

**TEES VALLEY CITY REGION
BUSINESS CASE
AND
CITY REGION DEVELOPMENT
PROGRAMME**

EXECUTIVE SUMMARY

1st September 2006



PREFACE

In May 2006, the Secretary of State for Communities and Local Government asked the Tees Valley authorities to prepare a city region business case based on the City Region Development Programme (CRDP) produced in 2005 to:

- a) Provide a coherent economic analysis of the City Region;
- b) From the analysis identify how the City Region could improve its economic performance;
- c) Identify any governance arrangements necessary to deliver this improved economic performance;
- d) Identify how Government can help the area improve its economic performance.

At the same time the Northern Way asked the Tees Valley City Region to produce a second iteration of the City Region Development Programme. Since the purpose of the CRDP is somewhat similar, this document serves both purposes.

The main document is quite lengthy because it contains much of the evidence base to justify our proposals. For this reason we have prepared this Executive Summary. Further details can be found in the:

- a) The Tees Valley City Region Business Case and Development Programme;
- b) An Economic Analysis of the Tees Valley City Region;
- c) An Investment Strategy for the Tees Valley;
- d) The Case for Housing Market Restructuring;
- e) A series of business cases/funding bids from the Department for Transport for infrastructure improvements, primarily the local bus and rail networks.

1.0 THE TEES VALLEY CITY REGION

1.1 The Tees Valley City Region is based around the five towns of Darlington, Hartlepool, Middlesbrough, Stockton on Tees and Redcar. It also includes the Borough of Sedgefield. The sphere of influence of the Tees Valley extends from Peterlee in the North to Northallerton in the South and from Richmond in the West to Whitby in the East. The City Region including the area of influence has a population of 875,000 of which 650,000 live in the five Tees Valley authorities of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton on Tees.

2.0 THE ECONOMIC BASE OF THE CITY REGION

- 2.1 The Tees Valley economy is based on the largest integrated heavy industrial complex in the United Kingdom. There are three main components:
- a) The petrochemical cluster at Wilton, Billingham and Seal Sands is the largest integrated chemicals complex in the UK in terms of manufacturing capacity and the second largest in Europe. It contributes £3.5 billion to the UK economy and 70,000 jobs in the UK depend on it. The £700m invested in the industry in the last 3 years such as the £200 million investment by Huntsman in a polyethylene plant show that it has the potential to grow. It is also backed up by the Wilton Centre, which is the largest private sector research centre in the UK and a world-class engineering design and plant maintenance industry employing 5,000 people throughout the Tees Valley.
 - b) The Redcar Steel Complex, one of the three main producer sites in the UK, has secured long term contracts with international partners to supply 3 million tonnes of slab a year mostly for export.
 - c) Teesport, the second largest port in the UK which handles 10% of all UK traffic; oil and gas based chemicals, iron ore import, coal imports and steel exports account for about 75% of its trade. The port is the only deep-sea port on the East Coast capable of taking vessels up to 150,000 tonnes and has the potential to become a major deep-sea container port catering for the growing Far East trade creating in the long-term 5,000 jobs.
- 2.2 The area has also developed a strong logistics industry based around the port and the distribution of chemicals/steel/engineering products. The Tees Valley has also diversified its economy over the last 20 years. Darlington has become a major logistics centre serving the North of England; financial and business services including the more advanced call centre functions have been developed in Darlington, Teesdale in Stockton, Middlesbrough and Hartlepool Marina, and

Newton Aycliffe has developed a specialism in electronics. There has also been substantial growth in tourism, and the public sector notably education and the health services.

- 2.3 The area contains two universities: the University of Teesside in Middlesbrough and the University of Durham with a base at Queen's Campus in Stockton. Both universities play an important part in the economic development of the region. The area also contains the largest private sector petrochemical research centre in the UK at Wilton and the Centre for Process Innovation which has a national reputation.
- 2.4 For a peripheral region like the Tees Valley external linkages are very important. The important key transport linkages are:
- a) Teesport – with regular container/goods services to Europe, Asia and the Mediterranean.
 - b) Durham Tees Valley Airport – with its links to Heathrow and Amsterdam which are vital to support our world-class chemicals industry made up of major multi-national companies.
 - c) The East Coast Main Line with a regular 2½ hour service to London and Edinburgh, and for delivering goods from Teesport and the chemical/steel industry across the country.
 - d) The A1 (soon to be upgraded to motorway standard) and the A19 links to the South and the A66 to Scotland and Ireland.
- 2.5 The Tees Valley is very self-contained with little leakage out of the area of retail expenditure, or for financial and business services.

