

The Economic Links between Leeds and the Yorkshire and the Humber Region

Final Report

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0 Synthesis Report and Executive Summary

0.1 Introduction

Economic relationships between large cities and their regions are changing, and this requires policy communities at regional and city levels to re-think their roles and their mutual inter-relationships. The requirement for such re-thinking is coming about for a number of reasons:

- the shift towards a knowledge economy is emphasising the importance of urban centres of knowledge generation as the ‘motors’ of regional economies – further, some commentators have argued that ‘city-regions’, rather than nation states, will become the locus of territorial competitiveness in the 21st century;
- there is evidence that successful major cities are becoming more specialised as they insert themselves into global hierarchies – for their broader regions, this could provide the opportunity for complimentary specialisation to emerge, enhancing city-region inter-dependencies, but also carries the risk that cities could be become increasingly functionally separated from their former hinterlands (as, it could be argued, has occurred in the case of the Greater London region and the rest of England);
- new governance structures are emerging in the regions of England, which provide an opportunity for clarifying the role of major cities within their regions, with the aim of ensuring that they are maximising their contribution to broader regional development.

The study was commissioned by Leeds City Council as a contribution to a process of re-thinking their own regional role. The consultants were required to:

- Examine the ‘state of the art’ literature on the role of large cities in regional development;
- Identify the nature of the inter-relationships between Leeds and its broader region;
- Draw conclusions concerning Leeds’ future role in the region, especially in terms of areas of mutual interest and conflict;
- Summarise the policy issues arising.

0.2 The role of large cities in regional development

Major cities of course play multiple and over-lapping roles in processes of regional development. These roles include:

Concentrations of employment: while cities have always provided large numbers of jobs, increasing mobility levels have extended considerably the commuting catchment areas of major cities. At the same time, the dispersal of some forms of employment out of cities, due to communications improvements, has served to increase the two-way

commuting inter-dependencies between cities and their hinterlands, which become, in effect, multi-nodal metropolitan regions.

Providers of specialist business services: one of the important roles in which large cities have specialised is in the provision of services – such as accountancy, legal services, financial services, advertising and marketing, etc - to businesses. High quality and specialised business services can provide a significant boost to the competitive performance of businesses in the major city's hinterland, and can also provide the basis for export-led growth beyond the immediate region. Evidence suggests that the geography of business service provision in the UK is changing, with territories served from metropolitan business service centres becoming larger and inter-urban competition increasing as a result.

Centres of regional manufacturing activity: one of the historical roles played by major cities, beyond their general business service role, was as the locus of high-level activities associated with regional manufacturing industries. Such activities included the head offices of regional manufacturing firms, and the provision of specialist technical, training and support services for the manufacturing clusters represented within the broader region. While the concentration of head offices in London and the diversification of regional economies, throughout the past century, has weakened the role which major cities play with respect to regional manufacturing specialisations, interest in this role has been re-awakened as a result of the emergence of new clusters of activity.

Centres of regional 'knowledge economies': the realisation that economic development in advanced economies is increasingly dependent on the generation and harnessing of knowledge as a means to create competitive advantage, has re-focused attention on the role of cities as centres of regional knowledge economies. Cities have tended to be the focus for knowledge activities, whether in the form of universities, entrepreneurial networks or the knowledge centres of firms. For the broader region, further and higher education institutions and R&D laboratories and facilities located in cities can provide the basis for technology transfer into the regional economy, can ensure a supply of well-trained knowledge workers for the region's workforce, and provide the basis for the establishment of new knowledge-based businesses in the region.

Centres of culture, consumption and cosmopolitan values: within the context of historically-unprecedented levels of mobility and an increasingly globalised economy, regions are becoming differentiated according to their ability to attract and retain the new service- and knowledge-economy elites upon which economic dynamism and creativity will, increasingly, depend. Major cities, as the locus for elite cultural and consumption activities, as well as embodying cosmopolitan values, are crucial to this process in terms of defining images which can attract mobile elites, in providing lifestyle and consumption environments conducive to them, and in providing a critical mass of highly-remunerated jobs, without which, clearly, mobile elites cannot be attracted.

Centres of regional governance: evidence from the most prosperous and dynamic parts of Europe suggests the importance of governance structures in which cities are encouraged to play leadership roles within their broader regions, but in which at the same time cities have a clear appreciation of their responsibilities in terms of encouraging regional development beyond their own boundaries. While such governance structures have not been allowed to develop in the UK (and, indeed, in the last twenty years have actually regressed through the abolition of the metropolitan counties and the weakening of local government), the creation of the RDAs provides an opportunity for re-appraising the political and institutional inter-relationships between major cities and their regions.

0.3 The inter-relationships between Leeds and the Yorkshire and the Humber region

Using the same headings as above, the main findings with respect to the role that Leeds is playing within its broader region are as follows:

Leeds as a regional centre of employment?

Even in 1991 (the latest date for which commuting data is available), Leeds was playing a dominant role in much of the region's pattern of commuting flows; commuting to Leeds accounted for between 8% and 14% of the employed residents of the following areas: Bradford, Dewsbury & Spen Valley, Wakefield and Hemsworth, Ilkley and Aire Valley, Harrogate and York, and Castleford and Selby.

For commuting flows from these areas, substantially less than half of the journeys are to central Leeds, with Leeds' suburbs and outer areas being substantial destination zones for commuting. Even for managers and professionals, slightly less than half of all commuting journeys into Leeds are destined for the central area.

'Reverse commuting' from Leeds to the neighbouring parts of West Yorkshire is also well established – indeed there are more commuters from Leeds to Bradford than from Bradford to Leeds - suggesting that at the sub-regional scale at least a multi-nodal metropolitan region is emerging.

Leeds as the regional centre of business service provision?

Leeds is the largest centre for office-based services in Yorkshire and the Humber and is the supra-regional centre for a growing number of high-value business and financial services servicing the eastern side of the Pennines and in some cases the whole of the North of England.

Strong growth in business services during the 1990s added to Leeds' dominance, both with respect to high value or strategic services (e.g. corporate finance) and back office activities (e.g. call centres).

The Leeds service cluster has strengths in banking and finance, accountancy, and legal services. In the latter two in particular Leeds has benefited from a process of consolidation at the regional scale, with local

and national firms merging local offices into large multifunctional practises in Leeds to address the more complex needs of clients. National firms have sought to locate in Leeds as a centre of service expertise, leading to greater export of services outside of the Yorkshire and the Humber region.

The vast majority of quoted companies based in Yorkshire use Leeds business service practises, which have now attained the critical mass of business expertise to meet all but the most specialised requirements of businesses based in the region (which would previously have had to obtain specialised services from London).

There is little doubt that the growth and specialisation of business services in Leeds has been of considerable regional benefit, due to the much enhanced range and quality of services available to the regions' businesses. Although some of the other urban centres in the region have apparently 'lost out' in terms of business service provision, as a result of the consolidation of regional activities in Leeds, in our estimation many of the region's business service needs would now be met from London or Manchester if Leeds had not become regionally dominant.

Leeds as the centre of the regional manufacturing economy?

The most significant manufacturing activities in Leeds are engineering, paper, print and publishing and textiles and clothing. The extent to which these activities are integrated with broader manufacturing clusters in the Yorkshire and the Humber region is unclear from the available evidence - it should be noted that there is very limited information concerning the nature of supply chain linkages between Leeds-based firms and firms in the rest of the region.

Notwithstanding these uncertainties, the case for Leeds being regarded as the centre of regional manufacturing is not particularly convincing. Only in the case of printing and publishing is there any evidence of Leeds playing a pivotal role within a regional cluster of competitiveness.

In terms of its role as a location for manufacturing head offices, Leeds does have some significance. Of the total of number of 123 quoted companies headquartered within the region, 33 are located in Leeds. Of the latter, 11 are within the manufacturing and engineering sectors.

Leeds as the 'driver' of the regional knowledge economy?

Central to the knowledge base in Leeds are the two universities, both large institutions, and in the case of Leeds University one of the most successful civic universities. Overall, however, the city has a similar level of university research activity as Sheffield and Newcastle, and less than other cities that have a different mix of HEIs, such as Manchester and Birmingham.

Although there has been some success in spin-off firms from the two universities, there appears to be rather limited engagement with local or regional companies. The universities' main input to the regional knowledge economy lies in the supply of graduates, and participation in the Teaching Company Scheme.

Public sector R&D in Leeds outside of the universities is almost entirely absent, and the city, in common with the Yorkshire and the Humber region, has a relatively low level of private sector R&D, lacking major corporate laboratories.

It would, in consequence, be difficult to portray the region as a knowledge economy, at least in the sense of technology or R&D intensity, and similarly implausible to suggest that Leeds is acting as a driving force in moving the region towards such a goal.

Perhaps the most notable exception to this conclusion concerns that part of the knowledge economy represented by the so-called new media sector. Within Yorkshire and the Humber, multi-media are concentrated in Leeds, and to a lesser extent in Sheffield, but whereas the Leeds concentration is strongly oriented towards corporate markets, Sheffield has a stronger games and leisure focus. It is primarily as part of its specialist business service role then that Leeds can claim to be a significant knowledge centre within its broader region.

Leeds as a centre of regional culture and cosmopolitan values?

Leeds has sought, with considerable success, to enhance its cosmopolitan ambience in the 1990s, building on a consensus between the Council, police, magistrates and entrepreneurs to develop a vibrant evening economy.

Leeds now has more than 20,000 jobs in culture, leisure and tourism, and recorded a 9% increase in such employment over the 1991-96 period, compared with a decline in competitor cities such as Manchester.

The regional benefits of Leeds' success in leisure and culture comes from the effects on the region's image, providing a strong sense of innovation, diversity and cosmopolitanism, and underpinning attempts to attract business service activities and other forms of inward investment. Tourism has also been increased, with spillover effects for other centres such as Bradford and York as Leeds grows the visitor market by giving Yorkshire a larger and more diverse tourist offering.

Although there is some evidence of a 'ripple effect' of imitation that, in the longer term, could benefit other centres in the region, in the short term the development of Leeds as a vibrant and cosmopolitan city has heightened its dominance in relation to other centres in the region. Indeed, the metropolitan ambience created in Leeds is linked to a critical mass of activity probably not replicable elsewhere in the region, constituting a unique regional asset.

Leeds as a centre of regional governance?

The fragmented structures of regional and sub-regional governance in the UK have not been conducive to Leeds being able to play a broader leadership role within the Yorkshire and the Humber region, though we did find many examples of Leeds' based institutions participating in regional partnerships.

Notwithstanding the constraints imposed by fragmented formal governance structures, stakeholder interviews within the West Yorkshire sub-region revealed concerns that Leeds had not successfully developed a role of political leadership beyond its own boundaries.

It was widely admitted that each of the local authorities in West Yorkshire had been inward looking and had not adequately considered the role of Leeds in the formulation of their economic development strategies. Each knew very little about the components of Leeds' growth and their effects on other parts of Yorkshire. Leeds was viewed as having been similarly inward looking.

0.4 Leeds future role in the region: areas of conflict and complementarity

Without doubt, the single most important issue for the future in terms of Leeds relationship with its broader region is how to facilitate the further development of the Leeds business service cluster, for this is the main motor of economic dynamism which the region possesses. Significantly, the further development of this cluster cannot be taken for granted, for the growth in business service activities experienced through the 1990s is putting pressure on the Leeds property and labour markets, and is beginning to impose congestion problems which risk becoming severe.

Resolving these issues satisfactorily is going to require a considerably greater degree of co-operation at the sub-regional scale (essentially, that of West Yorkshire) than has been hitherto evident. If these issues are not resolved, the growth of business services activity in Leeds is likely to be slowed or even reversed; although some of this growth will in the short-term divert to other parts of the region, in the longer term we would contend that the continued vitality of Leeds as a business service centre is crucial to the health of business services in Yorkshire and the Humber as a whole.

There is then a need to develop a sub-regional and regional level strategy which identifies the strengths of different areas and tries to reinforce and develop those strengths in a co-ordinated way to maximise regional competitive advantages and to achieve a more socially equitable and sustainable spatial balance in levels of employment creation. In practice, even at the level of West Yorkshire, this may be difficult to achieve since there seems to be little consensus as to what the relative strengths of the different places are. In the case of the key business services sector, Leeds may need to accept that not all activities can be accommodated within the District without risking the overheating of office property and labour markets. Leeds' unique strength, which needs to be protected and developed in the interests of the region as a whole, lies in higher value and strategic activities. Back offices and call centres may be more rationally located in other parts of the region, in order not to undermine Leeds' ability to accommodate the more specialised services.

Strategies relating to the allocation of strategic employment sites have been developed by each of the local authorities in West Yorkshire. These

strategies have been developed largely in isolation of each other. None is believed to have attempted to analyse the pattern of take up of land elsewhere in Yorkshire. Strategies have been developed to meet the concerns of residents and local politicians rather than an objective attempt to maximise the economic growth and prosperity of the region as a whole.

There have been attempts since the abolition of West Yorkshire Metropolitan Council to co-ordinate the provision of transport infrastructure. It is considered that infrastructure provision cannot be sensibly reviewed in isolation from land use strategies and in particular should be developed in concert with employment land allocation and strategic site preparation strategies. Regional Planning Guidance, and a proposed Regional Transport Strategy, provide an opportunity for addressing some of these issues in a more coherent and co-ordinated way.

At the sub-regional scale, one of the significant challenges which Leeds faces is to achieve a balance such that the development of its prosperous core does not foster greater spatial and social polarisation within the whole city region. In particular, Leeds' growing reputation as a vibrant and fashionable location – which is crucial to be sustained if the region is to continue to attract and retain high value businesses and people - must be balanced with socially equitable growth and access to economic and cultural opportunities for the whole population. In the past there has been a concern that the spatial concentration of activities has led to differential access to the benefits. Current processes of development suggest that concentration is necessary for the success of some activities, so that without some forms of spatial clustering the wider region will be less competitive. If this is so then the flows of benefits and costs around the region must be understood if social cohesion is to be promoted. Actions to promote access to opportunities arising from Leeds' success may be needed to ensure more equitable outcomes at a sub-regional scale, but the very success of some activities within Leeds may lead to decentralisation pressures, and a changing location of manufacturing employment for example.

0.5 Policy Issues

Leeds has the opportunity to fill the currently vacant position of sub-regional leadership. It was suggested to us that if Leeds developed a broad regional consciousness then this could be to the mutual benefit of Leeds and the rest of Yorkshire and the Humber. If Leeds were able to demonstrate a desire to foster the development of specific sectoral advantages across Yorkshire and the Humber, then it would appear from our interviews that genuine partnership between the Yorkshire and the Humber districts could be achieved.

The context for economic development in Leeds will be transformed by two related processes. Firstly, Leeds growing economic integration with the wider region is likely to continue. Secondly, the new regional institutions – RDA and Regional Chamber – are likely to grow in importance. These two processes, moreover, are likely to be increasingly inter-linked. Surprisingly little is known about the pattern of intra-

regional economic linkages. Key stakeholders were not able to move beyond the superficial or anecdotal in describing these linkages. Yet there is wide acceptance of the centrality of Leeds to many region-wide economic activities. For instance, an issue that cropped up repeatedly in interviews with regional stakeholders was the need for integrated regional transport planning, which would be of benefit to Leeds and the wider region. Most stakeholders recognised that the new RDA and Regional Chamber provide the opportunity to create new regional strategies which recognise and build upon existing and potential inter-locality complementarities.

A key task for Leeds is to engage actively in shaping the strategies of the new institutions. However, this activity must not be restricted to ensuring that Leeds “gets its fair share”. Rather, it must begin from recognition that Leeds future performance will increasingly depend on the development of Yorkshire and the Humber as a whole. There is a leadership role in waiting in relation to the development of a Yorkshire and the Humber economic strategy and a surprising degree of acceptance that Leeds should play a key role in this regard.

However, it is vitally important that Leeds is seen to be engaged in a genuinely regional exercise. The task will be to extend the successful partnership model adopted within Leeds itself to the wider Yorkshire stage. Leeds could play a very valuable (and, at the same time, self interested role) in promoting more stable and productive regional policy networks.

One first step that key actors in Leeds may wish to consider is hosting a ‘Yorkshire Economic Summit’. This could be designed in partnership with other key regional interests and be designed to improve shared knowledge and understanding of the dynamics, problems and opportunities in the regional economy in all its dimensions. As well as having a practical use, such an exercise would demonstrate the commitment of Leeds to the wider goal of balanced regional development.

1 Introduction

This report examines the distinctive roles that Leeds, as a major commercial city, plays in its region, and the importance of considering the relationships and symbiosis between Leeds and the region in the development of strategies to promote economic competitiveness.

Leeds is an excellent example of a city that has strengthened its commercial and business service role both within its region and within the UK as a whole. As part of that strengthening, its relationship with its surrounding region has undoubtedly changed, with an increase in the scale and intensity of its sphere of influence, increased inward commuting, and spillovers of some of the economic benefits to nearby towns.

A key set of questions concerns the role of the Leeds 'service complex'. There is now a considerable body of research to suggest that professional services tend to concentrate in what have been called 'service complexes' and that this process is driven by what has been termed the 'compulsion of proximity' (i.e. the continuing need for formal and informal face-to-face contacts between professional workers).

What are the implications of the growth of Leeds' role as a service complex for the broader region within which it is situated? First, the availability of a range of services close at hand may contribute to the attraction of other companies, in both manufacturing and services, to locate in the region. Second, the enhanced opportunity for service firms and individuals to network both formally and informally, which proximity should bring about may improve the knowledge and skills bases of the broader region. This, in turn, may make improve the competitive position of the region's firms in relation to other 'supra-regional centres' at home and abroad. Third, networking should also make it more likely that service providers will act in concert both to provide services locally and to export those services to other regions, thereby contributing to the export income of the region through traded services. Fourth, simply as a result of their size the larger companies created through the concentration of service companies as a result of mergers and acquisitions is likely to make such companies more competitive and more able to serve effectively the regional market and to enter markets beyond the existing region.

While successful as a service centre, Leeds also exhibits many of the problems of many other major cities including continued weakness and decline in manufacturing, and the concentration of disadvantaged residents into areas of high deprivation. Like others, Leeds is addressing these problems with a mixture of initiatives, embracing inputs from the private sector, but unlike many other cities, the funding resources available do not include significant external resourcing from the EU, or from higher than average allocations of UK government funding.

While the strengths of Leeds have a positive effect on the surrounding areas, the very weakness of some of the surrounding areas poses problems for Leeds in diluting its growth dynamic, and in attracting additional

government resources relative to Leeds. We suggest that the severity of the economic problems elsewhere in Yorkshire and Humber, which are amongst the worst in England, both restricts growth possibilities in Leeds and also disguises the scale of the problems in Leeds itself.

Such inter-relations and conflicts are likely to be made more explicit through the emergence of a regional level economic strategy following the establishment of a regional development agency, and in the context of a number of new region-wide associations and fora. In the new regional governance, the potential conflicts and synergies between the needs of the region and of its component parts may not be resolved to the full advantage of the region or the localities within it. Our experience of other regions suggests that a regional perspective may neglect the dynamics of change arising from the growth points within regions.

In this report we will begin by reviewing some of the recent writing on the competitiveness of cities, picking out those issues relevant to the exploration of the wider links between cities and their surrounding regions. Section 3 then focuses on a number of key themes of linkage we have identified as being important to Leeds and its region:

- Supply chains and manufacturing
- Employment and commuting flows
- Financial and business services
- Knowledge and innovation
- Company headquarters and their linkages
- Strategic employment sites
- Media and new media
- Culture leisure and tourism
- Transport and communications

Section 4 then develops some policy issues, and explores the role of Leeds in the changing regional governance of Yorkshire and the Humber in the light of these various linkages.

2 Roles of large cities in regional competitiveness

2.1 Place Competitiveness

Current analyses of place competitiveness address a variety of territorial scales – nations, regions and cities – and as such tend to be policy driven rather than concerned with the intrinsic character or integrity of city or region. Competitiveness is a term that has transferred across from the economic and management area to territorial development, but in defining competitiveness in terms of economic development potential we can shed light on the inter-relations between the city and its region.

We define territorial/place competitiveness as the ability of places to add value to the activity of business through the interaction of a set of framework conditions (such as wage costs, the quality of labour, infrastructure endowment, etc), with a set of inter-business and local institutional relations, in such a way that business can become more successful against international competition. But in addition, in order to be reproducible in the longer term, the benefits of wealth generation must be redistributed within the region to enhance social equity and quality of life without compromising sustainability. This is a highly challenging agenda, but the absence of the social equity and sustainability elements in the long term undermines the potential for continued economic success and the political legitimacy of competitiveness policy.

2.2 City-region inter-dependencies

Given this definition we can see how the city-region dynamic emerges from the business perspective. Competitiveness is likely to emerge as an outcome of both regional and city level processes and attributes. Framework conditions may be set largely at a regional level in terms of wage costs, or of regional position determining property costs, although with overlays of high quality service availability in some urban areas such as for specialist telecommunications. Business clustering and consequent benefits from supply chains and inter-firm learning are often also often regional in nature, although the concentration of service and strategic functions in cities both lends them special status and ties them inextricably to their regions. Moreover, in the international sphere cities have traditionally performed the role of organising node for both formal institutions of government and business associations but also informal networks whether based in business or leisure activities.

One important issue with respect to city-region inter-dependence concerns the appropriate definition and boundaries of the city and the region. Local authority boundaries often pay little attention to the relationships between places in terms of economic activities, separating workers from workplaces, and splitting a functional urban area into different authorities.

An alternative way of conceptualising cities is the city functional region approach, based on commuting flows, yet in focusing on competitiveness we will need to consider more extensive urban hinterlands relating to service provision and business networks.

Following on from this, there is a perspective that sees cities as potentially de-coupling from their regions. If the service functions of the city can be re-orientated towards export markets, facilitated by the application of Information and Communication Technologies (ICTs), then the fortunes of city and region may diverge, albeit with the consolidation of commuting links to dormitory towns for the new 'service class'. If the city is no longer dependant on manufacturing and if services can be increasingly delivered 'over the wire', then the decline of a manufacturing region need no longer restrain the growth prospects of a city. We would argue however that such prospects are limited to a very restricted set of places and perhaps understate the consequences of ICTs also in the replacement of service jobs.

2.3 Supply chains, the city and regional competitiveness

Analysis of supply chains as a foundation for the construction of regional advantage has a long intellectual history (dating back to regional economic growth models of the 1950s), however has had a more recent resurgence through the concept of clusters as promulgated by Michael Porter of Harvard Business School, and in other notions of the advantages of agglomeration and interaction developed by economic geographers. Some of these theories move beyond the immediate supply chain to consider so-called 'untraded interdependencies' in the form of knowledge spillovers and labour pool advantages, to which we will return in a later section, but for now we will focus on the nature of the supply chain and the potential interactions between the city and region in promoting competitiveness.

As noted earlier, we are considering competitiveness to be simply a set of characteristics whereby an area may prosper economically without the accumulation of negative externalities in the form of social or environmental stresses. In this sense then we are concerned that there is an effective transmission of growth dynamics from successful businesses in a region to a wider potential supply base and also that the advantages of proximity between trading partners enhances the competitiveness of those businesses relative to rivals elsewhere.

What are the mechanisms for such cumulative advantage? Two types may be identified - general economies of agglomeration applying to all firms within a region and arising from the scale of the agglomeration as a whole, and specific economies related to particular linked or similar firms and restricted to those industries only (Malmberg et al 1996).

Focusing on the supply chain, general agglomeration economies may be expected as a result of a large city or dense regional agglomeration having a wider range and choice of general support services, such as engineering subcontractors, business services, logistics support, testing services etc.

Such services and suppliers are useful to a wide range of types of firm, and are not necessarily cluster-related. In addition a large local market, whether business- or consumer-based, will be an advantage to firms through the relatively low cost of supplying that market, and good quality information on consumer demand and changes in tastes. Consequently it is often claimed that innovation thrives in large urban agglomerations because of the scale and sophistication of the local market. The analysis of the costs associated with transactions provides a theoretical foundation for these forms of economies.

More specific cluster economies arise when particular concentrations of interlinked companies develop, and where a region or city can construct a specific set of advantages that benefit certain industries. Such advantages are commonly seen in the context of 'industrial districts', which can be exemplified by the sectoral concentrations that emerged in many North of England cities in the nineteenth century. In these situations the localised supply chain becomes a mechanism for learning and the agglomeration also creates its own set of local institutions that reinforce skills and learning.

These advantages are not necessarily related to particular urban or regional forms, but reflect general agglomeration. Some cases of agglomeration economies are essentially urban, whilst others develop in areas of small industrial towns. As such then it is less the nature of the urban-regional formation than the overall scale of the region and any historic legacy in the form of pre-existing concentrations or patterns of interlinkage that matter.

2.4 Cities and the knowledge economy

Much has been made recently of the move to a knowledge or information economy. Many commentators (Florida, Lundvall, Knight etc.) have focused on the role of successful cities as pools of knowledge, where technological spillovers occur and where business can benefit from place-specific tacit knowledge. Knight argues that cities are the places where knowledge as a 'strategic resource' is created and achieved, and indeed throughout history cities have tended to be the focus for knowledge activities whether in the form of universities, entrepreneurial networks or the knowledge centres of firms.

Because of the concentration of higher education and public institutions in major cities, they can be considered as knowledge centres, but we need to view knowledge more broadly than in terms which only refer to science and technology and their application to manufacturing.

Knowledge may also be considered with regard to other industries such as financial and business services, retail, tourism, cultural industries and media. The continued success of a city depends on the strengthening of the knowledge base for all dynamic growth industries, whether they are manufacturing or service, addressing local or national/international markets. What is relatively under-researched in general is the way in which local service provision and external markets are linked in the

generation of knowledge assets - can cities within weakening regions contrive to pull away from their local base or does the move to export orientation face diminishing returns? And to what extent and in what ways does a region benefit from having located within it a centre of knowledge generation if that knowledge is increasingly externally oriented?

Another key issue in the vitality of the knowledge base is the ability of a city to attract mobile knowledge workers. The success of a city depends on its people and successful cities will attract talented and creative people. Quality of life is often cited as a factor in competitiveness but we would argue it plays a marginal role in the location decisions of individuals. However, people do choose between work opportunities and here cities are in competition, and increasingly at a European level. Linked to this are the connections between such cities - road, rail and air. Again, cities tend to be the main hubs for such networks but success depends also on the volume of traffic generated by the wider region, and this relates to the attractiveness of the city and region for those individuals that generate business traffic.

2.5 The cosmopolitan city

In understanding the special contribution of a city to its region, we want to focus on its cosmopolitan nature. Cities are in essence places where different groups of people meet and mingle: people of different classes, different occupations, different cultures and different races. Such comingling contributes to the cosmopolitan nature of the city and we believe to innovation: not necessarily in the narrow sense of new technological artefacts, but in the broader sense of new forms of consumption, of organisation and of ways of living. The city is where fashions are set, where change is constant, where hybridisation is the norm. Its cosmopolitanism produces innovation and is itself a production of the creativity that emerges from the confluence of difference.

Cities are identified with the cosmopolitan, although only some are truly such. But the notion of cosmopolitanism is difficult to grasp - it is a subjective concept as the foreign always seems cosmopolitan, but may represent only a single culture and therefore be parochial in its own terms.

So what makes a city cosmopolitan? Is it simply the presence of a variety of racial or ethnic groups? A city with two dominant groups, each with a distinctive working class culture such as Bradford may not seem genuinely cosmopolitan. There needs to be a combination of different social classes as well as a multitude of national or racial cultures, and these different classes and cultures need to interact positively with each other. Cosmopolitan cities invariably cater for elite groups as well as having diversity, and in a sense being beyond the purely regional or national, belonging to the world rather than to a specific region.

How do we identify the cosmopolitan city?

Cosmopolitan cities are meeting points of cultures, where peoples from different backgrounds mix and exchange ways of living and working. We would expect a variety of races to be present, high levels of inward and

outward migration, and with a relatively high proportion of upper social classes being from outside the region and the dominant local culture.

Cosmopolitan cities are also centres of cultural consumption inasmuch as their 'local' population has high demands for cultural services, and the mix of cultures leads to opportunities for great diversity. The formal international culture in terms of art and music will be demanded by the elite groups, but will exist in parallel with local cultures for the different populations of the city.

Architecturally there is usually combination of the grand and spectacular with smaller scale fine grain areas where entrepreneurial activity can occur. The spectacular forms part of the attraction for visitors, especially the sophisticated elite migrant workers, although a city consisting only of monumental architecture would seem hollow. Cheek-by-jowl with the monuments should be areas of more chaotic development, ad hoc and messy where new firms can find cheap accommodation, where students and artists can live, where cafes can emerge.

The cosmopolitan city will receive many visitors in the form of tourists, but is more than a tourist city. Tourists rarely bring their culture with them, unless it is to impose a bland version of their own culture as an enclave as in Mediterranean resorts. It is often the uniqueness of a city's culture that attracts tourists and this is just as likely to be a non-cosmopolitan local culture. In true cosmopolitan cities, tourism somehow is less exotic than the local: an international crowd of white middle class Europeans and Americans visiting a city with a much more diverse ethnic mix where one can sample cultures from all continents. By contrast, in a city such as York, the visitors are the exotics with Japanese and Americans queuing up to sample very local fare.

The effect of the combination of racial and cultural variety in a cosmopolitan city is reflected in its access to knowledge and information. At one level, this means the whole circulation of international newspapers and literature. However, on a more sophisticated level, knowledge of new ways of organisation, of innovation within business circulates as a result of the constant replenishment of management by newcomers with experiences from elsewhere. This is particularly important with regard to the creative media sector and information services, currently the fastest growing area of the economy, and one where key cosmopolitan cities appear to have an advantage.

The importance of the cosmopolitan city to its region is significant. Cities are invariably the focus of migrants and tend to have a more cosmopolitan ambience than their surroundings in almost all cases. In a region with a cosmopolitan city the effects of the city as an economic motor and centre of innovation will be profound – both in terms of the generation of business and knowledge which can overspill into surrounding towns, but also in the effect on the image of the region and the ability of the wider region to attract and successfully absorb mobile investment.

2.6 Social and regional cohesion

At the outset we noted that sustainable competitiveness must embrace social cohesion, although current processes of economic competition have fostered rising inequalities within (and between) cities. Recent studies from Manchester have shown the damaging effects which the rapid growth of urban cores, especially in terms of consumption activities, can have on increasing social polarisation. In the context of Leeds, the rapid nature of growth in terms of office, retail and cultural development, has created some stark contrasts between the prosperous inner-core and peripheral areas. This is notable in outlying council estates such as Seacroft and Middleton which are experiencing multiple sources of deprivation such as poor housing and service provision.

One of the significant challenges which Leeds faces is to ensure that the development of the prosperous core does not foster greater spatial and social polarisation within the whole city region. In particular, Leeds' growing reputation as a vibrant and fashionable location must be balanced with socially equitable growth and access to economic and cultural opportunities for the whole population. In the past there has been a concern that the spatial concentration of activities has led to differential access to the benefits. Current processes of development suggest that concentration is necessary for the success of some activities, so that without some forms of spatial clustering the wider region will be less competitive. If this is so then the flows of benefits and costs around the region must be understood if social cohesion is to be promoted. Actions to promote access to opportunities arising from Leeds' success may be needed to ensure more equitable outcomes at a sub-regional scale, but the very success of some activities within Leeds may lead to decentralisation pressures, with manufacturing activities for example relocating to parts of the region where land, labour market and congestion pressures are less severe.

