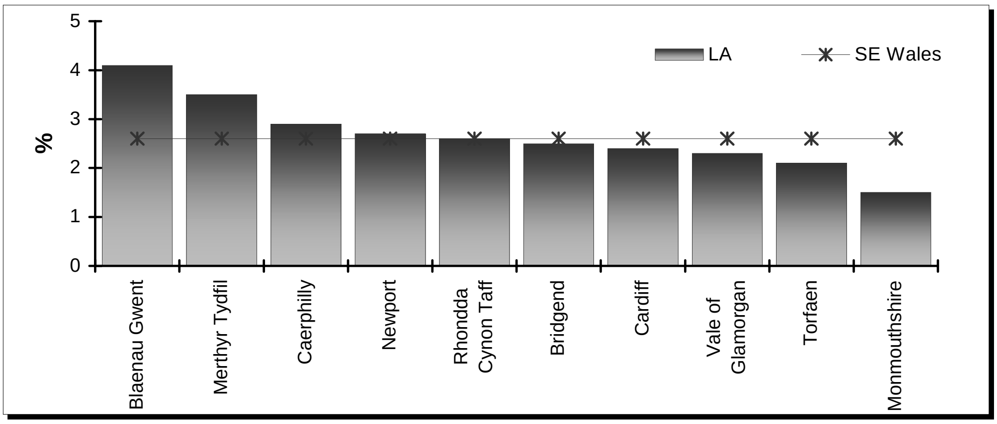
Local Authority	1998 Median	2004 Median	% change
The Vale of Glamorgan	321	425	32.3
Cardiff	317	420	32.6
Newport	345	410	18.9
Monmouthshire	272	380	39.6
Bridgend	299	374	25.2
Torfaen	313	373	19.3
Merthyr Tydfil	311	368	18.1
Rhondda, Cynon, Taff	288	367	27.5
Caerphilly	311	359	15.6
Blaenau Gwent	285	355	24.4
Wales	309	387	25.2

Source: Annual Survey of Hours and Earnings
Data are workplace-based

Unemployment

3.16 The claimant count unemployment rate in Cardiff in 2005 was 2.4% - just below the rate for the region (2.6%). The highest unemployment rates were in Blaenau Gwent (4.1%) and Merthyr Tydfil (3.5%). The lowest are in Monmouthshire (1.5%) and Torfaen (2.1%).

Figure 3.6 Claimant count in South East Wales, 2005



Source: NOMIS / Claimant count with rates and proportions
Claimant count as proportion of resident working age population

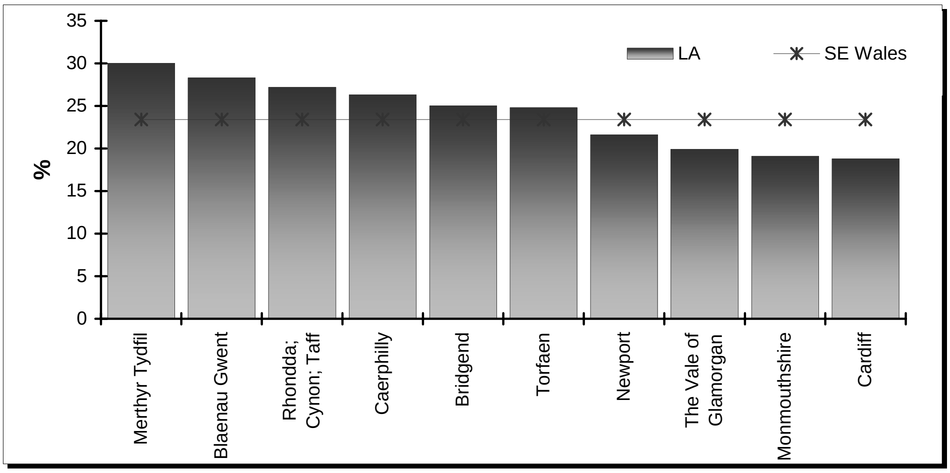
Employment rates

3.17 The employment rate in Cardiff is relatively high (71.8%). This is above the regional average (70.2%), but is not as high as the employment rates found in Monmouthshire (76.4%), Bridgend (74.6%), or the Vale of Glamorgan (73.7%). The lowest employment rates are found in the valley areas of Merthyr Tydfil (62.5%) and Blaenau Gwent (64.2%).

Limiting Long-Term Illness

3.18 Cardiff has the lowest proportion of persons experiencing limiting long term illness at 18.8%. In Merthyr Tydfil the figure is 30.0%. The South East Wales regional average is 23.4%.

Figure 3.7: The proportion of persons with a limiting long-term illness, 2001

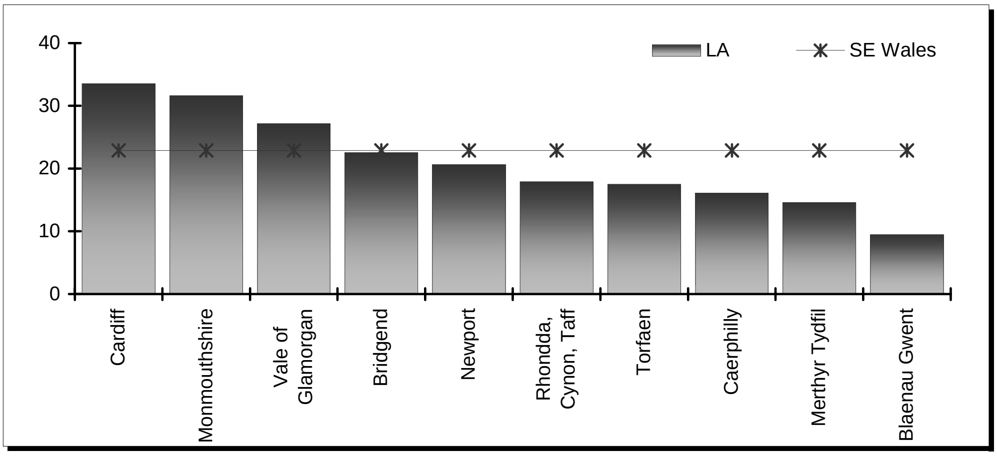


Source: ONS Census

Skill levels

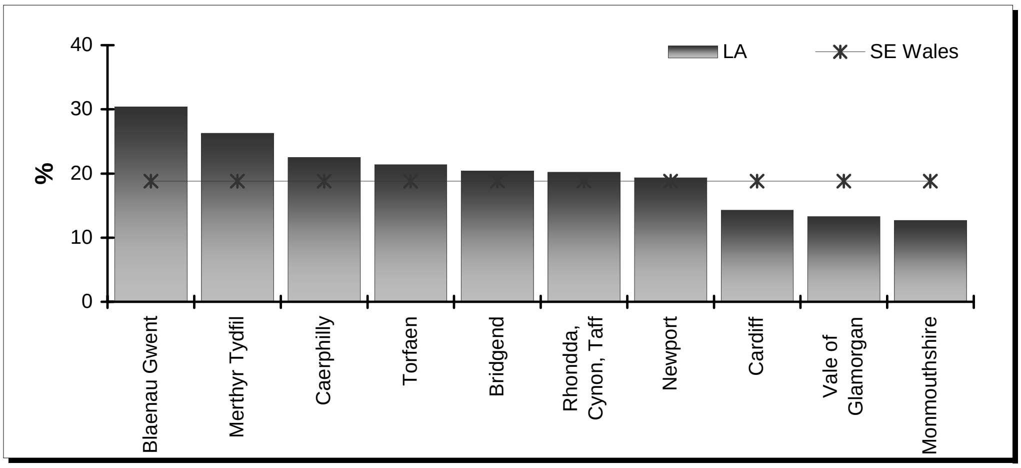
3.19 Cardiff has the most qualified workforce in the city region. One third are educated to degree level or above compared with a regional average of 22.9%. There is a noticeable divide within the region. The majority of the valley areas have relatively few people qualified to this level where many of local authorities adjacent to the Severn Estuary/Bristol Channel area are significantly higher.

Figure 3.8: The proportion of persons educated to NVQ level 4 or above 2003
Source: Local Area Labour Force Survey



3.20 This regional pattern is mirrored in terms of the distribution of population with no formal qualifications.

Figure 3.9: The percentage of people with no qualifications, 2003

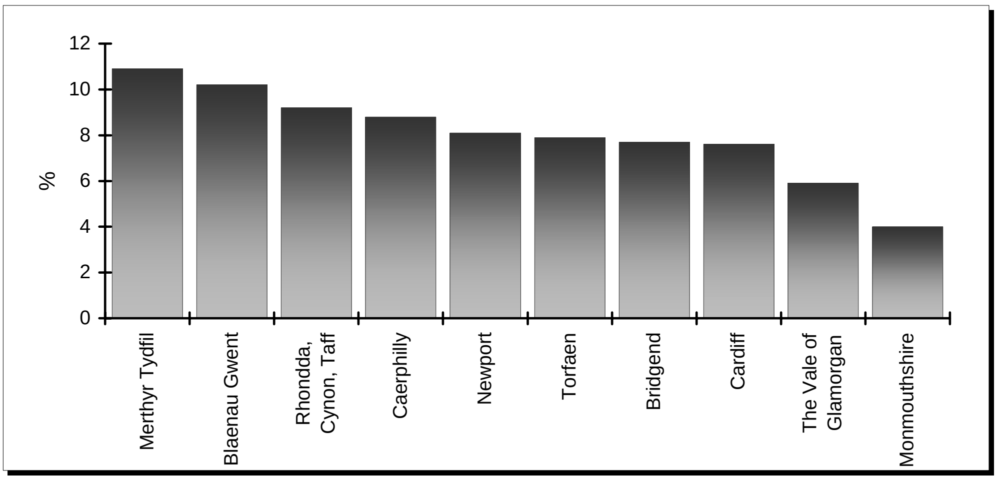


Source: Local Area Labour Force Survey

Income Support

3.22 The picture is also mirrored in the percentage of income support claimants. The valley areas are highest and Cardiff is lower although not the lowest.

Figure 3.10: The percentage of income support claimants aged 16-59, November 2005



Source: DWP Work & Pensions Longitudinal Study / NOMIS Mid Year Population Estimates 2004

4. Persons aged 15-59 have been used as a denominator

3.23 Table 3.7 illustrates the overall pattern of commuting to different local authorities in the region. Out of the ten South East Wales Local Authorities, Cardiff has the highest inflow of commuters (72,500) and the highest net inflow of commuters (47,000).

Table 3.7 Commuting between local authorities in south east Wales, 2004

	Number of working residents (000s)	Total number working in the authority (000s)	Commuting out of the authority (000s)	Commuting into the authority (000s)	Net Inflow (000s)
Cardiff	**141.1**	**188.1**	**25.5**	**72.5**	**47.0**
Newport	57.5	71.3	16.8	30.6	13.8
Monmouthshire	40.2	41.5	16.5	17.9	1.4
Merthyr Tydfil	21.1	19.2	7.6	5.7	-1.9
Bridgend	58.5	55.5	17.2	14.2	-3.0
Torfaen	39.0	34.5	15.5	11.0	-4.5
Blaenau Gwent	27.0	22.0	11.6	6.6	-5.0
Vale of Glamorgan	54.6	37.4	27.9	10.7	-17.2
Caerphilly	67.6	50.1	31.9	14.4	-17.5
Rhondda, Cynon, Taff	96.4	74.4	38.4	16.4	-22.0

Source: National Assembly for Wales

The overall competitive performance of local authorities in the city region

3.24 The 'UK Competitiveness Index 2005' ranks the 10 local authorities in a regional and national context. Cardiff tops this table within the region, although in 115th place out of 434 nationally. Monmouthshire is second in the sub region and 124th nationally. Although both these improved their performance substantially between 1997 and 2005. However other local authorities did not perform well. Blaenau Gwent, Merthyr Tydfil, Caerphilly, and Rhondda Cynon Taff all perform extremely badly. Blaenau Gwent is ranked as the least competitive in the UK in 2005.