3.0 THE ECONOMIC PERFORMANCE OF THE TEES VALLEY

- 3.1 The economic performance of the Tees Valley has been generally poor both compared to the UK and international comparisons. In 2003 GVA per head in the Tees Valley was £12,280 compared to the UK figure of £16,845 per head. GDP per head is 88% of the European Union average.
- 3.2 The factors contributing to this poor performance are:
- a) Globalisation, which has resulted in a restructuring of our economy through the decline in employment in steel, shipbuilding, engineering and chemicals. 93,000 jobs have been lost in manufacturing since 1971.
 - b) As a result of our heavy industrial past there are now high levels of worklessness and people on incapacity benefit. 10.7% of the working population are claiming incapacity benefit compared to 7.4% nationally. 20% of the workforce has no qualifications.
 - c) A dependency on a small number of large employers has resulted in a lack of entrepreneurship; 8.3% of the population is self employed compared to the national average of 12.3%.

- d) Lack of entrepreneurship means a low level of business formation. The Tees Valley has half the number of companies nationally per 10,000 population.
- e) Gross disposable household income is 85% of the UK average and remained constant over the last decade.
- f) A legacy of derelict and underutilised land in the old industrial heartlands between Stockton and Middlesbrough, South Bank/Grangetown and central Hartlepool. In 2004, 1278 hectares of land were classified as derelict on previously developed vacant land i.e. 55% of the North East previously developed vacant and derelict land is in the Tees Valley.
- g) Problems of housing market failure primarily created by problems of obsolescence and poor housing, often concentrated in the most deprived areas, which together act as a major barrier to bringing residents back to these deprived communities.
- h) A high degree of spatial polarisation. 25% of lower super output areas in the Tees Valley are in the 10% most deprived in the country. 34% of those residents of the Tees Valley aspire to live in North Yorkshire.
- i) 20% of the workforce has no qualifications.

3.3 However, there are positive signs that the economic performance of the area is improving:

- a) Over the last 3 years 10,000 jobs have been created primarily in the service industries.
- b) Economic activity rates are rising from 73% of people of working age to 75% in 2005.
- c) Employment rates are rising – the proportion of people of working age in employment rose from 65.3% in 1999 to 71% in 2005, whereas nationally the rise was more modest from 73.8% to 74.6%.
- d) Despite 16,500 people claiming unemployment benefit in the City Region, there were still 4,800 vacancies in the area. There are skill shortages in skilled trades, process and plant workers, engineering and administrative and secretarial staff.
- e) The City Region is performing at or above the national average in terms of qualifications except NVQ4. It is important to the area's future development that a greater emphasis is placed on upskilling the workforce to obtain NVQ3/4 qualifications.
- f) Net migration loss has fallen from 1,500 per annum in the 1990s to 300 per annum as a result of more people being attracted to the City Region.
- g) £700m of capital investment has taken place in the chemical industry over the last 3 years.
- h) Where major regeneration schemes have taken place e.g. Teesdale in Stockton, Hartlepool Marina and Darlington, the financial and business services sector has grown.

3.4 The economic challenges facing the City Region are:

- a) To grow the Tees Valley economy faster than the UK economy to narrow the gap in GVA.
- b) To continue the rise in employment in the Tees Valley, to encourage manufacturing industry to innovate and improve its productivity and to develop the service sector particularly financial and business services.
- c) To increase the stock of firms in the Tees Valley.
- d) To improve household income and develop less dependency on benefits.
- e) To continue to increase economic activity and employment rates and reduce worklessness.
- f) To both upskill the workforce to obtain NVQ3/4 qualifications and also reduce the people of working age with no qualifications.
- g) To reduce spatial polarisation within the Tees Valley.