This section has demonstrated how various themes relating to the links between Leeds and its region are critical to the understanding of processes of economic development in Leeds and in the wider region. Building on this overview, the next sections explore each of these themes in turn, drawing on empirical data where possible to examine the scale and direction of linkages, the distribution of benefits and costs, and to outline potential problems, threats or opportunities for both the city and its neighbours.

3 Thematic studies

3.1 Introduction

This section examines the nature of interactions between Leeds and its region through a number of themes or lenses, which illustrate areas of linkage and indicate the balance of costs and benefits to Leeds and its region from the interaction.

The themes selected for investigation are not comprehensive, but they cover most of the key issues for economic strategy formulation:

- Supply chains and manufacturing
- Employment and commuting flows
- Financial and business services
- Knowledge and innovation
- Company headquarters and their linkages
- Strategic employment sites
- Media and new media
- Culture, leisure and tourism
- Transport and communications

Other themes could be suggested, and no doubt other ways of grouping together issues could also be suggested, but this categorisation provides a useful framework for bringing together data, issues and policy interventions, in a way that can be understood by all of the firms, agencies and individuals involved.

For each of the themes we have sought to identify quantitatively some aspects of the scale of activity or of links involved, and have attempted to draw out the costs and benefits of interaction, especially in those cases where Leeds provides a concentration of activities which may be matched by a perceived loss of such activities in the surrounding region. However, data availability is in many cases limited, such that a full exploration of the scale and direction of links and benefits can only be estimated. Where data is lacking we have sought to use such information as is available, albeit impressionistic or anecdotal, whilst suggesting how data might be supplemented to better inform future strategic decision-making.

3.2 Supply Chains, Manufacturing and Inward Investment

3.2.1 Introduction

Despite its declining relative size in employment terms within the Leeds economy, manufacturing retains an important role in the city. The sector is still significant in terms of employment, investment, output, exports, and its potential for innovation and growth. Indeed, amongst other UK cities, only London and Birmingham have higher levels of manufacturing employment than Leeds¹. However, the changing order of regional governance within Yorkshire and the Humber is set dramatically to reshape the context for manufacturing in Leeds and raises the question of the regional linkages and context for Leeds' firms. Economic development strategy and policy is set to become increasingly regionalised with the introduction of the Regional Development Agencies (RDAs) in the English regions (European Research and Analysis, 1998). The challenge for Leeds within this increasingly important Yorkshire and the Humber context is, first, where manufacturing will sit as part of economic development strategy in the context of more rapid public and private service sector growth within Leeds? Second, what will be the impact of the potential decentralisation of manufacturing from Leeds to other localities within the region eligible for UK and EU regional policy assistance or even offshore within an increasingly internationalised world economy. These challenges arise in the context of broader changes that even suggest that cities may not be the most appropriate location for modern industrial development (Amin and Thrift, 1995).

Manufacturing is, nevertheless, central to economic development, in terms of employment, investment, output, exports and contribution to the balance of payments, and the potential for innovation and growth (Pike and Tomaney, 1998). Manufacturing therefore has a potentially key role to play in the Leeds economy. The challenge of the changing context is to build upon existing approaches and develop new ways of developing manufacturing in Leeds that are embedded within the emergent context of regional development strategy formulated by the Yorkshire and the Humber Development Agency (YHDA). A need to explore mutually beneficial interest and complementary activities is evident.

This section considers the conceptual issues in relation to manufacturing concerning sectoral roles, clusters of competitiveness and the changing nature of branch plants. Two areas of potential policy development are identified – supply chains, and Foreign Direct Investment (FDI) – and these are discussed in more detail and specific measures are suggested. Manufacturing in Leeds is placed in its regional and national context, and challenges and opportunities are identified. The section concludes that initiatives to develop manufacturing in Leeds will increasingly have to

¹ This is however only defined at the level of the local authority district, or in London's case for the old GLC boundary. A different result would be found for travel-to-work areas.

become part of broader efforts to support manufacturing at the regional level through the activities of the YHDA. Each of the recommended areas of potential activity therefore has to be designed and implemented with this broader regional context in mind.

3.2.2 Conceptual Issues: Concerning City-Region Inter-dependencies in Manufacturing

Cities are seen as providing general economies of agglomeration benefiting all firms within a region due to the scale of the agglomeration as a whole. Benefits include business services, logistics, engineering and technology support services, the labour pool, education and training support, transport and communications infrastructure. These benefits are useful to a wide range of manufacturing firms and are not necessarily related to specific clusters. Leeds provides at least some of these benefits for manufacturing within the city and within Yorkshire and the Humber. In particular, large manufacturers within Leeds have extensive subcontracting and supply networks, increasing due to outsourcing, that encompass SMEs within Leeds and Yorkshire and the Humber. This trend is set to continue as more jobs are shifted from the manufacturing to the service sector as manufacturers outsource non-core functions and services within Leeds or and Yorkshire and the Humber. Business services within Leeds are a contributory attraction for reinvestment and expansion projects within the manufacturing sector in Leeds.

Clusters of competitiveness

The regional industrial policy debate has recently become focused upon ideas of competitive rather than comparative advantage - that is an idea of competitiveness that rests not on natural resource endowment but on the collective capabilities of firms and other institutions. These ideas emphasise the role of geographically proximate 'clusters' of industries in determining national competitive advantage (Pike and Tomaney, 1996). The argument is that nations do not succeed in isolated industries but in 'clusters' of industries connected through 'vertical and horizontal relationships' which also tend to be geographically 'clustered' at the sub-national - mostly regional or urban - level. Evidence from Europe's most successful regions - the 'four motors' of Baden Württemberg, Catalonia, Lombardy and Rhône Alpes - substantiates this argument. Such regions are typically characterised by strong industrial specialisms and specific economies of agglomeration based on dense networks of relationships between small, medium and large firms and other institutions as well as a thick layering of public and private industrial support institutions, sectorally oriented market intelligence and associated training, a high degree of inter-firm networking, rapid diffusion of technology transfer and a disposition toward innovation on the part of local firms and local sources of investment finance. In institutional terms, clusters include large firms, SMEs, trade associations, trades unions, FE/HE, training providers, technology and business support infrastructure.

A crucial point is that the competitive advantage of clusters is based upon the possession and development of special 'assets' (often knowledge-based) or special 'skills' that are not easily replicated. As Kay (1994) has noted: "Competitive advantage is based, not on doing what others do well, but on doing what others cannot do as well". For economic development strategy this debate about clusters has several key implications. First, all firms and industries are not of equal significance to a country, region or city's long-term development. Second, the economy should not be seen as just a random collection of firms and industries: certain aggregations of firms and industries are significant in creating competitive advantage. Third, the region and city can be the fundamental level at which the building blocks of such clusters can be put in place. Policy therefore needs to judge which industries are more significant than others are and which existing or potential aggregates of firms and industries are relevant to regional and city competitiveness. A key policy task then becomes that of promoting, generating and sustaining the assets and structures that underpin existing or potential clusters. The means by which these relations and links – the so-called 'economies of association' – are achieved is complex but there is evidence to suggest co-operative relations between firms and economic development institutions make positive contributions to competitive performance. The cluster model emphasises supply linkages between related firms, a mixed ownership structure, incorporating both FDI and indigenous firms, and adaptability since efficiency gains due to clusters reorienting and changing their nature may mean contraction that requires management. Our concern here is whether Leeds provides a significant element of such clusters in conjunction with other firms and surrounding areas

Leeds itself has been prominent in UK local economic development for pioneering work with partnership-based sectoral alliances most notably with the Leeds Engineering Initiative and the Leeds Printing Initiative (Thomas and Shutt, 1995) – recently merged to create the Leeds Manufacturing Initiative (LMI). However, it is perhaps possible to learn from the problems encountered – lack of leadership and financial resources, dominance by the largest firms in the cluster and lack of SME representation – and the conclusions that more progress has been made in the 'soft' areas of learning and education and less progress in the 'hard' areas of technical collaboration, technology transfer and innovation. Future economic development strategies for manufacturing will need to continue to develop both the existing and new initiatives for manufacturing within the emergent regional context.

The changing nature of 'branch plants'

In recent years, research has suggested that there has been a transition from the 'branch plants' typically located in less favoured regions such as Yorkshire and the Humber. These so-called 'cathedrals in the desert' with few local and regional linkages have been allegedly transformed into 'performance plants' with more mutually beneficial relations with their localities and progressive potential for local and regional development. The transition is linked to the increasingly high productivity and

'knowledge content' of manufacturing activity (Delbridge *et al.*, 1998). Significantly, this apparent change creates potential opportunities for supply chain initiatives due to increased outsourcing of manufactured inputs and specialist services previously undertaken in-house. In addition, economic development strategy relating to FDI needs to recognise the need to attract and develop such 'performance plants'.

The shift to the performance plant is not however necessarily a wholly positive process as such moves occur against the background of a constant desire to increase productivity and reduce costs. Thus the possible job loss involved in the transition from 'branch plants' to 'performance plants' also requires the management of the contraction of manufacturing activity.

This discussion of sectoral roles, clusters of competitiveness and the changing nature of branch plants suggest that there are three potential areas for activity in relation to manufacturing for the Leeds Development Agency. These comprise supply chains, new approaches to FDI and managing manufacturing contraction. Each will be dealt with in more detail after manufacturing in Leeds has been placed in its regional and national context.

3.2.3 Manufacturing in Leeds in Context

Leeds has a relatively high level of employment in manufacturing in the UK context. These levels are reasonably stable, with losses during downturns replaced to an extent during upturns, although the trend is downward due to productivity growth. Between 1991 and 1996, manufacturing employment in Leeds fell from 59,700 to 56,200 (Table 2). The rate of change was close to 6% and was three times the decline experienced in Yorkshire and the Humber and twice the decline experienced in Great Britain.

Table 1: Summary table of dimensions of type of plant and local economic development implications

	'Branch Plant'	'Performance/Networked Branch Plant'
Role and autonomy	External ownership and control; structured position and constrained autonomy; truncated and narrow functional structure involved in part-process production and/or assembly; cloned capacity and vertically integrated with limited nodes capable of external local linkage (e.g. suppliers, technology); state-policy subsidised establishment via automatic grants to broadly designated areas.	External ownership and control but possible enhanced strategic and operating autonomy as well as responsibility for performance increased within a 'flattened' hierarchical structure; wider functional structure involved in full process production tilted toward manufacturing rather than solely assembly; sole capacity with product (range), division or market mandate at the expense of rationalisation elsewhere; increased nodes capable of linkage (e.g. R&D with technology support, human resources with training); state-policy support for establishment on selective and regulated basis (e.g. job creation, local content).
Labour process	Labour-intensive, semi- and unskilled work; 'routinised' and specific tasks within refined technical division of labour; high volume production of low to medium technology products; standardised process technology; short-term, task-specific, 'on-the-job' training integrated with production.	Capital and technology intensive, semi- and skilled work with increased need for diagnostic and cognitive skills; recombined job tasks and individual/team responsibility for performance; low to high technology and low to high volume production flexibility; flexible and re-programmable process technology; longer term, co-ordinated with investment, 'on-' and 'off-the-job' training.
Labour-management relations	Organised and unionised labour; job classifications, task assignments and work/supervision rules linked to seniority-based pay scales; formalised and collective negotiation and bargaining tied to employment contract; personnel management with administrative focus.	Business unionism; reduction and streamlining of grading, job titles and meritocratic salary structure; shift to company-based non-(traditional) union arenas, individualised negotiation and bargaining tied to 'enabling' agreements; Human Resource Management techniques.
Labour market strategies	Employees considered interchangeable, replaceable and in need of constant supervision; limited screening and high labour turnover and absenteeism; reliance on external labour market.	Rigorous scrutiny and increased selectivity in recruitment; employees as human resources needing investment; teamworking to reduce labour turnover and identify employee with the goals of the company; development of core internal labour market and peripheral (part-time, temporary) segments.
Supplier linkages	Limited since integration with broader corporate structures of production and supply chains; intra-firm linkages substituted for local ties; limited local supply chain knowledge and greater awareness of potential suppliers in headquarters region.	Outsourcing increase with JIT and synchronous suppliers; increased potential for local procurement and supplier agglomeration; 1st and 2nd tier supply chain management; increased global sourcing and partnership relations; growth in dependence in the local supply network; geographically distributed production networks and JIT operated over (inter-)national distances.
Local economic development implications	Externally-owned and controlled plants with limited decision-making powers locally ('dependent development', 'branch plant economy') vulnerable to closure or relocation ('footloose', 'runaway industries', 'hyper-mobile capital'); limited growth rates in employment and output; low technology and skills ('screwdriver plants'); few local linkages ('enclave development', 'dual economy', 'industrialisation without growth', 'cathedrals in the desert'); diversified industries not building upon or modernising existing regional industrial strengths; limited innovation potential and technology transfer from dedicated production processes and suppliers.	New concepts of externally-owned and controlled plant with increased decision-making autonomy for strategic and operational issues, more rooted and anchored in the local economy ('embedded firm'), higher levels of technology and skills, higher innovative potential, more local linkages and increased technology transfer through research and technological development functions; supplier links upgrading process technology improvement and partnership development with suppliers; potential for the plant to be a 'propulsive local growth pole', 'vehicle/catalyst for local economic development' and capable of setting in train 'sustainable development'.

Source: Pike 1998

Table 2: Change in Manufacturing Employment, Leeds, Yorkshire and the Humber and Great Britain, 1991-1996

Area	1991	1996	% Change 1991-96
Leeds	59,700	56,200	-5.9%
Yorkshire and the Humber	423,600	417,700	-1.4%
Great Britain	4,162,200	4,052,500	-2.6%

Source: Census of Employment/Annual Employment Survey

The relative importance of manufacturing has also declined within Leeds,. In part this is due to the expansion in public and private services, and the outsourcing of formerly in-house manufacturing activities into the service sector, including office management, IT, security, and catering. In this sense some of the apparent decline in manufacturing employment is due to redefinition of jobs into services, whilst the wider service sector has also seen absolute job growth.

However, Leeds remains the main centre for manufacturing within West Yorkshire that in turn is the major concentration within the Yorkshire and the Humber region. Yorkshire and the Humber has a historic role as a manufacturing region with a greater share of manufacturing jobs than would be expected nationally. Despite the general deindustrialisation, Leeds has suffered relatively less than some other areas particularly in metal manufacturing where British Steel closures have hit other localities within the region including Rotherham, Sheffield and Scunthorpe. Leeds has also not suffered from deindustrialisation to the same extent as other industrial cities such as Glasgow, Merseyside and Newcastle (Thomas and Shutt, 1995). Yorkshire and the Humber have had a relatively stronger representation of indigenous businesses and lower than average representation of very large companies, although Leeds has a higher proportion of foreign owned businesses than the Yorkshire and the Humber level.

The general strengths of Leeds as a manufacturing centre are several. First, the industrial history of the city is less marked by the dominance and dramatic decline of traditional industries. Second, manufacturing activity is divided amongst a diversity of sub-sectors that reduce its dependence and allows it better to weather recessionary conditions in particular industries. Third, there has been an ample labour supply. Fourth, the physical transport infrastructure is of high quality and strategic sites have been accessible. Last, the manufacturing sector benefits from being associated closely with a city that is perceived externally as 'successful'.

The current manufacturing employment levels are supporting several main and other potential clusters of manufacturing activity. Table 3 details the location quotients – or shares – of activity for a selection of manufacturing activity between Yorkshire and the Humber and Great

Britain. The region contains a number of manufacturing sub-sectors that have more than their proportionate share in comparison to the national picture. Many of these regional concentrations are either centred upon or include manufacturing activity in Leeds.

Table 3: Location Quotients² for Leeds manufacturing industries with respect to Yorkshire and the Humber and Great Britain, 1996 (1992 SIC)

Manufacturing Sector	Area	
	Yorkshire and the Humber	Great Britain
15 food products and beverages	0.28	0.41
16 tobacco products	0.00	0.00
17 textiles	0.41	0.88
18 apparel, dressing/dyeing fur	1.33	1.39
19 Tanning/dressing of leather, etc	1.73	0.97
20 wood/products/cork, etc	0.40	0.56
21 pulp, paper and paper products	1.36	1.59
22 Publishing, printing, recorded media	1.64	1.68
23 coke, refined petroleum products	0.84	0.72
24 chemicals and chemical products	0.58	0.65
25 rubber and plastic goods	0.54	0.62
26 other non-metallic products	0.57	0.57
27 basic metals	0.47	0.88
28 fabricated metal products, etc	0.59	0.77
29 machinery and equipment	0.87	0.92
30 office machinery and computers	0.42	0.11
31 electrical machinery/apparatus	1.14	1.18
32 radio, TV/communications equipment	0.51	0.22
33 medical, precision instruments, etc	1.60	0.93
34 motor vehicles, trailers, etc	0.92	0.83
35 other transport equipment	0.71	0.31
36 furniture	1.10	1.89
37 Recycling	0.98	3.39
Total Manufacturing	0.75	0.87
All Employment	1.00	1.00

Source: Annual Employment Survey.

The most significant manufacturing sectors in Leeds, in terms of size of employment and specialisation are engineering, paper, print and publishing and textiles and clothing. Each might be expected to form the basis for a cluster of inter-related firms gaining benefits from interaction

² Location quotients illustrate the extent to which sectoral employment in an area is representative of that area's share of national, and in this case region, employment in that sector. The first column compares Leeds employment with that of the region, and the second with the national figures. In each case a score of 1 indicates that Leeds has the same share of employment in the sector as has the region or country. A figure of 2 would indicate twice its share and of 0.5 half its share.

and agglomeration. Other potential but smaller and probably less coherent manufacturing clusters include chemicals, food and beverages, furniture, other non-metallic products, petroleum, rubber and plastics, and wooden products. The extent to which Leeds clusters are specific to the city or are integrated with broader manufacturing clusters in the Yorkshire and Humber region is yet to be determined.

Employment change amongst the main manufacturing clusters in Leeds in relation to the regional and national picture reveals that engineering has declined sharply while paper, print and publishing has experienced modest growth and textiles and clothing has grown in contrast to regional and national decline (Table 4).

Table 4: Employment change in Engineering, Paper, Print and Publishing, and Textiles and Clothing, Leeds, Yorkshire and the Humber and Great Britain, 1991-96

	1991	1996	% Change 1991-96
Leeds			
- Engineering ³	20100	17900	-11%
- Paper, print and publishing	10700	11700	9%
- Textiles & Clothing	6200	6700	8%
Yorkshire and the Humber			
- Engineering	131800	128700	-2%
- Paper, print and publishing	37200	41900	13%
- Textiles & Clothing	56400	52300	-7%
Great Britain			
- Engineering	1441500	1387400	-4%
- Paper, print and publishing	454400	469400	3%
- Textiles & Clothing	398200	358900	-10%

*Source: Census of Employment 1991; Annual Employment Survey 1996.
© Crown Copyright Reserved ONS Statistics (NOMIS), 1999'*

Engineering is the largest manufacturing cluster in Leeds and Yorkshire and the Humber in employment terms. Generally, the cluster is specialised in high quality engineering. Examples include links to the aerospace, production control and oil and gas sectors. However, it is dominated by a dwindling number of large firms, many of which are foreign-owned and controlled externally.

³ Engineering includes mechanical, electric, precision, vehicular and transport engineering.

Leeds is a market for regional manufactured goods through large firms buying from subcontractors in Yorkshire and the Humber and beyond. Raw material and service supply networks are evident both within Leeds and between Leeds and Yorkshire and the Humber. For example, specialist steels and forgings are often sourced from firms in the Sheffield area.

Paper, print and publishing is the second largest cluster in Leeds in employment terms and the largest of its kind in Yorkshire and the Humber. It has a long history in Leeds and has strong links to the local FE and HE sectors. Specialisations include direct mail, carton printing as well as inks and printing plates. Similar to engineering, foreign-ownership and the dominance of large externally controlled firms is evident but with a relatively higher level of UK ownership.

Textiles and clothing is the third largest manufacturing cluster. It has extensive regional supply chain links into Yorkshire and the Humber but, the industry in the UK is currently in crisis (Pike, Jones and Dawley, 1998). Leeds may be weathering the national decline somewhat better than other areas due to the relative specialisation in higher value added activities, but it remains a sector that is fragile.

Other manufacturing sectors such as food and chemicals provide significant levels of employment but it must be questioned whether they are tightly linked into regional clusters that stretch across Yorkshire and the Humber or even into the North West. Frozen food and food processing, for example, may be linked with Humberside. Chemicals are also present in Bradford, Huddersfield and Immingham. Further research would be necessary to clarify whether these industries do in fact function as regional clusters.

The remaining manufacturing sub-sectors in Leeds generally employ less and could only be minor elements of other clusters in Yorkshire and the Humber and beyond. These comprise furniture, other non-metallic products, petroleum, rubber and plastics, wooden products and medical instruments.

For all of Leeds manufacturing clusters there is a background of considerable constraints which local and regional efforts to develop manufacturing must face. Table 5 outlines some of the major challenges and opportunities. Indeed, it has been argued that what clusters Leeds once had are losing their coherence and becoming more linked into regional, national and international divisions of labour (Thomas and Shutt, 1995).

Table 5: Challenges and opportunities for manufacturing in Leeds

GLOBAL
'Globalisation' and the increasing internationalisation of manufacturing
Accelerating technological change in both product and process
Regulation at the global (e.g. GATT, WTO), European and national levels regarding environmental, trade and employment standards
Structural change through the continued move away from manufacturing toward the 'knowledge' and even 'weightless' economy (Quah, 1997)
EUROPEAN
European integration, especially Economic and Monetary Union, and the reform of the European Union's budget (Agenda 2000) resulting from the accession of new Member States from Central and Eastern Europe
NATIONAL
Devolution within the UK and particularly the creation of competitor urban-regions as a result of the creation of the Northern Ireland Assembly, Scottish Parliament, Welsh Assembly and Regional Development Agencies/Regional Chambers in all nine English Regions as well as the Mayor and Assembly in London
National macroeconomic policy, especially relatively high interest rates and the impact upon exports of the over-valuation of Sterling
UK and European regional policy eligible areas. The impending designation of South Yorkshire as an Objective One area creates an area adjacent to Leeds with substantial grant support potential and reinforces pressures for decentralisation from Leeds.
REGIONAL
Competition and duplication between Leeds and the Yorkshire and the Humber clusters due to the 'shadow effect' of Leeds. For example, the intra-regional disputes regarding where the proposed manufacturing centre of excellence would be located may intensify.
External control and foreign-ownership
New manufacturing firms start-up rate growing quicker outside Leeds within Yorkshire and the Humber
Low levels of employment in 'high tech' sectors
Higher levels of employment in relatively low technology, labour intensive and price sensitive sectors
Division between higher productivity growth and consequent job loss and relatively lower productivity growth
Part-time rather than full-time job growth and the increasing utilisation of temporary staff
Lack of R&D functions and expenditure
Congestion and agglomeration disbenefits of Leeds' growth
Relatively high labour costs in Yorkshire and the Humber regional context
Relatively high land values and the possibility for manufacturers to move and realise land asset values
'Hollowing out' the manufacturing base through regional, national and international outsourcing and relocation of assembly and production activities. Some manufacturing activities are becoming more involved in design, development, procurement and project management activities than actual production.

Source: Author's Interviews (1999), Leeds Development Agency (1998), Thomas and Shutt (1995)

3.2.4 Supply Chains

Purchasing and procurement of material and service inputs in manufacturing have undergone significant change in recent years. New models of 'lean' supply have emerged with important implications for purchasers and their suppliers and subcontractors. Table 6 outlines the characteristics of the new model. There is evidence that some of the leading manufacturing firms in Leeds are focusing upon their core specialisms and subcontracting non-core activities in accordance with the emergent models of 'lean' supply.

Table 6: Dimensions of 'Lean' Supply

Significantly fewer and more 'talented' companies, each of which will be larger than the present ones, with the ability to offer a broader range of services to the customer
Suppliers will be structured into 'tiers' or separate levels, graded by the nature of their connection to the customer, the level of product technology and the complexity of the supply function which they will be expected to coordinate
Stronger vertical relationships between customer and suppliers through this tier structure
Stronger and more common horizontal relationships at the higher levels, linking suppliers through joint ventures, technology partnerships and supply agreements etc
The first tier supplier will have very close ties to one assembler, while maintaining more distant, but still important links to others
Multi-market presence: as the assemblers set up global operations, so they will wish to obtain supplies locally around the world, hence suppliers will need to match this strategy by setting up production facilities or links in these countries
Sourcing of components in low-cost countries will be the task of the first-tier suppliers rather than the assemblers

Source: Morgan *et al.* (1992)

The changing nature of supply chains has been reflected in new 'good practice' approaches to policy support. Economic development institutions are becoming more proactive in developing strategic supply chain initiatives. These often comprise measures to 'localise' or 'regionalise' purchases amongst the existing manufacturing base; cost

cutting for existing manufacturers through upgrading their supply chains, for example through analysis of the supply chain and implementation of initiatives to reduce inventories; and, through 'benchmarking' supplier capability and performance. The Regional Supply Office provides supportive resource but may be likely to concentrate its efforts on the assisted areas of the region (Regional Assembly for Yorkshire and Humberside, 1998).

The key problem is a lack of information on the degree of local linkages, either within Yorkshire or amongst Leeds firms. Whilst there is a general presumption of linkages among the more traditional sectors within the region, we were able to find no research into how the degree of integration may be changing as a result of wider globalisation and externalisation processes. Within the smaller and high technology sectors in the region, it seems unlikely that there are significant linkages given the lack of integration among even well established concentrations such as the Scottish electronics industry.

The one area where Leeds undoubtedly can support the wider region through supply chains is in the provision of business services, although this is further discussed in a later section of the report.

Foreign Direct Investment

Leeds does not suffer to the same extent as other UK regions from the problems of the 'branch plant economy'. Notwithstanding this, investment flows can be inward and outward. In outward terms, Leeds faces a problem with the 'hollowing out' of manufacturing activity in the context of externally controlled firms when Leeds-based manufacturing firms lose (re)investment projects to other sister plants within the same group and/or invest outside Leeds and/or the region. Often this may comprise decentralisation of production activities and the retention of design, development and project management functions. Decentralisation of manufacturing in Leeds to assisted areas is likely to occur, and may involve city centre-based activities where costs are highest. Where the workforce for many manufacturers in such areas comes from Leeds this may not be a significant problem.

A more substantive issue is the potential proactivity of assisted areas within Yorkshire and the Humber that might attempt to convert initial expansion projects on sites within Leeds into relocation projects through the utilisation of substantial grant packages. The factors leading to this 'hollowing out' and decentralisation would include Leeds having a business services rather than 'manufacturing city' external image, land prices, labour costs, lack of assisted area status, and the relative shortage of available strategic sites. If manufacturing firms seeking to expand in Leeds perceive difficulties due to costs and competition for land and staff from other sectors, plus problems of congestion, then the offer of incentives in neighbouring areas may offset the costs of relocation.

In recent decades, Leeds' record in attracting inward manufacturing investment has been limited, especially relative to the hinterlands of other

industrial cities in the British regions. Leeds has traditionally had relatively more success with re-investments and expansions amongst the existing stock of firms. Between 1994 and 1998, Leeds accounted for 11.6% (857) of new jobs, 28.1% (8,581) of saved jobs, 24.9% (9,483) of total jobs and 28.9% (£2.4bn) of the value of inward investment projects in the manufacturing, assembly and R&D sector within Yorkshire and the Humber (Table 7). The factors attracting FDI to Leeds include business services, infrastructure and the urban and suburban quality of life. During the 1990s, the context of FDI attraction has changed due to intensified competition for mobile investment, the spiralling levels of public subsidy required to secure investments, and the increasingly rapid rate of investment turnover due to disinvestment associated with the 'branch plant'-type activities that were being attracted. These issues will be compounded by the emergent regional context within which FDI strategy is formulated. The prospect is that FDI will form part of YHDA strategy and will be co-ordinated at the regional scale and influenced by the map of areas eligible for UK and EU regional policy assistance. Depending upon the scale and nature of the project, Leeds may or may not benefit. For example, a large scale project requiring a large greenfield strategic site and regional policy support would perhaps be directed outside Leeds by the YHDA. Other projects may be more amenable to sites within Leeds.

Table 7: Employment Impact and Value of Inward Investment in Manufacturing, Assembly and R&D in Yorkshire and the Humber by Local Authority District, 1994-98

Local Authority District	New Jobs	%	Saved Jobs	%	Total Jobs	%	£m	%
Barnsley	965	13.1	3148	10.3	4113	10.8	99.85	1.2
Bradford	348	4.7	3094	10.1	3442	9.1	1467.30	18.0
Calderdale	25	0.3	1137	3.7	1162	3.1	46.00	0.6
Doncaster	263	3.6	792	2.6	1055	2.8	24.18	0.3
East Riding	207	2.8	440	1.4	647	1.7	23.84	0.3
Huddersfield	0	0.0	1250	4.1	1250	3.3	216.70	2.7
Hull	17.5	0.2	1143	3.7	1160.5	3.1	203.72	2.5
Kirklees	50	0.7	1536	5.0	1586	4.2	17.45	0.2
Leeds	857	11.6	8581	28.1	9438	24.9	2358.76	28.9
N Lincolnshire	299	4.1	157	0.5	456	1.2	8.95	0.1
N Yorkshire	1250	17.0	250	0.8	1500	4.0	91.50	1.1
NE Lincolnshire	202	2.7	1774	5.8	1976	5.2	3249.23	39.9
Rotherham	1112	15.1	2682	8.8	3794	10.0	93.54	1.1
Scarborough	0	0.0	250	0.8	250	0.7	0.00	0.0
Sheffield	423	5.7	3037	9.9	3460	9.1	201.01	2.5
Wakefield	706	9.6	1183	3.9	1889	5.0	18.35	0.2
York	640	8.7	119	0.4	759	2.0	31.30	0.4
Total	7365	100.0	30573	100.0	37938	100.0	8151.67	100.0

Source: Yorkshire and the Humber Development Agency (1999)

3.2.5 Conclusions

Manufacturing in Leeds is linked with the Yorkshire and the Humber region. The extent and nature of the linkages varies widely depending upon the sector involved. Leeds provides both general and specific benefits to manufacturing within the city and in the Yorkshire and the Humber region. Initiatives to develop manufacturing in Leeds will increasingly have to become part of broader efforts to support manufacturing at the regional level through the activities of the YHDA. Each of the recommended areas of potential activity - supply chains, new approaches to FDI and managing manufacturing contraction - therefore have to be designed and implemented with this broader regional context in mind. Initiatives have to be embedded within the broader regional economic development strategy emergent within Yorkshire and the Humber. The expanding activities of the Leeds Manufacturing Initiative (LMI) can provide an important focus and lead role in such initiatives in partnership with the LDA and other relevant organisations including the TEC and the YHDA. There is an integral role for the LMI to develop its current relations with the relevant partner organisations even closer by ensuring that its credibility, resources and links to companies collect intelligence and maintain networks of contacts that can be fed into the LDA to ensure that it is sharp and clear in its policy making and responses to firm support. This spirit of shared information is critical to the future development of manufacturing in Leeds in the emergent regional context.

There are concerns however that activities to develop manufacturing should be part of a truly region-wide strategy including Leeds as part of the region, despite its ineligibility for much UK and EU regional policy support. For instance, LMI is attempting to make links amongst all the current regional activity, such as the Regional Innovation Strategy, to ensure that there is user-friendly support and practical benefits available for manufacturing within Leeds, particularly amongst SMEs. In order to safeguard employment, develop manufacturing and promote support for the regional agenda within Leeds, it is thought to be important that manufacturing in Leeds is seen to benefit from regional initiatives and is not considered to be an area and sector that is able and willing to fend for itself. The severity of problems elsewhere within Yorkshire and the Humber are felt in some quarters of manufacturing in Leeds to be masking the challenges they face. The emergent YHDA is being viewed cautiously by manufacturing within Leeds and there is concern that it could become dominated by the administration of funding for the newly designated EU assisted areas in South Yorkshire.