Table 3.8: The ranking of Local Authorities competitiveness index, 1997 & 2005

Local Authority	UK Competitiveness Index 1997 Rank (out of 434)	UK Competitiveness Index 2005 Rank (out of 434)
Cardiff	151	115
Monmouthshire	135	124
Vale of Glamorgan	216	230
Newport	326	272
Bridgend	331	364
Torfaen	390	392
Rhondda, Cynon, Taff	416	421
Caerphilly	429	428
Merthyr Tydfil	424	430
Blaenau Gwent	434	434

Source: Huggins

Deprivation in the city region

3.25 Cardiff has less overall deprivation than many local authorities in the city-region. For example, the Welsh Index of Multiple Deprivation (WIMD) ranks the 1,896 lower tier super output areas (LSOAs) for Wales in terms of deprivation in income, employment, health, education, housing, access to services, and physical environment. Table 3.9 shows the populations that fall within the 'most deprived 10%' category in Wales. Merthyr Tydfil has 35% of its population living in this category. In Blaenau Gwent it is 25% and in Rhondda Cynon Taff it is 19%. In Cardiff the figure is 16%. Overall the figure for the region is 13%. Monmouthshire (0%), Vale of Glamorgan (3%) and Torfaen (4%) have the smallest shares of population living in this category.

Table 3.9: Population in LSOAs in the '10% most deprived' in Wales, 2005

	Number of persons living in LSOAs that are in Wales' '10% most deprived'	Percentage of Local Authority's population living in LSOAs in Wales' '10% most deprived'	Proportion of persons living in LSOAs in Wales' '10% most deprived' in S.E. Wales, in each Local Authority
Merthyr Tydfil	19,400	35	11
Blaenau Gwent	17,200	25	9
Rhondda Cynon Taff	43,100	19	23
Cardiff	50,200	16	27
Bridgend	13,700	11	10
Caerphilly	18,700	11	8
Newport	15,100	11	7
Torfaen	3,400	4	2
Vale of Glamorgan	3,000	3	2
Monmouthshire	0	0	0
South East Wales	183,900	13	100

Source: Welsh Index of Multiple Deprivation

Income deprivation in the city region

Table 3.10: Population in LSOAs in the '10% most income deprived' in Wales, 2005

	Number of persons living in LSOAs that are in Wales' '10% most income deprived'	Percentage of Local Authority's population living in LSOAs in Wales' '10% most income deprived'	Proportion of persons living in LSOAs in Wales' '10% most income deprived' in South East Wales, in each Local Authority
Blaenau Gwent	13,000	19	7
Merthyr Tydfil	10,000	19	6
Cardiff	56,000	18	32
Newport	24,000	17	14
Rhondda Cynon Taff	34,000	14	19
Caerphilly	17,000	10	10
Vale of Glamorgan	9,000	7	5
Bridgend	9,000	7	5
Torfaen	3,000	4	2
Monmouthshire	0	0	0
South East Wales	175,000	12	100

Source: Cardiff Research Centre / Welsh Index of Multiple Deprivation

3.26 Cardiff has the third highest proportion of its population (18%) living in LSOAs that are in the '10% most income deprived' in Wales, out of the ten in South East Wales. This 18% represents 56,000 persons or 32% of the region's 175,000 persons who live in '10% most income deprived' areas.

3.27 Within Cardiff income deprivation is concentrated in the South of the city. Analysis by Cardiff Research Centre shows that gross average household incomes in the North of Cardiff are higher than any other Local Authority in the region. But gross average household incomes in the South of Cardiff are on a par with Merthyr Tydfil and only slightly higher than in Blaenau Gwent (see table).

Table 3.11: Paycheck Gross Average Household Income, £, 2003

	PayCheck Gross Average Household Income (£)
Cardiff North	32,600
Monmouthshire	31,900
Vale of Glamorgan	31,600
Newport	28,600
Bridgend	27,500
Caerphilly	25,700
Rhondda Cynon Taff	25,400
Torfaen	25,000
Cardiff South	24,300
Merthyr Tydfil	24,200
Blaenau Gwent	22,600

Source: Cardiff Research Centre

Summary – Cardiff in the city region

3.28 This section has shown that although Cardiff is not the most successful provincial city in the UK, it is clearly the driver of the south east Wales city regional economy. It has the largest population and number of employees and both are growing faster than many other local authorities. Its population is younger. It has the highest percentage of residents in Social class A and B. It has the most skilled workforce and fewer unqualified people. Earnings are higher and increasing faster than in other local authorities. It has better representation in many of the key sectors of a modern competitive economy. It has more office accommodation and less factory space. Its GVA is larger than many others and growing faster than them. It is ranked the most competitive on the overall Competitiveness Index. Its proportions of persons living in 10% most overall deprived areas and 10% most income-deprived areas are above the regional average.

4. CARDIFF'S PLACE IN EUROPE

4.1 Earlier sections have looked at Cardiff's economic performance in a national UK and Welsh city-regional context. They showed that Cardiff was a star performer in city-regional terms and a substantial player in national terms. This section looks at Cardiff in relation to some of the best performing continental cities. It presents Cardiff in relation to over 50 cities and specifically in relation to a smaller set of cities including Amsterdam, Barcelona, Copenhagen, Dortmund, Dublin, Frankfurt, Helsinki, Lille, Lyon, Milan, Munich, Rotterdam, Stockholm, Stuttgart, Toulouse, and Turin plus other selected UK and European cities. So how does Cardiff compare with the best cities in Europe. How close is it to being a leading European capital city as it aspires to be?

4.2 Comparing European cities brings challenges and difficulties. Experts disagree about the relative merits of indicators. There is never perfect data to illustrate those indicators. Boundaries always present difficulties. In particular comparative European data is often a little dated. So in this study we used the most robust available evidence form the most reliable sources. Most of the data that is presented here is taken from two sources: the Urban Audit and Eurostat. Occasionally where data for the city is not available we have used regional data.

Cardiff is small in continental terms

4.3 Cardiff is relatively small in European terms. Table 4.1 gives population figures for 53 cities in 2001. 3 have populations of over 3 million. 11 cities have populations of between 1 and 3 million. 18 cities have populations of between 500,000 and 1 million. 21 cities have a population of less than 500,000. Cardiff falls into this last category with 305,353 placing it in 47th position.

Table 4.1: The 51 European cities and their populations, 2001

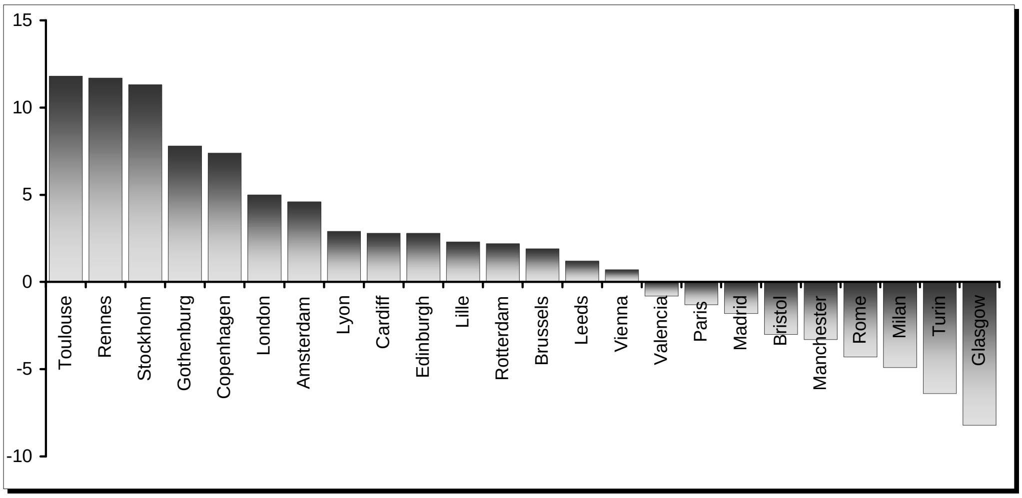
			Population				Population
1	London	UK	7,172,091	28	Toulouse	France	583,229
2	Paris et petite couronne	France	6,164,418	29	Glasgow	UK	577,869
3	Berlin	Germany	3,388,434	30	Dusseldorf	Germany	570,765
4	Madrid	Spain	2,957,058	31	Helsinki	Finland	559,718
5	Inner London	UK	2,766,065	32	Sheffield	UK	513,231
6	Roma	Italy	2,655,970	33	Copenhagen	Denmark	499,148
7	Paris	France	2,125,246	34	Dublin	Ireland	495,781
8	Hamburg	Germany	1,726,363	35	Leipzig	Germany	493,052
9	Vienna	Austria	1,550,123	36	Gothenburg	Sweden	466,990
10	Barcelona	Spain	1,505,325	37	Antwerp	Belgium	448,709
11	Milan	Italy	1,301,551	38	Edinburgh	UK	448,624
12	Munich	Germany	1,227,958	39	Liverpool	UK	439,476
13	Lyon	France	1,167,532	40	Manchester	UK	418,600
14	Lille	France	1,091,438	41	Thessalonica	Greece	385,406
15	Marseille	France	981,769	42	Saint-Etienne	France	384,042
16	Brussels	Belgium	978,384	43	Bristol	UK	380,616
17	Birmingham	UK	977,087	44	Bologna	Italy	379,964
18	Turin	Italy	900,987	45	Grenoble	France	374,922
19	Athens	Greece	789,166	46	Rennes	France	364,652
20	Stockholm	Sweden	750,348	47	Cardiff	UK	305,353
21	Valencia	Spain	746,612	48	Leicester	UK	279,915
22	Amsterdam	Netherlands	734,594	49	Belfast	UK	277,391
23	Leeds	UK	715,399	50	Newcastle upon Tyne	UK	259,531
24	Frankfurt	Germany	641,076	51	Utrecht	Netherlands	256,420
25	Genoa	Italy	632,366	52	Eindhoven	Netherlands	203,397
26	Rotterdam	Netherlands	595,255	53	Cambridge	UK	108,856
27	Dortmund	Germany	589,240				

Source: Urban Audit

Cardiff is growing

4.4 But once again, if Cardiff's population is small it is heading in the right direction. Between 1991 and 2001 it experienced a small percentage increase in population (+2.8%). Some European cities have experienced major population growth between 1991 and 2001 for example Toulouse, Rennes, Stockholm. Other cities such as Glasgow, Turin, and Milan, experienced significant population decline.