4.0 OUR FORWARD STRATEGY

- 4.1 The forward strategy for improving the economic performance of the Tees Valley is based upon two fundamental principles.
- 4.2 First we need to build on the economic assets of the city region. These fundamentally are our world class chemicals industry and research base and its potential for future development both for chemicals and as a national centre for energy development, the development of our port as the second largest in the UK, the development of Durham Tees Valley Airport, our potential as a logistics hub, exploiting the research potential of our universities and taking advantage of Defence Estates proposals to double the size of Catterick Garrison.
- 4.3 Secondly, we need to improve the urban competitiveness and liveability of the Tees Valley through upgrading the business environment, skill base and physical, social and cultural infrastructures, so as to attract and retain high growth, innovation and profitable firms, and an educated, creative, entrepreneurial workforce, thereby enabling them to achieve a high rate of productivity, high employment rate, high wages, high GDP per capita and low levels of income inequality and social exclusion.
- 4.4 In relation to improving urban competitiveness we have a long way to go. We need to:
 - a) Regenerate the core of our urban areas and develop underutilised vacant and environmentally poor land in central Hartlepool and along both banks of the Tees from Stockton through Middlesbrough to South Bank.

- b) Provide city scale activities in Stockton/Middlesbrough and improve the quality of life in our main town centres of Darlington, Hartlepool and Redcar.
- c) Provide a modern competitive transport infrastructure which improves both internal and external connectivity.
- d) Renew our ageing housing stock which caters for the needs of the early part of the 20th Century rather than the needs of the 21st.
- e) Tackle problems of worklessness, lack of skills and social deprivation.
- f) Create an environment which enhances the stock of business and encourages entrepreneurship.
- g) Reduce the social polarisation of the Tees Valley by providing more opportunities for new housing in the centres of our main towns.
- h) Improve the liveability of the Tees Valley by improving our environment, cultural and retail facilities.
- i) Develop in the long term a viable private sector commercial property market without the need for public sector support.
- j) Make the most of the economic opportunities presented by our transport connections to other city regions.
- k) Ensure that the towns of County Durham and North Yorkshire can actively benefit from the economic development and regeneration of the Tees Valley.

5.0 DEVELOPING OUR ECONOMIC ASSETS

5.1 The chemicals industry has seen £700m of investment in the last 3 years. It shows the commitment from major international companies to the development of the industry in the Tees Valley. The upturn in chemicals output and investment is hugely welcome but we need to remain a competitive location and support is needed where there are strategic investments and opportunities for integration with competitive energy/waste investment which will benefit both. A strategic approach to proactively identify investment opportunities which strengthen the integrated chemicals complex is a priority.

5.2 One NorthEast has set up the North East Process Industries Cluster (NEPIC) Group comprising the key industry leaders in the NE. It has set a strategic goal of providing 50% of growth in GDP in the process industries over the next 10 years which equates an increase of £4.5 bn in constant money. Base chemicals will provide £3 bn of this increase. Already there is £2.5 bn of new projects under active consideration by NEPIC. NEPIC is also working to encourage innovation in partnership with the Centre for Process Industries and the research teams of the main companies. NEPIC is also producing a programme aimed at improving productivity by £400m/year.

5.3 To develop the industry there are two major constraints:

- a) The need to develop an integrated energy and efficient infrastructure to service key sites at North Tees/Seal Sands.
 - b) If the target of £4.5 bn growth in GDP is to be achieved there is a requirement for 8,000 new jobs at graduate/technician level and a further 4,000 to replace those retiring. There is a need for a skills strategy for the industry which meets the needs of the industry rather than conform to the national products of the LSC; otherwise its potential for growth will not be realised.
- 5.4 The energy sector is an important part of the Tees Valley economy. The CATS pipeline provides 20% of the UK's gas and feedstock for the petrochemical industry. Currently there are two major projects – a coal gasification plant with carbon capture and an energy processing plant which will make a major contribution to meeting the energy needs of the UK. These two projects will also produce large amounts of hydrogen which will enable us to develop further the hydrogen economy. We also have the largest biodiesel production facility in the world and there are inquiries for a further 7 plants of which there will be room for 2. There are also opportunities in biomass, wind, industrial symbiosis, and waste recovery. A priority is to produce a strategy to develop the energy/low carbon industry in the Tees Valley.
- 5.5 Teesport is the second largest port in terms of volume in the UK and the seventh largest in Western Europe. It employs 2,000 people and contributes £250m/year to GVA. Its competitive advantage is:
- a) It is the only deep sea port on the East Coast which can provide direct access to the sea without locks in 30 minutes.
 - b) Fast turnaround of ships can be achieved far quicker than in congested southern ports.
 - c) There is considerable land at Teesport to accommodate a further 6 assembly and distribution hubs with the potential to create a further 3,000 jobs. Asda has shown through the construction of its import centre that customers will locate to Teesport from busy, congested southern ports.
- 5.6 To realise this advantage PD Teesport has submitted a planning application and harbour revision order to create a deep sea container handling 1.5m TEUs/year, mainly from the Far East. The case for the project is as follows:
- a) The deep sea container market is expected to grow by 12.6m TEUs; the Asian market accounts for half the growth.
 - b) There is land available for assembly and distribution hubs with the potential for a further 3,000 jobs.
 - d) Since 40% of the traffic through Southern ports is heading for the North of England and beyond the port will produce an annual saving of 72 million lorry miles/year through the congested

South East, and reduced transport costs for firms in the North.