3.2.6 Summary of Main Findings

- Manufacturing in Leeds is relatively under-represented compared with both the region and the nation as a whole
- Specific industries which are relatively over-represented in Leeds compared with the region are clothing; pulp, paper and paper products;

publishing, printing and recorded media; electrical machinery/apparatus; medical and precision instruments; furniture.

- Leeds retains a substantial manufacturing base, but it has been declining more rapidly than the UK and the region in recent years, despite suffering relatively less in the 1980s than other industrial cities.
- The strongest concentrations of manufacturing in Leeds are in engineering, clothing, and printing and publishing. Outside of these sectors Leeds has no strong concentrations either in relative or absolute terms.
- There is little empirical evidence on the role these concentrations play within the region in terms of supply and market linkages.
- Only in the case of printing and publishing is there any evidence of Leeds playing a pivotal role within a regional cluster of competitiveness.

3.3 Employment and Commuting

Leeds plays a dominant role in much of the region's pattern of commuting flows, just as it does in so many of the region's network and linkage systems. The commuting interactions with Leeds are summarised here by grouping all other areas into one of 11 zones which range from the adjacent towns and cities to distant regions (see Table 8). Where appropriate, Leeds itself has also been broken down, so as to distinguish

- the centre (the two 1991 wards of University and City & Holbeck),
- the suburbs (the remainder of the main built-up area), and
- outer Leeds (all other parts of the borough, extending in a ring from Yeadon and Otley through Wetherby and Rothwell to Morley and Pudsey).

Table 8: Zones for commuting analysis

zone	name	constitution
1	Bradford	the main urban area of Bradford borough (eg. excluding Shipley)
2	Dewsbury & Spen Valley	areas of Kirklees north- east of Huddersfield
3	Wakefield & Hemsworth	Wakefield borough excluding Castleford/Pontefract area
4	Huddersfield & Colne Valley	Kirklees excluding zone 2
5	Halifax & Calder Valley	Calderdale borough
6	Ilkley & Aire Valley	Craven plus Bradford borough excluding zone 1
7	Harrogate & York	Harrogate and York boroughs
8	Castleford & Selby	Selby borough plus Castleford/Pontefract area
9	South Yorkshire	the four South Yorkshire boroughs
10	remainder of the region	former county of Humberside plus North Yorkshire excluding areas in zones 6-8
11	remainder of Britain	all regions other than Yorkshire & The Humber

Table 9 provides an overview of the importance of Leeds as a workplace for people living in other areas. Even the smallest flow from the local zones identified here — the 2790 from Calderdale — is substantial. It is also worth bearing in mind that all the figures quoted are likely to be under-estimates due to the growth of the city over the decade, together with the decline in job opportunities elsewhere and in the coalfield areas in particular. Table 9 also shows the proportion of each zone's working residents who commuted to the city. The rate is 8% or higher in all those

zones (1-3 and 6-8) adjacent to the city's boundary, despite the fact that these areas include substantial cities such as York and Bradford and together extend from Settle in the north west to South Elmsall in the south east. As an indication of growth over time in these dependencies, just 2.3% of Bradford's employed residents were found to be commuting to Leeds in the 1961 Census data.

Table 9: Importance of Leeds as a workplace

zone	name	number ⁴ of commuters to Leeds	commuters to Leeds as % of employed residents
1	Bradford	8500	8.5
2	Dewsbury & Spen Valley	8590	12.9
3	Wakefield & Hemsworth	11750	13.4
4	Huddersfield & Colne Valley	3120	3.6
5	Halifax & Calder Valley	2790	3.4
6	Ilkley & Aire Valley	7710	8.0
7	Harrogate & York	8590	8.1
8	Castleford & Selby	9220	11.8
9	South Yorkshire	4460	0.9
10	remainder of the region	2550	0.5
11	remainder of Britain	6290	0.0

A stark way of highlighting the importance of Leeds is to simply consider the impact on these areas if Leeds was not providing these job opportunities. Table 9 can thus, in its right-hand column, be seen to be providing an estimate of the number of percentage points by which the unemployment rate in each area would increase if the Leeds jobs were not there for those commuters. On this basis, and making the unlikely assumption that those jobs could disappear without labour market adjustments, the unemployment rate of all the zones adjacent to the city

4 Source: 1991 Census Special Workplace Statistics (nb. this source is used throughout this chapter and in all cases the 10% sample has been multiplied by 10 to indicate the true scale of the flows)

boundary would at least double. The other parts of West Yorkshire (zones 4-5) would also see a substantial increase in their unemployment rates, whilst even in South Yorkshire (taken as a whole) the rate would rise by nearly one full percentage point — with most of the impact in fact falling upon the hard-hit coalfield areas in the north of that county.

Table 10 shows the distribution within Leeds of the jobs held by commuters from other areas. It is only for the residents of more distant areas (zones 4-5 and 9) that the city centre provides the majority of the job opportunities in Leeds for commuters. The much more substantial numbers who come from nearby areas are notably less likely to fit the stereotype of the commuter as a person who works in the city centre. It is notable that for Bradford's residents it is the outer areas of Leeds which provide most job opportunities — considerably more than either the city centre or the main suburbs. This provides a first indication that the importance of Leeds as a source of jobs is far more broadly-based than might be assumed, given the city centre's undoubted attraction as a location for white-collar service jobs.

Table 10: Location within Leeds of in-commuters' jobs

zone	name	% of area's commuters by job location		
		centre	suburbs	outer
1	Bradford	30	29	41
2	Dewsbury & Spen Valley	41	20	38
3	Wakefield & Hemsworth	44	30	26
4	Huddersfield & Colne Valley	53	26	21
5	Halifax & Calder Valley	51	26	23
6	Ilkley & Aire Valley	41	21	38
7	Harrogate & York	39	21	40
8	Castleford & Selby	37	31	33
9	South Yorkshire	51	29	20
10	remainder of the region	49	30	21
11	remainder of Britain	47	33	21

Different occupation groups' distinct commuting patterns can be examined directly by disaggregating the 1991 Census dataset. Table 11

sets out the four broad groupings which have been identified here — together these groupings cover the whole workforce. Although other groupings could have been examined, commuting patterns vary particularly sharply between higher and lower paid occupation groups. By contrast the difference between the commuting patterns of men and women has narrowed markedly in recent years as women have become more numerous among those holding higher paid jobs and, in particular, have been rapidly catching up men in their use of cars for commuting.

Table 11: Occupation groupings for commuting analyses

Grouping	SOC Major Groups included	
Senior	1	Manager & Administrator
	2	Professional
	3	Associate Professional & Technician
Non-manual	4	Clerical & Secretarial
	6	Personal & Protective
	7	Sales
Manual	5	Craft
	8	Machine Operative
	9	Other

Table 12 summarises the evidence on the commuting flows of the managers and (semi-)professionals who often spring to mind when considering people who work in a regional ‘capital’ but live in a different town or city. The fact that they can afford to commute longer distances results in this grouping including 47% of the commuters into Leeds — although this is not in fact so much greater than would be expected due to their 37% share of Britain’s workforce overall. Tables 9 and 12 can be compared to show that, for all of the eleven zones, the proportion who commute to Leeds is higher for this grouping than it is for the total workforce. In other words, all parts of the region are more dependent on Leeds to provide work for their well qualified residents than they are for others in their workforce. Given that people in these occupation groups are the best paid and most mobile in society, it can be argued that other parts of the region would be likely to lose these more affluent residents (to other parts of the country) if the success of Leeds in providing these senior level jobs was not maintained. Table 12 also shows that although the jobs held by this grouping of in-commuters are quite heavily concentrated in the city centre, as expected, more than half (53%) of all of those in this grouping who commute into Leeds do in fact work outside the city centre.

Table 12 Senior occupation grouping's commuting patterns

zone	name	commuters to Leeds		% whose job is in Leeds centre
		number	as % of this grouping	
1	Bradford	2810	10.6	38
2	Dewsbury & Spen Valley	3150	16.8	45
3	Wakefield & Hemsworth	4610	18.2	47
4	Huddersfield & Colne Valley	2000	6.7	55
5	Halifax & Calder Valley	1530	5.9	52
6	Ilkley & Aire Valley	4580	12.4	45
7	Harrogate & York	5540	14.1	44
8	Castleford & Selby	3550	16.6	41
9	South Yorkshire	2290	1.7	58
10	remainder of the region	1420	1.0	49
11	remainder of Britain	3230	0.1	51

Table 13 turns attention to the people holding more junior non-manual jobs. With their lower average pay levels, this grouping includes fewer people able to commute longer distances. The table confirms that it is only areas close to Leeds (zones 1-3 and 6-8) from which notable proportion commute to Leeds

Table 13 Non-manual grouping's commuting patterns

zone	name	commuters to Leeds		% those job is in Leeds centre
		number	as % of this grouping	
1	Bradford	2360	7.1	39
2	Dewsbury & Spen Valley	2600	13.9	52
3	Wakefield & Hemsworth	3880	14.4	52
4	Huddersfield & Colne Valley	750	3.0	55
5	Halifax & Calder Valley	550	2.3	69
6	Ilkley & Aire Valley	1790	6.2	46
7	Harrogate & York	1760	5.2	37
8	Castleford & Selby	2820	12.6	48
9	South Yorkshire	940	0.6	48
10	remainder of the region	540	0.4	48
11	remainder of Britain	1660	0.0	45

— with the highest proportions coming from the adjacent industrial towns to the south (from the Spen Valley across to Castleford). The proportion who work in the city centre is quite similar to that of those with senior non-manual jobs, which is unsurprising as many will work in the same major offices.

Table 14 turns then to the manual grouping. First impressions appear to confirm the expected contrast with the non-manual groupings, because the proportions commuting to Leeds are lower for every zone. Yet it is also clear that the numbers involved are still often quite substantial, with Bradford joining the smaller industrial towns mentioned earlier in relying upon Leeds to provide jobs for approaching 10% of its residents who have manual occupations. From these zones (1-3 and 8) over 1 in 4 of all commuters to Leeds has a manual occupation, and in all cases more than 2 out of 3 of these manual jobs is located outside the city centre. Thus there are substantial areas of the region which not only rely on Leeds city centre to provide non-manual job opportunities, but which also include large numbers of residents who find manual jobs in other parts of the city.

Table 14 Manual grouping's commuting patterns

zone	name	commuters to Leeds			this grouping as % of all commuters to Leeds
		number	as % of this grouping	% whose job is in Leeds centre	
1	Bradford	3280	8.2	16	39
2	Dewsbury & Spen Valley	2790	9.7	27	33
3	Wakefield & Hemsworth	3240	9.2	30	28
4	Huddersfield & Colne V.	360	1.1	36	12
5	Halifax & Calder Valley	670	2.2	34	24
6	Ilkley & Aire Valley	1300	4.3	17	17
7	Harrogate & York	1250	3.9	16	15
8	Castleford & Selby	2810	8.2	19	31
9	South Yorkshire	1210	0.6	42	27
10	remainder of the region	580	0.3	48	23
11	remainder of Britain	1370	0.0	36	22

Table 15 finally presents ‘the other side of the coin’ by looking at commuting flows from Leeds to other areas. The adjacent industrial zones (1-3 and 8) again stand out, with over 5% of their local jobs held by Leeds residents. Perhaps the most notable point is that, having defined zone 1 to be the urban core of Bradford borough only, the ratio of out-commuters to in-commuters shows that the net flow is away from Leeds for this zone. For other zones the ratio is greater than 1.0 (indicating more out-commuters than in-commuters), reaching a peak for the area around Huddersfield with more than 4 commuters to Leeds for each one in the other direction.

Table 15 Commuters from Leeds

zone	name	commuters from Leeds		ratio of out-commuters to in-commuters
		number	as % of local jobs	
1	Bradford	9570	7.7	0.9
2	Dewsbury & Spennings Valley	3160	5.5	2.7
3	Wakefield & Hemsworth	5090	6.3	2.3
4	Huddersfield & Colne V.	770	1.0	4.1
5	Halifax & Calder Valley	990	1.3	2.8
6	Ilkley & Aire Valley	3070	3.9	2.5
7	Harrogate & York	4030	3.5	2.1
8	Castleford & Selby	4870	6.3	1.9
9	South Yorkshire	1240	0.3	3.6
10	remainder of the region	760	0.2	3.4
11	remainder of Britain	4240	0.0	1.5

This section has analysed the 1991 Census commuting dataset to measure the extent of commuting dependencies between Leeds and other areas in the region. If more up-to-date information had been available, there is no real doubt that it would have shown further growth in these inter-area dependencies. Not only has commuting generally become more widespread, but the ‘reach’ of major cities has persistently been the factor which has grown most rapidly. The key conclusions from the data analysed here are:

- any weakening of the Leeds economy would have a direct and significant impact in terms of rising unemployment in many other areas;
- the adjacent industrial areas are the most acutely dependent upon the city;
- these most dependant areas are also those from which the commuter flows to Leeds include quite a high proportion of manual workers;
- these areas also rely upon substantial numbers of Leeds residents to fill jobs in their local workplaces;
- less than half of all commuters to Leeds work in the city centre, and fewer still fit the stereotype of the well-paid long-distance commuter; but even so
- it is their well-paid residents who commute to Leeds which the other areas of the region would be most likely to lose if the growth of the Leeds economy falters.

3.4 Financial and Business Services

3.4.1 Business Services and the City

In a previous section we discussed the benefits for the city and region of agglomeration in manufacturing activities, although much of the same can be said for tradable services. Yet for business services, there is a clear relationship between the scale and external orientation of the service sector and the position of the city within global trading networks. So as the financial service industry has become a fully globalised system, spanning the major economies of the world, so an interlocking system of financial corporations and service industries has developed, with command and control centres in a small number of key global cities (Sassen, 1991, Castells, 1989). This global network has had profound implications for the growth of the financial and business service sectors, and for their patterns of locations across the hierarchy of cities in national economies.

The centralisation of control, unparalleled at this global level, has coincided with a spreading of telecoms technologies that maximises interactivity and contact. Although such technologies are used intensively for control purposes within the firm, and for commodity transactions, the centralisation of command functions shows a separate dynamic arising from the continued importance of face-to-face contact, of the building of trust, and securing deals. Indeed much of the research of the 1960s and 1970s on the communications advantages of large cities for office-based services still has strong relevance. Daniels in 1985 for example summarised the advantages of the city for office clustering as follows:

- Accessibility and proximity to customers
- Readily accessible inter-urban and international transport facilities
- A competitive market environment, maintaining the quality of services and providing the basis of exports elsewhere
- Availability of high quality telecommunications infrastructure
- High quality labour, especially that trained and experienced in business and financial skills
- Ample supplies of clerical and administrative workers
- Ample supply of quality office accommodation, increasingly offering 'smart' facilities, and in some cases a prestigious, highly visible site.
- High quality urban environment including cultural, social and shopping facilities.

To these traditional factors there are additional cluster benefits at the level of the main global centres, which relate more to the specifics of international trading of services and finance. The City of London can be seen as an archetypal global service cluster, spatial proximity reinforcing relationship building, ensuring fast communication in volatile markets, generating and disseminating 'collective beliefs, stories about what world production filieres are like' (Amin and Thrift, 1994), and creating a point at which knowledge can be collected and new networks formed.

In such global cities as London the focus on the global therefore becomes dominant and can lead to a partial disconnection from the national territory. The needs of the domestic economy become secondary and require less sophisticated support. In addition given the very different economics of global cities in terms of land and factor costs only those activities that need to be in the core are retained there. Decentralisation of routine activities provides opportunities for regional cities which can therefore grow as 'command and control centres' for domestic economies - interlocked with global networks but with a main focus on servicing local clients and branches of MNCs. In a sense this may seem like a reversal of history as provincial cities take back responsibility for regional markets from the national core service centre, but there is a difference from the hierarchical structures of the past.

Firstly, some new niches are opening up for national or international operations where presence in the global city is not necessary. In this sense regional cities have been able to develop specialist services that link into the global economy but can exist without the benefits of the cluster in the global city. By capturing these activities a city can build a unique set of advantages reinforcing its position in the national hierarchy relative to other cities. Some of these functions are routine activities specifically decentralised from London in the form of data centres or customer service centres, but in some cases the services relocated are strategic such as support for building society customers.

Secondly, and perhaps more significantly, the nature of change in ICTs and transport technologies has transformed the basis of regional markets. Where once most firms in a region looked to the regional centre for specialised services, now the more fragmented structures of multi-site firms maps unevenly on the urban system, and smaller firms may be prepared to look to neighbouring regions for services as accessibility increases. Fast journey times outside of cities coupled with congestion in the city itself evens out the benefits of proximity, whilst in many cases the customer now expects the service firm to do the travelling. If the service firm offices are control centres and touchdown points for an essentially car-borne field force then some cities may win a greater share of the market than their own region can provide.

Thus not only do cities continue to centralise services at the regional level, both agglomerating within the region and attracting the lion's share of relocation from London, but a successful service city can attract business and hence employment that relates to business in surrounding regions. A few leading cities therefore compete for the business in much larger and increasingly overlapping regions. Thus a historical pattern of hierarchical service territories focused on regional capitals becomes replaced by a new variable geometry of cities which compete over the same ground on the basis of specialisation.

In addition to the direct role of business services as sources of employment, they are also increasingly recognised as a crucial element in economic development as a factor that significantly influences the dynamics of growth, innovation diffusion, productivity increases and

competitiveness across firms, sectors and regions (Martinelli, 1991). They enhance the efficiency of operation and the value of output at various stages of the production process, which is broadly defined as activities that are both upstream (e.g. research) and downstream (e.g. marketing) of actual production (Hasen, 1992). As such then the role of large cities as centres for such activity within their regions becomes central to regional success.

3.4.2 Relative growth of Leeds

Throughout the 1990s Leeds had been one of the fastest growing local economies and indeed has been the country's fastest growing major regional centre. This growth is in large part attributable to the strong growth in the business and financial service sectors in Leeds, together with the growth of leisure and a range of other office based sectors. Leeds had an increase in the business and financial service sectors of 19% between 1991 and 1996, compared with 6% in Bradford and 10% in Yorkshire and the Humber as a whole.

Leeds is easily the largest office based service centre in Yorkshire and the Humber. Business and financial services together in 1996 accounted for some 14% of employment in Leeds and 9% of employment in Yorkshire and the Humber, an increase from 12.6% in Leeds and 8.4% in the region in 1991. Like Birmingham its regional dominance continues to increase. Nearly a quarter (23.9%) of all office-based employment in Yorkshire and the Humber was located within Leeds in 1996.

Within Great Britain, Service Sector employment in total accounts for 76% of total employment (1996) and Professional Business Service accounts for 7.5% of total employment, which is below the EU average.

Table 16: Change in total office-based employment, selected areas, 1991-1996

All Office-based Services	1991	1996	% Change
Leeds	74,774	90,920	21.6%
Bradford	32,453	37,424	15.3%
Calderdale	13,264	12,426	-6.3%
Kirklees	18,539	20,083	8.3%
Wakefield	17,461	23,430	34.2%
Y&H	340,322	381,971	12.2%
Birmingham	106,965	119,671	11.9%
Manchester	78,447	74,997	-4.4%
Glasgow	93,334	100,197	7.4%
Greater London	1,188,813	1,340,634	12.8%
Great Britain	4,987,046	5,589,261	12.1%

Source: NOMIS

This relative growth could be in part a process of catching up and in part due to Leeds being able to contain a greater portion of its growth within its boundaries. Leeds has a lower location quotient for 'High order' business service employment than each of the other main regional centres. This is partly accounted for by the generous hinterland included within Leeds' authority boundary compared with that given to other regional centres notably Manchester and to a lesser extent Birmingham.

3.4.3 Components of Change – Sub - sector analysis

Significant changes have taken place within the financial and professional service sectors which have affected the geographies of service provision. The following sections detail some of the key changes that have taken place.

Banking, Insurance and finance

The banking and financial service sector has grown relatively strongly in Leeds over recent years. Between 1991 and 1996 employment in the sector grew by 1.7% compared to an overall net decline of 7.2% in Yorkshire and Humberside. Nationally the sector declined by 5.5%. Leeds success over the period in gaining financial service call centres is believed to account for a large part of this relative growth.

The merger of the Leeds Permanent Building Society with the Halifax led to locally significant restructuring. Leeds benefited from the decision to locate the Halifax's new call centre in Leeds. The city has also attracted a number of PLC headquarters from this sector over recent years including BWD Rensburg and Capital for Companies.

Professional Business services

Accountancy services

The number of employees in accountancy activities in Leeds grew very strongly during the late 1980s as the sector grew overall and activities in Yorkshire became more concentrated on Leeds. The major global accountancy practices all closed practices elsewhere in Yorkshire (with the exception of Arthur Anderson which did not have a major presence in the region at the time) and each grew very strongly until 1991.

This pattern of concentration of activity on a small number of key 'all service' supra-regional centres benefited other centres notably Birmingham, Manchester and Glasgow.

The size of the corporate market in Yorkshire and the Humber is similar to that in the North West. Each of the 'big five' have offices in Leeds which are of a similar size to their office in Manchester. None appears to have an office in either which dominates the other.

The late 80s generated a lot of one-off corporate activity including the privatisation of the utilities. This led to a huge growth in capacity at a time when the market for accountancy and business advice fell. Consequently several of the centres which achieved very high growth in

the late 1980s experienced some adjustment during the early 1990s. This is borne out by employment figures for 1996 which indicate a modest fall since 1991 in Leeds. Each of the big five has, however, expanded their employment in Leeds strongly since 1996. The big five together account for a very significant proportion of Leeds' accountancy employment.

Twenty years ago the leading accountancy practices operated a network of largely independent practices in each of the main urban centres serving the needs of local clients. A decade ago, one of the big five had offices in 9 different locations in Yorkshire and the Humber: within a few years it is considered likely they will operate out of just one. The major firms in the past were competing with smaller regionally based companies for work in the local market. In 1988 some 43% of the PLCs in the region were served by practices outside the big five (then the big eight); by December 1998 the proportion of PLCs served by non-big five practices had fallen to just 16%. These large regional practices are moving towards operating fully integrated regional practices. Rather than employing local staff which are highly locally networked, serving local businesses, staff are recruited from all corners of the region and could work anywhere in the region and beyond. Strategies of regional concentration of practices to create critical mass coincided with a period of acquisition and merger. The concentration of practices at the regional level onto one main office one suspects was only in part to meet client needs. It also responded to an internal need to quickly combine different corporate cultures and overcome differences which might have been much more difficult to overcome with a more dispersed branch network. The rationale to be located within the centre of large metropolitan areas may now have passed. Only a minority of clients of any of the big five are based in Leeds with clients spread throughout Yorkshire and in a few cases beyond. In December 1998, 10 Yorkshire and Humber based PLCs were served by branches of major accountancy practices located outside Yorkshire and the Humber illustrating the extent to which regional hinterlands overlap.

Legal Services

Over the period 1991 to 1996 the numbers employed in legal services have increased by 21%. Leeds is considered to be the largest centre of corporate law firms outside of London. There are now 6 major law firms in Leeds (which in the opinion of one major law firm is maybe one too many.) Of the top 10 law firms in Yorkshire and Humberside, only two do not have an office in Leeds.

Some of the law firms operate their Leeds office as a North of England office and where they have offices in other centres in the region, their higher order legal services are provided by the Leeds office.

The high concentration of legal services in Leeds is believed to have driven up standards in the services offered. Given that customers have a wide range of providers on the doorstep this is leading legal firms to differentiate themselves on service and style. A great deal of emphasis is

placed on compatibility with the client amongst the 6 major firms. For other firms the concentration of firms has driven down the price of legal services, which is advantageous to SME clients. One potential disadvantage of the concentration of law firms is that it could be leading to a degree of 'fee generation'. This pro-activity may lead some clients to take actions earlier than would be the case otherwise. This has the advantage that genuine business needs that the client does not themselves recognise are being addressed. Conversely it could lead to an increase in the loss of local control because of a premature move towards PLC status, or rapid sale to a major European firm.

Real estate activities

The commercial market has become increasingly dominated by international property agents. Several of the country's leading property agents including Chesterton, DTZ and JLW have developed a significant presence in the market over recent years.

Several property development PLCs formerly based in Leeds have closed or are headquartered outside the region. Losses include: Arndale Holdings, CSL, Mountleigh and Parkdale Holdings. The effect of the loss of these headquarters from Leeds on the ability of Leeds to generate speculative commercial floorspace in the future is not apparent.

3.4.4 Leeds as a Recipient of Growth

Leeds, like Birmingham and Manchester, is very clearly a supra-regional centre gaining increased dominance over the whole North East business and financial services market. Regionally based businesses, for example in the legal services sector, have merged in order to retain and build market share. Leeds has been for many years the primary centre for legal services and as a result has drawn in activities based elsewhere in Yorkshire. It has become more and more dominant as the centre for high value added business and financial services serving the whole of the region and in some cases beyond. These higher-order functions that be traded over large distances by necessity rely on regional networks of personal contacts and knowledge (and in some cases 'globally' developed corporate wide 'tools').

Merging and acquisition of business service activities has helped accelerate this long-term trend. Continued concentration of Yorkshire offices into a single Leeds office by major regional, national and international businesses, reaffirmed and reinforced Leeds as the North East's regional commercial centre. There are numerous examples of previously Bradford and Huddersfield-centred businesses merging with Leeds-based or national businesses, which have subsequently concentrated solely on Leeds. Our interviews suggested that in the case of merged activities the need for a single office is regarded by firms as vital in order to understand individual and collective skills within the firm and diffuse and ingrain corporate cultures. There are also examples of

businesses establishing a satellite presence in Leeds and then eventually moving all their activities in Yorkshire to Leeds.

Quoted companies are spread across the region but are spatially concentrated in West Yorkshire. Local corporate demand was considered by several of the business service firms we interviewed to have provided a significant proportion of the fee income generated by the leading Leeds based practices of high-level business services.

Due to a combination of planning restrictions, topography and relative access much of growth of new manufacturing and distribution facilities in West Yorkshire has been located to the South of Leeds / North of Wakefield on sites adjacent to the M62 and / or M621. This relative shift towards Leeds has not been dramatic however and can be expected to have had a modest effect on overall levels of growth of business and financial services in Leeds.

3.4.5 Leeds as a driver of growth

A proportion of the growth that has taken place in Leeds is because of the strength of the West Yorkshire economy and because activities that were based elsewhere in Yorkshire have become more concentrated on Leeds.

The concentration of these activities on Leeds has built critical mass at the corporate level leading to increasing benefits for these Leeds practices, for Leeds and for the region as a whole. Sources of potential benefit from this growth include:

- Developer confidence
- Attraction of mobile investment
- Import substitution
- Export of services to other regions
- Quality and cost of business advice

It is very difficult, without further detailed work, to gauge the likely scale of such benefits.

Developer confidence

High rates of growth of indigenous business service activity in the early to mid 1980s increased demand for floorspace in Leeds which contributed to the speculative development of new floorspace (a process that was assisted with pump priming of millions of pounds from Leeds Development Corporation). This availability of modern floorspace is believed to have helped to attract a number of early call centres which in turn contributed to the levels of demand for retail and leisure facilities, further call centres and so on. The development dynamic which was largely absent in the 1970s was successfully created. Other parts of the region suffer from property market failure with the market less able to provide for latent demand for new floorspace. The steady stream of new speculative space is considered important to the adaptation and growth of office based activities in the city (an 'over-hang' of speculative floorspace was developed in Manchester during a boom in speculative floorspace

supply in the 1970s. This boom in supply was at a time of falling demand. This gross over supply is believed to have dampened the ability of the development industry to provide attractive modern space in central Manchester during the 1980s. This in turn is believed to have been one of the factors which has led to a relative dispersal of activities from Manchester city centre to suburban centres in Stockport, sites near Manchester Airport and beyond.)

Attraction of mobile investment

As well as adding to local developer confidence Leeds' largely organic growth of indigenous activities during the early to mid-1980s helped to raise the profile of the city. This arguably helped to attract several nationally mobile call centres. Later on, the attraction of the NHSME was a particularly significant boost for the city, and helped to re-assert and reinforce its dominant role as the capital of the North East, arguably encouraging numerous national and international businesses to establish North East offices and a smaller number of North of Britain Offices in Leeds.

Leeds has also been able to generate the perception of start up professional service companies that Leeds was the optimum location in the region. One of the smaller business service companies we interviewed considered Leeds to be "the only credible business location with sufficient cachet to impress clients".

It is therefore arguable that had the growth of business service and financial services been less concentrated on Leeds, then some activities attracted to Leeds would not have chosen to locate elsewhere in Yorkshire but would have chosen another region.

Import substitution

Leeds' growing ability to provide services to Yorkshire businesses that might have been supplied by businesses elsewhere is suggested by the relatively strong growth of several specialist services in Leeds. Newsco (1998) in a report for the LFSI identified that the number of employees involved in corporate finance activity in Leeds based firms has risen since 1993 from around 150 to around 450. (This 'growth' is believed to be in part compensating for losses that occurred in the early 1990s in this sub-sector).

The increased concentration of professional business service activities in Leeds and the increased dominance of a small number of major practices particularly since the mid-1980s has created business units with a 'critical mass of expertise'. This has allowed Leeds based practices to compete for large assignments and meet the increasingly sophisticated needs of large corporate clients based in the region. There is considerable anecdotal evidence to suggest that twenty years ago, when the distribution of activities and the pattern of ownership and control in the professional business services was far more fragmented, that these smaller firms and smaller practices of larger businesses were unable to meet the more

specialist needs of clients. One of the big five accountancy firms admitted that ten to twenty years ago, when the firm's expertise based in Yorkshire was spread across (nine) largely autonomous practices, 'specialist' work was passed onto the London office which would now be routinely delivered by the Leeds office. There are widely quoted examples of larger deals being dealt by Leeds practices that would not have been possible in the past. Whilst it is apparent that the increased dominance of a small number of businesses in several of the business service sectors has led to some 'import substitution' the scale of this trend is difficult to quantify.

Export of services to other regions

Several financial and insurance institutions operate North East or North of England offices which concentrate decision making within Leeds. Even large former sub-regional and regional headquarters now refer to offices in Leeds (Marshall, 1988).

Professional business services can also service non-local clients by exporting their services (Harrington, 1991) and thus create additional wealth within their home region.

Newsco (1998) identified the amount of work handled by (major) Leeds firms which emanates from outside the region. Depending on the type of advisor the proportion of income from outside the Yorkshire and Humberside region ranged between 20% and 37%.

Table 17: Source of work for major Leeds firms

	Yorkshire and Humberside	UK	Overseas
Lawyers	63%	31%	5%
Accountants	77%	16%	7%
Stockbrokers	67%	32%	1%
Venture Capitalists	75%	25%	0%
Corporate Banking / other finance	80%	10%	10%

Source: Newsco (1998)

Newsco (1998) suggests that in the legal sector in particular Leeds is exporting services to other regions. This view appears to be widely accepted with several of our interviewees referring to Leeds' legal firms "punching above their weight". Although legal activities in Leeds have grown very strongly during the 1990s employment levels in Leeds in 1996 were still below those in Manchester.'