Figure 4.1: Percentage change in residential population, 1991-2001

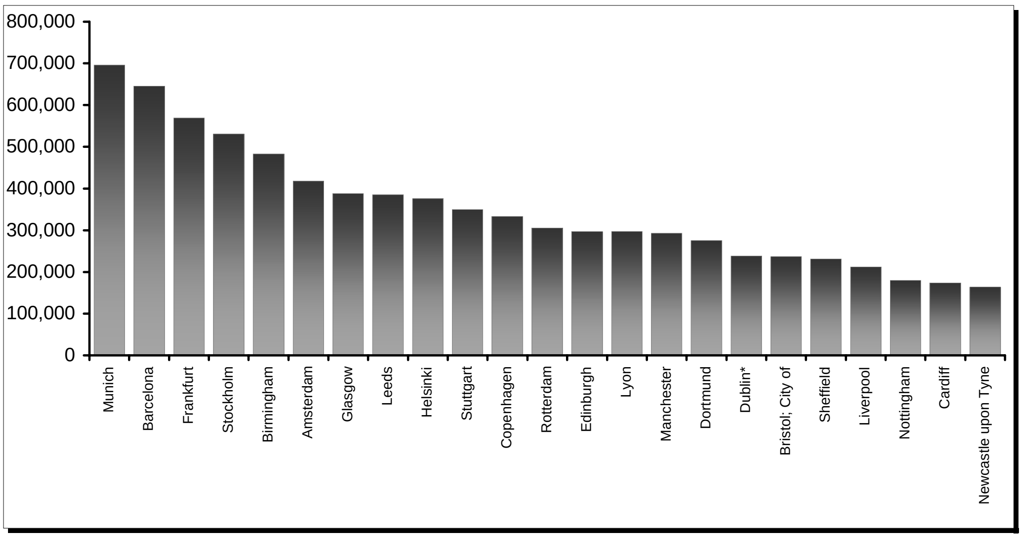


Source: Urban Audit

Total employment

4.5 In European terms Cardiff is a relatively small performer – with 173,523 employees (2001). Stuttgart has twice the number of employees, Stockholm has three times and Munich four times as many.

Figure 4.2: Total number of employees, 2001*



Source: Urban Audit 1, NOMIS ABI Employee Analysis, & individual city-sources
* Dublin data is for 2002

GDP per capita

4.6 GDP per capita provides an indication of a city's productivity. Table 4.2 shows it for 35 cities.

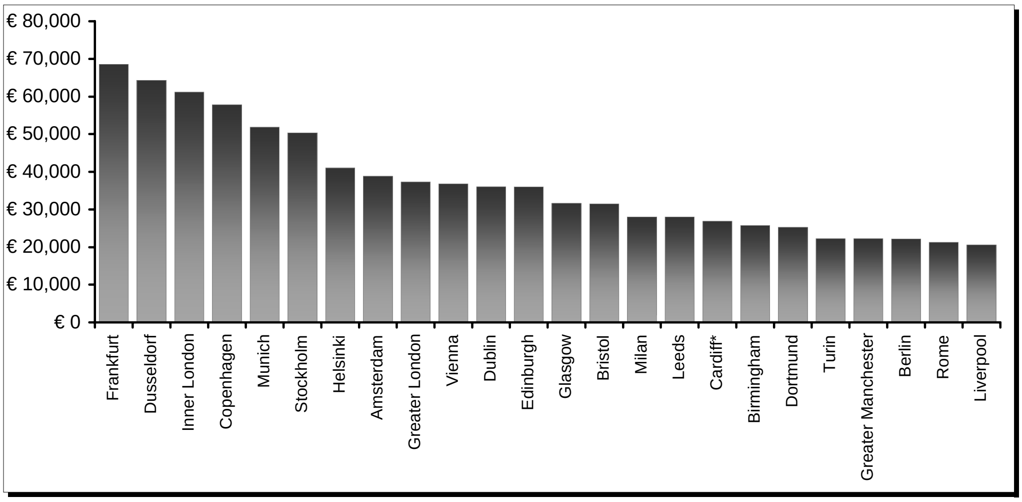
Table 4.2: GDP per capita, 2001

GDP per capita (2001) in Euros			
			GDP per capita
1	Frankfurt	Germany	68,548
2	Dusseldorf	Germany	64,280
3	Inner London	UK	61,210
4	Copenhagen	Denmark	57,830
5	Munich	Germany	51,803
6	Stockholm	Sweden	50,355
7	Brussels	Belgium	49,876
8	Hamburg	Germany	41,905
9	Helsinki	Finland	40,972
10	Amsterdam	Netherlands	38,897
11	London (Greater London)	UK	37,265
12	Vienna	Austria	36,844
13	Dublin	Ireland	36,019
14	Edinburgh	UK	35,940
15	Gothenburg	Sweden	34,130
16	Aarhus	Denmark	31,961
17	Glasgow	UK	31,682
18	Bristol	UK	31,536
19	Antwerp	Belgium	31,525
20	Milan	Italy	27,988
21	Leeds	UK	27,987
22	Cardiff (and the Vale of Glamorgan)	UK	26,859
23	Birmingham	UK	25,722
24	Leicester	UK	25,634
25	Dortmund	Germany	25,246
26	Bologna	Italy	25,019
27	Turin	Italy	22,217
28	Manchester (Greater Manchester)	UK	22,203
29	Berlin	Germany	22,159
30	Rome	Italy	21,225
31	Leipzig	Germany	21,139
32	Tyneside (Newcastle)	UK	21,070
33	Sheffield	UK	21,038
34	Liverpool	UK	20,598
35	Genoa	Italy	19,067

Source: Urban Audit & Eurostat for UK cities

4.7 Figure 4.3 shows for a smaller group of European cities.

Figure 4.3: GDP per capita, 2001



Source: Urban Audit & Eurostat

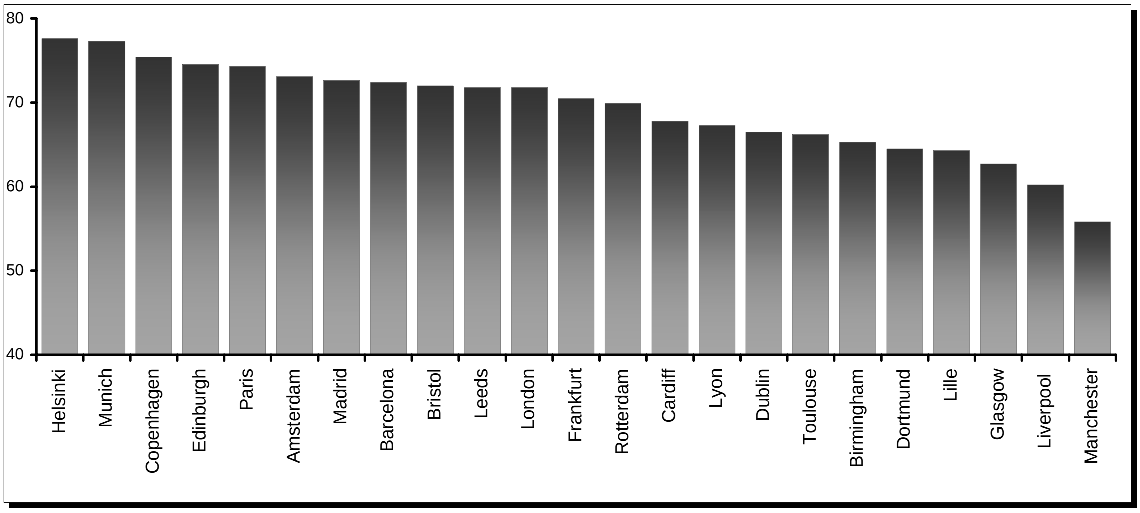
4. ‘Cardiff’ includes the Vale of Glamorgan

4.8 Frankfurt, Dusseldorf, and Inner London top the GDP per capita list. All three cities have GDP per capita levels of over 60,000 Euros. Cardiff (and the Vale of Glamorgan) is in 22nd spot in the table, out of the 35 cities. Its GDP per capita figure is a long way behind the table’s top nine European cities. Nevertheless it is ahead of other notable European cities, such as Berlin and Rome.

Activity rate

4.9 Activity rates refer to the percentage of persons of working age who are either in work, or who are actively seeking work. Activity rates in our sample range from 77.6% in Helsinki to 55.8% in Manchester at the bottom. Cardiff’s rate is 67.8% putting it in the middle.

Figure 4.4: Activity rates in European cities, 2001

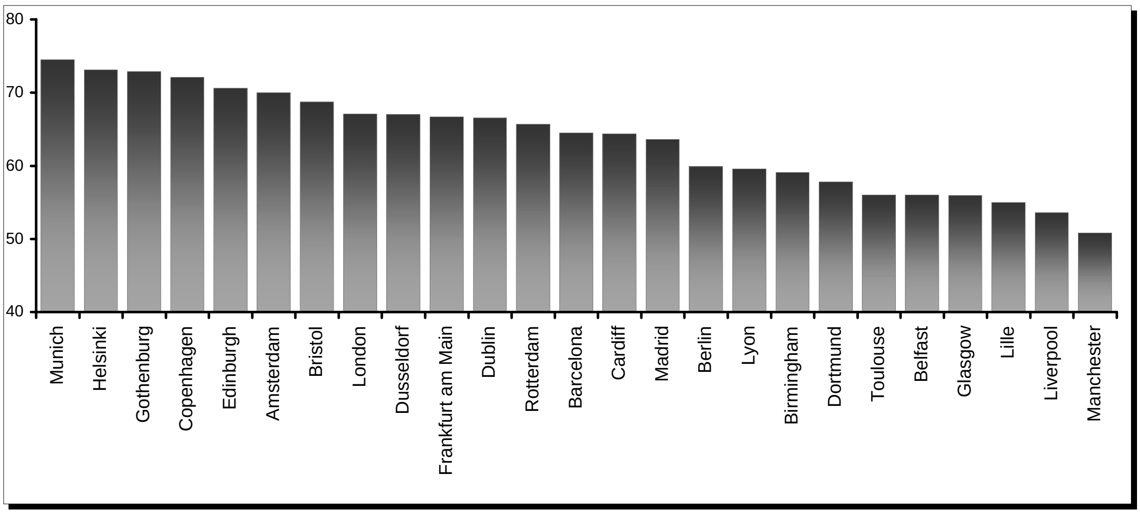


Source: Urban Audit

Employment rate

4.10 The city in the table with the highest employment rate is Munich, at 74.5%. The lowest rate in the table is found in Manchester at 50.8%. Cardiff's employment rate at 64.4% puts it in the middle of the European league table.

Figure 4.5: Employment rates in European cities, 2001

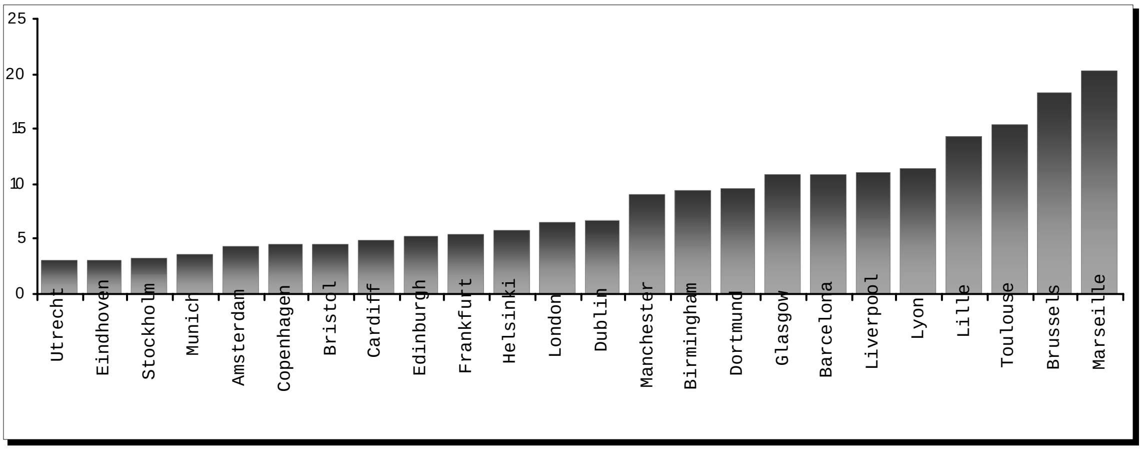


Source: Urban Audit

Unemployment

4.11 Cardiff's unemployment rate is low – at just 4.9%. This puts Cardiff in ninth spot in the table, out of 48 cities. The Dutch cities of Utrecht and Eindhoven have the lowest unemployment rates (at 3.0% and 3.1%). The highest rates are found in Brussels and Marseille (18.3% and 20.3%).