5.7 Durham Tees Valley Airport is the international airport within the City Region. Peel Holdings is seeking planning consent for the extension and refurbishment of the Terminal Building and passenger facilities to accommodate 3 million passengers/year by 2015, a cargo and maintenance village, hotel and business park comprising 18,600 sq metres of airport related office development. Outline planning consent for the development of the south side of the airport for substantial warehousing, industrial and ancillary freight accommodation. The north side developments will generate between 2,000 and 2,500 jobs by 2015.

5.8 Other key economic assets which need to be developed are:

- a) The engineering sector, in particular the use of innovation and new technology, upskilling of the workforce and exploiting new markets and opportunities.
- b) Logistics where it is proposed to set up a cluster group to identify how we can encourage the expansion of the sector.
- c) Financial, business and professional services which are driving the office market in our town centres and on key regeneration sites.
- d) Tourism, building on our river, coast, maritime and railway heritage.
- e) The University of Teesside which through its Digital City development is creating a new industrial sector in the Tees Valley, and the University of Durham through its expansion at Stockton.
- f) The expansion of Catterick Garrison which will provide 10,000 new people to the City Region.
- g) The creation of a science/technology park at Netpark in Sedgfield and also the continued development of Peterlee as an employment centre.

6.0 IMPROVING URBAN COMPETITIVENESS

6.1 Improving the urban competitiveness and liveability of the Tees Valley is a key part of our strategy to improve economic performance. The key initiatives are:

- a) The Stockton/Middlesbrough Initiative which is concerned with bringing life back into the heart of the Teesside conurbation by developing the city scale facilities that the region sadly lacks. Key projects are the development of the former Middlesbrough Dock (known as Middlehaven), Digital City and the Boho cluster, Cannon Park, Middlesbrough Town Centre, Stockton Town Centre (Stockton Gateway scheme), North Shore, St Mark's Basin and the Green Blue Heart.

- b) The Darlington Gateway which is concerned to build on the success already achieved by logistics and office based employment as a result of both its unique location on the A1, the East Coast Main Line and the Airport together with the quality of life provided by its tradition as an historic market town. Key projects are office development at Morton Palms, new logistics development at Faverdale, the development of Darlington Town Centre, Central Park, Lingfield Point and the promotion of rail heritage with locomotion at Shildon and the Weardale Railway; a major improvement project for Aycliffe Industrial Park is proposed.
- c) The Coastal Arc which is concerned with developing the economic asset of the coast both for tourism, other economic development and to act as a catalyst for housing market regeneration. Key projects are Hartlepool Quays (Victoria Harbour), Headland, Hartlepool Town Centre and the Marina, Education Zone, Southern Business Zone, Seaton Carew, Saltholme International Nature Reserve, Redcar Town Centre, Coatham Links, Kirkleatham, Redcar Racecourse and Saltburn. There are also opportunities to link the initiative with County Durham and North Yorkshire.

6.2 Tees Valley Regeneration is an Urban Regeneration Company charged with delivering five key projects at Middlehaven, North Shore, Central Park, Victoria Harbour and the south side of Durham Tees Valley Airport. These projects will deliver over the next decade the redevelopment of 800 acres of brownfield land, the provision of 2 million sq ft of office accommodation, 6,500 homes, 1 million sq ft of education facilities, 12,000 jobs and £1.2bn of private sector investment.

6.3 As part of its economic legacy, the Tees Valley has extensive areas of high density, low specification small back of pavement terraces built in the late 19th Century and the early part of the 20th Century which no longer meet modern standards. Vacancy rates in the worst areas approach 13% of the stock. The Tees Valley Living Housing Market Renewal Strategy proposes that by 2016 some 8,000 dwellings will have been cleared and redeveloped with 6,500 new homes. In addition, 13,500 existing dwellings will have been improved to bring them up to 21st Century standards £31.55m of funding of which DCLG has provided £18 million has been approved for expenditure on the programme for 2006-2008. If we are to reduce out-migration from these areas, regenerate these neighbourhoods, create a quality of place and reinvigorate a weak housing market in these areas, it is vital that the Tees Valley continues to receive resources from DCLG to carry out an HMR programme.