The proportion of sales outside Yorkshire and Humberside illustrated above is encouraging. We also found evidence of further 'exporting' using data in the BWD Resburg Quarterly Review. The report provides details of not only the accountancy firm that provides the business support but also the location of the practice they use. The data reveals that Leeds

based firms have picked up a number of clients outside of the region. There are several examples of PLCs in Derbyshire served by Leeds based businesses. There are also examples of businesses that have left the region but have retained their Leeds based advisors. The level of 'exports' outside the region, whilst suggestive of growing strengths in service provision, should not however be confused with an emerging dominance of Leeds over surrounding regions. The trend in the level of 'exports' of services beyond the region and the level of growth in 'net exports' (exports minus imports) needs to be known before it can be concluded that the level of sales outside the region is 'significant'.

The emerging trend amongst the major firms in both the accountancy and legal sector is to operate on a pan-north of England basis and for various specialisms to operate nationally on a 'best person' or 'best team' for the job basis. This has led to significant flows between offices of staff and assignments. One of the big five accountancy practices noted that over recent years the amount of recurrent work had reduced, reflecting both a reduction in client loyalty and the increased requirement of clients for specialist and one off services. They estimated that their recurrent fee income had reduced from 75% to under 50%; as a result he considered the major accountancy practices were all more actively searching for non-local market opportunities. Again using data from the BWD Rensburg Quarterly Review, we found that some 8% of the region's PLCs are served by accountancy practices that have a major presence within the region but which serve the Yorkshire based client from an office outside the region. Thus the level of 'export' identified by Newsco may be partially due to growing integration of practices and increased internal trading (oe management consultancy practice in the North East has over recent years increased its percentage of 'exports' markedly. This however is believed to be mainly due to North East office staff working on assignments generated by offices in other regions and because of a lack of specialist work in the region).

Quality and cost of business advice

PLCs prefer to obtain services locally if they perceive they can. This preference has been suggested as evidence that virtually all West Yorkshire headquartered PLCs will use mainly Leeds-based business service practices. The business service activities we spoke to identified four potential advantages from purchasing services locally:

- Convenience
- Cost
- Understanding of needs
- Reciprocity.

Some businesses have needs that require a rapid or timely response. Proximity has the advantage of reducing delays in support requiring face to face contact. "An adviser can get in the car and visit a client anywhere in West Yorkshire in less than an hour, they can't if they are based in London". Proximity to clients also reduces travel costs and eradicates the

need for over-ight accommodation. Fee rates for advisers based outside London are also considerably lower.

The West Yorkshire economy has relative concentrations of particular activities. Examples include worsted manufacture and building societies. Business service activities have developed specialist knowledge to meet the particular needs of these sectors for example, KPMG's national centre of excellence for building societies is based in Leeds.

Business advisers continue to demonstrate a preference for working with other local business advisers. Interviewees believed this to be due to a combination of ease of team meetings, established working relationships and in particular established mutual trust and reciprocity.

3.4.6 Critical Success factors

In section 3.4.1 it was noted that the main advantages of the city for office clustering had changed little in recent years and a list of such factors was identified by Daniels. Leeds during the 1980s and early 1990s was able to effectively combine all these factors. The critical mass of employment opportunities and resultant remuneration available in Leeds compared with the rest of the region has meant that people are prepared to commute from outside Leeds to work in the city. Discussions with a recruitment agency in Sheffield revealed that Leeds offers a range and scale of opportunities for some people which cannot easily be found elsewhere in the region.

Our interviews with both financial and business services suggested that availability of skilled labour and excellent transport links represented the main competitive advantages of Leeds which had led them to move to or reinvest in Leeds.

The relatively steady decline of Leeds' manufacturing base was seen by two of the interviewees as something of a 'positive' factor. Contributing to both the supply of labour and the supply of central area development sites.

A combination of location factors are believed to have combined to explain why Leeds as opposed to any other centre in Yorkshire has achieved regional dominance:

- High value desirable suburbs and residential towns of Ripon, Harrogate and Ilkley to the North of Leeds, Leeds is thus particularly accessible for many of those setting up offices
- Leeds-London mainline rail
- West Yorkshire rail hub
- Majority of large corporate clients concentrated in West Yorkshire and particularly Leeds - rest of clients spread across NE and UK - links (soon) to A1, end of M1 centre of M62
- Rail links to Manchester Airport
- High quality retail and leisure experiences
- Largest labour market in Yorkshire - one of the largest in the UK outside London

- Availability of modern office accommodation (market failure elsewhere in Yorkshire and the Humber)
- Market confidence – developers and businesses
- Networking with other business services and reciprocity
- Cachet of having location in the region's commercial capital.
- Other minor factors such as access to Yeadon Airport

None of those we interviewed that were based in offices in central Leeds considered there to be an obvious alternative in Yorkshire at the time of their location decision.

3.4.7 Limits to growth

Supply of Labour

Leeds' has developed a large pool of office based skills and draws staff from a relatively large catchment area. There are signs however that the rate of growth of office based skills in the local labour market area has not kept pace with the rate of growth in demand.

Several businesses are believed to have experience relatively high employee turnover with staff being poached by rival businesses. It is believed that some 'bidding up' of salaries has occurred due to competition amongst firms to acquire high calibre staff. The high demand for skills in Leeds relative to supply is also evidenced by particularly strong growth in Leeds of staff employed through recruitment/temping agencies in Leeds. The recruitment market in Leeds is considered to be very different from the rest of Yorkshire and Humberside. In Leeds because the demand for skilled and experienced support staff is so high, people are able to leave one employer for better terms and conditions elsewhere and so an 'Applicant-led' market is considered to exist. Elsewhere in Yorkshire and Humberside recruitment agencies are seen less as a conduit to gaining a better deal and more as an employer of last resort. This is due in part to the fact that elsewhere in the region the market is 'Business-led', with the employing organisation having the upper-hand in with regard to terms and conditions.

Travel and Car parking

Three very large international business service companies interviewed considered several reasons why a central Leeds location might become less advantageous:

- Cost of business accommodation
- Cost to staff of parking
- Travel to and from work
- Travel time to clients elsewhere in the region
- Merger of different forms of professional services (eg legal and accounting)

Transport and communication links were of high significance in location decisions of each of the business and financial service companies we interviewed. The choice of sites in the central area was influenced in

several cases by the proximity of ample public car parking on adjacent sites.

These businesses were concerned that further redevelopment of vacant sites used for temporary car parks would worsen congestion and potentially increase the cost and availability of car parking. When modestly paid staff are paying around £1000 in parking it is not surprising that a survey of Keighley residents found that they would accept a significant reduction in salary to be able to work more locally.

One of the interviewees considered it likely that if the city continued to expand rapidly without associated improvements in road access and parking and / or efficient central area public transport, they felt they would be likely to move out of the central area within 10 years.

Failure to address both parking and public transport improvements could divert demand away from the central area. If congestion in the central area worsens and attractive edge of city office parks are created to the south of Leeds it is possible that the growth dynamic could slow and even stagnate.

3.4.8 Decline in Competitive Advantage

Overall Leeds appears to have lost some of the competitive advantages it had over neighbouring authorities a few years ago. This is evidenced by a small number of back office activities including call centres favouring locations elsewhere in Yorkshire and the Humber. In addition several Leeds based activities have relocated parts of their operations to other areas and other companies were found to be contemplating similar decisions.

The first wave of call centre operations in the UK opened up close to the centre of large urban areas. Since then a growing proportion of call centres have located within smaller centres and well located sites on the urban fringe, realising that other locations are a safe place to invest. A recent national survey conducted by Mital Research (1999) of some 600 board-level decision makers found relatively high levels of dissatisfaction with Leeds as an office location. In contrast responses from businesses located in Harrogate and Bradford indicated relatively high levels of satisfaction. The findings from the survey suggested that within a regional context emerging disadvantages would appear to include: skills shortages; higher wage costs; higher rates of employee turnover and higher property costs.

Edge of city sites previously considered difficult for staff to get to could well be considered more in the future. A major financial service employer admitted that they had not understood their own geographies when they decided to reinforce activities in Leeds. They had not realised that virtually all staff had access to a car and had the propensity and willingness to travel virtually anywhere in West Yorkshire. This particular business perceived that their main activities were still tied to West Yorkshire but were potentially far less tied to particular locations within West Yorkshire. It is reasonable to assume that other businesses

less regionally concentrated within West Yorkshire might feel able to move further afield.

Whilst, networking and reciprocity remain important, the agglomeration benefits of proximity to clients and other financial and business services have greatly reduced. The anticipated trend towards greater integration of different forms of business service under single corporate umbrellas could be expected to reduce the importance of business service agglomeration still further.

Leeds Financial Services Initiative.

The LFSI undoubtedly plays a significant role in promoting the Financial and Business Services to Leeds itself but also to the rest of the UK. A regular programme of events, seminars and dinners both in Leeds and London helps to promote a common message and understanding. This was evident in a number of interviews where individuals gave the same messages time and time again. Two examples are 'that Leeds punches above its weight in Legal Services' and that 'Leeds is able to service all financial and business service needs'.

This initiative obviously brings positive benefits and raises confidence amongst firms based in Leeds. However, like all such initiatives, complacency could become a problem if the competitive position of Leeds is not monitored. One interviewee commented that Leeds only has one competitor and that is London, which is perhaps more of an aspiration than a statement of fact. Other respondents were more conservative, recognising that whilst Leeds is a strengthening regional centre for financial and business services, threats arise from the increasingly overlapping hinterlands of Manchester and Birmingham. As leading London business and financial services become more and more focused on international markets and global clients it appears that Birmingham based practices are increasingly likely in the future to compete for high value work within Leeds' current hinterland.

3.4.9 Summary of Main Findings

- Leeds is the largest centre for office based services in Yorkshire and the Humber and is the supra-regional centre for a growing number of high value business and financial services serving the eastern side of the Pennines and in some cases the whole of the north of England
- Strong growth in business services during the 1990s added to Leeds dominance, both of some high value or strategic services (e.g. corporate finance) and back office activities (e.g. call centres)
- Many activities with a network of offices in Yorkshire have become more centred on Leeds
- National and international business and financial services that have extended their network of offices in the UK have set up new offices in the region in Leeds

- Spatial concentrations of quoted companies in Leeds and in the rest of West Yorkshire have provided a local source of demand which has enabled the growth and specialisation of business and financial services in Leeds
- The vast majority of quoted companies based in Yorkshire use Leeds business service practices
- Concentration of professional business service activities in Leeds and the increased dominance of a small number of major practices has created business units with the ‘critical mass of business expertise’ to meet all but the most specialist requirements of businesses based in Yorkshire and the Humber
- There are though some examples of innovative high growth businesses that perceive that there are practices outside the region that are better placed to meet their business service needs
- Leeds has been able to supply a steady stream of modern well accessed office floorspace and has been able to meet the accommodation requirements of a wide range in type and size of office activity
- Elsewhere in Yorkshire in town and city centre locations market failure has prevented the steady stream of speculative development occurring and hence limited the range and quality of accommodation
- For some small specialist business services “Leeds has the cachet to impress clients”
- For others it provided the best location to attract staff and from which to serve a regional client base
- Regional boundaries overlap. Leeds based businesses are believed to be exporting more services to other regions; conversely other supra regional centres supply the business service needs of Yorkshire based businesses
- Recent signs suggest that the growth in office based skills has not kept pace with the growth in demand for skills. There has been a very significant increase in the number of temps together with reported problems of salary inflation and employee turnover
- Traffic congestion, cost of renting office accommodation, availability of on site car parking and increased cost of car parking are believed to have further contributed to a modest out flow of activity
- Other lower cost locations in Yorkshire are being favoured ahead of Leeds particularly for price sensitive back office activities

3.5 Knowledge, Learning and Innovation: the regional role of Leeds

With the growth of a knowledge-based economy and the consequences of globalisation, so the competitiveness of cities depends ever more so on the skills and knowledge of their population. In an increasingly information-based society demand is increasing for high value added knowledge-based activities supporting both manufacturing and service sectors. Cities have always been a focus for such knowledge work, underpinned by their role in the creation of high level human capital, formally through higher education, and informally through experiential learning. Universities are typically city-based institutions, and whilst their role in this form of learning has been restricted to formal education in the past, shifts in the concept of lifelong learning, in the knowledge base of the economy, and in the nature of the university curriculum are leading to a potentially wider role in the future (OECD, 1993).

However the accumulation and application of knowledge is not just a function of universities in the city but can be seen more widely as an outcome of the development of knowledge based clusters incorporating manufacturing and service firms, along with other forms of institutions such as research and educational institutions. Knowledge-based development is also not just in the form of high technology business, but relates also to the application of knowledge to all kinds of activities, whether traditional manufacturing industries that are being modernised, business services that draw on expertise or public services that require significant numbers of highly qualified and expert staff.

In terms of the potential role of Leeds as a centre of knowledge activities, three main sets of questions have been focused upon in this section of the study, as manufacturing and business services have been dealt with elsewhere. First, there is the question of whether Leeds constitutes a concentration of knowledge resources, either in terms of the size and quality of the university research base or the size and quality of public and private R&D. Second is the issue of whether there are dynamic processes of knowledge based growth in Leeds, such as through processes of university-industry interaction and spin-off firms, through wider inter-firm learning networks, and by the absorption of skilled labour within the locality. Finally in terms of the wider links is the issue of whether the Leeds knowledge sector interfaces with the region, through university collaboration and involvement in the region, firm involvement in regional networks and the role of Leeds based organisations in establishing regional institutional leadership.

3.5.1 Does Leeds have a concentration of knowledge resources?

As noted in the earlier section, cities, and specifically successful cities, are assumed to have a concentration of knowledge resources on which their success is built. This may be in the form of public and private sector resources, and may be expected to relate to the dominant sectors in the

city and the surrounding region. However as we will see this is not really the case in Leeds, where the knowledge resources are somewhat limited.

Leeds, in common with many core cities has two universities, one a 'redbrick' traditional university, the other a new university with origins in local authority institutions. Both are very large institutions within their respective peer groups and hence have the potential of being a significant concentration of both student places and research. We can compare this with the situation of other cities to judge the degree of 'success' in attracting students and research income, as well as examining concentration within Yorkshire and the Humber.

In benchmarking the universities we can identify five comparator cities that have similar claims to be core cities and have two universities comparable with Leeds (one a redbrick with a medical school, the other a large new university - the medical school is an important factor as they add considerably to the research activity of a university): Newcastle, Sheffield, Liverpool, Bristol and Nottingham. Other cities such as Manchester and Birmingham cannot be compared on a like for like basis as they have a different mix of institutions with more old than new universities, and hence a more research oriented base. They will inevitably perform much better because of a better historic endowment. So at the outset we acknowledge that there are other cities with a stronger historic foundation of higher education.

Comparison is made on several indicators, at city level:

- Teaching and research staff numbers
- Research income from contract research and research selectivity payments
- Research quality - RAE scores weighted by numbers of staff assessed

On staffing levels, Leeds has a greater number than the comparator cities, substantially greater than Liverpool and Newcastle, but only slightly larger than Bristol and Nottingham. This greater staff level is largely due to the superior success of Leeds in attracting contract research income, notably through Leeds University which is one of the most successful universities in the country on contract research, ranking seventh overall. However whilst successful in contract research income, this does not translate so successfully into research ratings within the Research Assessment Exercise and the collective score for Leeds' two universities is lower than the Bristol and Sheffield cases.

Table 18: Academic staff, Research Income and Research Assessment score for a set of English cities

	Staff FTEs	Research Income £000s	Research Score
Leeds	2838	48568	3.96
Bristol	2795	43263	3.98
Liverpool	2510	35590	3.53
Newcastle	2604	37874	3.47
Nottingham	2749	41593	3.82
Sheffield	2608	44185	4.01

Source HESA and HEFCE, authors' calculations

Table 19: Research Grants & Contracts Income 1996/97

Institution	Total (£)
The University of Oxford	107031
University College London	97276
The University of Cambridge	93603
Imperial College of Science, Technology & Medicine	80174
The University of Edinburgh	54660
The Victoria University of Manchester	50873
The University of Leeds	47768
The University of Southampton	46215
The University of Glasgow	45132
The University of Birmingham	44705
The University of Bristol	39711
The University of Nottingham	39324
The University of Sheffield	37013
The University of Newcastle-upon-Tyne	35961
King's College London	35778
The University of Liverpool	33355

These research income levels and quality ratings seem to suggest that whilst Leeds University is relatively successful in research performance overall the city has a similar level of university research activity as its immediate comparators, and less than other cities which have a different mix of institutions, such as Edinburgh, Glasgow, Manchester and Birmingham. These comparisons have not been adjusted for city population, which in itself is a dubious analysis given the issues of local authority boundary definition, but on that basis Leeds would show up much worse than some of these other cities regardless of whether local authority or TTWA boundaries were used.

There is however expected to be a slight concentration of higher quality research activity at Leeds University as a result of the RAE process, whereby academics with strong track records of research income and publications tend to gravitate towards the more successful and better resourced universities. Leeds' gain may be at the expense of some of the

universities in the surrounding area, who have lost staff to Leeds University in particular.

Public sector R&D outside of the universities is almost completely absent. The only examples we could find were in the NHS. This is a common problem in UK provincial cities where, unlike countries with a stronger regional decentralisation like Germany, France or Spain, there is no network of regional R&D centres to support industry, nor a history of locating public research centres for basic or applied research evenly across the country. Cities such as Bremen, Stuttgart or Lyon have benefited from hosting large government research centres, whilst in the UK, such centres have mainly been concentrated in the South East, and furthermore have been reduced in number and scale in recent years. Public policy in the UK has therefore denied provincial cities at least one metropolitan asset.

The NHS case mentioned above is in itself however only modest. Leeds does not have any major Medical Research Council laboratories, the nearest being in Newcastle, Nottingham or Manchester. There are some relatively small scale research projects being undertaken in the two main teaching hospitals (in addition to the research in the Medical School), and clearly these have a wider regional benefit, but there was little evidence we could find of a concentration of work that could lead to significant spin off or technology transfer opportunities within the region.

In terms of private sector R&D Leeds like much of Yorkshire and the Humber has a relatively low level of R&D activity, lacking the major corporate laboratories which comprise a high proportion of all R&D in the UK. Examples of companies with significant R&D capabilities are limited. With a population of over 1% of the UK total, Leeds would need to have well over 2000 R&D employees (excluding higher education) in order to have a representative share of national R&D.

Whilst as we note below there is an emergence of some new high technology small firms in Leeds, the dominance of national R&D employment figures by the larger firms implies that a radical transformation of success in the small firm sector is needed before Leeds could be said to be reaching its expected share of UK R&D employment.

On the other hand as we have observed in the section of business services, there is substantial expertise and knowledge, although not in the form of R&D. Clearly therefore as a centre of knowledge Leeds is not a technological city so much as a centre for services expertise, as is further reinforced by the sections on media and leisure later in this report.

The main sources of knowledge and expertise, taken in the broadest perspective are therefore the universities (and associated hospitals) plus knowledge based service firms, as outlined in the business services and new media sections of the report.

3.5.2 Are there dynamic processes of knowledge based growth in Leeds?

By dynamic processes of knowledge based growth we are referring to three main processes:

- University-industry interaction and spin-offs
- Inter-firm learning networks
- Absorption of skilled labour

On the first there appears to be a shift in the propensity for the formation of new high tech firms in the area, with some contribution from the University of Leeds. UoL is well organised in the stimulation of spin offs with a large exploitation company which acts as a holding company for university companies and has a current employment of 100 and with a turnover of £7.5. Mostly these spin-off firms are small but there have been a few dramatic successes notably in Filtronics (now in Bradford) and GMAP. UoL are also actively seeking to further enhance this activity through their collaboration with York and Sheffield (White Rose Consortium) and their bid for University Challenge funding to further support spin offs with a venture capital fund. In addition the university is seeking to develop a 'knowledge park' at their Leeds Grammar School campus associated with their new business school.

Leeds Met also has experienced some success in stimulating new firms, although in this case their incubator unit is located in Wakefield rather than Leeds.

There are problems however with support from the business service community for new high tech firms, and ULIS report that they need to get expertise from outside of the region for raising venture capital, for intellectual property work and corporate technology advice.

Aside from spin offs though there seems to be rather limited engagement with local companies. ULIS reported that only 8% of their consultancy income was from firms in West Yorkshire and much of that was from larger firms such as Yorkshire Water and Yorkshire Electricity. Greater interaction took place through the Teaching Company Scheme, especially in Leeds Met. Leeds universities were quite active in the Regional Innovation Strategy sectoral groups however, with representatives on eight of the eleven groups, and providing the secretariat for the printing and printed packaging sector board.

Wider learning networks of firms in the area appear to be either non-existent or unrecognised by policymakers. The RIS is attempting to develop such networks at a regional wide level, and is making good progress with sectoral groupings but as yet there are few firms involved an only a very small proportion are from Leeds.

A final area of learning identified here is through the retention of highly educated young people in the form of graduates. Knowledge-based economies have strong demand for highly qualified employees and will tend to retain and attract graduates. Graduates are also a means of learning for firms in that they bring in new sources of information and new contact networks, and replenish the workforce with people with a proclivity for

learning. Information on the graduate labour market in Leeds and Yorkshire however was rather limited.

First we sought to determine if there was any appreciable increase in the proportion of applicants to Leeds' universities that originate from the Yorkshire region. There is a trend towards a higher proportion of local students across the HE system, as overall numbers creep up, and as student grant/loan cuts and fees exert financial pressures. Both institutions have strategies for increased local students, but with distinctive angles. UoL have established an alliance with Park Lane College and have tighter links with three other colleges outside of Leeds where UoL validates their degrees. Leeds Met has a much stronger local student orientation and is very active in access development schemes both within Leeds and through its merger with Harrogate College.

Within Yorkshire and the Humber, analysis of HESA data has shown that there is nothing remarkable about the level of students opting for a local university, whether old or new. Table 20 shows what percentage of individuals from a particular region choose to study in their home region. Slightly more than the average proportion of Yorkshire students stay locally for each group but this is not a significant variation. The North West has a slightly higher proportion of entrants to new universities staying locally and the North East a much higher proportion. For entrants to old universities Greater London is the only English region with higher levels of local retention, although Scotland, Wales and Northern Ireland have much higher local retention rates across the board⁵.

Table 20: Retention rates for university entrants, by institution type and region

	New Universities		Old Universities	
	Local	Non-Local	Local	Non-Local
North East	3141 (.643)	1742 (.357)	1058 (.303)	2427 (.697)
Y'shire&H'side	3317 (.521)	3051 (.479)	2581 (.420)	3558 (.580)
East Midlands	2016 (.383)	3252 (.617)	941 (.191)	3973 (.809)
East Anglia	642 (.266)	1771 (.734)	891 (.268)	2436 (.732)
South East	3735 (.272)	9990 (.728)	4004 (.214)	14696 (.786)
Greater London	6678 (.657)	3482 (.343)	4764 (.441)	6028 (.559)
South West	3218 (.538)	2761 (.462)	1473 (.197)	6010 (.803)
West Midlands	3553 (.494)	3633 (.506)	2107 (.292)	5110 (.708)
North West	4783 (.542)	4036 (.558)	2741 (.317)	5900 (.683)
Wales	1033 (.381)	1680 (.619)	3833 (.632)	2236 (.368)
Scotland	4841 (.930)	363 (.070)	8394 (.881)	1129 (.119)
Northern Ireland	0	770 (1.00)	5257 (.808)	1246 (.192)
Total	36957 (.503)	36531(.497)	38044 (.411)	54620 (.589)

⁵ Low levels of local retention for students to new universities in Wales and Northern Ireland is due to the complete absence of new universities in Northern Ireland and there being only one in Wales

Source: data from the Higher Education Statistical Agency, analysis by Dolton and Audas, 1998.

Analysis of First Destination HECAS data on the destination and employment of graduates six months after graduation gives some evidence on the local absorption of Yorkshire graduates (Carney, 1998). The data covers 19,417 graduates in 1997, some 88% of all Yorkshire graduates in that year, of which 13,695 had found employment and 4790 were employed within the region. This figure of 35% of employed graduates being regionally employed was slightly higher than the previous year.

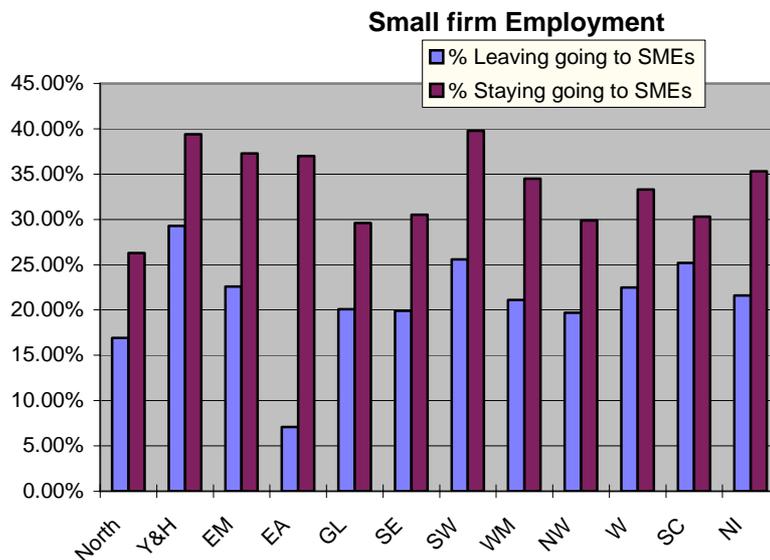
Within the region, 54% of the employed graduates were working in either the Leeds or Sheffield postal districts, 29% within Leeds. It has to be noted that Leeds and Sheffield also between them produce 53% of the region's graduates, and as the largest cities will inevitably have a greater share of graduate jobs. The report suggested that a majority of the graduates staying in the region stayed in the same postcode area as their former university (53% median), but the identity of the institutions with the highest level of retention of up to 75% were not identified.

Examining the net flows on graduation, the study separated those students originating in Yorkshire and those originating elsewhere. Of those students originating in the region, and which found jobs, 71.9% took jobs within the region, compared with 20.4% from outside the region. This resulted in a net retention of 762 more graduates than originated within the area. Similarly in those graduates moving into further study, 848 more graduates stayed in the region than originated there. Thus whilst these figures are only a snapshot of graduates six months after graduation, there is evidence that Yorkshire retains a greater share of graduates from its own institutions than originate from within the region. These figures however do not examine the contribution of Leeds within this nor do they include those graduates originating from Yorkshire and attending universities outside of the region.

An interesting finding from some regional data on graduate destinations, drawn from data collected by the Higher Education Funding Council for England on a sample of universities, was that graduates from Yorkshire institutions are more likely than those from most other regions to work in SMEs. The data, presented in Figure 1, does not distinguish the situation for Leeds but shows that almost 40% of graduates choosing to stay in Yorkshire and the Humber are working in smaller firms, a figure only exceeded in the South West.

What can we conclude about graduates and Leeds? Leeds' institutions contribute to a general regional attraction of net numbers of students into the region, and a net retention of 1615 more graduates in employment or further study than originate within the region. Overall Leeds retains the largest share of these graduates with 29% of employed graduates and 27% of graduates in further study.

Figure 1 Proportion of graduates from each region entering employment with SMEs



3.5.3 Does the Leeds knowledge sector interface with the region?

The two Leeds universities are involved in a number of regional wide partnerships, at both institutional levels and with individual firms. In this section we will examine the micro level involvement of the universities before examining regional institutional partnerships.

Leeds Met has typically been the more involved in locally oriented activities both within Leeds and in the wider region, especially through its Centre for Business Development (CBD). Through CBD there is a strong commitment to working with SMEs and with support agencies for SMEs. For example, they run the Yorkshire Association of Business Angels, bringing together high net worth individuals within the region to appraise and invest in local SME development opportunities. This also fits with a wider concern for entrepreneurship and SME development fostered through their Wakefield incubator, the PETT scheme (introducing entrepreneurs into university departments to develop their ideas), computer-based SME benchmarking, SME training such as Y2K compliance and environmental audits for SMEs.

One area of activity with a strong regional focus is in the provision of graduates into SMEs through schemes such as the Company Associate Programme (CAP) and Teaching Company Scheme. The CAP scheme also involves local colleges and is aimed at SMEs with strong college links. Essentially LMU provide a graduate and overall supervision of a project within an SME whilst a local FE college supports the project on a day-to-day basis and supervises the graduate in the company. Already 60 projects have been completed with around 40 more in progress. The programme draws heavily on an existing set of business development managers that LMU has placed in each of the participating colleges.

Currently this scheme is being extended with Sheffield Hallam and Lincoln and Humberside University to cover the entire region. The current scheme involved colleges in West Yorkshire, but also Selby, Doncaster, Rotherham, Hull and Barnsley.

Whilst Leeds prepares to develop a science park, a novel project to develop a virtual science park (VSP) on the internet is already well developed. The VSP is a web-based environment in which firms can rent space through which they can access services and advertise products. The VSP features a number of services to its tenants including on-line training, knowledge management services, on-line consultancy and collaborative work technologies. One tenant is PETIS (Packaging Executives Training and Information Service) a consortium of universities, firms and trade associations providing support to management in the print and packaging industry. Linked with the White Rose Faraday Partnership for Enhanced Packaging, PETIS provides a range of information and multimedia resources to firms across the region. Another 'tenant' is a networking initiative of the City Council to support schools as a first step in the National Grid for Learning.

Leeds University is involved in several partnerships with York and Sheffield Universities under the White Rose Partnership label. In biotechnology, the White Rose Biotechnology Consortium has been established using DTI Biotechnology Exploitation Platform funding to identify projects with commercial potential and exploit them through licensing and start-up routes. Already at least two start-ups have been established, Precision Proteins Ltd and Aqua Enviro Ltd, with others planned.

Both Leeds-based universities have a number of regional partners amongst the FE Colleges. Leeds University has three colleges with which it is formally united: Bretton Hall, Ripon & York St John, and Trinity & All Saints. A further seven colleges within the region are affiliated to the University, three outside of Leeds.

The most important regional initiative is the Yorkshire and Humberside Universities Association (YHUA), formed in 1993 as a forum to promote the contribution that the universities make to the region. It is built upon the foundation of the Regional Research Observatory (ReRO) set up in 1990 at Leeds University. ReRO was established as a network of social science researchers within the region to undertake regional research projects, and provides the secretariat for the YHUA.

The YHUA is currently developing a support programme for the region under the region's Objective 2 SPD, and implemented through an action plan with a number of measures (see Table 21). This programme is anticipated to cost £28 million in total of which over £10 million is ERDF and ESF support.

Table 21: Measures in the YHUA Regional Action Plan 1998-2000

Measure	Description
1.4 Human Resources for SME Competitiveness	Developing higher level skills within SMEs
2.5 The Information Society	Developing networks with SMEs to develop new systems and services in order to assist growth and job creation
2.6 Sectoral Initiatives	Sector specific support for advanced producer services, cultural industries, environmental services, high technology and community based SMEs
3.9 New Products and Processes	Assisting SMEs through the UNILINK brokerage service
3.10 Technology Transfer Activities for SMEs	The use of graduate placement schemes and other forms of technology transfer to assist SMEs
3.12 People for the 21 st Century	A package of skills and graduate placement schemes

Source: YHUA

3.5.4 Summary of Main Findings

- Leeds has a similar level of university research activity as its immediate comparator cities, though less than cities with a different mix of HEIs such as Edinburgh, Manchester and Birmingham
- Although there has been some success in spin-off firms from Leeds two universities, there seems to be rather limited engagement with local or regional companies
- Leeds' universities contribute to a general regional attraction of net numbers of students into the region
- Leeds-based universities are actively involved in a number of regional partnerships, including the White Rose Partnership and the Yorkshire and Humberside Universities Association
- Public sector R&D outside of the universities is almost entirely absent
- Leeds, in common with the Yorkshire and Humber region, has a relatively low level of private sector R&D, tending to lack major corporate laboratories
- As a centre of knowledge, therefore, Leeds is not a centre of new technology so much as a centre for leading-edge service expertise, as the business service and new media sections of this report demonstrate

3.6 Headquarters Activities

3.6.1 Importance of Headquarters

The headquarters activities of large corporations are widely regarded as bringing actual and potential benefits to the development of regional economies, particularly 'knowledge-based' economies. Benefits that headquarters activities can bring include: significant local/regional purchasing, including the purchase of high-order business services, significant direct employment of specialised and highly paid staff, transfer of business best practices to supply chain and or competing businesses. As such then, headquarters can contribute significantly to the establishment of virtuous cycles of development, enhancing the quality of business services through their demand, and thereby creating the conditions whereby other firms can be encouraged and supported in their development.