Figure 4.6: Unemployment rates, 2001

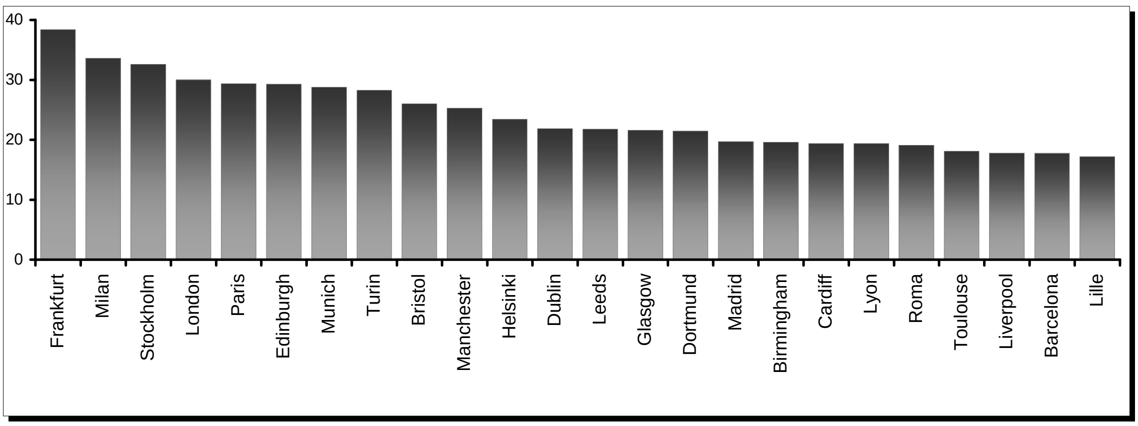


Source: Urban Audit

Employment in 'financial intermediation and business activities'

4.12 Figure 4.7 presents evidence on employment in financial intermediation and business activities. 19.4% of persons in employment in Cardiff are employed in the 'financial intermediation and business activities' sectors, in 2001. This proportion is comparatively low to moderate, particularly when compared with cities such as Frankfurt, Milan, and Stockholm but also a number of UK cities.

Figure 4.7: Proportion people employed financial intermediation and business activities, 2001



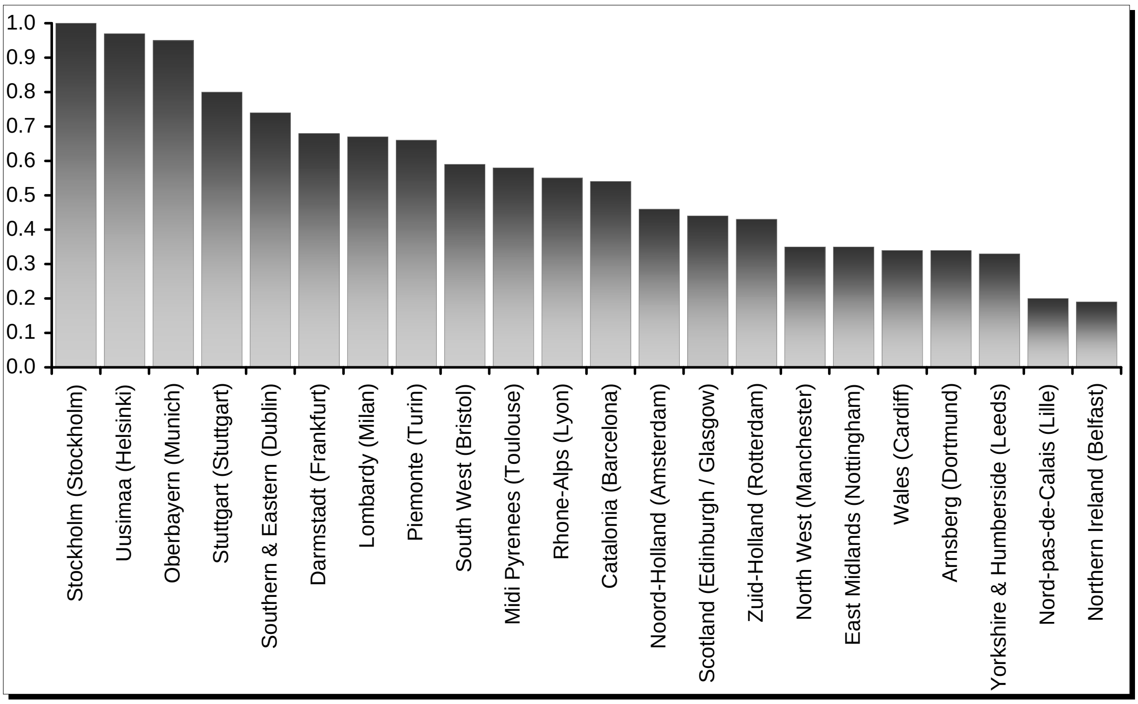
Source: Urban Audit

Levels of innovation

4.13 Innovation is perhaps the most crucial driver of economic competitiveness. How innovative is Cardiff? The European Innovation Scoreboard combines various indicators to 'score' regions in terms of their level of innovation. They include: population with tertiary education; participation in lifelong learning; employment in medium/high-tech manufacturing; employment in high-tech services; public R&D expenditure; business R&D expenditure; European Patent Office (EPO) high-tech patent applications; all EPO applications. The innovation scores that result from this, for the regions that cover our group of cities, are shown in Figure 4.8.

4.14 The Cardiff score is covered by 'Wales'. The innovation score is low, when compared to most of the other regions. Stockholm, Helsinki, and Munich regions stand out with high innovation scores. Nevertheless the Cardiff/Wales figure is higher than for some other UK regions.

Figure 4.8: European Innovation Scoreboard 2003 (RRSII)



Source: 2003 European Innovation Scoreboard. Technical paper No. 3. EU Regions

Low-to-moderate proportions of employees in high tech & knowledge sectors in East Wales

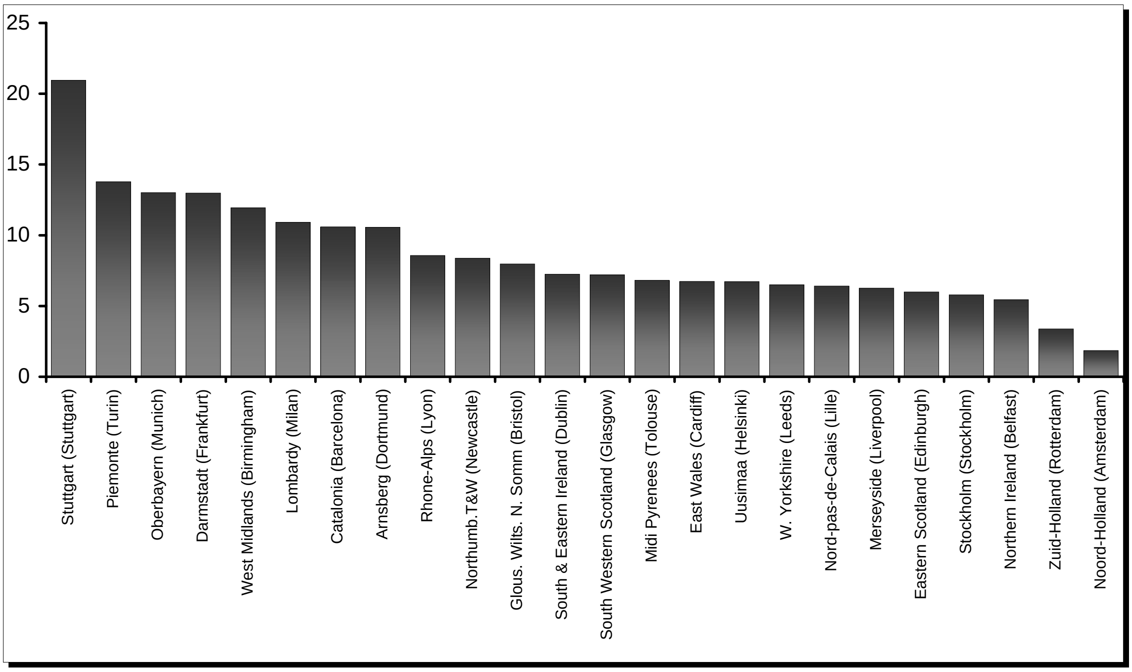
4.15 The high-tech and knowledge sectors are often identified as key components of a successful economy.

4.16 The following figures present data for the proportions of employees in 'high and medium-high technology manufacturing sectors', 'high technology service sectors', and 'knowledge intensive service sectors'.

4.17 Figure 4.9 looks at high and medium-high technology manufacturing. The proportion of employees in high and medium-high technology manufacturing sectors in East Wales (covering Cardiff) is similar to that seen in many of the other regions shown in the table, (but is perhaps slightly low, comparatively, at 6.7%).

4.18 The region covering Stuttgart leads the way, with the highest proportion of employees in this area (21.0%), followed (some way behind), by the regions covering Turin, Munich, and Frankfurt.

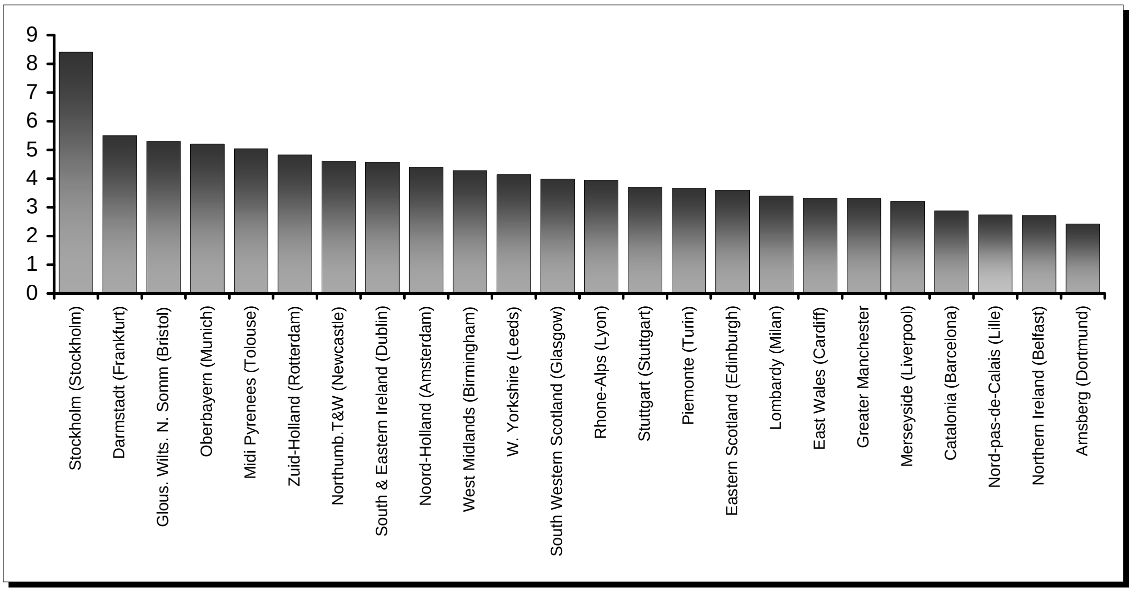
Figure 4.9: Percentage of employees in high and medium-high-technology manufacturing sectors, 2001



Source: Eurostat: Region: Statistical Yearbook 2003.