6.4 With 1,200 hectares of vacant and derelict land, the Tees Valley City Region has a poor environment. A strategic approach to green infrastructure and public realm is a vital part of improving the liveability

of the region, its quality of place and the urban competitiveness of the Tees Valley. An attractive urban environment helps raise the value of the commercial facilities such as offices by providing an alternative setting and platform for development which makes them easier to let and achieve higher rentals. It is also vital to making our older housing areas viable.

- 6.5 In the North East, it is difficult to persuade agencies to fund green infrastructure and public realm preferring to concentrate resources on buildings rather than the quality of place around them. In the South East and East Midlands substantial funds are in place to assist with green infrastructure within identified grown areas (e.g. North and West Northamptonshire (£1.75m for green infrastructure)). We invite DCLG to consider identifying a budget of £2 million/year for developing green infrastructure to provide platforms for housing and commercial development.
- 6.6 A critical element of any programme to improve the urban competitiveness of the Tees Valley must depend on tackling the problems of worklessness, developing the skills of its people and raising the aspirations of its young people. Increasingly Job Centre Plus, the Learning and Skills Council (LSC) and the colleges of further education will play an important role in tackling these issues. However whilst there is much good work going on it needs coordination – it also needs to be focussed on the new economy of the Tees Valley. We propose therefore to prepare a Skills Strategy which will:
- a) Identify the key skills needs of the Tees Valley and the programmes necessary to meet the needs of the Tees Valley economy.
 - b) Identify how we tackle the issues of worklessness and the 20% of the working population with no skills qualifications.
- 6.7 A potential constraint on economic growth in the Tees Valley is the transport system – in particular the ability of the trunk road network to cope with future development and the lack of accessibility of jobs by public transport. We are therefore:
- a) Improving the city region bus network to offer a step change in public transport provision in terms of frequency, reliability, quality and convenience with a coordinated approach to public transport provision and to enhance access from local residential areas to town centres and major employment locations;
 - b) Developing a sub regional integrated public transport system based on the existing heavy rail system to create a high quality, fast and reliable solution to assist regeneration and help to avoid the transport problems that would otherwise arise as economic activity takes place;

- c) Tackling projected traffic growth on the trunk road network through an approach of provision of quality public transport, enhancing the local road network and demand management/congestion charging;

7.0 GOVERNANCE

- 7.1 If we are to achieve an improvement of the economic performance of the Tees Valley, we need to develop an effective city region governance system. We have been working together for 10 years through the Tees Valley Joint Strategy Unit, the Tees Valley Partnership, Tees Valley Urban Regeneration Company and Tees Valley Living. We need to build on their achievements.
- 7.2 The main proposal is the creation of a Tees Valley Metropolitan Economic Partnership which we want to call Tees Valley Unlimited.
- 7.3 Tees Valley Unlimited Leadership board will consist of about 10 members. Five of the members will be representatives of the five Tees Valley authorities. There would be five other members representing other sectors (such as businesses, education/universities and the voluntary sector). Board level representation of regional agencies would not be formally members of the Board but would be invited to attend and actively contribute to discussions.
- 7.4 The functions of the Board will be:
 - a) Make key strategic decisions relating to the economic performance of the City Region on the basis of analysis, discussion and consensus.
 - b) Approve the development of spatial, economic development, transport and housing policies and programmes at the Tees Valley level.
 - c) Ensure that the needs and opportunities of the Tees Valley are reflected in the policies and programmes and regional and national agencies.
 - d) Monitor progress on city region programmes and the implementation of the metropolitan area agreement.
 - e) Liaise with MPs on Tees Valley economic development issues.
- 7.5 The Chair of the Leadership Board would be a non-local authority chair with a local authority representative as the vice chair. The Chair would be appointed for 3 years.
- 7.6 The added value the Board will bring is it would provide a body which is openly and publicly accountable to make key strategic decisions on matters affecting the economic development of the Tees Valley. It would also provide a body which has the mandate to influence national and regional government agencies.

