

Learning from small and medium sized city regions: Phase 1 report

Scottish Enterprise

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Introduction

In January 2008 Scottish Enterprise commissioned Experian to deliver a study on learning from other successful small and medium sized city regions. The focus of the study is on identifying the learning outcomes and translating this into an action plan for strategic dialogue between agencies in Aberdeen City and Shire and their counterparts in comparator city regions. Ultimately this learning will enable Aberdeen City and Shire to maximise its contribution to Scotland's economic performance and may also highlight learning for other city regions in Scotland (e.g. Dundee).

The project is proceeding in the three phases:

- **Phase 1:** this phase involves a review of the city region economy, identification of the respective roles of the city and shire, key projects and the development of a long list of potential comparator small and medium sized city regions;
- **Phase 2:** this section of the work will select and investigate 4 or 5 of the comparator city regions in more detail to establish what key transitions took place and the role of policy interventions in effecting these transitions; and
- **Phase 3:** will build on the foregoing work by establishing an action plan for agencies in Aberdeen City and Shire to develop strategic learning relationships with agencies in other city regions.

This report presents the results from phase 1 of the research, including additional work to compile and review the long list.

1 Economic Review of Aberdeen City and Shire

1.1 Introduction

This chapter sets the context for the later work, by summarising Aberdeen City Shire's economic performance relative to Scotland and the UK. This highlights key strengths and weaknesses and illustrates the themes that will frame the analysis of comparator city regions (phase 2) and the action plan (phase 3).

This stage of the research was developed using a combination of desk research and consultations with key stakeholders around agencies and individuals in the city region.

1.2 Structure and performance

Performance and challenges

This section reviews the structure and comparative performance of the Aberdeen City and Shire economy.

The headline measure of economic activity is Gross Value Added (GVA).¹ Aberdeen City and Shire's GVA per head of population in 2006 was 38% above the Scottish average and 30% above the UK average. This illustrates that **the City and Shire's economic contribution to Scotland is disproportionately large** relative to the resident population of the region. This is primarily driven by the prosperity and opportunities created by the oil and gas sector.

Figures 1.1 and 1.2 provide a comparative overview of recent economic performance in the region, its composite Local Authority areas, Scotland and the UK. These indicators illustrate some of the key challenges facing the regional economy, despite its current prosperity.

Figure 1.1 illustrates an **important supply side issue facing the economy**. The region has a very **tight labour market** thanks to the success of the energy industries and other sectors. The unemployment and inactivity rates are significantly below Scottish and UK rates and the employment rate is higher. However, this success in creating employment for such a high proportion of the working age population means that capacity for future economic expansion is more limited.

Ideally in such a tight labour market, the city region would be drawing in addition population to ensure expansion. Figure 1.1 shows that this has not been the case. **Population growth has been more modest than that at the Scottish level** and as a result employment growth has been muted (0.9% compared to 6.5% for Scotland).

These indicators do hide some issues. For instance, there are still pockets of above average unemployment in the city.

¹ GVA is gross sales income less spending on goods and services. It is equivalent to profits plus employee costs.

Figure 1.1: Summary of economic performance indicators – demographics and labour market

	Aberdeen City	Aberdeenshire	Aberdeen City and Shire	Scotland	UK
Population growth (1999 to 2006)	-3.6%	4.0%	0.3%	0.9%	3.6%
Proportion of population of working age	65.8%	62.2%	63.9%	62.6%	62.1%
Employment rate	80.6%	81.4%	81.0%	75.7%	74.3%
Unemployment rate	4.2%	3.5%	3.8%	5.3%	5.5%
Inactivity rate	15.9%	15.7%	15.8%	20.0%	21.4%
Working age population growth (1999 to 2006)	-2.9%	3.3%	0.2%	2.2%	2.9%
Employment growth (residents) (1999 to 2006)	-4.2%	6.0%	0.9%	6.5%	3.9%
Source: Experian 2008 (based on GRO (Scotland) and Annual Population Survey, ONS)					

Figure 1.2 summarises business performance and labour demand. In terms of labour demand, the **growth in employee jobs (4.4%) has been below Scottish and UK growth** since 1999. This only tells part of the story. Figure 1.1 showed how the ability of businesses to expand employment is constrained by lack of slack and supply side growth in the labour market. This would suggest that there **may be unsatisfied demand for labour**. Other evidence backs this up. The 2006 Employer Skills Survey (Futureskills Scotland) estimates that 26.5% of all skill shortage vacancies² in Scotland were in Aberdeen City Region.

One of Aberdeen City and Shire's economic strengths is its **strong culture of enterprise**. This is reflected in the high business start-up rate (measured as number of new VAT registrations relative to population), with 36 registrations per 10,000 adults compared with 28 for Scotland. Enterprise is particularly strong in relation to the energy sector. A significant number of indigenous companies have been started and grown in the region in response to the opportunities created by the energy industries.

Despite a strong enterprise culture, the total number of businesses in the economy has declined more steeply than at the Scottish level. This is, however, a blunt indicator. Many of the sectors where firms have declined (e.g. agriculture, fishing, food and drink processing and energy) have actually been experiencing marked **consolidation activity**. Consolidation has been variously driven by competitive pressures, global competition, rising input costs, regulation (e.g. fishing)

² A skill shortage vacancy is a specific type of hard-to-fill vacancy that occurs when applicants lack the required skills, qualifications and experience for the job. Skill shortages do not occur where the employer judges the vacancy is hard-to-fill because there are not enough applicants for the post or where candidates are perceived to lack the right motivation or attitude.

and changes in markets (e.g. retail consolidation driving food and drink consolidation). In many of these sectors, overall growth in turnover and Gross Value Added (GVA) has been robust despite a declining business stock.