4.19 Figure 4.10 looks at the high technology service sectors. The East Wales region covering Cardiff has a comparatively low proportion of employees in the high technology service sectors, at 3.3%. Stockholm, the leading region, has a rate of 8.4%.

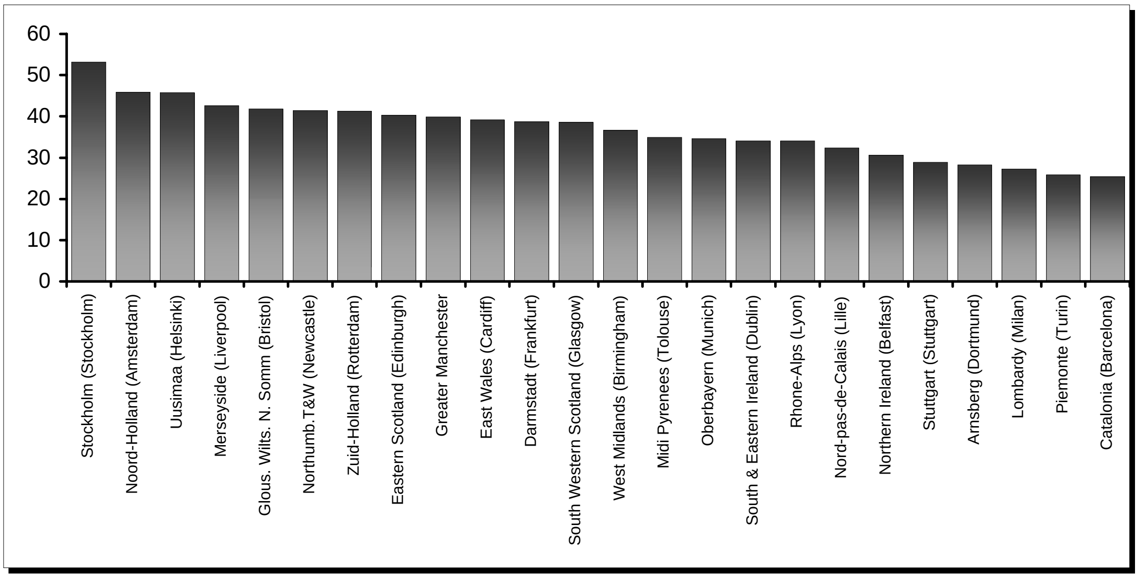
Figure 4.10: Percentage of employees working in high-technology service sectors 2001



Source: Eurostat: Region: Statistical Yearbook 2003

4.20 Figure 4.11 looks at the knowledge intensive services sectors. The proportion of employees in the knowledge intensive services sectors in East Wales is moderately good, when compared with the other regions, at 39.2%. The region with the highest proportion of employees working in these sectors is Stockholm with 53.2%. The lowest proportion of persons employed in these sectors is found in Catalonia (the region covering Barcelona) at 25.4%.

Figure 4.11: Percentage of employees working in knowledge intensive services sector 2001

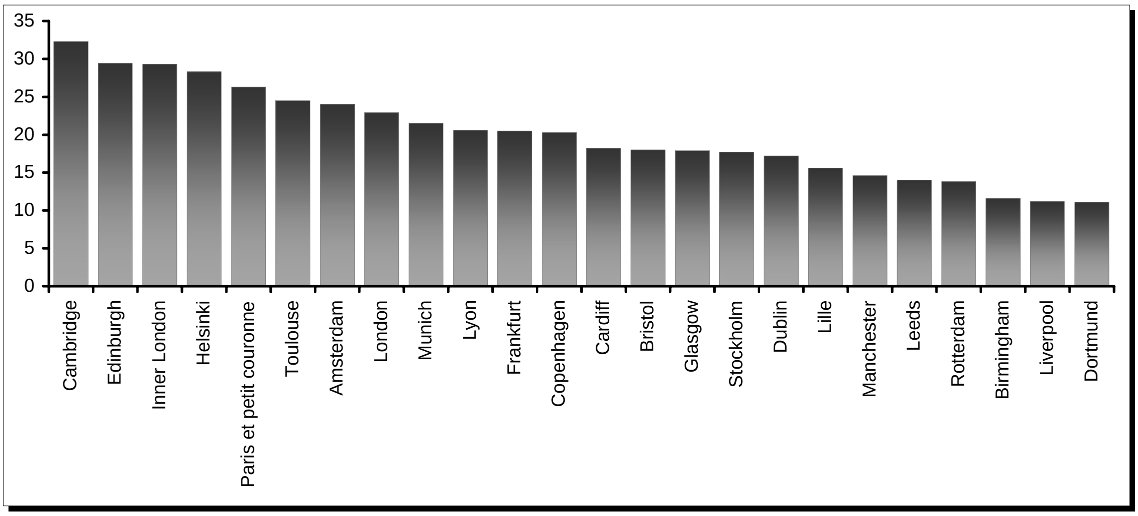


Source: Eurostat: Region: Statistical Yearbook 2003

Degree level education

4.21 Figure 4.12 shows the proportion of resident population qualified to degree level or higher. With 18.2% of the resident population were educated to this level, Cardiff is in the middle of the table. It lags behind many of the really successful cities but nevertheless leads a number of UK and continental cities. Cambridge, Edinburgh, and Inner London, top the list. Dortmund, Liverpool and Birmingham are at the bottom.

Figure 4.12: Proportion of resident population with a tertiary education in European cities, 2001[4]



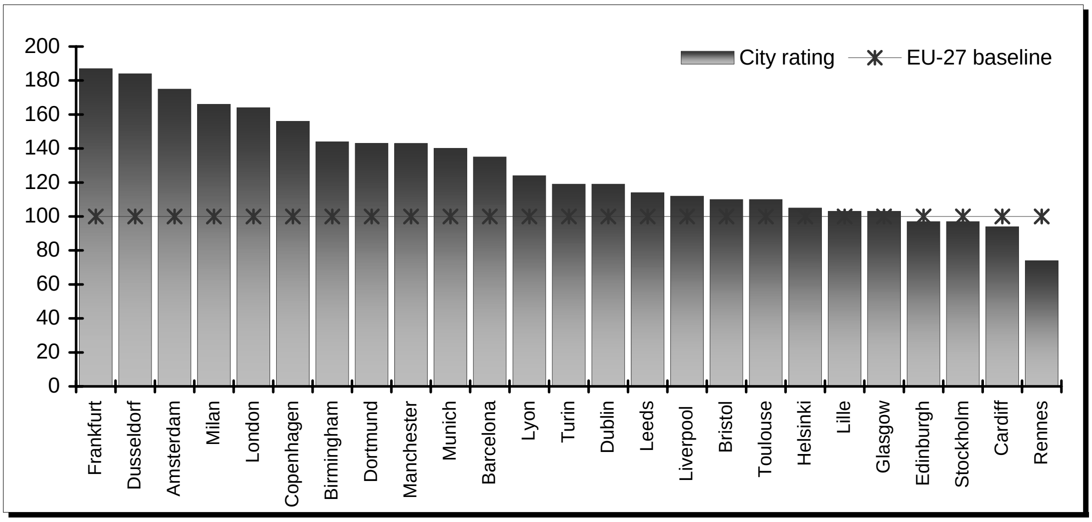
Source: Urban Audit

Connectivity – one of worst connected cities in Europe by air

4.22 Cardiff has poor accessibility by air. It was ranked 47 out of 51 EU cities in the recent EU Urban Audit. Figure 4.13 presents for our sample of European cities. Cardiff is next to last in our sample.

[4] The proportion of persons with a tertiary education in Cardiff is 18.2% in this figure. This compares with 33.5% of the working age population qualified to NVQ Level 4 or above, in the earlier figure 2.11. The difference between figures, relates to the difference in the age groups that have been considered in the two figures. Additionally, the earlier figure presents data for a later year.

Figure 4.13: Selected European cities rated according to 'accessibility by air'[5] 2001



Source: Urban Audit

4.23 The next table shows actual passenger numbers at Europe's top airports, in 2004. Cardiff has less than 2 million passengers a year and does not feature in the table. The 49 largest in Europe each have over 5 million and London, Frankfurt and Paris each have between 50-67 million.

Table 4.3: Total passenger numbers at Europe's top airports, 2004

2004	Airport	Passenger numbers	2004	Airport	Passenger numbers
1	London Heathrow	67,344,000	26	Berlin	11,048,000
2	Frankfurt	51,098,300	27	Lisbon	10,705,100
3	Paris Roissy (CDG)	50,860,600	28	Helsinki	10,671,400
4	Amsterdam	42,541,200	29	Hamburg	9,893,700
5	Madrid	38,525,900	30	Prague	9,696,413
6	London Gatwick	31,461,500	31	Gran Canaria	9,450,200
7	Rome	28,118,600	32	Nice	9,334,500
8	Munich	26,814,500	33	Milan-Linate	8,947,900
9	Barcelona	24,549,600	34	Birmingham	8,864,938
10	Paris Orly	24,032,200	35	Stuttgart	8,821,533
11	Manchester	21,548,500	36	Tenerife Sur	8,619,600
12	London Stansted	20,908,100	37	Glasgow	8,563,548
13	Palma de Mallorca	20,410,900	38	Alicante	8,556,607
14	Copenhagen	18,965,700	39	Geneva	8,518,400
15	Milan-Malpensa	18,554,000	40	Cologne/Bonn	8,332,961
16	Zurich	17,214,500	41	Edinburgh	7,998,307
17	Dublin	17,138,400	42	Budapest	6,444,700
18	Stockholm Arlanda	16,362,500	43	Lyon	6,228,612
19	Brussels	15,583,700	44	Warsaw	6,085,111

[5] Data are from the European Spatial Planning Observation Network (ESPON). Data are based on 'potential accessibility' indicators from the Study Programme on European Spatial Planning

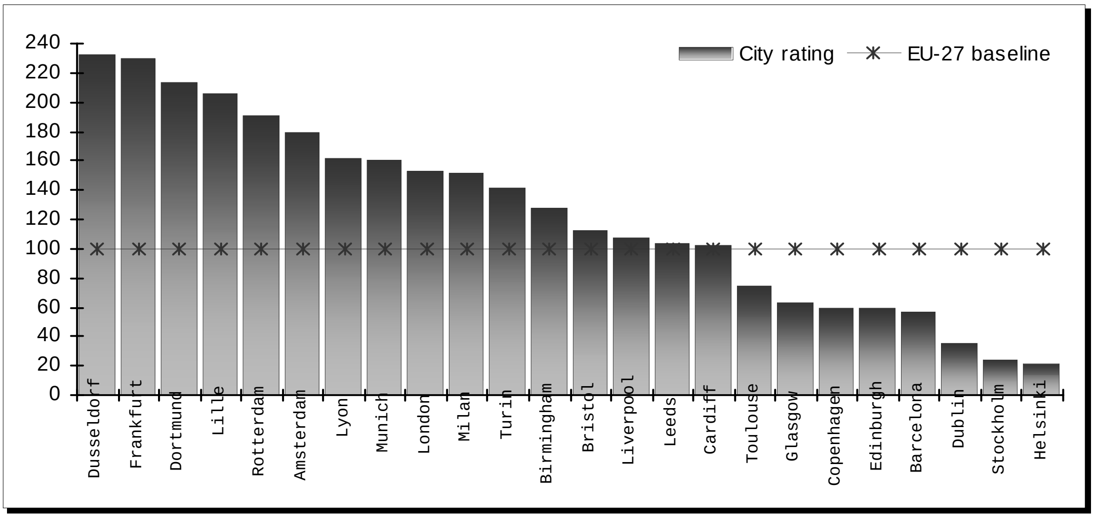
20	Dusseldorf	15,256,500	45	Venice	5,859,181
21	Oslo	14,865,500	46	Marseille	5,756,026
22	Vienna	14,785,500	47	Toulouse	5,612,559
23	Athens	13,640,600	48	Lanzarote	5,514,875
24	Moscow - Domodedovo	12,095,081	49	Hanover	5,249,169
25	Malaga	12,028,100			

Source: ACI Europe
* Data is for total number of passengers, except for Edinburgh and Glasgow, where the data is for total number of terminal passengers

Poor accessibility by rail

4.24 Cardiff is marginally better connected by rail, it is rated 34 out of the 51 just above the EU average. As Figure 4.14 shows in our sample it is bad but not the worst in Europe.