3.6.2 Corporate headquarters in Leeds and Yorkshire and the Humber

In order to gauge the relative concentration of corporate headquarters in Leeds compared with elsewhere in Yorkshire and the Humber, data from BWD Rensburg Quarterly Reviews of quoted companies was analysed. Leeds and other centres for the purposes of this comparison have been assumed to extend to their post code areas rather than their administrative boundaries.

The analysis revealed a relative concentration of corporate headquarters in West Yorkshire and particularly in Leeds. Leeds (in Dec 1998) contained 33 quoted companies out of a total of 123 in Yorkshire and the Humber. (By way of comparison the whole of the Northern Region contains only 34, Bradford has 16 and Sheffield 17 and 73 in West Yorkshire as a whole.) The number of quoted companies based in Yorkshire and the Humber is broadly comparable with the number currently based in the West Midlands and also with the number based in the North West. Manchester has slightly fewer quoted companies than Leeds, Birmingham however has significantly more.

The number in each of these three regions fluctuates from year to year. There are currently less quoted companies in Yorkshire and the Humber than in the North West, although in Dec 1993 there was more in Yorkshire and the Humber.

Table 22: Quoted Companies by Region

	Number of companies quoted December 1993	Number of companies quoted December 1998
Scotland	72	89
Northern Ireland	10	14
North	35	34
North West	107	127
Yorkshire and the Humber	131	123
Wales	21	20
West Midlands	129	104
East Midlands	67	62
East Anglia	40	50
South West	69	85
Total, Regions excluding South East	681	708
London	526	648
Rest of South East	345	417
Investment Trusts (all regions)	264	311
UK Totals	1816	2084

Source: BWD Rensburg Quarterly Reviews Winter 1998/99 and Winter 1993/94

Leeds contains a broad range of PLCs reflecting its historically broad industrial base, its strategic location and its role as a supra regional centre for business and financial services. Leeds contains a broad range of manufacturing and engineering PLCs (11) from printers, to clothing, plastics, furniture and chemicals and so on. It also contains several distribution and retail PLCs (9). Leeds also contains several investment companies - property development, property investment, venture capital and asset management (5).

Leeds' quoted companies have a combined market value of £9.1 billion and a turnover of some £11.5 billion (turnover figures use latest available information). Although Leeds is home to several significant PLCs, it has no companies which could be regarded as large by global standards. The Halifax Bank is by far the largest company still centred in Yorkshire. The Halifax has a market value of more than twice the value of all Leeds' PLCs put together. Although the Halifax has a major presence in Leeds, its headquarters are located in Halifax itself.

Bradford contains several significant PLCs and its quoted companies have a combined market value of some £5.8 billion and a turnover of some £4.8 billion. These figures dwarf those of other areas of Yorkshire and the Humber.

Table 23: Distribution of quoted companies in Yorkshire and the Humber

Postcode Area	Number of quoted companies December 1998
Bradford	16
Darlington (within Y&H)	1
Doncaster	7
Huddersfield	6
Harrogate	4
Hull	6
Halifax	8
Leeds	33
Sheffield	17
Wakefield	10
York	12

Source: BWD Rensburg Quarterly Review Winter 1998/99

Leeds has a broad mix of both fast growing and declining PLCs. Leeds has 11 out of 24 companies in Yorkshire and the Humber with a market value of over 150% of turnover but also has 10 out of 33 companies with a market value of less than a quarter of turnover. Other parts of West Yorkshire have a reasonably balanced mix of growing and declining PLCs. In contrast over half of Sheffield's quoted companies has a market value of less than a quarter of turnover. Only one Sheffield company has a market value over 1.5 times turnover.

3.6.3 Local autonomy and embeddedness

It has been suggested that historical ties to the locality and the fact that key decision makers live in an area combine to make indigenous PLCs relatively regionally embedded. Analysis of corporate changes in Yorkshire and the Humber over the past 10 years suggest that PLCs are no longer an assured source of local autonomy. In 1988 there were 129 headquarters of quoted companies based in Yorkshire and the Humber. In December 1998 there were 123. Of the 129 quoted companies headquartered in Yorkshire and the Humber in 1988 only 60 were still headquartered in the region in 1998.

Table 24: Yorkshire and the Humber based companies with a market value to turnover ratio exceeding 1.5 (1998)

Company	Industry	HQ Postcode 1998	Market Value 1998 £mil	Turnover 1998 £mil	Market value/turnover
Electronic DataProcessing	Computer software	S8	17.3	11.5	1.50
Surgical Innovations	Health Products	LS16	4.1	2.7	1.52
Gartland Whalley	Industrial Dev	HX1	93.1	55.0	1.69
JWE Telecom	Distribution	YO42	31.1	18.3	1.70
Thistle Hotels	Hotels	LS2	579.3	319.7	1.81
Leeds Sporting	Management	LS11	52.2	28.5	1.83
Harry Ramsdens	Catering	LS20	12.9	6.8	1.89
Villiers	Civil Engineering	HX3	10.6	5.3	2.00
IMS Grp	Voice processing	LS1	28.7	13.3	2.16
Cattles	Finance	WF17	834.2	375.3	2.22
Croda International	Chemicals	DN14	291.6	129.1	2.26
The York Waterworks	Water	YO1	22.3	9.8	2.28
BWD Securities	Asset Management	LS11	45.4	18.3	2.48
Town Centre Securities	Property Investment	LS2	76.5	29.3	2.61
Yorkshire Water	Water	LS1	2,234.0	635.0	3.52
Eagles	Sports Management	S9	3.7	1.0	3.70
Filtronic	Microelectronics	BD18	353.7	94.1	3.76
Bradford Property Trust	Property Investment	BD1	301.3	71.7	4.20
Evans of Leeds	Property development	LS11	133.8	29.1	4.60
Provident Financial	Financial services	BD1	2,281.0	444.1	5.14
Quantica	Recruitment Services	HX5	29.3	5.6	5.23
Fulcrum Investment Trust	Investments	HG1	8.9	1.7	5.24
Kern River	Management	HX3	3.6	0.3	11.87
Minorplanet Systems	Computer software	LS4	39.9	3.3	12.09
Capital for Companies	Venture capital	LS11	9.5	0.5	19.00

Source: Based on figures from BWD Rensburg Quarterly Review Winter 1998/99

3.6.4 Changes in the pattern of Headquarters locations in Yorkshire and the Humber

The number of quoted companies headquartered in Leeds has risen from 32 to 33 between 1988 and 1998 and their value has risen strongly from £3.8 billion to £9.1 billion.

Two manufacturing PLCs based in Central Leeds in 1988 were found to have moved their headquarters to elsewhere in Yorkshire (Spring Ram have moved to Bradford and Carclo to Sheffield).

The number of PLCs based in the traditional office core area of LS1 and LS2 has fallen from 10 to 7. Service sector PLCs have been attracted to sites within the new commercial areas within LS11 (e.g. BWD Rensburg from Huddersfield, The 600 Group and Capital for Companies. Sites to

the east of the city in LS20 and LS22 have also attracted PLCs. Well accessed and edge of town business parks have attracted a small number of the region's PLCs.

Areas close to the centre of Leeds (such as LS11) are still reasonably accessible. Elsewhere in the UK there appears to have been more dispersal of corporate activities. Business parks to the west of London (e.g. Stockley Park) and to the south and west of Birmingham (e.g. Birmingham Business Park) built near newly created nodes of car borne accessibility have attracted significant numbers of PLCs. There are now (December 1998) for example some eleven PLCs located close to the M42 - M6 interchange and Birmingham Airport.

The number of quoted companies headquartered in Bradford has fallen dramatically from 28 in December 1988 to 16 in December 1998. This reduction includes the loss of five textile based PLCs. Their aggregate value has however risen by 187%, from just over £2 billion in 1988 to £5.7 billion ten years later. The bulk of this growth being due to the emergence of Provident Financial and the rapid growth of W M Morrison. Two significant micro-electronics PLCs have emerged in Bradford both in the Saltaire area.

Elsewhere in West Yorkshire the number of PLCs over the past decade has risen from 8 to 10 in Wakefield and from 5 to 8 in Halifax. The number of PLCs in Huddersfield has fallen from 9 to 6.

The number of PLCs based in Sheffield has fallen only slightly from 20 to 17. Although their combined turnover has risen from £1.3 billion in 1988 to over £2 billion in 1998 their combined value has actually fallen from £0.8 billion in 1988 to under £0.6 billion in 1998.

Leeds has a relatively high proportion of both small and high growth PLCs. Market analysts (Bank of England, BWD Rensburg) consider that over the next year or so there may be some reduction in the number of PLCs based in Leeds. Each however were optimistic about the scale of headquarters activity based in Leeds, viewing recent and anticipated declines as cyclical rather than due to any structural or locational weaknesses. They were confident that there were sufficient strongly growing SMEs that had the capacity to become PLCs and replace those lost to takeover.

3.6.5 Summary of Main Findings

- Benefits that headquarters activities can bring include: significant local or regional purchasing, including the purchase of high order business services, significant direct employment of specialised and highly paid staff, transfer of business best practices to supply chain or competing businesses
- Leeds has a relative concentration of headquarters activities. Leeds has 33 quoted companies and West Yorkshire 123
- The industrial mix of Leeds based quoted companies is broad (financial, leisure, manufacturing, engineering)

- Leeds is home to several significant quoted companies but none that could be regarded as large by global standards
- The combined value of Leeds based quoted companies has grown strongly over the past ten years. This contrasts with Sheffield and South Yorkshire where their aggregate market value has fallen slightly
- The stock of quoted companies varies from year to year. Of the 129 quoted companies headquartered in Yorkshire and the Humber in 1988 only 60 remained in the region in 1998
- The stock of quoted companies in Leeds is particularly volatile. It has a relatively high proportion of recently floated, small and high growth quoted companies
- A significant proportion of currently Leeds based quoted companies can expect to be taken over
- Leeds continues to demonstrate the capacity to generate high growth SMEs that become quoted companies and replace those lost to external control
- There are relatively few examples of the dispersal of manufacturing quoted companies to elsewhere in Yorkshire
- Dispersal of head quarters to out of town business parks has been more marked in cities such as Birmingham than in Leeds
- There are areas close to Leeds city centre (such as the LS11 postal code district) that remain relatively accessible for road users. LS11 is an example of an area that houses several quoted companies
- The accessibility of such areas both to London and the rest of the UK is believed to account for the ability of Leeds city centre to continue to provide a viable location for a broad range of quoted company headquarters

3.7 Strategic Employment Sites

3.7.1 Allocation and availability of sites in Leeds and elsewhere in Yorkshire and the Humber

Leeds City Council has identified a comprehensive range of development sites which in quantitative terms can be expected to far exceed the aggregate land needs of businesses.

In terms of quality the picture is less complete. Large regionally significant sites to the South of Leeds and to the North of the A1 – M1 link are without adequate road and public transport links to Leeds City Centre and require reclamation. In the centre of Leeds there are ample sites in established locations.

Leeds City Council identified a site for a 'Fourth generation business park' off the new A1-M1 link well to the east of Leeds beyond the main West Yorkshire conurbation and close to the A1. The rationale for the release of this greenfield land was to create a site of national significance in the region and the site was identified as a prestige site for Head Quarters activities. However the DETR inspectors have recently recommended that this site is deleted from the UDP. This site is undoubtedly very commercially attractive and would be a particularly attractive, virtually optimal, location for some activities serving a North East market. However, the site is distant from a mainline train station to London, distant from Manchester Airport, distant from major universities, distant from financial and business services, on the edge of Leeds' metropolitan labour market, distant from metropolitan amenities, and distant from public transport nodes. These are amongst the disadvantages the site has in comparison with a site nearer the centre of West Yorkshire. The site does not have the characteristics generally needed to attract European research centres or European corporate headquarters.

3.7.2 Landuse restrictions

It is understood that Leeds City Council favoured the restriction of the range of uses permitted on certain sites but that the Planning Inspector has indicated a preference for a more laissez faire approach.

We are concerned that well located sites which have been allocated for industrial use will be developed with higher value uses. The inability to secure prime sites for industrial and warehousing use could in the short term fail to maximise the opportunity to attract industrial jobs to meet the employment needs of males in Leeds' inner areas. Leeds' broad industrial base has been widely regarded as being a key source of strength assisting in its adaptive capacity to generate new employment at times of industrial restructuring. Failure to meet the accommodation needs of all of its sectors could in the long term undermine attempts to maintain a broadly based economy.

3.7.3 The importance of preserving the advantages of Leeds Central area

Leeds central area is the premier financial and business service centre in the North East. It also houses a relatively high concentration of headquarters activities. Employment growth in Leeds in financial and business service activities has been highly visible with much of it housed in new office buildings in and around Leeds central area.

Leeds CBD over the past 10 years has burst well beyond the traditional boundaries of the office quarter. Within this expanded area there are significant development sites. There are also adjacent uses that could be anticipated to be displaced subject to market pressures.

An impressive dynamic has been created whereby retail and leisure activities have been able to prosper from this growth and contribute to the dynamic by raising the profile of Leeds and adding to amenity, prestige and investor confidence.

The market confidence to develop largely speculative schemes in Leeds is now well established. Leeds contains all the leading property agents as well as several major property investors and property developers. Physical barriers such as the railway viaduct to the south of city square have long since been breached and there remain large development sites within the now established commercial area. The pace of redevelopment has been such that these sites are viewed as development opportunities only in temporary use as car parks. If the rate of new development is maintained then confidence to redevelop these sites can be anticipated to remain and thus their long term redevelopment achievable.

There is however a danger of complacency. Careful planning and a degree of good fortune will be needed to ensure that the current dynamic can be maintained in the long term. Until recently call centres were pouring into Leeds to take advantage of its large metropolitan labour market, its office skills base, its excellent road and rail accessibility and the availability of suitable premises. Leeds compared with other parts of the North is now perceived by some as congested, with relatively costly premises, higher wage rates, and high employee turnover. It would need more than the relocation of a few call centres to reverse the dynamic that has been built up but even a sustained reduction in the growth of Leeds could dampen significantly investor confidence.

Technological and corporate restructuring of the financial and business service industries which has led to the increased dominance of regional centres and led to the emergence and growing dominance of supra-regional centres such as Manchester, Birmingham and Leeds with expanding hinterlands. Paradoxically this trend towards more extended hinterlands of higher value added services appears to have reduced some of the agglomeration advantage of being located in Central Leeds. Our face to face interviews suggested that the advantages of a central Leeds location have diminished and if agglomeration diseconomies such as the cost of parking, cost of premises and city centre congestion worsen high value added business services would consider relocation. One of the Senior Partners interviewed considered it unlikely that the firm would

have a presence in Central Leeds in ten years time. Each of the big 5 employ several hundred staff and require large blocks of floorspace. They have helped the local property market by extending the boundaries of the prestige office area and in setting local rental peaks. The loss of one or more of such businesses could have a significant effect on dampening developer confidence and raise significantly the prestige associated with the location to which they were attracted.

3.7.4 Summary of Main Findings

- There is a comprehensive range of employment sites spread across the authority area
- The actual development of land for industrial uses may however prove to be significantly constrained by take up of prime sites for office based activities and lack of developer interest in less well accessed sites
- A lack of public transport infrastructure, need for on site and offsite services, site reclamation and ownership constraints could all limit the rate of take up of strategic sites
- An impressive dynamic exists between leisure, retail and office based activities in Central Leeds. Any net dispersal of activity from Central Leeds could weaken or reverse this dynamic
- It is important for Leeds to continue to adapt and service the City Centre in order for it to continue to be the favoured location for high value added business and financial services
- For high value added business service activities to remain in central Leeds: car parking, public transport and skills issues all need to be addressed
- The trend towards higher value added services and more extended hinterlands has led to the emergence of Leeds as a supra regional centre. As this trend continues this may reduce some of the agglomeration advantage of being located in Central Leeds
- Locations closer to an international airport, sites offering greater parking and lower property costs may begin to emerge as the dominant new office location, as they have in other parts of the world

3.8 Media and New Media⁶

3.8.1 Overview

While the wider Yorkshire and Humberside region has always supported a number of significant media organisations, Leeds has traditionally been the region's media capital. So, while the Sheffield Star and the Bradford Telegraph and Argus are both significant regional newspapers, Yorkshire Post Newspapers is the biggest single operator and based in Leeds. Similarly, although both the main broadcasters have regional sub-offices across Yorkshire and Humberside, the main studios and the vast majority of employment for both ITV and the BBC is concentrated in Leeds. The strong representation of conventional media within Leeds can be seen in Table 25. But, over the 1991-1996 period, it is clear that absolute employment growth in traditional media activity in Leeds was relatively slight.

The figures of 16 and 10 percent growth for motion picture activities and TV & radio respectively, may seem immediately impressive. However, motion picture activities have grown from a very small base and continue to be small in terms of absolute numbers. Further, once the 7% rise in employment over the same period for the city as a whole is taken into account, these figures become even less significant. In particular, publishing's 6% growth actually signals a fall in terms of the industry's share of employment within the city.

In contrast, what is most striking over the period 1991-1996 is the rapid growth in Leeds of employment in sub-sectors that are alternately known as multimedia or new media. The continued rise in employment in software consultancy and supply activities has been accompanied by the addition of several hundred new jobs in databasing and 'other' computer related activities. These three categories together are likely to contain the majority of the new jobs in Leeds that have arisen around the Internet. At one end of this spectrum of new activity lies system integration with back-end databases, logistics and stock systems; while the more visible side is to be found in web design, e-commerce, and online marketing/strategy consultancy.

⁶ Based on desk research and face-to-face or telephone interviews with Nick Wayne (Leeds Media Initiative), Tim Percival (Yorkshire Post Newspapers), Mike Best (Yorkshire Television), Colin Philpott (BBC Leeds), Simon Wadsworth (Brand New Media), Simon Brooksbank (Sense Internet), Jonathan Freedman (Sony Psygnosis), Chris Buckley (PA Sport), Andrew Burgess (PA New Media), John O'Connor (Planet Football), Archie McLellan (Head of Media School, Trinity and All Saints College), Robin Brown (School of Communications, Leeds University).

Table 25: Employment in the main media/ new media sectors, 1991, 1996 and % change

Leeds	1991	1996	% Change
221 Publishing	1700	1800	6%
722 Software consultancy and supply	1900	2600	37%
724 Database activities	0	300	n/a
726 Other computer related activities	100	300	281%
744 Advertising	900	1500	63%
921 Motion picture and video activities	200	200	16%
922 Radio and television activities	1300	1400	10%
924 News agency activities	100	200	310%
All Leeds media and new media industries	6200	8400	37%
All Great Britain media and new media industries	400,300	543,800	35.9%
All Leeds employment	312,700	334,900	7%
All Great Britain employment	21,575,900	22,258,700	3.2%

One remaining factor that emerges from the data – the strong increase in news agency employment within the city – is also partly to be attributed to the rise of new media. In effect, the increases reflect the growth of the Leeds site of one major organisation, the Press Association (PA). PA's Leeds operations, as will be detailed below, are heavily involved with new media activity.

The performance of the Leeds media and new media industries is broadly commensurate with the national average, as can be seen in Table 26. Moreover, there is some indication that Leeds fares better in this respect than several other major urban centres in the UK, although caution must be expressed here given the differences in administrative boundaries of the cities under consideration. What is clear is that Leeds is not an isolated growth pole in the region and accounts for less than a third of media and new media employment in Yorkshire and Humberside, with a growth rate slightly below that of the region as a whole.

The following sections will flesh out the trends highlighted above, mapping the key dynamics of the media/new media sector and their implications for Leeds and the Yorkshire and Humberside region.

Table 26: Change in sector employment, selected areas, 1991-1996

All media/ new media employment	1991	1996	% Change
Birmingham	10,300	10,500	2.4%
Leeds	6,200	8,400	36.6%
Manchester	6,100	7,000	14.9%
Glasgow	5,400	5,600	4.5%
Y&H	19,100	26,900	40.6%
Greater London	145,100	188,200	29.7%
Great Britain	400,300	543,800	35.9%

3.8.2 Print (Yorkshire Post Newspapers)

Leeds is the home of Yorkshire Post Newspapers (YPN), the publishers of the biggest selling regional daily in Yorkshire and Humberside, *The Yorkshire Evening Post*, and a second top five regional newspaper, *The Yorkshire Post*. YPN's Leeds base also houses the headquarters for their owners, Regional Independent Media (formerly United Provincial Newspapers). Regional Independent Media (RIM) are the dominant publisher of regional newspapers in Yorkshire and Humberside. Within the region, RIM, also owns Sheffield Newspapers Ltd; publishers of – among other titles – the second biggest selling Yorkshire regional daily, *The Sheffield Star*; Ackrill Newspapers Ltd, publisher of a large number of titles predominantly focused on North Yorkshire; and The Reporter Ltd, a smaller company publishing several papers for Dewsbury and its immediate surroundings. In addition, RIM has an extensive list of subsidiaries and papers outside the region, particularly in Lancashire and the north west.

Total employment for YPN and RIM in Leeds currently stands at around 1200 full-time employees (FTEs). Even given the location of RIM's headquarters, employment prospects for print publishing in Leeds are negative. Firstly, RIM management personnel are a very small fraction of the total figure and are unlikely to become significantly larger, certainly in terms of absolute numbers. Secondly, print publishing is undergoing continuing job losses associated with the introduction of new technologies, driven by the need for lower costs. YPN estimate that over the last two years alone, roughly 200 FTEs have been lost.

One of the few areas of the business that is expected to grow significantly in the short to medium term, is the interactive division that was established in late 1997. At the present time, its main activities are the production and maintenance of the electronic versions of YPN's two main titles. More recently, the department has become a supplier of third party Internet services to some of YPN's existing client base. For the present, then, the department is still very small with only a handful of staff. However, YPN is actively looking to grow the business of third party Internet provision and increase their staff level accordingly.

3.8.3 Broadcasting

Although broadcasting activity and employment in the region is concentrated in Leeds, some production activity is distributed around the region through the use of independent producers. Both the BBC and YTV are obliged to commission at least 25% of their local non-news output from “independents” (i.e., television production companies that do not hold a broadcasting licence). For both major broadcasters, around 80-90% of this 25% is contracted locally. In addition to Leeds, these independents are predominantly located in Sheffield and York. The opportunities for growth of television production and broadcasting appear limited. Both the BBC and YTV are tied into national systems of regulation and are, to all intents and purposes, externally controlled. A similar situation applies with the cable franchise for the Leeds area, currently held by Cable and Wireless (C&W). Leeds’ cable service has, since mid-1998 been re-located and run entirely from C&W’s Brighton site, with only a skeleton technical and sales staff remaining in Leeds.

Yorkshire Television

Yorkshire Television (YTV), based in Leeds, was established in 1968 when the large ITV northern region (covering the areas now served by Granada and Yorkshire Television) was split down the Pennines. Yorkshire Television became one of the “big 5” ITV companies which supplied most of the network. However, in 1997, this status was reduced somewhat when YTV was purchased by Granada Group, effectively recreating the pre-1968 situation.

YTV is divided into three divisions: Regional, Network and Resources. YTV Regional broadcasts around 900 hours of regional television to an expanded Yorkshire Region - the area additionally covers Lincolnshire and parts of North Norfolk and Cambridgeshire. Of this broadcast time, only 185 hours is not news and current affairs. There are three sub regional opt-outs: for South Yorkshire (centred on Sheffield), for North and West Yorkshire (centred on Leeds), and for the East of the region (centred on Lincoln/Humberside). The opt-outs are counted cumulatively within the 900 hours total even though they are broadcast concurrently within the same 15 minutes slot.

The Network division produce a small number of programmes for the ITV network - principally *Emmerdale*, *Heartbeat* and *Frost* - although they have to bid to the ITV Network Centre for these commissions, in competition with both other ITV companies and independent production companies. Employment reductions in the 1990s have been concentrated in the Network division, as restructuring has forced the change from permanent contracts into temporary job-by-job contracts. Consequently, there are few high level staff in YTV Network as they are prone to move around the ITV centres with programme commissions.

Although Yorkshire is still run as a separate company from Granada, the purchase did result in the loss of advertising sales staff and some administrative workers from the Leeds base, as these activities were

absorbed by Granada in Manchester. YTV's very limited online presence is also produced at group level in Manchester. In the short term, further cutbacks seem unlikely as YTV has the cheapest cost per hour of programming within the Granada Group, so pressure is likely to fall on the remaining centres of the Group.

BBC North

The BBC's presence in the Yorkshire and Humberside region is considerably smaller than their commercial neighbours, employing only slightly more than one third of YTV's staff. Due to the staffing commitment to four local radio stations in Yorkshire and Humberside, this smaller staff is more evenly distributed throughout the region. Only just over half of the BBC's 270 employees are located in Leeds, compared with 95% of YTV's employment.

BBC North produces a smaller amount of regional television programmes than YTV, around 450 hours per year - and again, the bulk of this is news and current affairs. However, it is becoming easier to gain additional regional slots on a case-by-case basis as Regional Programming as a whole is rising up the BBC's internal agenda at the present time. Moreover, a recent BBC North regional programme set a precedent by being re-formulated as a network programme for BBC1's Inside Story documentary strand. While encouragement is being given for further regional-to-network programmes, BBC North will never become a major network centre such as Manchester, Birmingham or Bristol. At the present time, and despite the BBC's overall high profile online service, BBC North has only the most rudimentary information online.

Independent Production Companies

Almost all of the major independent television companies in the UK are located in London and the South East. Big independents locate close to the commissioning centres of network production for the major broadcasters. For independents, regional commissions are substantially inferior to network commissions because their volume and form - typically five minute drop-in sequences with only the occasional self-standing half hour programme or short series - are strictly limited. The budgets per minute are also considerably less than for network commissions. Consequently, there are no major independent production companies in Yorkshire and Humberside.

However, there are between five and ten established, medium sized (10-20) production companies in the region. In turn, these companies effectively act as second tier suppliers by sub-assembling programmes for YTV and BBC North. Production duties on these will often be split between the larger independents and a number of (smaller) independents and freelancers. Similarly, the bigger independents have largely taken over the task of sifting through programme ideas from these small and/or start-up companies, a task that was once undertaken by YTV and the BBC themselves. Promising production ideas from these newcomers will then

be pitched to the major networks by the larger independents, functioning in a 'gatekeeping' capacity.

3.8.4 New Media in Yorkshire and Humberside

New media activity is increasingly becoming a key focus of attention for development agencies, local authorities and central governments around the world. As can be seen by the data presented above for the Leeds economy, this is unsurprising given the rapid expansion of employment in new media related activity. Typically, cities and regions that are not known as traditional media centres, see new media as a 'window of opportunity' for capturing a growth sector.

The new media industries will, it is asserted, have a wider geographical distribution than established media industries given the enhanced locational repertoire of firms, arising from the ability to transfer products and services 'over the wire'. A second assumption regarding the nature of new media activity (that is currently guiding a number of UK policy initiatives⁷), asserts that new media companies will 'cluster' to form local production complexes. Firms within these clusters will benefit from localised externalities such as an external pool of skilled labour and so-called knowledge 'spillovers' that, it is argued, are crucial to competitive advantage in a fast moving sector. The veracity of these claims is still far from clear.

In terms of definitions regarding what might be included under the category of 'new media', we would focus on digital content creation, manipulation and packaging. Map 1 is a Yorkshire and Humberside subset of new media organisations compiled by CURDS as part of a national study⁸. The database has been drawn from a number of sources to capture a wide range of new media businesses: from older, more CD-ROM focused electronic publishing subsidiaries of existing enterprises, to the present raft of Internet service companies, and computer and video games developers and publishers. As the map implies, it is the new media activity within the region – rather than established media – that has produced the high growth rate for media/new media employment in Yorkshire and Humberside, as given in Table 26 above.

However, although new media activity is spread more widely throughout the region than established media activity (covering 34 towns and cities), nevertheless, as Table 27 shows, there is still a pattern of concentration focusing on a handful of urban centres.

⁷ In particular, New Media Knowledge in London (<http://www.nmkadapt.co.uk/>) and Wired Sussex, centred in Brighton (<http://www.wiredsussex.com/>).

⁸ The database has been compiled as part of an ongoing two-year research contract that CURDS holds with the Economic and Social Research Council to examine New Media and Urban and Regional Development Opportunities in the UK (<http://www.ncl.ac.uk/~ncurds/projects/nmedia.htm>).

Table 27: Top seven locations of new media enterprises, Yorkshire and Humberside, 1998

	Number of enterprises	% of sample
Leeds	37	24%
Sheffield	27	18%
Bradford	14	9%
York	14	9%
Huddersfield	7	5%
Wetherby	6	4%
Harrogate	4	3%
Top seven	109	71%
Total	154	100%

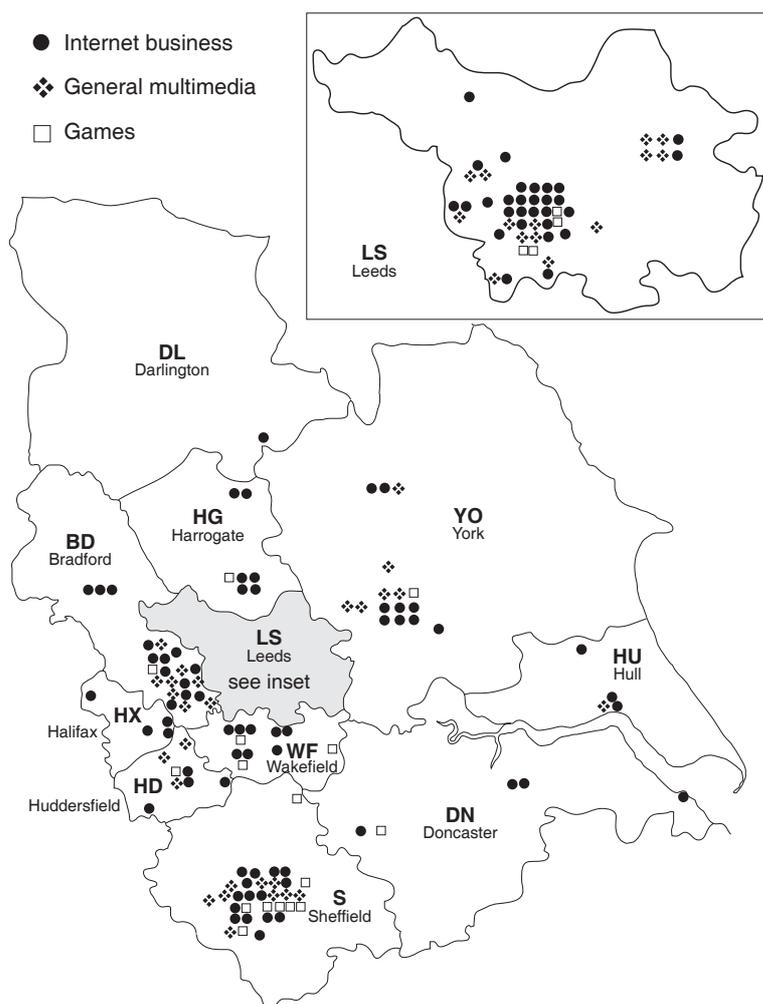
Source: CURDS research

As can be seen, Leeds is the single most popular location for new media activity within the region. Indeed, the additional 13 enterprises located within the edges of the Leeds administrative boundary point to the importance of a wider West Yorkshire area, with the county claiming slightly over half of the sample and nearly three times the number of enterprises of its nearest rival, South Yorkshire.