- 7.7 In order to more closely engage with the key private sector businesses and organisations in the Tees Valley, we would ask one of the private sector representatives on the board to chair a Private Sector Business Leadership Group to provide a very direct engagement of the private sector with decisions taken by the city region as a whole.
- 7.8 Supporting the Board will be five boards:
- a) A planning and economic development board coordinating the input of the city region into the regional spatial strategy, regional economic strategy and the Northern Way and taking forward the strategic economic issues set out in the business case.
 - b) Transport for the Tees Valley to develop city region transport strategy and develop the Metro, Bus Network Review and transport issues affecting the trunk road network.
 - c) A Skills Board to develop a Tees Valley Skills Strategy.
 - d) A Housing Board (incorporating Tees Valley Living) to coordinate the delivery of the housing market strategy and other city region wide housing issues.
 - e) A Tourism Board to develop and realise the potential for tourism in the Tees Valley.
- 7.9 Tees Valley Regeneration would remain as the delivery organisation responsible for implementing the five key main regeneration projects as of now and dealing with inward investment.
- 7.10 These new arrangements in the Tees Valley would have an initial critical role in negotiating the Metropolitan Area Agreement which would set out resources available and the outcomes and outputs expected to be achieved. Tees Valley Unlimited would then provide leadership and coordination to drive forward the City Region Development Plan and arrangements for the management and delivery of the projects within the Metropolitan Area Agreement and the other functional areas within its remit.
- 7.11 This will require some devolution of responsibility to Tees Valley Unlimited in relation to:
- a) Housing market restructuring funded by DCLG
 - b) Tees Valley wide transport projects – the Transport Innovation Fund, Tees Valley Metro and Tees Valley Bus Network Review
 - c) Regeneration/sense of place resources appropriate to City Region level determination from ONE

It is understood that discussions are required with One NorthEast around how this proposal will work in practice. As part of the ongoing RES Action Plan process there needs to be a constructive dialogue and negotiation between partners to agree the strategic priorities for investment, with funding from all sources, required to achieve the

ambitious RES objectives. The 10 year Investment Plan will form a useful starting point for discussion. Once these priorities have been agreed then further discussions can take place on the appropriate management, decision-making and delivery arrangements. We will be looking for Tees Valley Unlimited to be playing a significant role in these areas for the place/regeneration agenda.

- 7.12 The ask of Government is to support the governance model and to endorse Tees Valley Unlimited as a pilot for Metropolitan Area Agreements which can be developed in the 6 months from October 2006 to March 2007. We will work with partners to develop the details of the governance arrangements over the same period.
- 7.13 There is a need for policy, evidence and analysis to be developed on a City Region basis. We therefore propose that a Tees Valley City Region Policy Forum is set up with the County Durham and North Yorkshire authorities to develop policy in particular looking at not only how these areas can benefit from the improvement of the economic performance of the Tees Valley but also how they can contribute to improving the economic performance of the City Region.

8.0 HOW THE GOVERNMENT CAN HELP

- 8.1 Through the implementation of this business case, we are aiming to:
- a) Develop our economic assets;
 - b) Improve urban competitiveness.
- 8.2 In order to develop our economic assets, the Government can help us in the following ways:
- a) A major constraint on the growth of the industry is a shortage of skills. The DTI are requested to assist in developing the world class chemicals industry in the Tees Valley by providing help and advice, and, where appropriate, involvement in specific projects. We would wish Cogent, LSC at a national level and DfES to join with a high level group drawn from NEPIC, key leaders from the industry, ONE, the regional LSC and the Tees Valley JSU to develop a skills strategy for the sector which would:
 - investigate the current situation with regard to needs and provision to develop an appropriate strategy;
 - conduct a comprehensive survey of Tees Valley company needs, future developments impacting on these and the status of current and predicted future provision (apprenticeships, foundation degrees and modular programmes) to produce recommendations which will meet the skills needs of the industry in the Tees Valley;

- establish suitable pilot programmes as a first step to implementing the overall strategy for example meeting the need for maintenance engineers for instrumentation and production technicians to supplement the existing Tees Valley Production Technician Studentship.