Figure 4.14: Selected European cities rated according to 'accessibility by rail 2001

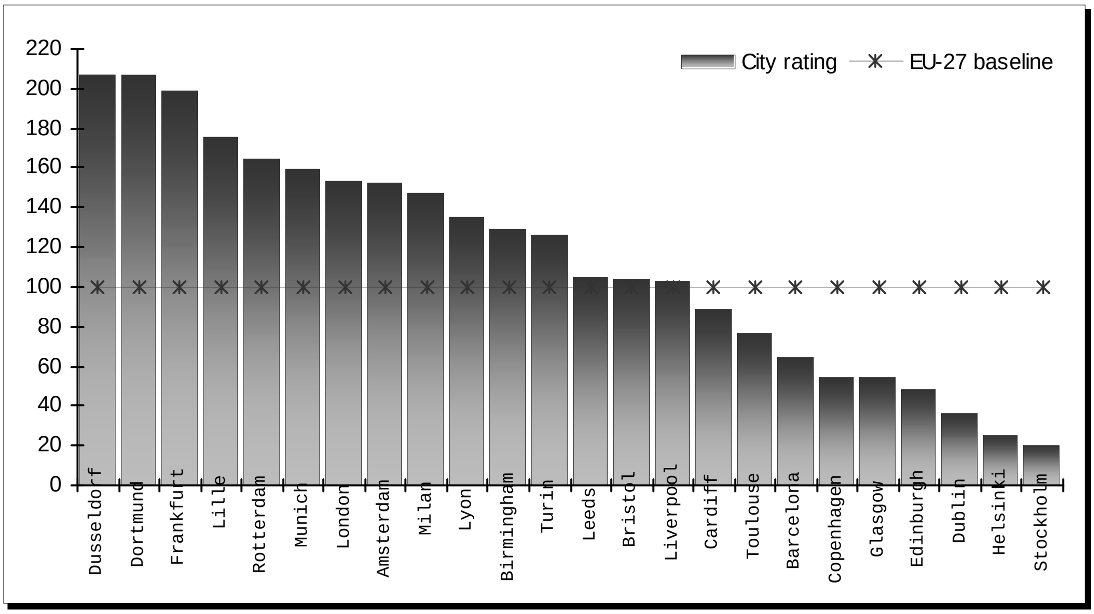


Source: Urban Audit

Poor accessibility by road

4.25 Cardiff is relatively poorly accessible by road and ranks 34 out of the benchmark 51 selected European cities. It is just below the EU average. But again as the table shows there are a number of cities in the UK and on the continent that are less well connected.

Figure 4.15: Selected European cities rated according to 'accessibility by road' 2001



Source: Urban Audit

Internet access among households is low

4.26 The following table shows the proportion of households with Internet access at home in 2001.

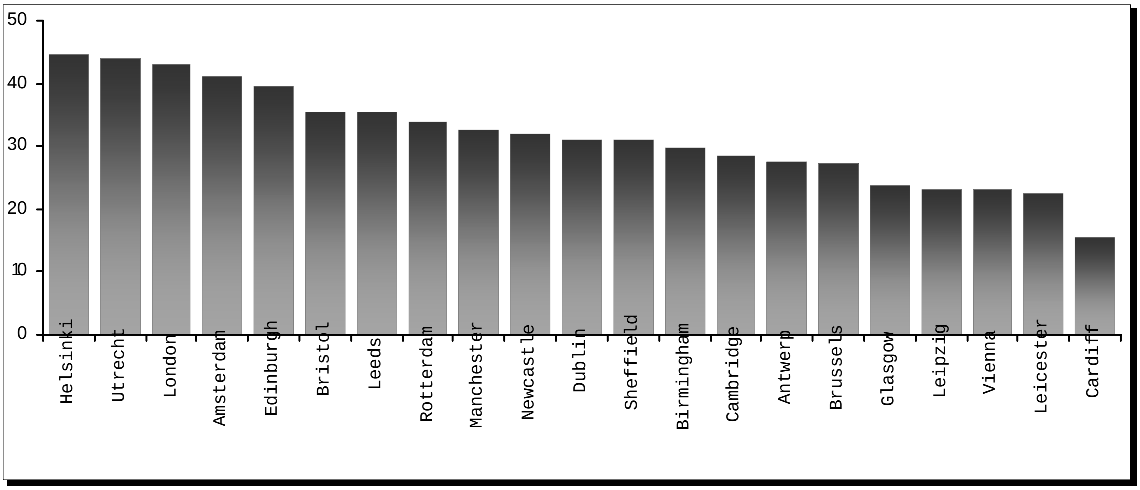
Table 4.3: Percentage of households with Internet access at home, 2001

			% Households with Internet access
1	Helsinki	Finland	44.6
2	Utrecht	Netherlands	44.0
3	London	UK	42.9
4	Amsterdam	Netherlands	41.0
5	Edinburgh	UK	39.6
6	Bristol	UK	35.3
7	Leeds	UK	35.3
8	Rotterdam	Netherlands	34.0
9	Manchester	UK	32.7
10	Newcastle	UK	32.0
11	Dublin	Ireland	31.0
12	Sheffield	UK	31.0
13	Birmingham	UK	29.9
14	Cambridge	UK	28.6
15	Antwerp	Belgium	27.5
16	Brussels	Belgium	27.1
17	Glasgow	UK	23.7
18	Leipzig	Germany	23.0
19	Vienna	Austria	23.0
20	Leicester	UK	22.4
21	Cardiff	UK	15.4

Source: Urban Audit

4.27 Figure 4.16 presents data from the above table, in chart form.

Figure 4.16: Percentage of households with Internet access at home, 2001



Source: Urban Audit

4.28 Data is only available for 21 cities. In addition, this is an area that is changing rapidly, and much will have happened since 2001. Nevertheless the table places Cardiff at the foot of the table, with just 15.4% of households with Internet access. This compares with places such as Helsinki and Utrecht where 44.6% and 44.0% of households have Internet access.

Summary – Cardiff's place in Europe

4.29 In European terms, Cardiff is a small city both in terms of population and total employment. GDP per capita levels in Cardiff are comparatively modest. The activity rate is moderate. The employment rate is moderate. But unemployment is low. Innovation in Wales is low. The proportion of employees employed in financial intermediation and business activities is low to moderate. The proportion of employees in the high-tech service sectors is low. The proportion of employees in the knowledge intensive services sectors in East Wales is moderate-to-good. The proportion of persons educated to degree-level is average. Accessibility by air is poor. Accessibility by rail is average. Accessibility by road is poor. Access to the Internet among households in Cardiff in 2001 is low.

5. WHAT'S NEXT FOR CARDIFF?

5.1 The previous sections drew upon quantitative data about Cardiff's economic performance. This section draws more upon qualitative data, primarily interviews with a range of stakeholders in Cardiff and selective recent policy documents. It attempts to answer the question - what could Cardiff do differently or better in future to build upon the substantial gains it has made in recent years? It does not purport to be an elaborate analysis based upon a massive database. Rather it is a snapshot of the current position as seen by a number of key players. They include senior elected members and officers in Cardiff Council, officials in the Welsh Assembly Government, members of the Welsh Local Government Association, officers in a number of local authorities in south east Wales, university researchers, the private sector including the Chamber of Commerce and developers involved in some of the largest projects currently taking place in Cardiff. This section reports those perceptions as fairly as possible. It is not able to test them thoroughly as would be the case in a larger project. No doubt some of the views expressed are open to debate. However, we are confident that they represent an accurate portrayal of some key issues, which stakeholders believe Cardiff needs to address in the near future.

5.2 We organise these perceptions around the six key drivers of competitiveness and present what some partners suggest are the current strengths and weaknesses of Cardiff. Since many of those drivers were discussed in the earlier sections, the focus is primarily although not exclusively upon the final driver – strategic decision-making capacity. Inevitably because the section focuses upon what could be done differently or better in future it may appear a little critical. But it is intended to be constructive. And it is designed to explore less the question of whether Cardiff is performing adequately but how close it is to achieving its stated ambition of becoming a dynamic European capital city.

5.3 To put such views in context it is important to state very clearly at the outset how Cardiff's recent performance and achievements are seen by the many key players in the city. It is important to realise that even those who believe there could be improvements clearly recognised the extent of the city's achievements in recent years. As we outlined at the beginning of this report there is great support for the way in which the city has responded to the economic, social and physical challenges it has faced in a rapidly changing global economy. There is extensive recognition of and great support for the Cardiff 'first act' – its restructuring into a service based economy; the huge physical transformation especially through major projects in the Bay and city centre; the successful marketing of the city in the service tourism and leisure industry; its repositioning of the city in the national UK policy arena; the drive and energy shown by the leadership of both the former Cardiff Bay Development Corporation and Cardiff Council in achieving much of that transformation. Recognition of the scale and success of that achievement is great and widespread. The following sections identify areas where however, supporters of those achievements think that Cardiff has more work to do to achieve its ambitions.

Reflections upon the future of Cardiff's economy

Innovation

5.4 We argue that continual innovation in processes and products is one of the key drivers of modern economies, estimated by OECD to contribute up to 40% of the GDP of national economies. Our earlier chapters showed that Cardiff has a reasonable performance in comparison with UK cities. But it has a long way to go before it can match the heavyweight cities in northern Europe, which typically have higher innovation scores. One of the most significant aspect of our conversations with decision-makers about the prospects for the Cardiff economy was how relatively little the theme of innovation actually occurred in our discussions. There was a great concern to sustain the achievements recently in the service, tourism, and leisure industries. But for example, there was little focus within the Council upon how Cardiff was going to move higher up the value added chain. There was no systematic organised forum between Cardiff Council and key elements of the private sector about the opportunities the city has in key areas or how they were to be exploited in future.

5.5 Similarly, relationships between the universities and Cardiff Council are good. But there has been relatively little systematic effort to explore how the strengths of the universities could be turned to commercial advantage for Cardiff. Discussions take place and linkages exist. But they are not highly focussed upon these issues. To give a specific example, a senior university researcher in a field which had great potential commercial value in the IT sphere commented that the Council was not sufficiently systematic and long term in its involvement in this field. For example, after initial workings with them he had decided there was not enough commitment to make it worth his continuing, in his view resulting in a missed commercial opportunity. Equally views vary about Cardiff's capacity to retain its graduates and help them to commercialise their knowledge. But some felt that the issues were not being systematically explored and potential opportunities were again being missed. There is an acceptance of this position by both elected and senior officials in the Council and the Welsh Assembly Government and recognition they should be addressed. However, it should be noted that the Council has recently established the Cardiff Futures Forum including leading academics and practitioners to develop an agreed strategy for the future development of the city. A Business Forum is also due to be launched later in 2006. Both should help address this issue.