Map 1 also indicates a certain degree of local specialisation within new media activity in the region. While clearly new media is a fast moving area and still in its infancy, two 'poles' seem to emerge from the data. Firstly, a concentration of companies supplying Internet products and services to (largely) corporate clients is developing within Leeds. Of the city's 37 new media enterprises, 65% are primarily oriented towards Internet business activity. In contrast, Sheffield and its close neighbour Rotherham have a disproportionate share of companies that are focused on computer and video games development and publishing, almost a third of the regional total.

It would seem, then, that new media activity in Leeds is (at the present time), focused towards producing business applications and services for a corporate clientele, whereas Sheffield (including Rotherham) has a much stronger representation in terms of consumer entertainment products and services. In the latter case, it may be significant that Sheffield City Council has had a long history of involvement in the promotion of 'cultural industries'. Games development and publishing resemble the cultural or 'creative' industries much more closely than other new media activities. Further, there is some evidence of synergies between Sheffield's games companies and other successful branches of the creative industries in the city. For example, Gremlin – Sheffield's leading computer and video games company and Europe's largest independent games publisher – has used locally-based companies such as Designers Republic and the Sheffield record label Warp for a number of their finished products.

Map 1 New media enterprises in Yorkshire and Humberside 1998.



3.8.5 New Media in Leeds

As the data above indicates, Leeds is a significant centre for new media activity. What is more, the employment figures relating to this growth are only partly detailed in Table 26 above. Firm interviews indicate that much of the employment growth in new media has been generated throughout 1997 and 1998. Figures for this period have yet to be released by the Employment Survey.

In terms of firm numbers, companies supplying Internet-based business solutions numerically dominate new media in Leeds. To provide an indication of the number of employees that these companies represent, it is worth considering the profile of this particular sub-sector. The majority of firms are small, with 10 or less full time employees (FTEs). A few firms exist within the 10-40 band, (e.g. Brand New Media in the case of Leeds). A *very* select few are considerably bigger than these figures and this size category is (almost) exclusively composed of Internet Services Providers (ISPs), such as Planet Online in Leeds, currently 150 FTEs. This particular industrial structure is not shared by other sub-sectors of the new media market.

For instance, the average size of enterprises involved in the development of computer and video games is larger. While there are still some firms with under 10 full-time staff, the average size of development units has increased over the 1990s – due to the rising complexity of production – and the average is now closer to 15-40 FTEs. A handful of developers have staff levels in excess of this, running into the low hundreds. The much smaller number of computer and video game *publishers* in the UK, are either those of a similar stature to this latter category, or larger still. Leeds is under represented in terms of computer and video games employment, with only 4 firms in the city and only one, Pysgnosis (see case study), being of a significant size. Even taking the city as Leeds-Bradford, Pysgnosis is still left as the sole games company of any note, compared to 4 companies with well over 20 FTEs in the Tyne and Wear area (comparable in size).

New Media in 'Old' Media: News Agency Growth

However, the biggest new media employer in the city has its roots firmly in the established media. The dramatic growth in news agency employment noted in Table 1 is the result of acquisition and the 'chain migration' from London of a number of the Press Association (PA)'s business units starting with PA Sports Data Services in 1993 (see case study in Annex).

- All PA Sports operations are now run from Leeds, including editorial.
- The fledgling PA New Media moved to Leeds towards the end of 1996 to benefit from synergies with PA Sports, based on a overlapping market demographic and the exploration of new revenue streams (e.g. real-time cricket coverage on the web and the use of PA compiled statistics in computer sports games). PA's new joint venture with Mirror Group newspapers, Sporting Life Online, also now housed on the same site.
- There are currently around 250 FTEs across all of PA's Leeds operations (roughly 80 in PA New Media alone), with an additional 50-100 cyclical freelancers and part-time staff.
- PA's presence in the region has led to the attraction of more PA activities – albeit lower-value added – to other Yorkshire and Humberside localities (e.g. Copy Direct and 2-Ten in Wetherby).
- Good prospects for continued growth of PA's existing business units in Leeds and the region.

Internet Business or New Media Agency?

In terms of the companies supplying Internet-based business solutions, a number of features should be noted:

- Firstly, there is a split between those companies offering third party Internet services in varying combinations and those companies ostensibly setting themselves up as new media 'agencies'. The two approaches represent different business models embodying differing cost structures, revenue streams, and locational requirements.

- Of the former group, the growing and successful firms tend to have complementary technical expertise in systems integration and/or back-office and bespoke software development. Clients tend to be a mixture of local, regional and national.
- New media agencies plan and implement Internet strategies and campaigns, involving a creative core competence allied with extensive client liaison (see Brand New Media case study). As the name suggests, these companies act as advertising agencies within the new media arena. New media agencies require high quality premises to project ‘credibility’ to their blue chip clients. In Leeds, they also require more central locations close to train connections that allow for extensive client servicing, primarily in London and the south east.
- New media agencies are a very small group nationally and total no more than four companies in Leeds. Merger and acquisition will trim this number still further, with much of the activity driven by conventional advertising and marketing agencies buying up their (smaller) new media cousins.
- Despite the company’s size, Planet Online (see Case Studies), does not operate as a typical ‘hub’ firm for Leeds; that is, with an extensive network of suppliers and sub-assemblers. Rather, Planet is a “full service” Internet bureau offering connectivity, integration, applications and services all in-house. Interaction with other local firms occurs purely through their role as resellers for Planet’s ISP business (on a commission basis).
- Collaboration between smaller firms is very rare given a competitive market where poaching of clients is a feature.
- Smaller labour pool than London not seen as an unqualified disadvantage for the region as while recruitment problems are greater than in the capital, retention of staff is easier. Retention is currently prized above recruitment due to the value of on the job experience as skills are resolutely non-standard.
- Most Internet service suppliers in the city have established their business through a traditional step-based model where the size and prestige of clients increases over time, as does their geographical distribution. For example, Sense Internet have concentrated on local and regional clients (e.g. City Council, YEB), but now find that they are gaining contracts in the core markets of London and the south east (e.g. BA). Exceptions to this, such as Brand New Media, whose entire clientele lies outside Yorkshire and Humberside, have achieved this position serendipitously but feel that it gives them a competitive advantage.

3.8.6 Support Agencies / Infrastructure

Media industries have not traditionally been the beneficiaries of a high degree of active state support. In terms of urban and regional development, the most notable policies to-date have been the “cultural quarter” initiatives of the 1980s. In part, this is a reflection of the oligopolistic nature of media markets and their concentration in a very limited number of locations. Additionally, structures for accredited

sector specific training have been established and implemented by national bodies such as the Producers Alliance for Cinema and Television (PACT) and the National Union of Journalists (NUJ).

The same cannot be said for new media at the present time. The infancy of new media and the rapid pace of change have already produced a patchy (yet overlapping) set of trade associations such as the British Interactive Media Association (BIMA), the Internet Service Providers Association (ISPA) and the European Leisure Software Publishers Association (ELSPA).

A number of urban and regional development agencies in the UK have recently begun to support new media businesses in their various guises. Given the problems outlined above, it is unsurprising that the most successful interventions so far seem to be primarily geared towards profile raising and trade mission support (e.g. the Scottish Games Alliance, Wired Sussex). Looking beyond these promotional measures, an important component of the local support infrastructure for media and new media – that is often overlooked – is the quality, appropriateness and depth of educational provision. Young people dominate new media in particular, and what all companies need is a ready supply of graduates.

Education

As the case studies in the Annex demonstrate, in many cases, human resources are the single biggest asset that media and particularly new media companies possess. Further, recruitment is one of the most difficult tasks currently faced by new media companies. Most of the individuals who establish careers in new media have high levels of formal educational attainment. Successfully establishing links between new media companies and higher education institutes (HEIs), would ease recruitment problems for local firms and improve graduate retention within the city.

The Leeds area would appear to be well served in the provision of media/new media oriented courses, with all the major HEIs in Leeds offering general programmes, with their own particular specialisms. Trinity and All Saints College, houses a large media School that currently has 1,000 students registered, of which 700 are full-time. Specialisms at Trinity and All Saints include bi-media, Media Management, Public Communication, and a new undergraduate programme in Digital Media and Culture. Leeds Metropolitan University houses the Northern School of Film and Television and also offers an extensive series of short media courses. The Communications School at Leeds, traditionally strong in journalism, is developing a Media Management course for the BBC and forging links with the newly appointed Professor of Media and Marketing at the Business School. Finally, Leeds College of Art now runs a Digital Media programme, while a local training provider, Vera Media, runs short media courses for women.

Given the depth and specialisms of the media courses available within the city, it is perhaps surprising that several new media companies felt very strongly that the attitude and commitment shown by HEIs in Leeds

towards the private sector were far from satisfactory. Further, several other companies, such as Pysgnosis, were totally unaware of the existence of particular programmes (digital design courses in this instance, leading Pysgnosis to recruit all their graphic artists from outside the region). The three main grievances felt by firms are: late payment for lecturing services on digital media courses (nine months in one instance); lack of interest by HEIs in establishing placements for students; and lack of funds from HEIs to help with the costs of those students on placement.

A lack of formal mechanisms to promote the type of links necessary to generate optimum mutual benefits was seen to be a major contributory factor. A number of companies, including the biggest new media firm in the city, outlined a need for a dedicated intermediary to facilitate the forging of relationships with HEIs. An intermediary was deemed necessary, as the task of establishing links with education is too arduous for individual companies, due to the extreme pressures of working in such a fast moving sector. In lieu of any formal linkages, relationships that have developed between new media companies and HEIs in the city have done so by chance, as a result of a variety of personal connections.

Unsurprisingly, these connections sometimes extend beyond Leeds and beyond Yorkshire and Humberside. Brand New Media, for instance, have organised a placement arrangement with students from the Electronic Imaging course at Bradford University, after becoming disillusioned with the HEIs that they had approached in Leeds. At a greater distance, PA New Media have developed a loose relationship with the School of Journalism in Preston, which has already led to the permanent recruitment of a number of their graduates. The value of short term placements with new media companies is considerable given the scarcity of real, 'hands-on' experience within the labour pool. As one firm put it, 'six months experience is currently a lifetime in this business'.

Leeds Media Initiative

Leeds Media Initiative (LMI) is a subgroup of the Leeds Initiative. LMI has been operating since 1994 and is funded by the LDA and the Leeds TEC. However, it was only in 1998 that the LMI moved away from its beginnings as a loose, informal grouping to become an official subgroup of the Leeds Initiative with limited company status. Thus, the LMI is at a significantly less advanced stage than several of the other initiatives in Leeds such as the Financial Services and City Centre Initiatives, although it is now considered one of the priorities under the Leeds Initiative umbrella.

LMI's board consists of seven members and a number of additional observers. This membership is, in the main, roughly split between representatives from development agencies (LDA, TEC), big employers (YEP, Granada) and two smaller employers (e.g. Vera Media). The board has recently committed itself to eight key objectives, but the most pressing issue for the LMI is the recruitment of a part-time 'media executive' for Leeds. Although the key objectives are focused on Leeds, the LMI liaises and co-ordinates with regional bodies (e.g. Yorkshire &

Humberside Screen Commission), and networks with other city-based initiatives such as Huddersfield's Creative Town at these regional fora.

The main strategic challenges facing the media executive are two-fold. Firstly, to establish links with the city's thriving new media community. The orientation of the LMI, from the board down, seems to be presently focused on more traditional media. This situation needs addressing given the disparity in growth rates between 'old' and new media activities within the city.

Further, a number of the LMI's stated objectives are concerned with promoting media in Leeds under a broad definition that roughly translates as the 'communication business'; so in effect, media as an adjunct to the existing producer services complex in the city. Input from new media firms, then, seems central to the success of these objectives given that many PR, advertising, marketing and design companies are already involved in new media activities, and will increasingly be so – either through recruitment, the learning of new media skillsets by existing staff, sub-contracting, or through the direct acquisition of new media enterprises.

Secondly, the LMI's media executive needs to liaise with the city's education community. While HEI representation on the LMI board is not necessary, the media executive could fulfil the intermediary, facilitating function between HEIs and the private sector identified above. The successful outcome would be the harnessing of the educational capacity of the city with the strong base of commercial new media firms, to the maximum benefit of both constituencies. Helping to establish a locally-based supply of appropriately skilled and experienced human resources could prove vital to the future success of the sector in Leeds, as the city will face increasing competition from other cities and regions looking to attract and support new media activities.

3.8.7 Conclusions/Future Trends

Sectoral Trends

- A continuing and accelerating change in the skills base of traditional media to overlap with that of new media (e.g. bi-media to tri-media within broadcasting) as 'old' media continues to meld with new.
- Continued technology-induced employment losses in a number of areas of the established media (e.g. print publishing), but these losses will be countered in some cases by the introduction and/or expansion of new services (e.g. digital television, online); but
- The introduction and/or expansion of new services invites organisational restructuring and the geographical implications of this process are contingent; particularly given that:
- New media *production* activity can be undertaken anywhere, so the traditional importance of locational factors is determined by the volume and intensity of client liaison (e.g. low for games development versus high for agency work).

- Barriers to entry for new media start-ups will continue to rise as first mover advantages and increased returns to scale continue to pay dividends for established firms (particularly in the ISP and agency markets), leading to:
- A shakeout driven by vertical and horizontal integration in new media markets with a higher degree of external control for those new media firms outside London and the south east.

Leeds Contribution to the Region

- At present, Leeds is the major centre in Yorkshire and Humberside for attracting and sustaining high value-added activities in the dynamic segments of the media and new media markets – with the important exception of computer and video games.
- Leeds-based new media companies are connecting the region with growing national and international markets.
- The dynamic segments of the media and new media are generating new skills and expertise within the region, in terms of experimental business models and through the pervasive influence of high calibre individuals recruited externally from the rest of UK and overseas (e.g. PA's nationally recruited sports editorial staff and the international mix of personnel at Psygnosis).
- The attraction of Leeds for media and new media companies is the lure of positive 'high quality' factors – the city centre's image (and reality) as young, vibrant, confident and successful, the high volume of economic activity and the producer services complex in particular – in conjunction with 'lower quality' factors: cheaper labour costs than London and the south east, very good train links with the capital. It is this composite of factors that makes Leeds attractive within a national context, and the high quality factors that differentiate the city within the regional context.
- Less positively, media and new media companies in Leeds have no strong connections with the wider Yorkshire and Humberside region except to serve as an export market.

Employment growth in Leeds:

- New media as an adjunct to the producer service complex in Leeds.
- Continued growth in sports journalism, traditional and new media sports data and sub-assembly services.
- Growth in hitherto under represented new media market segments i.e. entertainment (games).

Employment growth throughout region:

- Continued growth in existing local new media specialisms (e.g. games in Sheffield).
- Early colonisation of future niche markets for new media.
- Possible spillover of less value added media and new media activities from Leeds.

3.9 Culture, Leisure and Tourism

3.9.1 City-centres, culture and cosmopolitanism

City centres have always been points of concentration in terms of economic, political and cultural activity. However, in the light of suburbanisation and the growth of home-based, private leisure many city-centres in Britain have experienced decline and stagnation. However, over the last decade there has been a revalorisation of city-centres as places to live, work and be entertained.

This move back to the city-centre is part of a wider process of socio-economic restructuring which has occurred in the British economy, and in particular the decline of manufacturing activity and the concomitant shift to service employment. In particular, re-animating the city-centres through cultural and artistic activity has proved to be a successful in terms of offsetting the decline in the local economy; acting as a catalyst for economic and physical regeneration; boosting the image of the city to aid the process of national and pan-national inter-urban competition and to promote the identity, vibrancy, liveability and cohesion of cities. To such ends, city-centres have been transformed through a combination of physical regeneration schemes, and more recently by developing the softer, cultural, infrastructure of the city and encouraging a cosmopolitan atmosphere.

It can be argued that a cosmopolitan and culturally vibrant city makes a special contribution to its region. Cosmopolitan cities have a number of distinctive components: there are high levels of innovation and creativity fostered through the interaction of people of different classes, occupations, cultures and races; there are high levels of inward and outward migration and a relatively high proportion of upper social classes from outside the region unaffected by the dominant local culture; activity is oriented towards the needs of highly mobile elite groups and hence as well as being purely regional or national, they are also international in focus; there is a rich mixture of high and popular forms of art and culture and a demand for international culture will co-exist with demand for local culture; chaotic, ad hoc and messy fringe areas which function as seedbeds for new talent and experimentation co-exist with spectacular and large scale cultural developments; there is a mingling of producers and consumers and a rich exchange of ideas; there are an array of distinctively local cultural products and talents which attract tourists and visitors, especially from an international level; and there is a wide circulation and replenishment of knowledge and information from the interaction of many different cultures.

The importance of the cosmopolitan city to its region is significant. Such cities are invariably the focus of migrants and the input of new ideas flowing from this tends to make them more creative than their hinterlands. In a region with a cosmopolitan city its effects as an economic motor and centre of innovation will be profound – both in terms of the generation of business and knowledge which can overspill into surrounding towns, but

also in its effect on the image of the region and the ability of the wider region to attract and successfully absorb mobile investment and skilled labour. The cosmopolitan city, then, attracts knowledge intensive activity, skilled labour, international tourists and business elites, all of which in turn introduce new ideas and creativity and generate a demand for quality and high value added goods and services, which in turn creates a more attractive environment capable of attracting more activity. Such a virtuous cycle of growth creates conditions in which the local population of a city and the wider region can benefit.

3.9.2 Creating a Cosmopolitan city in Leeds

Over most of the 1990s, much effort has been directed at contemporising Leeds – basically replacing its old industrial image with a new cosmopolitan one. Specific mechanisms were established to enact this transformation such as the 24 hour City Initiative which, when established in 1994 was the first of its kind in the UK. The concept of the 24 hour city went hand in hand with the promotion of Leeds as a European and Liveable City based around a café and bar culture. This concept was largely imported from Manchester by the then leader of the Council, John Trickett and initially acted as a promotional rather than an interventionist device. However, subsequently the rhetoric surrounding the Initiative generated tangible effects and Leeds has witnessed the growth of dozens of cafes, bars and restaurants and pavement cafes, many of which have introduced new eating, drinking and entertainment concepts to the city.

A number of factors secured the success and rapidity of the city's efforts to enhance its cosmopolitan ambience and evening activity. The most important are the consensus which was established between the council, police, magistrates, entrepreneurs and the leadership role of the Leader of the Council. Significantly, unlike many other locations during the early 1990s, this consensus extended to the Urban Development Corporation who displayed a 'peaceful co-existence' with the City Council and was further consolidated by the work of the Leeds Initiative. This broad consensus and leadership also increased co-ordination between relevant City Council departments – licensing, highways, planning. The consensus was underpinned by the historical pragmatism of Leeds which typified a willingness to work with the private sector which created a stable environment for investment. The City Council was extremely pro-active in the sense that it would actively approach businesses to inform them of changes in trading licensing conditions.

The City Centre Management Team (CCM), established in 1994, also plays a role in the revitalisation of the city centre, through its roles as a lobbying voice for the interests of those living and working there; an interface between traditional council departments and the city-centre; and as a proactive and holistic agency for the development of the city-centre. Most of its activities to date have concentrated upon marketing, regulation and law and order issues, especially in terms of the introduction of the CCTV system 'Leeds Watch'. In addition to the CCM, the Leeds City Centre Initiative, a public-private partnership stemming from the Leeds

initiative, provides an extra mechanism for promoting the interests of the city-centre.

At the beginning of the expansion phase in the early 1990s, the City Council worked very closely with individual venues, through seminars, joint marketing and licensing aid. However, the growth of Leeds' cosmopolitan atmosphere is associated as much with the efforts of key individuals and venues such as Indie Joze, Back to Basics and Vague as with the City Council who largely played a facilitative role through publicity and deregulating licensing.

However, there is no doubt that a significant transformation has occurred in Leeds over the last 5 years, especially in terms of generating new forms of activity in the city-centre and shedding images associated with its industrial past and rowdy male dominated drinking cultures. However, there are some problems arising from conflicts between on the one hand the encouragement of small scale activity dependent on low rents and vacant property and on the other the consequences of rental growth and demand for space in the vicinity of prestigious office and retail developments which has inhibited such small scale outlets. Moreover, in spite of the consensus, the police and the City Council do not share the same views over the liberalisation of licensing. Further, many have questioned how realistic a 24 hour strategy can be in the light of moderate population levels and lack of associated city-centre facilities and services and the fact that too much growth has focused upon re-extending drinking and night-club cultures for a narrow section of the population.

3.9.3 Trends

The current picture – culture, leisure and tourism

The Culture, Leisure and Tourism sectors are defined here as types of activities and services which contribute to the cosmopolitan atmosphere of the city. It includes aspects such as theatres, libraries, art galleries, museums, fashion, music, food, dance and includes both small scale and popular cultural activities as well as venues of high culture and national significance. The media industries are considered under a separate theme.

This sector in Leeds is large, diverse, well established and dynamic. Leeds is home to an number of established cultural institutions such as The West Yorkshire Playhouse and the Henry Moore Institute for the Study of Sculpture, Tetley's Brewery Wharf, The Royal Armouries, Opera North and hosts major events and festivals such as the International Pianoforte Competition, and the International Film and Music Festivals. It is also home to major sporting events at Elland Road and Headingley Cricket Ground and is nationally renowned for its city centre shopping. Notwithstanding the influence of these aspects of Leeds, a key element has been the growing bar, club and restaurant culture modelled along European lines which strives towards creating a cosmopolitan atmosphere and animating the city-centre for as many hours as possible.

The culture, leisure and tourism sectors in Leeds employed 20,600 people in 1996 (5.3% of total employment in the city) and has increased by 9.2% since 1991. The largest two subsectors were restaurants (4,300 accounting for 24.4% of employment in the sector) and bars (6,700 accounting for 38.1% of employment in the sector) which together accounted for two-thirds of all employment in the culture, leisure and tourism sectors and 3.4% of all employment in the city. However, the largest growth areas over the 1991-96 period were in other subsectors, namely hotels (an increase of 33%) sporting activities (46%) and other entertainment activities which mainly include theatrical activity (82%) (Table 28).

Placing this sector in a wider context (Table 29), in 1996 Leeds was responsible for 38.7% of employment in the cultural, leisure and tourism sector in West Yorkshire and 15.1% in Yorkshire and Humberside; moreover, culture, leisure and tourism employment in Leeds is double that of all other districts in West Yorkshire. Whilst employment in this sector has declined nationally by 0.3% and has fallen by 14% in Manchester and 11% in Birmingham, it has increased by over 9% in Leeds, but has grown to a lesser degree in the wider region in the period 1991-96.

Table 28: Employment in the Culture, Leisure and Tourism sector in Leeds, 1996.

Sector	1996	%Change 1991-96	% of sector	% total employment
Hotels	2000	33	11.4%	0.5%
Restaurants	4300	13	24.4%	1.2%
Bars	6700	-2	38.1%	2.2%
Other entertainment activities	1200	82	6.8%	0.2%
Library, archives, museums etc	1900	21	10.8%	0.5%
Sporting activities	2500	46	14.2%	0.5%
Other recreational activities	2000	-23	11.4%	0.8%
All Culture, Leisure, Tourism employment	20600	9	100.0%	6.2%
All employment	334900	7		

Source: NOMIS, 1999.

Table 29: The growth of The Culture, Leisure and Tourism sectors in a wider context

Area	1991	1996	% Change
West Yorkshire			
Calderdale	4000	3700	-9.0
Wakefield	6000	6600	10.9
Kirklees	7300	7900	8.3
Bradford	9400	9700	2.7
Leeds	18700	20600	9.2
West Yorkshire	43300	45500	5.1
Y&H	114500	116400	1.7
Other selected areas			
Birmingham	21000	18700	-10.7
Manchester	14200	12200	-14.0
Glasgow	19800	21300	7.2
Greater London	182500	192200	5.3
Great Britain	1353600	1349100	-0.3

Source: NOMIS, 1999.

Additionally, it has been calculated that the Tourism industry in Leeds supports over 9,000 jobs directly and generates an estimated £295m in the city's economy (Leeds Economic Handbook, 1997). It has been estimated that the cultural industries in Leeds (defined as electronic and pre-electronic art forms) employs directly employs over 4,000 jobs and indirectly employs over 1,500 and produces an annual output of £392m. (PRI, 1996). Clearly, there are significant leakages to the external economy, including the Yorkshire and Humberside region, which will create an additional 1,000 jobs.

It is evident, then, that Leeds is a significant cultural centre in both a regional and national context. The city has received less than its fair share public funds from sources such as the SRB, Lottery and Millennium Funding and European Structural Funds, but it has developed a secure, prosperous and diverse economic base through private sector investment. With three-quarters of all employment in the city in the service sector (although not all of this is in higher value, creative and professional services) Leeds has one of the largest private sector professional communities outside London. Because of this prosperity and customer base and the success of the city in relation to others with a similar economic base such as Manchester and Glasgow, Leeds was able to experiment with fringe aspects of its economy such as evening activity, cultural animation and the cosmopolitan ambience of the city. Such experimentation, fuelled by the demand for goods and services from the burgeoning private sector professional community, is difficult to sustain in smaller centres in the region with a smaller economic base and professional community.

The transformations in Leeds in the entertainment and leisure sector over the last half a decade have resulted in a well established independent and corporate sector which cater for different consumer markets. Transformation was spearheaded by small independent sector around the Calls area with more recent expansion led by the corporate sector with the addition of 'super pubs' by operators such as Scottish and Newcastle, Greenalls and Yates'. Leeds has also gained a reputation as the 'club capital of the north' through night-clubs such as Back to Basics and Vague and, through the liberalisation of local licensing regulations, a café culture is beginning to flourish.

A number of distinct entertainment circuits are emerging which reflect these different patterns of investment and activity. The Boar Lane area has been a growth pole for the large corporate operators and mainstream drinking audiences, the Civic Quarter area surrounding the Town Hall has experienced a growth in student oriented venues, the Greek Street financial area has experienced expansion to reflect the tastes of the professional service community; and, finally, the Exchange Quarter, one of the main catalysts for growth area has developed an alternative atmosphere from small scale operators. This last consumption circuit is discussed separately below.

The Exchange Quarter

One of the main focuses of growth, and area which has been used to portray Leeds to the external world, has been the Exchange Quarter. Semi-derelict in the early 1990s, the area has developed along similar lines to Soho in London, the Merchant City in Glasgow and Canal Street in Manchester with the establishment of 18 bars/cafes/restaurant outlets. Although initiated by small scale, alternative independent outlets (such as Arts Café, Oporto, Liquid), the most recent rounds of growth have been associated with corporate activity and larger independents (Whitbread, Marstons, Bass, Yates's, Allied Domecq, Townhouse). As a result of price inflation in the area, smaller operators which originally typified the area now face significant barriers to entry.

Through the efforts of one of the bar owners, and backing by Bass Breweries, a coherent identity was vigorously promoted for what has become known as the 'Exchange Quarter'. Through a dedicated magazine, *the Exchange Quarterly* specifically aimed at promoting 'Leeds Bar Culture', the area has developed national and international status. This Magazine is distributed in other similar cities such as Liverpool and Manchester to increase the inter-regional exchange of those consuming new bar and club cultures and is also distributed abroad.

Efforts have also been focused upon promoting the area, not simply as a place to drink, but as a place of culture through the staging of specialist events such as a Food and Film Festival and a musical video which features local musical talent such as Nightmares on Wax. A dense network of trust and communication has been fostered between venue owners and the Exchange Quarter Association has been established to create a sense of community. The Association exists as a lobbying agent

to protect the interests of those in the Quarter, especially in terms of shielding them from the activities of larger corporate operators. However, as the area expands and diversifies there is evidence that the identity of this community is fragmenting, with for example the formation of the adjacent Assembly Street Association of bars.

In many ways, the Exchange Quarter has been one of the main drivers behind the renaissance of Leeds' image and has tried to create itself as the focus for alternative culture and leisure in the city. One of the roles of the Exchange Quarter is to act as a meeting place for both consumers and producers of culture. In this sense, the area acts as focus for the exchange of ideas where those associated with the fashion, music and club industries in the city, the wider region and further afield mingle with those on a night-out. Such a forum institutionalises a cosmopolitan atmosphere in the city. The area is also animated into the night with two bars granted 2am licenses and 6am night-club licenses operating nearby. Recent concern has been expressed that after the groundwork done by the independent sector, it is likely that the corporate sector will shape the future direction of the area, eroding some of its initial creativity.

3.9.4 Future Trends

Saturation and expansion

With the existence of a large private sector professional service community, major Head Quarter functions, low unemployment and large overall population, Leeds is regarded as having an excellent customer profile to sustain and expand a diverse culture, leisure and tourism sector. However, in the light of the rapid expansion over the last 5 years, there is evidence of market saturation in the city-centre with several bar owners experiencing lower than average trade in recent years. Moreover, the positive signals sent out to developers over the last few years are being modified. In particular, property prices reached their peak last year and profit warnings were predicted on new developments, with the result that many developers withdrew from schemes placing downward pressure on property prices, in some cases by 25%.

More recently, there is evidence of a return of interest with rentals stabilising at £22 per sq. ft and there is much developer interest with over a dozen new leisure outlet schemes currently proposed or recently developed in the city-centre. However, there needs to be more substantial evidence that the city-centre can sustain further large-scale entertainment and leisure expansion such as the developments at Clarence Docks.

One of the most important aspect to the continued growth of activity in the city-centre and the consolidation of a true cosmopolitan ambience is the continued growth and diversification of housing units. The population of the city-centre has increased from only 900 in 1993 to a current level of over 4,000. However, it is estimated that student accommodation and accommodation at the Leeds General Infirmary accounts for around three-quarters of this total. Moreover, Housing Association units also accounts for a significant number. In essence, this means that the city centre

population is dominated by young unmarried residents, which adds to the impression of the city-centre as a ghetto for young drinkers rather than older cohorts and families. The developments at Clarence Docks and Brewery Wharf are likely to contribute to the diversification of the housing stock. Projections that Leeds city-centre population could rise to 10,000 need to be worked towards to fulfil the city's vision for a true cosmopolitan atmosphere.

One of the main trends for the near future is the continued geographical expansion of the city centre. This is occurring in a number of directions such as the Brewery Wharf, Clarence Docks, Quarry Hill, and, further out, the Kirkstall Valley. Such expansion is likely to fill some of the current gaps in city-centre activity such as a proposed art house cinema at Clarence Docks, additional housing units at Brewery Wharf and Clarence Docks and the Jazz and Blues concept for Quarry Hill. Growth is also set to continue along the Kirkstall Valley area. For example, Allied Domecq have chosen this site as to open their branded night-club 'Evolution'. Other aspects of growth in the city-centre such as the proposed multiplex cinema on the Headrow, may contrast with the finer grain feel of other developments in the city-centre and may have a negative effect on congestion and smaller scale activity. Nevertheless, such expansion will only increase the dominance of Leeds as a multi-faceted cultural and leisure centre to the detriment of other smaller regional centres.

The origin of the growth of activity in the city-centre is unclear. Growth is either predicated upon an overall expansion of consumption (i.e. more people going out) or is at the expense of other inner areas of Leeds and other regional centres. The most likely scenario is that, unless there is significant further in-migration to Leeds in the near future, growth of activity in the city-centre is fuelled from a reduction of activity in other centres within a 20 mile radius of Leeds. In this sense, places such as Bradford, Huddersfield, Wakefield and Halifax are being drained by the success of Leeds. However, there is evidence of market saturation in other, more prosperous, centres such as Harrogate.