b) The evidence shows that the Tees Valley has the potential to become a major location for the energy industry in the UK and Europe and can make a major contribution to the national economy. Under the auspices of Tees Valley Unlimited we want to set up a strategy group comprising ONE, GONE, Renew Tees Valley, CPI, NEPIC, Tees Valley Regeneration, Tees Valley JSU, Tees Valley Engineering Partnership, University of Teesside, Redcar and Cleveland BC, Stockton on Tees BC and industry leaders to develop a strategy and programme to develop the renewable energy/low carbon industry in the Tees Valley to ensure that the economic potential of the Tees Valley is realised and its contribution to the national economy is maximised. The components of the strategy are:

- progressing the Progressive Energy and other major energy projects in the low carbon sector;
- developing the hydrogen economy;
- developing the full potential for liquid biofuels and ensure the agricultural hinterland of the Tees Valley can benefit;
- developing the potential for biomass;
- developing the potential for industrial symbiosis and ecoparks;
- identifying how the engineering sector can benefit from wind turbine production.

Again, we would wish the DTI to provide advice in developing this strategy, and involvement in specific projects, where appropriate.

- c) The proposals from PD Ports to develop the Northern Gateway Container Terminal at Teesport are a key element of our future economic strategy. We would ask that the DfT recognise this within the review of the National Ports Strategy and provide no barrier to this development.
- d) Continued recognition by the DfT of the development potential of regional airports and support for the expansion of Durham Tees Valley Airport through the review of the Aviation White Paper in late 2006. We would also ask for the support of DCLG for the major developments planned around the airport, in line with the Panel Report on the Examination in Public of the Regional Spatial Strategy.

- 8.3 In order to improve our urban competitiveness, the Government can help us in the following ways:
- a) In recognition of the importance of regeneration to our future economic performance, the continuation of Single Programme funding at the current levels. This has been assumed within the complementary Investment Strategy.
 - b) The continuation of resources for Housing Market Renewal, as set out in the accompanying case for funding.
 - c) DCLG to work with Tees Valley Unlimited to identify how funding of the order of £2m per year for developing green infrastructure can be provided from existing funding sources.
 - d) DWP and DfES to provide advice and support to develop a skills strategy for the Tees Valley, working with Job Centre Plus and LSC.
 - e) In relation to our plans to address connectivity issues, we would ask the DfT the following:
 - A positive response to our recent TIF Productivity (for Rail gauge enhancements to Teesport) and TIF Congestion (for demand management on the strategic road network) pump-priming bids;
 - Confirmation of Programme Entry status for the Tees Valley Bus Network improvements following submission of the major scheme business case to allow work to continue on scheme development and its implementation to be brought forward within the programme
 - Agreement to work with the Tees Valley and Network Rail to confirm the funding arrangements for the Tees Valley Metro in line with wider proposals for the Tees Valley heavy rail network, leading to a detailed business case and funding submission in 2007.

We would also ask that national agencies such as Network Rail and the Highways Agency as well as regional bodies recognise the new Transport for Tees Valley Board and engage with it on sub-regional and strategic transport issues.

- 8.4 To help us deliver improved economic performance, we propose the creation of a Tees Valley Metropolitan Economic Partnership, which we want to call Tees Valley Unlimited. These new arrangements in the Tees Valley would have an initial critical role in negotiating the Metropolitan Area Agreement which would set our resources available and the outcomes and outputs expected to be achieved. Tees Valley Unlimited would then provide leadership and coordination to drive forward the City Region Development Plan and arrangement for the

management and delivery of the projects within the Metropolitan Area Agreement and the other functional areas within its remit.

- 8.5 This will require some devolution of responsibility to Tees Valley Unlimited in relation to:
- a) Housing market restructuring funded by DCLG.
 - b) Tees Valley wide transport projects – the Transport Innovation fund, Tees Valley Metro and Tees Valley Bus Network improvements.
 - c) Regeneration/sense of place resources appropriate to city region level determination from ONE.
- 8.6 For the present time we propose that North Yorkshire and Durham County Councils are involved through a policy forum approach rather than direct involvement through the Tees Valley Metropolitan Economic Partnership.
- 8.7 The ask of Government is to support the governance model and to endorse Tees Valley Unlimited proposals for Metropolitan Area Agreements, and to agree a timetable between October 2006 and March 2007 which will allow the new arrangements to be in place from April 2007. We will work with partners in the Tees Valley to develop the details of the governance arrangements over the same period.
- 8.8 We commend the business case to you as a clear coherent strategy for tackling the poor economic performance of the Tees Valley through building on our economic assets, improving urban competitiveness and improving governance arrangements between national, regional and local government and in involving the public, private and voluntary sectors.