5.6 ***The Council should build upon recent developments in this sphere and undertake a review of how the crucial theme of encouraging and developing innovation within its economy should be explored and exploited systematically in future with key partners from the private sector, Universities and Welsh Assembly Government.***

Skilled workforce

5.7 This report has discussed the restructuring of Cardiff's economy and the implications for its workforce. The quantitative evidence indicated that Cardiff performs reasonably well in UK standards in terms of graduates in the population. Also it performs relatively well in UK terms in terms of school performance at GCSE levels. However, there were constant concerns expressed that the education system did not provide such good services for pupils in the lower ends of the ability scale. A senior member suggested that the achievements in Higher Education and Further Education in Cardiff were masking the failings of the school system at the bottom. Such concerns were reinforced by the review of education undertaken in 2004. It observed that educational expenditure was low in national terms, only partly explained by national formula. In 2003-4 it was 18th of all Welsh local authorities local authorities in terms total budget spent on education and 20th in terms of expenditure per head of the population. The education system was assessed as only fair across many of its processes and achievements. More generally interviewees often asked whether the Council and for Councillors gave sufficiently high priority as a whole to education as a sector. In terms of improvement the report argued there should be greater engagement by elected members in the strategic development of education, greater communications with elected members, an improved profile and perception of the service, and education should be more closely linked to the Council's wider strategies. For example some pointed out that the corporate structure of the Council meant that the Chief Schools and Lifelong Learning Officer was not in the senior management team. This was true of many council services. But the question was raised given the financial importance of education to the Council whether that encouraged or discouraged greater attention to education. If Cardiff is to increase its competitiveness it will have to improve the skills and qualifications of its entire workforce so they can obtain higher skilled and better-paid jobs. The significance of education and retraining in that cannot be underestimated. It is true that in recent months the future of education and schools has been an important issue for the Council with the proposed City Wide Investment Plan and the proposals to rationalise provision of schools in the city. Important decisions will be made about resources and provision. The new Regional Skills Vehicle being developed with neighbouring local authorities will also make a contribution. But there nevertheless remains some evidence that at present the Council has not been giving the political attention to the wider role of education, training and skills and the contribution it makes to the Council's strategic ambitions in the city's future development that such an important task requires.

5.8 ***The Council should review the position to test the argument that education is not given sufficient political attention and resources and if proven how the position could be improved.***

Economic Diversity

5.9 Competitive economies tend to have a diverse economic base, preferably in as many high value added sectors as possible. The traditional structure of the Cardiff economy, and the recent focus upon financial services, tourism, and retail and leisure industries suggests that Cardiff needs to do more to increase its share of high value added sectors. The quantitative data showed that the city is well represented on public administration and higher education but not sufficiently strong in the high tech sectors. Employment in the knowledge economy compares favourably with English national average and that of the English core cities. This sector should be exploited further. This was reflected in many conversations in the city. Many partners questioned whether there was enough employment at the top end of the economy to provide sufficient long term demand for jobs in the less skilled parts of the service economy. Many argued that Cardiff should do more to attract higher quality public sector jobs to the region. There was recognition that Cardiff did not have enough heavy hitters from the private sector, enough private sector champions or enough headquarters to really drive the economy forward. There was also a concern that Cardiff did not have enough manufacturing jobs to which value could be added in the long term. And there were questions raised about how much more potential there was at the softer end of the market in lower skilled jobs. Some suggested that the cultural industries had great potential in Cardiff but that the sector had not been systematically explored and exploited remaining more of a cultural scene rather than a cultural industry. Others argued that some opportunities even in the performance end of the cultural sector had not been sufficiently exploited. Recent initiatives to shape a new Creative Industries Strategy and proposals for a Creative Industries hub should be helpful and should be encouraged.

5.10 This brief study has not conducted a detailed analysis of, and is therefore not competent to judge in detail, the performance and potential of the Cardiff economy. But there does seem enough evidence that the industries of the past and some of the sectors that have been developed during the past decade will not be enough to allow the city to have a second act and bring itself closer to the seriously performing cities in the UK and especially the heavy hitters of continental Europe. Current trends towards a knowledge-based economy should be intensified.

5.11 ***The Council should undertake a systematic analysis of its economic structure and examine the prospects for growth in some of the high value added parts of the economy where there is potential. This needs to complement the strategic analysis we have suggested should be undertaken around the themes of innovation, education and skills. The Council's recent commissioning of economic forecasts for sectoral growth in Cardiff and the region as part of its new Economic Development Strategy can play a part here.***

Connectivity

5.12 The evidence from the quantitative chapters demonstrated the scale of the problems that Cardiff faces in terms of external accessibility. It is poorly connected by air and rail and only reasonably by road. It needs to do more to improve its airport in terms of the range of connections and its local accessibility. And there are huge internal problems of mobility within Cardiff itself. The costs of moving 70,000 commuters into the city on a daily basis often by private transport are huge and potentially unsustainable. It places huge pressures upon the road network. The private sector surveys indicated that employers rate Cardiff particularly badly on this dimension. This is partly an unavoidable consequence of geography and the city's peripheral location. But Cardiff is also paying a price of economic success. Like a number of other cities in the south of England it is in danger of choking on its own success. This is well known to Cardiff Council, which is exploring a variety of ways of getting substantial resources into more sophisticated transport systems. This report adds little new to what is already well known in the city. But it does underline the seriousness of and the need to successfully position the city both in terms of quality of life and economic potential.

5.13 This raises a more general issue, which we shall explore of whether the contribution that Cardiff makes to the wider national economy and the costs that are associated with it are sufficiently recognised by the Welsh Assembly Government. It is difficult to unravel these claims. But at least some of the costs are a consequence of Cardiff serving as a national capital city. Experts suggest that although the Assembly makes some recognition of that fact, it is currently insufficient and it should provide greater support in future. Despite this, senior Council officers accept that the scale of the challenge and the costs were such that, even if the Assembly could provide greater financial support, it does not have the resources to fund the level of investment required. Resolving the transport challenge will inevitably require major support from the private sector in partnership with the Council.

5.14 A further aspect of connectivity is less about physical and virtual connections than about attitudes. Our work on Europe underlines that many of the successful provincial cities in recent years have consciously adopted more international strategies to explore new markets, influence the policy and funding of international organisations, find new partners and learn from new networks. Cardiff is beginning to do this. The Policy & Economic Development service area has undertaken a valuable assessment of this challenge through its International Partner Assessment matrix which reviewed and made selections of links worth pursuing. But some observers argued that such activities are sometimes regarded sceptically and that the city needs to be less parochial, more outward looking and internationalist in its approach in future if it is really to play in the European capital city league.

5.15 ***Cardiff Council should continue and develop its international strategy to develop more effective links and networks.***

Quality of Life

5.16 Quality of life is an important soft location factor in terms of competitiveness. Attracting and retaining a potentially mobile highly skilled workforce is an important feature of competitiveness. Stakeholders argued that Cardiff has a number of advantages that make it attractive to employers and employees making locational choices. It is a compact city, has some good housing, an attractive waterfront, many cultural facilities and is in an attractive regional location. However, partners suggested there are a number of ways in which the city needs to improve again if it is be a leading European capital city.

5.17 One argument is that the city had restructured so quickly that it had, as one senior official put it, 'built the roof without paying enough attention to the foundations'. It has prestige projects and excellent new facilities but not the underlying infrastructure necessary to sustain it. This would include most obviously the transport infrastructure, which is no longer adequate for a city with Cardiff's dynamism. Many suggested that the maintenance of the basic physical infrastructure outside the city centre leaves a lot to be desired.

5.18 It is also related to the development of Cardiff Bay. In many respects the Bay area has been a major success with the attraction of housing, tourist, cultural and leisure facilities. But it is frequently argued that the Bay and the city centre are not well connected and need to be more so in future. Partly this disconnection is a consequence of physical location and the fact that docks were typically outside the city centre. It was also recognised that the Council made a major contribution to connecting the two parts of the city by locating its own headquarters in the previously derelict brownfield areas which separated the two areas. This has had significant regeneration impact upon the area. Nevertheless the two dynamic parts of the city must have greater synergy if they are to flourish in future. In particular transport links between the two need to be improved.

5.19 Many people questioned whether the retail, hotel and cultural offer in Cardiff is up to the standards of a European capital city. The pedestrianisation of Queen Street in recent years was important and improved the offer. The arcades are distinctive and enormously attractive. But the overall quality of shops, restaurants and even hotels on offer in the city centre to some feels more like a provincial large town than a major European city. The city centre night-time economy seems to many too homogenous with too powerful a bar culture and needs diversifying. The St David's 2 shopping centre redevelopment will make a huge difference to the range and quality of retail in the city. But many emphasised that to create a step change in the city major new developments must have the architectural quality to dramatically improve upon earlier development phases. Many also believe that the whole public realm in the city centre looks tired and needs refurbishment. More generally there is a belief that not enough attention has been paid the role of the city centre as a driver of the local economy. In particular there is a strongly held view that the role played by the former Cardiff Bay Development Corporation in promoting the image of the city and city centre has not been adequately replaced and that the city needs to focus more effort on this challenge.

5.20 ***The Council should undertake a review of the issues identified here to determine how the key issues of the quality of life could be systematically addressed by which partners.***

Sharing the gains

5.21 There has been much new housing built in the city and in the Bay area. Some question whether the city is reaching its limit for residential development per se. In particular many wish to see more economic activity as well as housing investment in the Bay area. Some are concerned that the city is becoming increasingly gentrified and that not enough attention is paid to issues of social housing. More generally still, there is a belief that more needs to be done to ensure that poorer communities and residents get greater benefits from the economic renaissance that has taken place in Cardiff. Earlier evidence from the Welsh Index of Multiple Deprivation underlined the scale of the challenge Cardiff faces. Its economic recovery has not touched all groups or neighbourhoods in the city. This issue is not peculiar to Cardiff. But some partners argued that not enough had been done to try to ensure that the benefits of the prestige projects involved in the first act of the city went to the original communities. Specifically, representatives from the black and ethnic minority communities, while proud of and welcoming the renaissance of Cardiff believe that their communities have not received their fair share of benefits in terms of community facilities or jobs. Although it was accepted that at least the Council recognises the issue of jobs was a challenge in a way that some private firms had not yet recognised.

5.22 This also relates to a view about the nature of Cardiff's recent regeneration, which is again not peculiar to the city. The Council has been absolutely committed to responding to the industrial decline of Cardiff by finding a new economic role for it as a major capital city and placing it on the national and international map. The physical regeneration of the city centre, the huge capital and infrastructure projects that have been completed were the key priority of the administration which ran the city until 2004. However, there are strongly held views, that in the drive to achieve mega projects, less attention was paid to running the basic services of the Council effectively and efficiently. This is reflected in the views already expressed that the Education is less good than it might be and the fact that Social Services received difficult reviews in 2002.