Experimentation

Leeds has been at the forefront of experimentation in terms of entertainment and licensed outlets, much of which has been pioneered by the small-scale, independent sector. In the wake of the groundwork undertaken by the independent sector, the corporate sector regards Leeds city-centre as an area ripe for further expansion of innovative licensed outlet concepts. In particular, the recent investment by TownHouse Life Ltd, originally a retail operation, is evidence of the desire of other sectors to gain a foothold in the entertainment market in Leeds.

There are upwards of 18 proposals for bar, café or restaurant developments in the city-centre, many of which are consolidating three growth points: the Exchange Quarter, the Civic Quarter and the Greek Street Financial District. This corporate expansion is likely to 'mainstream' and up-size many of the concepts initiated by the independents. For example, Allied Domecq Inns are introducing a

number of their new concept bars to the city-centre such as Blue Café Bar and Bar Sauza which, with a Latin American feel, is in keeping with the Exchange Quarter. Much future expansion is concentrated in new brands, such as All Bar One, Quo Vardis and Quid Pro Quo, aimed at the professional service community which, comprised of highly paid, mobile and creative workers, is considered as one of the main consumption groups responsible for the sustained growth of the cosmopolitan atmosphere of the city. Moreover, concept bars aimed at the student population are emerging such as Firkin, the Thirsty Scholar and the Rat and Parrot.

This growth, started by the independents and now taken up by the corporate sector is evidence of innovation and experimentation in the entertainment sector and represents a move away from the traditional male-dominated leisure environments and the recognition of niche consumer audiences, the strength of the professional community and in particular the need to attract women audiences. Future expansion is likely to be based upon growth from the corporate sector, especially speciality and quality corporate operators. The dominance of the city-centre by this sector may have important consequences in terms of innovation and experimentation which has been the back-bone of the rise of Leeds over the 1990s. The view from the independent sector is that the City Council has been very successful in creating the right conditions for growth, but the current need is for planned growth to preserve the atmosphere of certain areas such as the Exchange Quarter.

Bar and club cultures

In spite of the growth of the night-club scene in Leeds and the granting of pioneering late licenses, there is evidence of a shift from a club to bar culture. A number of trends can be highlighted to explain this shift. Firstly, the disillusionment of club entrepreneurs from the late 1980s and 1990s and their move into the bar scene; secondly, the ability to achieve higher rates of return from bars, especially with the introduction of longer licenses; thirdly, the problems which have long been associated with night-club culture such as drugs and violence; fourthly the fragmenting consumer demand towards smaller scale and more specialised musical preferences; and finally, the emergence of new audiences oriented towards bar rather than club cultures such as the growing professional community. Leeds, then is experiencing a renaissance in late bar culture, but at the same time, and in parallel with other cities such as Manchester and Liverpool, is also experiencing a decline in night-club culture which it pioneered in the early 1990s.

3.9.5 Prospects and consequences of growth

In terms of both image and physical expansion the city of Leeds is experiencing an upward spiral of growth. However, it is important to discern what benefits are conferred to the region from the growth in culture, leisure and tourism. Both positive and negative growth scenarios can be discerned which are discussed below.

3.9.6 Positive scenarios

Regional branding and specialisation

Leeds, and other cities of a similar size and socio-economic history in the North of England such as Liverpool, Manchester and Newcastle, are part of an new breed of cities who are developing a brand based upon cosmopolitanism and metropolitanism and as a place for tourism and high quality cultural and leisure pursuits. Because of the diversity and critical mass of cultural activity and its position as a regional capital, Leeds has acquired a self-sustaining cultural image and dynamic through a large professional community and its role as a specialist business and consumer service provider which associates the city with a tier of larger, cosmopolitan and European wide cities and disassociates it from smaller, neighbouring regional centres.

In terms of regional image and branding, there is evidence of regional specialisation between Yorkshire cities such as Sheffield (City of Sport, Popular Music), Bradford (City of Film and Photography) and York (City of Heritage). Although these may be unfair portrayals of such centres by concentrating on certain large capital projects rather than their diversity, it does suggest that what sets the image of Leeds apart is its diversity and cosmopolitanism. In the process of branding, Leeds has developed a range of different identities and has promoting itself as, for example, 'City of... Drama, Film, Sport, Theatre, Dance, Shopping'. In common with other large regional capitals, it is this diversity and cosmopolitan nature which is the basis of the city's image and brand and which ensures a broad and stable economic base. While smaller regional centres such as Bradford concentrate heavily upon their cultural infrastructure, with an expenditure on culture of over £16 per capita, compared to just over £10 in Leeds (PRI, 1996), Bradford cannot compete with the diversity and strength of entertainment and cultural activity and the image of Leeds.

In terms of the Yorkshire region, from a national perspective there is a recognition that 'Yorkshire' is a very successful brand which mainly stems from its coherent history and the high levels of geographical awareness concerning the region. This, in turn, allows Yorkshire to effectively capture a growing share of the national tourist market. There are emerging conditions for synergies between Yorkshire and Leeds, then, which are allowing the both to increase their share of tourist activity.

However, there is a tension between the cosmopolitan and diverse image of 'New Leeds' and the largely rural, historical and heritage based image of the region. This is a problem which Leeds has to address, especially in the light of region wide mechanisms for government policy, development and regeneration. However, the diversity of Leeds provides Yorkshire with new resources to brand itself in a more diverse way and to a greater number of audiences. By specialising and networking, the component parts of Yorkshire and Humberside could grow the overall market.

The ripple effect

It is evident that Leeds has developed, both through physical developments and image building, a metropolitan ambience which has become a unique regional asset. More specifically, whilst putting itself on the map, Leeds has also put the wider region on the map. In this sense, the critical mass of cultural activity in Leeds also creates a 'ripple' or 'spill-over' effect into the wider region.

There is little doubt that Leeds is growing as a tourist destination in its own right. It is expanding and diversifying the range of attractions on offer at The Exchange Quarter, Granary Wharf, Clarence Docks the Royal Armouries and Quarry Hill. Leeds, then, generates a significant amount of direct spending and employment, which in turn will generate further indirect and induced spending and employment. As visitors stay in the city longer, these impacts are no longer confined to Leeds but are conferred to other parts of Yorkshire and Humberside. Moreover, visitors to other parts of the region (such as York, Meadowhall, Elland Road, Headingley) may now regard Leeds as part of a tourist itinerary. This synergy between all the component parts of Yorkshire is reinforced by the concept of 'Gateway Yorkshire'.

In terms of Leeds city-centre, after the initial period of rapid growth of image and activity, and as the entertainment market expands to near capacity and property prices rise, there is now diffusion from the centre to the rest of the region. The initial favourable environment in Leeds provided a forum through which cultural producers experimented with new forms of activity and consumers, from both the city and the region, developed a preference for such activity. Because of falling capacity in Leeds in terms of availability of sites and increasing prices, there is evidence of a second round of growth occurring in regional centres. The main two drivers to this second round of growth are the model for development which Leeds has provided entrepreneurs and the receptivity to new consumer environments which has been generated by people from throughout the region visiting the city-centre.

Leeds has also staged a number of high profile, community based events such as 'Opera in the Park' which are a useful model for other centres in the region. More importantly, the approach of the City Council and the mechanisms and initiatives it established which underpinned the growth of Leeds could be imported elsewhere and the city, through its broad cultural base, could confer its expertise, knowledge base and resources upon the region. This could include reputation as well as knowledge and skills needs and support for capturing funding opportunities. Clearly, this diffusion model was, in part, imported into the region from other larger towns such as Manchester, and in turn from other examples in Europe and the USA. But it does show the extent to which processes of diffusion occur from regional nodes such as Leeds.

It is likely that in the short term, the rapid growth of a cosmopolitan atmosphere in Leeds and the increase in its reputation has had a negative impact on Yorkshire by drawing trade from other towns and cities. But in

the longer term there is evidence of a 'ripple' effect upon the Leeds hinterland. A new generation of consumers are visiting the city centre from the surrounding area and taking away changed expectations of a night-out. As a result there is an increased demand for new consumption environments which can be seen through examples such as Bar Non in Huddersfield. Independent entrepreneurs also see regional centres as emerging markets, reinforced by the barriers to entry which have emerged in Leeds. Established independents ready for expansion also look to the Leeds hinterland as places for expansion and there is evidence that the corporate sector would look 'selectively' at other centres in the region because of the opportunities opened up by Leeds. In particular, corporate strategies and the use of brands tend to mirror, and enhance, the regional urban hierarchy in that brands such as All Bar One and Quid Pro Quo aimed at the professional service community can be sustained in large centres such as Leeds with potential for expansion of more mainstream brands such as O'Neills and It's a Scream existing in smaller centres such as Huddersfield and Bradford.

Moreover, the success of Leeds has encouraged people outside the region, especially in the south-east to take a fresh look at the city, and more significantly, its wider region. This has been fuelled by the proactive policies of the City Council's Publicity Department who secured substantial coverage in the broad-sheet press (Independent, Times, Guardian), the trade press (Planning Weekly etc.) and, significantly, the youth and popular press (NME, MixMag, GQ, Arena). In particular, the night-life in the city-centre has been vigorously marketed to the outside world, especially through night-club-hotel-travel packages which have attracted visitors from the whole of Britain and parts of Europe. However, with the diversity of growth occurring in Leeds, it is unclear as which image is being presented to the outside world.

3.9.7 Negative scenarios

Division and conflict

One area of concern is the extent to which growth in the city-centre is addressing issues of cohesion and convergence, both within the city and within the region. Of particular importance is the need to extend the success of the city-centre to adjacent deprived wards such as Burmantofts, Harehills, University and City and Holbeck. Future opportunities in the city-centre should also address the needs of groups, especially the young unemployed, in these areas.

There is evidence of polarised growth within the city centre's evening economy between the more alternative independent sector associated with the Exchange Quarter and areas around Boar Lane and the Town Hall which have been developed by the corporate sector and rely upon traditional drinking cultures. More specifically, the audience profile of the Exchange Quarter is typified as a mid twenties, employed, creative, and fashionable crowd which contrasts with other areas of Leeds dominated by large corporate operators. The desire from the Exchange Quarter to

prevent the corporate sector penetrating the area is enhancing this divide between alternative and mainstream drinking and leisure cultures in the city-centre.

Moreover, some of the rhetoric of the 24 hour city has not seriously confronted issues of safety, integration and diversity and the city-centre still remains a divided and relatively dangerous place during the evening and into the night and is dominated by large scale, alcohol oriented activity and there has not been the predicted reduction on crime or levels of policing. The 24 Hour Initiative in Leeds (underpinned by ideas of integration and liveability) still has a long way to go, especially considering that the main orientation of growth has been associated with drinking and that monocultural, male oriented, drinking cultures remain prevalent.

In this sense, although Leeds has pioneered new forms of activity and consumption in the region, unless issues of diversity and safety are addressed it does not serve well as a model for how other regional centres should develop. Future developments at the Armouries, Quarry Hill and Brewery Wharf are likely to reinforce the zoning of city-centre activity. However, the riverfront can, and presently does to some extent, act as a unifying theme for the city centre which is based around a variety of uses.

The shadow effect

Undoubtedly, much of what Leeds has achieved in terms of raising the cosmopolitanism and animation of the city centre has been at the expense of other centres in the region. Much of what Leeds has achieved can be ascribed to its success in re-inventing itself and promoting a distinctive 'Leeds' brand which has been detrimental to the image and reputation of other areas in Yorkshire which are still heavily associated with their declining industrial heritage and lack of cosmopolitanism. What has been achieved in Leeds, then, is connected to a critical mass of activity which is simply not replicable in other smaller centres. In this sense, for the rest of the region, Leeds is a gateway into a tier of larger European and British cities rather than a model of how to develop. From the point of view of the corporate sector it is these larger centres, with higher level functions and large professional community, which provide the opportunities for growth and experimentation.

Many of the mechanisms and initiatives established in Leeds have had the effect of increasing the dominance of the city in relation to other centres in the region. In particular, plans for sustained expansion of the city-centre at Clarence Docks, Brewery Wharf and Quarry Hill and the Kirkstall Valley will consolidate Leeds' position in a league of its own within the region. This shadow effect prompted by the success of Leeds may subsequently turn into a ripple effect in the long term but only a co-ordinated set of activities and promotional devices will enhance a significant amount of trickle down to the rest of the region. One consequence of the success of Leeds is that the Travel to Work Area continues to expand creating a virtuous spiral of growth and further reinforcing the success of the city relative to its surroundings.

3.9.8 Summary of Main Findings

- The sector in Leeds is large, diverse, well-established and dynamic. It employs over 20,000 people, and increased by 9% between 1991 and 1996
- The growth is largely due to vibrancy of the city's cafe and bar culture, a transformation spearheaded by the small independent sector but with more recent expansion led by the corporate sector
- The Exchange Quarter, with its many bars, restaurants and cafes, has been one of the main drivers behind the renaissance of Leeds image
- There is some evidence of market saturation in the city centre
- One of the most important requirements for sustaining continued growth in city centre activity and the consolidation of a true cosmopolitan ambience will be to increase significantly and to diversify the resident population of the city centre
- The implications of these developments for the rest of the region are complex: on the one hand, Leeds is branding itself as one of a tier of large, cosmopolitan, European cities, and implicitly dissociated itself from the industrial region in which it is situated. However, the new role which Leeds is playing allows Yorkshire to brand itself in more diverse ways and to a greater number of audiences
- There is no doubt that Leeds has developed, both through physical developments and image building, a metropolitan ambience which has become a unique regional asset
- There is some evidence of a 'ripple effect' of imitation which in the longer term could benefit other centres in the Yorkshire region. Leeds success has been based on innovation and experimentation, and has introduced new service concepts into the region which are now being taken up by other towns and cities
- However, in the short term the development of Leeds as a vibrant and cosmopolitan city has heightened its dominance in relation to other centres in the region. It is not yet clear the extent to which aspects of Leeds' development provide a viable model for other centres in the region to follow. In one sense, what has been achieved in Leeds is connected to the development of a critical mass of activity which is simply not replicable in other smaller centres

3.10 Transport and Communications

A number of commentators have drawn attention to the role of major cities as ‘information switching centres’ of a globalising knowledge economy. Far from undermining the role of cities, the global reach afforded by modern communication systems has fuelled the growth of specialised concentrations of high order services in the largest cities (Sassen, 1991; Mitchelson and Wheeler, 1994), and as has been suggested above has simultaneously expanded the regional hinterlands which these specialised urban agglomerations can serve. Significantly, there is no evidence that electronic technologies are permitting the dispersal of higher order services out of the metropolitan centres, for these require rich concentrations of face-to-face contact in order to ‘make sense’ of the information flowing in through electronic networks; what decentralisation is taking places is largely of support services and back offices which do not need a metropolitan milieu to operate effectively. Within the Yorkshire context, it is therefore vital that Leeds is able to consolidate its position as a specialised commercial and business centre, acting as the information switching centre of the region, and connecting it to global information networks.

It has been suggested that the enhanced role which metropolitan centres are playing in an information economy is resulting in the quality of communications infrastructures becoming an increasingly important determinant of the competitiveness of urban regions. Surveys of influences upon corporate locational decision-making reveal that communications issues are regarded as the most important differentiator of cities in Europe. According to Healey and Baker (1995), the top 4 factors companies consider absolutely essential in deciding where to locate their business are as follows:

Table 30: Top factors in business location decisions

Easy access to markets, customer and clients	66%
Transport links with other cities and internationally	51%
Cost and availability of staff	49%
The quality of telecommunications	49%

Transport and telecommunications infrastructures are thus vitally important to the competitiveness of Leeds and its broader region. Although Leeds is well served by its access to mainline rail and motorway networks, the limited scale and connections of its airport is likely to be inhibiting its attractiveness, particularly to communications-intensive international businesses. Thus whereas Leeds ranked highly in a study by Bruinsma and Rietveld (1993), of the accessibility of 42 European cities (5th highest on rail accessibility and 6th on road accessibility), it ranked very much lower (37th) in terms of accessibility by air. However, it benefits from reasonable proximity to the larger and better-connected airport of Manchester, and when indirect connections through Manchester

were included, Leeds' ranking rises to 30th. The Yorkshire region as a whole thus benefits both from access to Leeds/Bradford airport and, for the western half of the region at least, from a reasonable level of accessibility to Manchester airport.

In terms of telecommunications infrastructure, Leeds is well provided for, with its large concentration of information-intensive activities ensuring that the city will always feature highly in the rollout plans of commercial telecommunications network providers. Leeds was thus the most northerly city connected to Mercury's long-distance network when it was first launched in the mid-1980s, and it remains a significant hub in Mercury's network today. When GSM digital mobile was launched in the UK in the early 1990s, Leeds was one of the first cities, along with Manchester and Birmingham, outside of the South East to be served. Further, Leeds was connected, via a leased line, into AT&T's backbone network when that was first launched in 1995, and is one of the major nodes on Energis' long-distance network.

We can surmise that the Yorkshire region benefits in two main ways from the high level of telecommunications infrastructure investment that has taken place in Leeds since the liberalisation process started more than a decade ago. Firstly, it is likely to provide a commercial justification for early investment in the Yorkshire region which, in the absence of Leeds, would take place later, thereby speeding up the process by which the rest of the region can get served by new networks; and, secondly, it will facilitate access, through the Leeds network nodes, to specialist telecommunications networks for organisations located in other parts of the region. In these ways, Leeds is likely to be acting as a catalyst or accelerator for the introduction of advanced telecommunications services into the Yorkshire region.

4 Policy Issues: Leeds' Role in the Regional Economy

4.1 Leeds the economic capital of Yorkshire

Interviews with regional stakeholders revealed a surprising degree of acceptance that Leeds was the regional centre for high level financial and business service activities, a regional shopping centre and an important centre for cultural and leisure activities. There was a clear consensus that Leeds is Yorkshire's economic capital city. There were similar concerns that economic leadership was not replicated in terms of a strong political and institutional leadership within the region. Leeds would be best placed to exert such leadership, but the nature of the relationship between local authorities and regional governance structures had perhaps inhibited the emergence of this.

4.2 Leeds 'the driver of economic growth'

Interviewees generally considered that Leeds had been and could continue to be an important source of growth to the benefit of Yorkshire as a whole. Respondents were however concerned about the spatial balance of development and the sustainability of continued over concentration of employment growth within Leeds.

4.3 Economic strategy formulation

The growth of Leeds and the uneven rate of development in Yorkshire and the Humber have created a need for greater co-operation, increased collaboration and genuine partnership over recent years. Leeds' growth has greatly extended its commuting belt for example, and this concentration has led to rising labour and property costs with implications for the distribution of activities in the sub-region.

It was widely admitted that each of the local authorities in West Yorkshire had been inward looking and not adequately considered the role and importance of Leeds in their formulation of their economic development strategies. Each knew very little about the components of Leeds' growth and their effects on other parts of Yorkshire.

Leeds was viewed as having been similarly inward looking. It was suggested that the focus of Leeds on securing major developments, in the absence of sub-regional strategies, had created a climate of competition rather than co-operation.

Each of the West Yorkshire Districts had different economic relationship with Leeds and had different economic problems. They felt differences had been sufficient to make it difficult for the other West Yorkshire districts to develop a consensus that could force Leeds to participate in the development of strategies that might help to achieve more even development and balanced growth

The Leeds growth dynamic, its transport, labour market, industrial land and property market advantages had meant that Leeds has had the luxury of been able to succeed without co-operation and participate in ad-hoc collaboration with the other districts on its own terms.

Respondents hoped that the combination of growing congestion in Leeds, the threat of South Yorkshire becoming the dominant focus of RDA resources and the RDA call for sub-regionally agreed strategies would collectively provide the stimulus needed to encourage Leeds politicians and policy makers to work more closely with the other local authorities.

All interviewees felt that Leeds had developed sectoral strengths but that some activities would be better located elsewhere. Several would like to see the development of a sub-regional strategy which identified the strengths of different areas and tried to reinforce and develop those strengths in a co-ordinated way to maximise competitive advantages and a more socially equitable and sustainable spatial balance in levels of employment creation. In practice, even at the level of West Yorkshire, this may be difficult to achieve since there seems to be little consensus as to what the relative strengths of the different places are.

Leeds' most dominant economic strengths are closely tied with its role as the regional service centre. Leeds' relationship with the region is symbiotic and its long-term success is inextricably linked to the health of the Yorkshire and Humber economy. Or to put it more bluntly, Leeds needs the region at least as much as the region needs it. Several of those consulted would like to see development of strategy that defined special roles and identified and reinforced strengths in each of districts

4.4 Sectoral specialisation

The economic contribution of Leeds to the region lies most strongly in the business service cluster, although employment in manufacturing is also significant. We would however differentiate between business services and other sectors qualitatively. In the main the size of the manufacturing sector in Leeds reflects the size of population base, and indeed is relatively smaller than in some of the surrounding districts once population size is taken into account. In terms of specialisation within manufacturing, with the exception of the paper, printing and publishing, Leeds manufacturing appears to have no specialist assets of wider regional significance. In the absence of a clear focus for manufacturing then the city's economic development focus should be on collaboration within the region in order to realise scale in the development of manufacturing clusters and the provision of specialist infrastructure for research and training. The main avenue for such development at present is the Regional Innovation Strategy and its series of sectoral groups. Leeds firms and institutions participate in some of these groups, and this collaboration should be encouraged, whilst attempts to go it alone should be discouraged. Printing is the main exception where Leeds has a genuine claim for specialisation, and indeed acts as the core of the RIS activity in this field, but even here there are advantages in collaboration and Leeds being seen as a key element in a regional strategy.

Business services is however a different story and here Leeds occupies a position that is unchallenged within the region and is qualitatively distinct. Leeds already operates a successful financial services strategy and it could be argued that the wider region would be best served by the continuation of that policy. Given that high order business services are being concentrated in relatively few locations, and that Leeds' competition is really Manchester and Birmingham, then the opportunity to preserve and increase such high quality jobs in the region depends on Leeds' success. The benefits radiate out over a wider area in terms of the residential location of staff, and the use of services by other businesses, even though some of the surrounding districts have lost some service jobs to Leeds in the restructuring of the industry.

With the prospects of some overheating of the Leeds service economy, there are some opportunities for the decentralisation of some more routine jobs, and collaboration between Leeds and other districts would be beneficial to ensure that these jobs are retained within the wider sub-region.

4.5 The knowledge base

Leeds is an important centre of knowledge formation and dissemination for its region, although in this it is not exceptional compared with other cities of a similar status. Although Leeds is home to two major universities, it is hampered by a lack of other R&D resources, and has a modest performance on high technology firm formation. Knowledge-based activities are concentrated in activities connected to business services.

As already noted Leeds firms and universities are active in the Regional Innovation Strategy, and this should be further encouraged. The poor performance of the entire region in new technologies implies a need for a genuine regional scale of action to achieve the minimum scale needed for effective action. Leeds University in particular has forged a partnership with York and Sheffield Universities as an example of how such collaboration can develop.

4.6 Cultural role of Leeds

There are a number of important issues that Leeds needs to consider in terms of its cultural role in the region. In particular, how can it balance its role as a regional capital with the need to address regional cohesion? Unplanned growth may reinforce existing patterns of regional inequality, especially if one considers that cultural developments emerging from Lottery and Millennium Funding have paid little regard to issues of inter- and intra-regional equality.

In the light of the emerging regional agenda in Britain, and in particular the plans for representation of the Department of Culture, Media and Sport in Government Regional Offices and new regional structures to deliver cultural programmes in the regions, there is a need to integrate local cultural plans in a wider regional framework for culture, leisure and

tourism. It would be beneficial for the rest of the region, as well as Leeds, to be very clear about the cultural ambitions and visions of the city and the relationship between different areas of the region. Moreover, the end of the 1990s will signal a different approach compared to that witnessed in the beginning of the 1990s. For example, the 24 Hour City Initiative has largely fulfilled its goals, and there may be a shift within the City Council's focus towards other objectives, including those associated with regional matters.

New directions for Leeds should include an holistic approach to the development of the city-centre which jointly considers transport, health, housing, and employment issues rather than focusing upon the growth of a cosmopolitan image and licensed venues. Moreover, greater emphasis needs to be placed upon issues of integration and liveability by developing a diversity of housing tenure and associated infrastructure such as late-opening shops, laundrettes, cinemas etc.

In terms of cultural, leisure and tourism activity in the region, growing the market and promoting regional co-operation is to be preferred over mercantilism and inter-urban competition. There is evidence of the former, especially in relation to tourism and marketing which can be seen through 'Gateway Yorkshire', the first regional travel centre in the UK and an acknowledgement of Leeds as a point of entry to the wider area. Joint marketing of region wide facilities and activities on the internet reinforces this co-operation. Moreover, mechanisms such as the British Cities Marketing Board and British Arts Cities exist to promote co-operation between localities such as Manchester, Liverpool, Newcastle and Leeds and to grow the market associated with British City Breaks. Moreover, at a grass roots level, often the most important in terms of spreading new ideas and attitudes, a number of small publications such as *Alive* published in Huddersfield, work on a regional level to advertise gig, club and theatre events in Leeds, Bradford, Wakefield and Huddersfield.

Considering the current levels of car ownership, and the variety of cultural activity in the region, there will be intra-regional mobility between regional centres in terms of attendance at entertainment, leisure and cultural events. However, the key to ensuring that this mobility also meets wider goals of social equity would require further investment in the regional public transport infrastructure.

The emerging regional planning framework, especially now that it is extended to culture and the arts, requires a regional wide audit of culture, leisure and tourism which would include:

- Analysis of local cultural provision and specialisms in Leeds and other regional centres
- Monitoring of intra-/inter-regional participation at cultural venues
- Analysis of regional visitor characteristics
- Establishing regional wide fora for dissemination of information, skills development, enterprise support etc. in the sector.

Clearly, both the positive and negative scenarios highlighted above can be discerned between Leeds and its region; the sheer difference in scale set

Leeds apart within the region. However, a regional framework will allow more benefits to accrue to the region from Leeds than is currently the case. In particular, it would allow the identification of strengths and specialities on a regional level without compromising the growth of existing centres such as Leeds and it would reduce the tendencies towards inter-regional competition which have developed over the last twenty years.

4.7 Transport and the city centre

The City Council has attempted to limit the number of cars coming into the city centre by limiting the amount of new space permitted on the site of new office developments. We would argue that this policy should be rethought given that an increasing number of office jobs involve regular visits out to clients, rather than simple commuting journeys. Indeed it is the retail and leisure trips that are still encouraged by car through parking provision which take the form of simple suburb to centre flows and could be better replaced by public transport. This strategy has typically been breached owing to a political thirst for new jobs. When the availability of public car parking has become more constrained the price of parking increases and it has proved politically unacceptable to not allow the development of more multi-storey car parks 'needed to allow retail, leisure and office based activities to survive and prosper'. Growth in car park charges has also made it more attractive for warehousing and industrial activities around the central area to sell or lease their sites for 'temporary' parking.

Given the value of land in the central area only relatively high value uses that needed their staff to be car borne could realistically be able to afford to locate on central area sites providing high levels of dedicated car parking. By allowing occupants to have the car parking they needed on site this could be expected to reduce the congestion caused by the search for spaces and remove one of the key advantages of edge of city office parks.

4.8 Leeds future role in the region: areas of conflict and complementarity

Without doubt, the single most important issue for the future in terms of Leeds relationship with its broader region is how to facilitate the further development of the Leeds business service cluster, for this is the main motor of economic dynamism which the region possesses. Significantly, the further development of this cluster cannot be taken for granted, for the growth in business service activities experienced through the 1990s is putting pressure on the Leeds property and labour markets, and is beginning to impose congestion problems which risk becoming severe.

Resolving these issues satisfactorily is going to require a considerably greater degree of co-operation at the sub-regional scale (essentially, that of West Yorkshire) than has been hitherto evident. If these issues are not resolved, the growth of business services activity in Leeds is likely to be slowed or even reversed; although some of this growth will in the short-

term divert to other parts of the region, in the longer term we would contend that the continued vitality of Leeds as a business service centre is crucial to the health of business services in Yorkshire and the Humber as a whole.

There is then a need to develop a sub-regional and regional level strategy which identifies the strengths of different areas and tries to reinforce and develop those strengths in a co-ordinated way to maximise regional competitive advantages and to achieve a more socially equitable and sustainable spatial balance in levels of employment creation. In practice, even at the level of West Yorkshire, this may be difficult to achieve since there seems to be little consensus as to what the relative strengths of the different places are. In the case of the key business services sector, Leeds may need to accept that not all activities can be accommodated within the District without risking the overheating of office property and labour markets. Leeds' unique strength, which needs to be protected and developed in the interests of the region as a whole, lies in higher value and strategic activities. Back offices and call centres may be more rationally located in other parts of the region, in order not to undermine Leeds' ability to accommodate the more specialised services.

Strategies relating to the allocation of strategic employment sites have been developed by each of the local authorities in West Yorkshire. These strategies have been developed largely in isolation of each other. None is believed to have attempted to analyse the pattern of take up of land elsewhere in Yorkshire. Strategies have been developed to meet the concerns of residents and local politicians rather than an objective attempt to maximise the economic growth and prosperity of the region as a whole.

There have been attempts since the abolition of West Yorkshire Met to co-ordinate the provision of transport infrastructure. It is considered that infrastructure provision cannot be sensibly reviewed in isolation from land use strategies and in particular should be developed in concert with employment land allocation and strategic site preparation strategies. Regional Planning Guidance, and a proposed Regional Transport Strategy, provide an opportunity for addressing some of these issues in a more coherent and co-ordinated way.

At the sub-regional scale, one of the significant challenges which Leeds faces is to achieve a balance such that the development of its prosperous core does not foster greater spatial and social polarisation within the whole city region. In particular, Leeds' growing reputation as a vibrant and fashionable location – which is crucial to be sustained if the region is to continue to attract and retain high value businesses and people - must be balanced with socially equitable growth and access to economic and cultural opportunities for the whole population. In the past there has been a concern that the spatial concentration of activities has led to differential access to the benefits. Current processes of development suggest that concentration is necessary for the success of some activities, so that without some forms of spatial clustering the wider region will be less competitive. If this is so then the flows of benefits and costs around the region must be understood if social cohesion is to be promoted. Actions to

promote access to opportunities arising from Leeds' success may be needed to ensure more equitable outcomes at a sub-regional scale, but the very success of some activities within Leeds may lead to decentralisation pressures, and a changing location of manufacturing employment for example.

4.9 Leadership

Leeds has the opportunity to fulfil the currently vacant position of sub-regional leadership. It was suggested to us that if Leeds developed a broad regional consciousness then this could be to the mutual benefit of Leeds and the rest of Yorkshire and the Humber. If Leeds were able to demonstrate a desire to co-ordinate, rather than control and seek to foster the development of specific sectoral advantages across Yorkshire and the Humber then it would appear from our interviews, that genuine partnership between the Yorkshire and the Humber districts could be achieved.

The context for economic development in Leeds will be transformed by two related processes. Firstly, Leeds growing economic integration with the wider region is likely to continue. Secondly, the new regional institutions – RDA and Regional Chamber – are likely to grow in importance. These two processes, moreover, are likely to be increasingly inter-linked. Surprisingly little is known about the pattern of intra-regional economic linkages. Key stakeholders were not able to move beyond the superficial anecdotal in describing these linkages. Yet there is wide acceptance in the centrality of Leeds to many region-wide economic activities. For instance, an issue that cropped up repeatedly of interviews with regional stakeholders was the need for integrated regional transport planning, which would be of benefit to Leeds and the wider region. Most stakeholders recognised that the new RDA and Regional Chamber provide the opportunity to create new regional strategies which recognise and build upon existing and potential inter-locality complementarities.