5.23 Again Cardiff is not alone in facing these issues. Such debate has taken place in many restructuring cities where a major political focus was placed on the regeneration of the city centre. Even when such regeneration is seen as successful, it is often accompanied by debates about whether such strategies had diverted attention and resources away from outlying, often more deprived neighbourhoods or from core local authority services which had suffered as a consequence of the city centre focus. The debate has taken place at various times in Glasgow, Birmingham, Liverpool and Manchester. Getting the balance right is not easy. However, there is a view that in recent years the Council took its eye off the ball, that core services did not receive the political attention they deserved and that standards may have suffered as a result. The Council has recognised that dilemma and is attempting to strike a different balance between the priorities of economic competitiveness and social cohesion or sustaining major regeneration projects and investing in neighbourhoods and core services.

5.24 ***In order to be regarded as a leading European capital city the Council needs to review how the benefits of the city's economic renaissance can be more evenly spread through out the community and the Council's focus upon improving core local services needs to be sustained.***

Strategic Capacity

5.25 Our work has underlined the importance of strategic capacity and decision-making to the development of cities. We define it as the ability to develop and gather support from partners to implement long term economic and social development strategies. The crucial elements are leadership, partnership, strategy, vision and politics. It is difficult to quantify but even the most successful cities, which have many of the other drivers of success, emphasise the need for those assets to be mobilised and led. Much of our conversations with partners in Cardiff concerned capacity in this field. Again there was recognition that much had been achieved but that some areas needed addressing.

Long-term vision and strategy

5.26 This reflects our earlier judgement that the city needs a second act to build upon its successful first. Many questioned whether Cardiff had a clear enough agreed vision about the next decade that would build upon the achievements of the last decade and push the city towards greater competitiveness. Equally there were questions of whether the Council had a sufficiently clear and consistent strategy to achieve such a vision.

Leadership, consulting and choosing

5.27 There was recognition that the Council single-handedly pursued a clear economic regeneration agenda. But many felt that finally the administration was too concerned to drive that agenda through and not willing enough to consult - or listen to the different views of - other partners in the city. Many accepted that the Council is now right to take stock of the performance and future of the city and to consult more extensively about it. However, a number of partners also stressed that the consultation process should not last indefinitely. It would soon be time for the administration to give a clear lead on the direction in which it intended to take the city and the steps that would be involved in getting there. Getting the balance between consulting and choosing on the way forward is not easy. But there are public expectations about a clear statement about the way forward which should be made sooner rather than later.

Corporate performance and delivery

5.28 Cardiff Council has undergone a series of internal reorganisations in recent years in an effort to find a structure that would make it work more corporately and effectively. However, many inside and outside the Council believe that despite such structural changes the Council has not developed a sufficiently corporate culture which would ensure the organisation is pushing in the same strategic direction. There is a view that whereas the Council does not need more structural change it still requires a more corporate culture.

5.29 Recent analysis of the Council's performance by the Wales Audit Office provides evidence of such concerns. For example its audit of the Council's Improvement Plan in 2005 said that although the Council had begun the process of change, there were a number of weaknesses in its performance. For example, the Council had not acted upon a number of earlier recommendations from the WAO that it should:

- Prioritise proposed improvement actions.
- Provide detailed action on achievements and outcomes.
- Identify steps to be taken to achieve targets that had not yet been met.
- Review corporate and service areas that failed to achieve targets.
- Improve arrangements for collecting and reporting strategic management information to improve strategic level focus upon priorities.

5.30 It noted that although the Council improved its performance in 2004-5 it had only met 45% of performance targets it had set itself. Specifically it showed that service performance varied significantly. Overall 56% of indicators had been maintained or improved. But 44% had deteriorated. In corporate services and community safety 6% had improved. In education 81% of indicators had been maintained or improved. But in Environmental and Planning Services 47% had deteriorated, in Social Services 56% had deteriorated and in Housing Service and Benefits 75% had deteriorated.

5.31 The Wales Audit Office considered that the Council's Improvement Plan still did not:

- Clearly identify its priorities.
- Show how specific initiatives and wider objectives were related.
- Place its improvement targets in relation to current or previous performance.

The Council needed to improve its strategy and performance so that individual initiatives were better coordinated and that corporate objectives, business and financial planning, the management of risk, people and performance and also corporate governance were better linked.

5.32 The Council is aware of these challenges. Some senior members and officers have accepted that there is not a sufficiently powerful culture of performance management in the Council and that it has not encouraged a sufficiently entrepreneurial culture within the organisation. Nor has it broken away from grant dependency culture or even eliminated entirely a tendency to what a senior officer called a 'blame culture.' The Assistant Chief Executive has been charged amongst other tasks to achieve that goal and has a clear line of action to do so. But the Council has not yet achieved its goal and needs to pursue its efforts consistently.

Political trust and maturity within Cardiff

5.33 The evidence from many other cities is that the prospects of success are greater where there is a robust partnership culture and where there are significant levels of maturity and trust between players in the system. A review of corporate governance in the city in 2004 underlined some of the limitations of Cardiff in these areas. And the Council has taken steps to improve the position. However, some partners feel there is some way to go before that trust has become well established. It is argued that there is not enough trust between the members of the political parties on the Council. It was also suggested that there was not yet always sufficient trust between members and officers. And in some cases it was argued that there was not sufficient trust between officers within the organisation. These are sensitive issues and difficult for an outsider to judge. But the argument was made sufficiently often by enough well informed partners to indicate it is an issue that senior members and officers need to address seriously lest it be a drag on performance.

Trust and maturity in the southeast Wales region

5.34 The thrust of urban policy and management in much of Europe and increasingly in England is to try to get local authorities to operate on a city regional level. This is clearly much of the thrust of the Northern Way and other important initiatives from the former Office of the Deputy Prime Minister. However, there is much evidence that it is difficult to get local authorities to operate in a collective fashion. There is much evidence of difference between local authorities over party politics, personal rivalries, historic allegiances, and choice of investment for public and private investment. Many areas in England have not yet achieved successful collaboration although some such as the Manchester city region have as the recent *State of the English Cities* report underlined.

5.35 Our evidence in the earlier sections clearly showed that Cardiff is crucial to the current and future economic success of the southeast Wales city region. But there have been historic tensions between different local authorities in the region about what contribution each does and should make and what benefits each should and does get. Our conversation with senior partners indicates that efforts are being made to achieve greater collaboration between local authorities and in particular to recognise the contribution which Cardiff makes, the ways in which local authorities could benefit in the long term from Cardiff's increasing prosperity. Nevertheless, there is also evidence that the process is at the early stages. There are still many of the general difficulties we have identified. More political effort will need to be made to encourage greater collaboration and trust between the local authorities in the region. There are important strategic decisions to be made about the location of investment and economic activity, skill levels and training, environmental and traffic management and questions to be explored about the ways in which they can be made in the best long-term interests of all parts of the region. There needs to be a mature political relationship between partners in the sub-region to ensure the right decisions are made in the interests of the future of the region.

Trust between Cardiff Council and the Welsh Assembly Government

5.36 Relations between national governments and capital cities are enormously important often complex and sensitive, even when controlled by the same political parties - London is a case in point. However, relationships between the Welsh Assembly Government and Cardiff Council appear particularly complex and constitute a barrier to the long-term economic performance of the city. It is difficult for an outsider to judge such issues, but constant concerns were expressed about the relationship. Many argued that the Assembly was dominated by rural interests and did not sufficiently appreciate the economic contribution that Cardiff makes. There were suggestions that the city was under-resourced by the Assembly and the particular costs and contribution it made were not recognised. There were suggestions that there were political rivalries almost sibling rivalries between a city that had once been powerful and had to now deal with a recently established national government. There were suggestions that political relationships between the individual leaders of the previous Labour administration and the Welsh Assembly Government were not very constructive. There were suggestions that a Labour controlled Assembly was not particularly sympathetic to the ambitions of a Liberal Democrat controlled Council. There were views that there was not sufficient political talent in the Assembly to recognise or address the needs of Cardiff and that it was not a mature political organisation.

5.37 However other voices challenged those assertions. They suggest that the Assembly is not opposed to Cardiff but simply needs to ensure that all parts of Wales get equal treatment. Some argue that the financial settlement is not unreasonable to Cardiff and cite examples of particular initiatives made to help the city. Others suggest that there is not animosity against Cardiff but rather recognition that the city had had substantial public resources in the past and that in future it would have to rely more upon private sector funding so that other parts of the country could benefit from public resources. There are arguments that the Welsh Spatial Plan for the first time explicitly accepts that Cardiff is a capital city region and should be treated in that way.

5.38 It is difficult to disentangle the validity of these kinds of arguments to decide whether the Welsh Assembly Government is unsympathetic, agnostic of or hostile to the long-term interest of Cardiff. However, it is clear that there does need to be a different kind of political relationship between the Welsh Assembly Government and Cardiff in future if the city is genuinely to become a leading European capital city. There should be a new political settlement, which recognises the unique contribution that Cardiff makes to the national economy, the particular burdens it carries as a result of its status and recognition that it could make a greater contribution to national prosperity in future. It does require a new recognition and vision of the significance of the capital city. For example, although the WAG document *A Spatial Strategy for Wales* recognised the contribution of Cardiff, the failure to acknowledge the role of Cardiff in its recent economic strategy *Wales: A Vibrant Economy* is a significant omission. It requires the Welsh Assembly Government to move beyond a spatial strategy to a more rounded urban policy like that which is being developed in England. It does require an exploration of the ways in which the Assembly can help Cardiff to flourish more in future. The Assembly may not be able to commit vast sums of new money. But it could explore giving different fiscal powers to Cardiff so that it could capture some of the gains of the economic renaissance that is taking pace. As in England, it will require national government to support the ambitions of Cardiff in future.

5.39 ***The Council needs to become more strategic and more systematic in the way in which it, along with its partners in a range of sectors, determines how the city will develop during the next decade to build upon the successes of the past decade. The Council is not sufficiently corporate in its daily working. There needs to be greater levels of trust both within the Council and between it and a range of partners. The Council should undertake a systematic review of the way in which the Council operates with its partners in the community, private sector and especially the local authorities in southeast Wales and the Welsh Assembly Government. It should explore ways of behaving more corporately,***

more systematically, more strategically and more in partnership so the economic performance of the city can be maximised in future. This will require mature and sometimes brave political leadership.

Cardiff looking forward

5.40 This report has shown that Cardiff has achieved a remarkable economic, social and physical renaissance during the past two decades. It has also shown that the journey is not yet complete. It has identified a series of economic, social and political challenges it needs to address if it is to build upon a very successful first act of regeneration and move into the league of the economically successful European city. Many of those are the consequences of wider international change. But many of them are within the influence of key partners in Cardiff.

5.41 A city is in constant flux. Even as this report was being prepared things have been happening in the city which are already beginning to address some of the institutional and policy challenges we have identified. Some have been realised some remain important statements of ambitions. They have been referred to throughout this report but they are worth underling again. The council has published it 'Proud Capital' Vision statement, has created the Cardiff Futures Forum to engage the Universities and stakeholders and is planning a new Business Forum. The Roath Basin Gene Park is being developed. The council has created a new marketing vehicle and the new Cardiff Transportation Partnership that is exploring congestion charging in the city. There are plans to develop a Cultural Industries hub underpinned by a Creative Industries Strategy. Work continues to develop the International Sports Village and Casino as do efforts to exploit regional opportunities from the 2012 Olympics. The South East Wales Regional Delivery Board and the proposed Regional Skills vehicle should encourage greater cooperation with Cardiff's local authority neighbours. These recent developments, combined with the concrete evidence of the improvement in the past, shows there is plenty of capacity in the city to tackle its challenges. There is clearly recognition within Cardiff of what needs to be done next. There is no evidence to suggest that wise political leadership will not be able to address them. Leaders in Cardiff should seize the time.