A key task for Leeds is to engage actively in shaping the strategies of the new institutions. However, this activity must not be restricted to ensuring that Leeds “gets its fair share”. Rather, it must begin from a recognition that Leeds future performance will increasingly depend on the development of Yorkshire as a whole. There is a Readership role in waiting in relation to the development of a Yorkshire economic strategy and a surprising degree of acceptance that Leeds should play a key role in this regard.

However, it is vitally important that Leeds is seen to be engaged in a genuinely regional exercise. The task will be to extend the successful partnership model adopted within Leeds itself to the wider Yorkshire stage. Leeds could play a very valuable (and, at the same time, self interested role) in promoting more stable and productive regional policy networks.

One first step that key actors in Leeds may wish to consider is hosting a ‘Yorkshire Economic Summit’. This could be designed in partnership

with other key regional interests and be designed to improve shared knowledge and understanding of the dynamics, problems and opportunities in the regional economy in all its dimensions. As well as having a practical use, such an exercise would demonstrate the commitment of Leeds to the wider goal of balanced regional development.

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6 Annexes

6.1 Annex: Summaries of Thematic Chapters

6.1.1 Supply Chains, Manufacturing and Inward Investment

- Manufacturing in Leeds is relatively under-represented compared with both the region and the nation as a whole
- Specific industries which are relatively over-represented in Leeds compared with the region are clothing; pulp, paper and paper products; publishing, printing and recorded media; electrical machinery/apparatus; medical and precision instruments; furniture
- Leeds retains a substantial manufacturing base, but it has been declining more rapidly than the UK and the region in recent years, despite suffering relatively less in the 1980s than other industrial cities
- The strongest concentrations of manufacturing in Leeds are in engineering, clothing, and printing and publishing. Outside of these sectors Leeds has no strong concentrations either in relative or absolute terms
- There is little empirical evidence on the role these concentrations play within the region in terms of supply and market linkages
- Only in the case of printing and publishing is there any evidence of Leeds playing a pivotal role within a regional cluster of competitiveness

6.1.2 Employment and Commuting

- Leeds plays a dominant role in much of the region's pattern of commuting flows
- Any weakening of the Leeds economy would have a direct and significant impact upon levels of unemployment in many other areas
- The adjacent industrial areas of West Yorkshire are most acutely dependent upon Leeds as a source of employment for their residents
- These most dependent areas are also those from which the commuter flows to Leeds include quite a high proportion of manual workers
- These areas also receive substantial numbers of in-commuters from Leeds
- Less than half of all commuters to Leeds work in the city centre, and fewer still fit the stereotype of the well-paid long-distance commuter

- It is nevertheless these managerial and professional commuters to Leeds which other areas of the region would be most likely to lose if the growth of the Leeds economy were to falter

6.1.3 Financial and Business Services

- Leeds is the largest centre for office based services in Yorkshire and the Humber and is the supra-regional centre for a growing number of high value business and financial services serving the eastern side of the Pennines and in some cases the whole of the north of England
- Strong growth in business services during the 1990s added to Leeds dominance, both of some high value or strategic services (e.g. corporate finance) and back office activities (e.g. call centres)
- Many activities with a network of offices in Yorkshire have become more centred on Leeds
- National and international business and financial services that have extended their network of offices in the UK have set up new offices in the region in Leeds
- Spatial concentrations of quoted companies in Leeds and in the rest of West Yorkshire have provided a local source of demand which has enabled the growth and specialisation of business and financial services in Leeds
- The vast majority of quoted companies based in Yorkshire use Leeds business service practices
- Concentration of professional business service activities in Leeds and the increased dominance of a small number of major practices has created business units with the ‘critical mass of business expertise’ to meet all but the most specialist requirements of businesses based in Yorkshire and the Humber
- There are though some examples of innovative high growth businesses that perceive that there are practices outside the region that are better placed to meet their business service needs
- Leeds has been able to supply a steady stream of modern well accessed office floorspace and has been able to meet the accommodation requirements of a wide range in type and size of office activity
- Elsewhere in Yorkshire in town and city centre locations market failure has prevented the steady stream of speculative development occurring and hence limited the range and quality of accommodation
- For some small specialist business services “Leeds has the cachet to impress clients”
- For others it provided the best location to attract staff and from which to serve a regional client base
- Regional boundaries overlap. Leeds based businesses are believed to be exporting more services to other regions; conversely other supra

regional centres supply the business service needs of Yorkshire based businesses

- Recent signs suggest that the growth in office based skills has not kept pace with the growth in demand for skills. There has been a very significant increase in the number of temps together with reported problems of salary inflation and employee turnover
- Traffic congestion, cost of renting office accommodation, availability of on site car parking and increased cost of car parking are believed to have further contributed to a modest out flow of activity
- Other lower cost locations in Yorkshire are being favoured ahead of Leeds particularly for price sensitive back office activities

6.1.4 Knowledge, Learning and Innovation

- Leeds has a similar level of university research activity as its immediate comparator cities, though less than cities with a different mix of HEIs such as Edinburgh, Manchester and Birmingham
- Although there has been some success in spin-off firms from Leeds two universities, there seems to be rather limited engagement with local or regional companies
- Leeds' universities contribute to a general regional attraction of net numbers of students into the region
- Leeds-based universities are actively involved in a number of regional partnerships, including the White Rose Partnership and the Yorkshire and Humberside Universities Association
- Public sector R&D outside of the universities is almost entirely absent
- Leeds, in common with the Yorkshire and Humber region, has a relatively low level of private sector R&D, tending to lack major corporate laboratories
- As a centre of knowledge, therefore, Leeds is not a centre of new technology so much as a centre for leading-edge service expertise, as the business service and new media sections demonstrate

6.1.5 Headquarters

- Benefits that headquarters activities can bring include: significant local / regional purchasing, including the purchase of high order business services, significant direct employment of specialised and highly paid staff, transfer of business best practices to supply chain or competing businesses
- Leeds has a relative concentration of headquarters activities. Leeds has 33 quoted companies and West Yorkshire 123
- The industrial mix of Leeds based quoted companies is broad (financial, leisure, manufacturing, engineering)

- Leeds is home to several significant quoted companies but none that could be regarded as large by global standards
- The combined value of Leeds based quoted companies has grown strongly over the past ten years. This contrasts with Sheffield and South Yorkshire where their aggregate market value has fallen slightly
- The stock of quoted companies varies from year to year. Of the 129 quoted companies headquartered in Yorkshire and the Humber in 1988 only 60 remained in the region in 1998
- The stock of quoted companies in Leeds is particularly volatile. It has a relatively high proportion of recently floated, small and high growth quoted companies
- A significant proportion of currently Leeds based quoted companies can expect to be taken over
- Leeds continues to demonstrate the capacity to generate high growth SMEs that become quoted companies and replace those lost to external control
- There are relatively few examples of the dispersal of manufacturing quoted companies to elsewhere in Yorkshire
- Dispersal of head quarters to out of town business parks has been more marked in cities such as Birmingham than in Leeds
- There are areas close to Leeds city centre (such as the LS11 postal code district) that remain relatively accessible for road users. LS11 is an example of an area that houses several quoted companies
- The accessibility of such areas both to London and the rest of the UK is believed to account for the ability of Leeds city centre to continue to provide a viable location for a broad range of quoted company headquarters

6.1.6 Strategic Employment Sites

- There is a comprehensive range of employment sites spread across the authority area
- The actual development of land for industrial uses may however prove to be significantly constrained by take up of prime sites for office based activities and lack of developer interest in less well accessed sites
- A lack of public transport infrastructure, need for on site and offsite services, site reclamation and ownership constraints could all limit the rate of take up of strategic sites
- An impressive dynamic exists between leisure, retail and office based activities in Central Leeds. Any net dispersal of activity from Central Leeds could weaken or reverse this dynamic

- It is important for Leeds to continue to adapt and service the City Centre in order for it to continue to be the favoured location for high value added business and financial services
- For high value added business service activities to remain in central Leeds: car parking, public transport and skills issues all need to be addressed
- The trend towards higher value added services and more extended hinterlands has led to the emergence of Leeds as a supra regional centre. As this trend continues this may reduce some of the agglomeration advantage of being located in Central Leeds
- Locations closer to an international airport, sites offering greater parking and lower property costs may begin to emerge as the dominant new office location, as they have in other parts of the world

6.1.7 Media and New Media

Sectoral Trends

- A continuing and accelerating change in the skills base of traditional media to overlap with that of new media (e.g. bi-media to tri-media within broadcasting) as 'old' media continues to meld with new.
- Continued technology-induced employment losses in a number of areas of the established media (e.g. print publishing), but these losses will be countered in some cases by the introduction and/or expansion of new services (e.g. digital television, online); but
- The introduction and/or expansion of new services invites organisational restructuring and the geographical implications of this process are contingent; particularly given that:
- New media *production* activity can be undertaken anywhere, so the traditional importance of locational factors is determined by the volume and intensity of client liaison (e.g. low for games development versus high for agency work).
- Barriers to entry for new media start-ups will continue to rise as first mover advantages and increased returns to scale continue to pay dividends for established firms (particularly in the ISP and agency markets), leading to:
- A shakeout driven by vertical and horizontal integration in new media markets with a higher degree of external control for those new media firms outside London and the south east.

Leeds Contribution to the Region

- At present, Leeds is the major centre in Yorkshire and Humberside for attracting and sustaining high value-added activities in the dynamic segments of the media and new media markets – with the important exception of computer and video games.
- Leeds based new media companies are connecting the region with growing national and international markets.

- The dynamic segments of the media and new media are generating new skills and expertise within the region, in terms of experimental business models and through the pervasive influence of high calibre individuals recruited externally from the rest of UK and overseas (e.g. PA's nationally recruited sports editorial staff and the international mix of personnel at Psygnosis).
- The attraction of Leeds for media and new media companies is the lure of positive 'high quality' factors – the city centre's image (and reality) as young, vibrant, confident and successful, the high volume of economic activity and the producer services complex in particular – in conjunction with 'lower quality' factors: cheaper labour costs than London and the south east, very good train links with the capital. It is this composite of factors that makes Leeds attractive within a national context, and the high quality factors that differentiate the city within the regional context.
- Less positively, media and new media companies in Leeds have no strong connections with the wider Yorkshire and Humberside region except to serve as an export market.

Employment growth in Leeds:

- New media as an adjunct to the producer service complex in Leeds.
- Continued growth in sports journalism, traditional and new media sports data and sub-assembly services.
- Growth in hitherto under represented new media market segments i.e. entertainment (games).

Employment growth throughout region:

- Continued growth in existing local new media specialisms (e.g. games in Sheffield).
- Early colonisation of future niche markets for new media.
- Possible spillover of less value added media and new media activities from Leeds.

6.1.8 Culture, Leisure and Tourism

- The sector in Leeds is large, diverse, well-established and dynamic. It employs over 20,000 people, and increased by 9% between 1991 and 1996
- The growth is largely due to vibrancy of the city's cafe and bar culture, a transformation spearheaded by the small independent sector but with more recent expansion led by the corporate sector
- The Exchange Quarter, with its many bars, restaurants and cafes, has been one of the main drivers behind the renaissance of Leeds image
- There is some evidence of market saturation in the city centre
- One of the most important requirements for sustaining continued growth in city centre activity and the consolidation of a true cosmopolitan ambience will be to increase significantly and to diversify the resident population of the city centre

- The implications of these developments for the rest of the region are complex: on the one hand, Leeds is branding itself as one of a tier of large, cosmopolitan, European cities, and implicitly dissociated itself from the industrial region in which it is situated. However, the new role which Leeds is playing allows Yorkshire to brand itself in more diverse ways and to a greater number of audiences
- There is no doubt that Leeds has developed, both through physical developments and image building, a metropolitan ambience which has become a unique regional asset
- There is some evidence of a ‘ripple effect’ of imitation which in the longer term could benefit other centres in the Yorkshire region. Leeds success has been based on innovation and experimentation, and has introduced new service concepts into the region which could now be taken up by other towns and cities
- However, in the short term the development of Leeds as a vibrant and cosmopolitan city has heightened its dominance in relation to other centres in the region. It is not yet clear the extent to which aspects of Leeds’ development provide a viable model for other centres in the region to follow. In one sense, what has been achieved in Leeds is connected to the development of a critical mass of activity which is simply not replicable in other smaller centres

6.2 Annex: Media Case Studies

To provide a more detailed picture of new media activity within Leeds, and to better understand labour market issues, locational factors, and future growth scenarios, we will provide brief profiles of four of the city’s most significant new media enterprises.

PA Sport & PA New Media

The dramatic rise in news agency employment in Leeds, as noted in Table 1, is directly attributable to the fact that PA (Press Association) now have their main non-London UK centre in Leeds. PA is currently the only news agency based in the UK and has been in operation for around 200 years. The company is in the unusual position of being owned by some of its principal customers: the national press. However, the company has recently diversified from their core markets of the press and the terrestrial TV networks by providing ever more detailed, real-time information on a broader subject range to a wider variety of clients that includes multi-channel broadcasters, online publishers and mobile phone networks. The company now sees itself as an information wholesaler, “an integrated news, information and communications group, providing higher value services to a broader customer base”.

PA’s Leeds presence was sparked by their purchase of two very small northern companies. One firm was based in Manchester, the second in Leeds. Both were competitors of PA in the provision of sports results and information services. After the purchase, the decision was taken to merge

the two companies, together with PA's existing sports data services. Given the northern base of the two acquisitions and a desire to exploit the cheaper overheads and labour costs available in the northern region, the three operations were collapsed into a single building in central Leeds in 1993, close to the train station and just off the M1. Another of PA's business units, PA Data Design, followed soon afterwards from their prior base in Howden in the north east. PA did not consider locations other than Leeds or Manchester for it was felt that if PA were to have a base in the regions, then it would have to be in a regional 'capital'

With an eye to the future expansion of both their client base and the number of distribution systems suitable for carrying their content, PA decided that the organisation needed a clean break with the past if it was to successfully move into new markets. The ingrained working practices of Fleet Street (PA's London base at the time) were seen as a barrier to adjusting to the rapid pace of change needed to survive in such a multi-channel environment. Consequently, PA realised that by shifting their sports editorial operations to Leeds, the company would voluntarily lose many existing journalists who were unwilling to make the move north. Moreover, replacing these staff losses by recruiting locally was seen as a relatively painless process given the ready proximity of a number of serious regional newspapers.

PA's strategy bore fruition with the bulk of PA Sport's Leeds editorial staff initially recruited locally – PA's national profile proving a strong draw to those journalists wishing for a step-up from the regional press. Subsequently, as PA Sport's operations have expanded and increased in prestige, editorial staff – particularly top level – now tends to be recruited nationally, from major London-based media organisations. An improvement in the image and profile of Leeds as a vibrant city is also seen to have played a part in enabling PA Sports to attract (largely young) staff from a UK-wide labour pool.

PA Sport currently have around 170 full-time staff spread across three main divisions: editorial, operations (data driven, e.g. sports results for Teletext), and value added services (e.g. the sub-assembly of results pages for national daily newspapers). At peak times PA may have as many as 50-100 additional freelancers and part-time workers on site. The bulk of this cyclical workforce is part-time staff, predominantly comprising of students drawn from the IT courses of the city's universities, helping with data entry and systems handling. The significant expansion in staff numbers since PA's move to Leeds has meant that PA's base is now "full to bursting". The company is consequently about to take up another 6,000 sq. ft of space in an adjacent building on the same site.

Additionally, the demand for more space has been driven by the growth of PA New Media that shares the same building with PA Sport. PA's New Media operation was also re-located from London to Leeds, towards the end of 1996. Several factors shaped the re-location decision. Firstly, it was felt that PA New Media could benefit from, and establish synergies with, PA Sports. The Leeds New Media operation could also build upon the core of staff already in position as part of the prior re-location of PA

Data Design. Another factor was PA's continued desire to spatially separate a fast moving business segment away from their traditional business. Finally, while the available labour pool of skilled staff is significantly smaller in Leeds than in London – making recruitment more difficult – PA feel that, ultimately, this works in their favour by making retention of staff easier. The emphasis on retention rather than recruitment applies because experience in the new media content business is at a premium. Requiring a combination of non-standard skills, six months 'hands-on' experience is considered the minimum necessary for people to 'get their head around the new media business' – even for personnel with recognised high levels of technical, creative or managerial skills.

PA New Media's primary business is the supply of content to publishers. This covers a wide spectrum of subjects that includes news, sports, weather and events and listings information. Many of their clients are Internet publishers such as Microsoft Network (MSN), Football 365, Yahoo!, Planet Football, UK Plus, and mobile phone operators such as Orange and Cellnet. PA operate as a full service new media bureau. So, information can be delivered stripped down as a simple feed, built up into pages using client specified templates, or supplied as part of a fully built website, such as the one built by PA for the Prince of Wales. For the last period of declared public accounts (1997), PA's new media revenue increased by 50%. The company's full-time staff in Leeds currently numbers around 80, having undergone explosive growth during 1998.

As the list of publishers above implies, the high demand for sports content from consumer-focused web sites and mobile phone results services, has been a particularly significant growth area for PA New Media. An offshoot of this success is a joint venture with the Mirror Group to produce Sporting Life Online. Established towards the end of 1997, Sporting Life is run as an autonomous unit of PA. The 12 full-time staff are housed in the same building as PA's other Leeds based operations. This joint venture is yet one more avenue for PA to explore new revenue streams. Initially, the Sporting Life site was set-up as a pilot to determine whether there was a market value for information that PA was routinely gathering – through their existing information systems – but not selling. For example, one of the early successes of the Sporting Life site was ball-by-ball, real-time cricket test match coverage.

Growth prospects for both PA Sport and PA New media are considered good but steady, lacking the explosive bursts of recruitment witnessed over the last two years in particular. When it became clear that new space was required, PA did not consider leaving their present site. Although client liaison is a significant element of PA New Media's business (and most of their clients are London-based), it is not considered a problem. Client liaison is handled through the combination of a very small, dedicated New Media staff in PA's London headquarters, and frequent trips to the capital by Leeds-based personnel. In this matter, PA considers GNER's 'excellent service' and their close proximity to the train station to be essential. In terms of distribution, PA's products and services are, in the main, delivered by satellite across Europe and the UK.

Pressure to re-locate, then, is difficult to identify. Lower cost locations do not appeal to PA at the present time because it is felt that high quality staff could not be attracted or retained in such locations. However, PA have continued to expand their activities both in the region and nationally, and this expansion has been driven by lower value-added activities in lower cost areas. For example, Two-Ten, a PA subsidiary based in Wetherby are a response and fulfilment division, servicing the direct marketing needs of over 200 commercial and government organisations, including the BBC and the Department of Health. Building on this presence in Wetherby, PA recently set up Copy Direct in the town. Copy Direct is, in effect, a call centre that handles newspaper copy 'phoned in by journalists for the major national papers, who have all ceased to handle copy themselves.

Planet Online & Planet Football

Planet was formed in July 1995, as part of Integrated Technology Europe (ITE), a major Leeds-based distributor of data storage products. From the outset, Planet has been focused on Internet service provision for the business market. However, since early 1997, Planet has established a secondary business relating to the building of Internet sites and provision of content services for professional football clubs. The company operates as an Internet Service Provider (ISP) under the name Planet Online, and is currently one of the largest UK corporate ISPs employing over 150 people with a turnover of £24.7 million by the end of the financial year in 1998. Planet's customers include major blue chips companies such as Barclays, Cadbury, EMAP, Mirror Group Newspapers, PowerGen, Airtours and Thomas Cook.

When establishing Planet in 1995, ITE's original owners drafted in local millionaire businessman, Paul Sykes, to provide the large capital injection necessary to grow the business at a rapid rate for the next three years. At this time, the ISP market was beginning to take off, with a large number of companies supplying Internet access to individuals and firms. However, it soon became clear that there would be a shakeout in the ISP market as Internet bandwidth moved towards becoming a commodity business.

There are essentially three routes taken by those ISPs that have survived *and* grown throughout the shakeout and Planet chose all three. The most obvious route is to acquire subscribers very quickly (and keep them) in order to leverage scale economies across your network. Planet Online has been successful in this regard with over 3,000 business customers. The second route is to add content services to your portfolio and/or provide them for your customers. Planet established their Planet Football division and additionally offers news services on their company home page (provided by PA). Finally, ISPs who have successfully focused on the corporate market, such as Planet, have shifted to offering a much more comprehensive range of business solutions – rather than simply selling technologies – that are more concerned with value added services such as intranets, e-commerce and virtual private networks.

The most recent stage of development for corporate ISPs has seen their integration with telecommunications operators to reduce costs further and provide business customers with 'one-stop-shop' data and communications solutions. In the UK, Easynet began the trend when they became the first ISP to gain a telecommunications licence in January 1998. However, the more obvious route (chosen by Planet) is for ISPs to be acquired by (much larger) telecommunications companies. In August 1998, Energis, the telecommunications company spun off from the National Grid, purchased Planet Online for £75 million. Peter Wilkinson, Planet's Managing Director described the purchase in terms of its importance in accelerating the company's growth.

Planet Football continues to reside with Planet's original owners, ITE. Since its outset in February 1997, Planet Football has grown from one football web site (Leeds United's) to 22 clubs in 22 months. As such, they are acknowledged market leaders in the provision of football club web sites in Europe. To have achieved this position, Planet has had to fend off competition from major media and communications companies such as BSkyB, Telewest and BT.

The split of Planet's present client base is roughly even between Premiership sides and Nationwide Division One sides – and these are typically the larger Division One teams such as Wolves and Bolton. The clubs usually sign with Planet for a three year period, and each team has a dedicated Planet journalist assigned to cover them. Planet's football sites typically consist of: current news reports (a mix of text, images and subscription audio interviews); match commentaries (a local radio feed that is then broadcast by subscription over the Internet); an online club shop (predominantly merchandising but with ticket sales currently on trial); and general statistics and history about the club. Based on their current portfolio, Planet has four major revenue streams: a subscription fee from the club, advertising sales on the club sites, commission for online purchases, and Internet audio subscriptions from consumers.

Planet Football currently employs 25 full-time staff in the UK, 16 in Leeds with the remaining 9 outside the city linked to their client clubs. Similarly to PA, Planet also employs a varying number of freelancers and match day journalists. Once again, recruitment of (technical) staff is seen by Planet to be well served by the city's universities. Journalists also tend to be drawn from higher education or the regional press. While Planet Football do hold the opinion that they could be based "anywhere", and that London is a market in which they are still relatively weak, Leeds is nevertheless valued as a good location due to the number of major football clubs in the north. Planet is very strong in both Yorkshire and the north east, and Leeds is seen as close enough to also serve the multitude of clubs in the north west.

Planet Football's immediate plans revolve around consolidating their revenue streams, cherry picking a few more of the top Premiership sides and investigating possibilities for serving the major continental clubs. This constitutes the second phase of a three year plan which it is intended will allow the business to show a profit in 18 months time. As such, the

emphasis has switched from growing the client base to increasing the value of the business. Employment growth is therefore expected to be more gradual than in the initial two years of Planet's operations, but the company is confident that their first mover advantages will continue to provide them with increasing returns.

Brand New Media

Brand New Media (BNM) was established towards the end of 1994. The company describe themselves as a new media 'agency' and supplies Internet strategies and solutions to their blue chip client base. BNM's founder, Simon Wadsworth, has a background in economics, particularly in the cost benefit analysis of broadband communication networks for the European Commission. He started BNM after being inspired by his first experiences with the Internet during a trip to the US in 1994. BNM was started with £250k that was raised from 'business angel'-type private investors. Venture capitalists were interested in the company, but it was felt that they wanted too much control and did not fundamentally understand the emerging market.

The company began operating in the Innovation Centre in Bradford, located behind the University, where the founder had graduated several years previously. At this time (the end of 1994), although many potential clients were still unaware of the Internet, the number of companies designing web sites was also small. BNM were lucky in that several of their early clients were large companies or brands (e.g. Tizer and Irn Bru). Others, such as Andersen Consulting and Haynet Publishing, allowed BNM to, in effect, gain access to their clients own client lists (via recommendations), and this in turn proved a rich source of new, high quality clients.

By the end of 1996, BNM had grown to 8 full-time staff and were already looking for new premises. The company moved into their present location, a converted schoolhouse on Armley Road in Leeds, during the beginning of the following year. There were a number of factors behind the move. Firstly, BNM believed that the other companies in the Innovation Centre did not match their own profile as they were too technically oriented. Secondly, the immediate surroundings of their Bradford base were not considered an appropriate location in which to meet clients. It was felt that Leeds, on the other hand, had a better media profile nationally, a bigger source of potential local clients and was also more readily accessible by train from London.

The move, including a complete overhaul of BNM's network infrastructure, was financed by raising a second tranche of private capital, similar in size to the first sum. Since this time, BNM have continued to grow and currently stand at 18 full time employees, with a number of additional contractors at any one time. The company has no clients at all in the Yorkshire and Humberside region. Rather, their client base is predominantly located in London and the south east, with a few sited in the north west.

BNM have retained many of their early clients (e.g. Tizer) and have focused on building long term relationships with those blue chip clients interested in having 'a mass market dialogue with their customers'. BNM attribute their success to a unique approach to developing Internet strategies that involves extensive client research. For new contracts, this research period – for which the client pays – may take as long as 3-6 months and it is only after research is completed that actual production work begins. The bulk of this research work is contracted out to a consultancy in London.

As the business is so client driven, client servicing is a major element of BNM's work. For most six month projects, for instance, BNM would have a face-to-face meeting with the client every two weeks. Consequently, BNM are to open a client servicing office in London in the very near future, to rationalise the extensive amounts of travel to the capital currently undertaken by a number of BNM's staff.

Recruiting suitable personnel is the biggest problem that BNM has faced and continues to face. The labour pool in Leeds and Yorkshire is much smaller than in London and lack of suitable staff has been the biggest single brake on the company's growth: 'it's why we're not 30+ by now'. New personnel tend to be a mix of the very young: graduates and school leavers, and the very experienced: senior creatives and commercial managers, some drawn from branches of the established media industries. Roughly 60% of BNM's staff have been recruited locally from the West Yorkshire area.

Brand New Media's immediate plans are, firstly, to move their major clients onto management and production retainers – regular payments that secure BNM's services and help to smooth the company's cashflow. Secondly, the company intends to filter out low cost, low value added projects from their portfolio, and finally, to begin securing work for US clients. Due to BNM's status with a number of multinationals (e.g. Heinz), as the sole new media agency for the UK and/or European territories, BNM is now being asked to tender for work put out by their North American equivalents, on an increasingly regular basis. This is an indication of BNM's high 'credibility' within the new media agency field, and credibility is seen as the company's biggest asset. BNM's client list and their reputation have made the firm a target for takeover. Merger and acquisition activity within the new media agency market has been accelerating since mid-1998, driven largely by traditional advertising agencies buying up their smaller new media cousins to instantly acquire the expertise and credibility in new media that many of them lack.

However, BNM have so far resisted all offers for the business as it is the company's intention to strengthen their position as one of the UK's leading new media agencies. BNM see the present shakeout leading to a situation where only around 25-35 agencies will capture the vast majority of all national and international work that is undertaken in this country, with a much larger number of (smaller) agencies catering for local and regional clients. BNM intend to be among the top 25-35. From this position of strength, it is hoped that BNM will be valued far higher than at

the present time. At this point, BNM's owners hope to sell the company, as it is the only way to repay their private investors short of a public listing.

Psygnosis

Psygnosis is one of Europe's leading computer and video games developers and publishers. The company was established in Liverpool in 1984, producing games for 8-bit computers. Since this time, Psygnosis has continued as a multi-format developer and publisher for successive 16-bit and 32-bit games consoles and PC platforms. In 1993, Sony Corporation bought Psygnosis in its entirety, in order for the Japanese company to secure a guaranteed stream of European-oriented titles for the 1995 European launch of their PlayStation games console. The purchase also provided funds to enable Psygnosis to expand their national and international operations well beyond their Liverpool base.

As of the beginning of 1998, Psygnosis had over 800 full-time staff in development studios and publishing offices in Liverpool, London (x2), Manchester, Stroud, Leeds, Paris, Frankfurt and San Francisco. Turnover for 1997 was £100m. However, more recently, Psygnosis has undergone a painful stage of restructuring. Over capacity in terms of development resulted in the closure of three of their studios (San Francisco, Manchester and London), with the loss of around 100 jobs in the UK, and the departure of their original Managing Director. Psygnosis is now under more active control from Sony, with all development and publishing activities directly under the control of Sony's games arm Sony Computer Entertainment Europe (SCEE). The main thrust of the restructuring is estimated to be a re-focusing on PlayStation titles, rather the multi-console route pursued of late.

Psygnosis established a development studio in Leeds in September 1996 as a direct result of a scouting mission three months earlier. At the time, the city was only Psygnosis' third studio outside of their Merseyside home – Paris and Stroud being the first two. Leeds was chosen as it constituted a labour pool with a wealth of untapped (games development) talent. Under the charge of a North American Studio Manager, the Leeds site has since grown to employ 44 full-time staff and will soon reach their designated target of 48.

Psygnosis Leeds presently has three games development 'teams' who work collaboratively on individual titles. A small 'top' team works closely with the Studio Manager to oversee all games in development. In addition, the studio employs one full-time musician, a network specialist and two admin support staff. The bulk of the studio's staff consists of programmers, 3-D graphic artists and game designers. Most of the programmers have been recruited directly from Leeds University's computer and IT courses. Psygnosis rates these young graduates very highly. The artists, however, are all non-local and predominantly recruited nationally and internationally.

The Leeds studio has so far produced five finished games in just over two years. Within the Psygnosis group, this is considered a good track record – particularly as it included a lost three months start-up phase spent solely recruiting and purchasing equipment. In addition, contemporary computer and video games typically take between nine and eighteen months to develop, depending on the size of the team involved. Given the Leeds studio's relatively small teams, and the fact that their games were delivered broadly on time and within budget – in an industry notable for precisely the opposite – the studio was able to avoid the cuts suffered by other units of Psygnosis' operations.

The production process within Psygnosis works as follows. Firstly, game ideas formulated by the three Leeds-based teams are presented or 'pitched' to the Studio Manager. Those successful ideas are then in turn pitched by the Manager to a commissioning team in the publishing division at the Liverpool headquarters, where Leeds will be in competition with game ideas from Psygnosis' other studios. This competition between studios is actively encouraged, although proprietary technology developed within the group is shared across all development houses, regardless of which studio was responsible for its production.

Once given the green light by the publishing division, Psygnosis Leeds will fully develop the game 'concept', which could take 2-4 months. At the end of this period, the game once again has to be agreed upon by Psygnosis Publishing. During the production process itself, milestones are set internally by the Leeds production staff. Once again, at certain milestones the Leeds studio will have to demonstrate a game's progress to the publishing division in Liverpool. If, at any of these stages, Psygnosis Publishing feel that there is a strong likelihood that the title will fail, the game will be canned.

When a title does reach an initial stage of completion, the Leeds studio sends the game away to Psygnosis' Testing Department on Merseyside. Subject to any changes arising as a result of testing, the title is either commercially released if it is a PC product or, if it is a console game, the product is sent to Sony or Nintendo in Japan for further (more rigorous) testing before final release. Although it is highly unlikely that Psygnosis themselves will continue to grow in Leeds, the company recognises that the city is under represented in terms of computer and video games development. The labour pool available in and around Leeds will comfortably support several more medium sized development studios.