Another feature of the Aberdeen City and Shire economy is its **success in global markets**. Exports per worker were estimated at just under £9,400 in 2005 compared with under £8,000 at the Scottish level. Even this is an underestimate for Aberdeen City and Shire as the survey does not cover the direct oil and gas activity and some of the services related to it. Global markets are therefore a key opportunity for the economy, allowing market diversification and ensuring that firms are not dependent on small local, regional, Scottish or UK markets for revenue and growth.

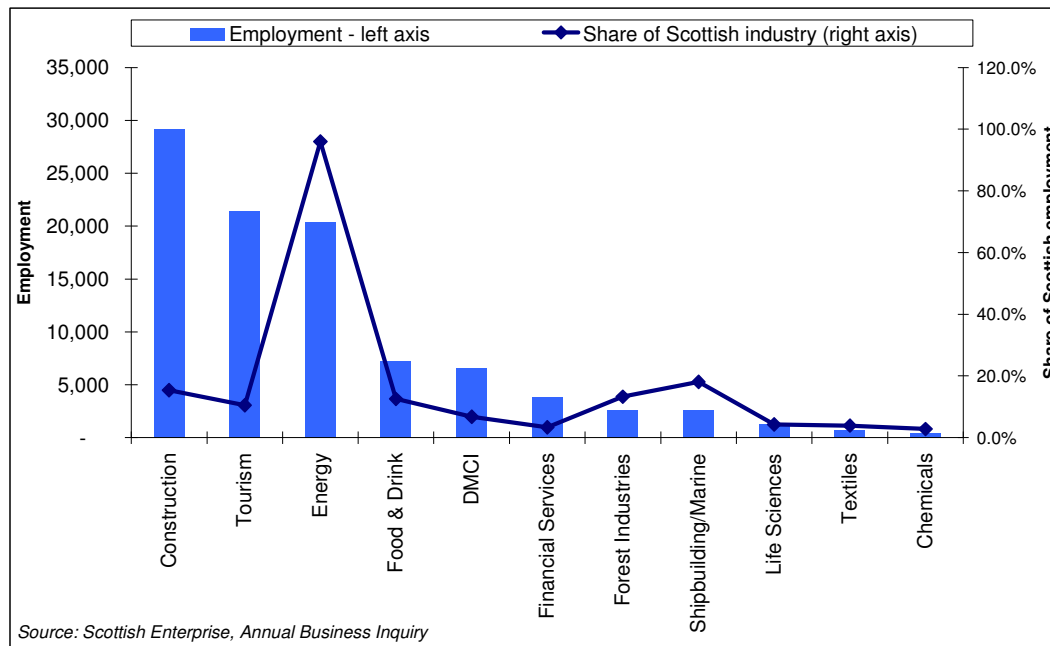
Figure 1.2: Summary of economic performance indicators – business base

	Aberdeen City	Aberdeenshire	Aberdeen City Region	Scotland	UK
Growth in employee jobs (1999 to 2005)	2.3%	8.6%	4.4%	10.4%	6.7%
Growth in number of businesses (2000 to 2006)	-9.2%	-0.2%	-4.0%	-0.8%	8.1%
New VAT registrations per 10K adult population (2005)	34	38	36	28	37
£, Exports per worker (2005)¹	-	-	9,369	7,967	-
Source: Experian (based on ABI, ONS and IDBR/BERR and Global Connections Survey, Scottish Government)					
Notes: ¹ Excludes some oil and gas (SIC11.1).					

The **significance of the energy industries to Aberdeen City and Shire** is illustrated in figure 1.3. This shows the total number of employees in each of the Scottish Enterprise Priority Industries and the region's share of total Scottish employment in each Priority Industry. Energy industries³ account for around 20,000 jobs directly, over 90% of the Scottish industry. However, the impact of energy is also evident in the region's share of the shipbuilding/marine industry (which captures many subsea and oil and gas-related companies) and of the construction industry (which captures some sub-contractors that supply the industry).

However, **there are other industries that play a significant role in the regional economy**. Food and drink is a major employer, particularly in the shire, with firms in the whisky, bakery, canned, meat and seafood sub-sectors. Tourism is also important to both city and shire. Life science is a difficult sector to measure using traditional economic tools. Although employment is estimated as being low (SE 2004) this does not capture university employment and activity (e.g. research and proof of concept activity) and other mainstream health service activities that may be related to the commercial life science industry.

³ This is based on a narrow definition of energy (oil and gas production and services related to production) in order to highlight the City and Shire's unique role in the energy industry in Scotland.

Figure 1.3: Employment in Priority Industries, 2004

In 2006 Aberdeen City and Shire's Gross Value Added (GVA) was £9,990 million. This is equivalent to 12% of the Scottish economy, although the City and Shire has less than 9% of Scotland's total population. This demonstrates the relative density of economic activity in the region. As a result, GVA per head of population in 2006 (£22,661) was 38% above the average for Scotland. However, **GVA growth (1.0% per year on average) has been below that achieved in Scotland (2.0%) and the UK (2.8%)**. Experian forecast that Aberdeen City and Shire's GVA growth will be more rapid between 2007 and 2010 (2.2% per year on average) but also that this growth will still lag behind Scotland (2.4%) and the UK (2.6%).

City and Shire economic roles

The City and Shire are roughly equivalent in population size but the City has a greater concentration of economic activity. The region as a whole is a functional economic region, as illustrated by the travel to work map (figure 1.4).

There are a range of interactions and complementary contributions, including travel to work, that can be summarised by the phrase 'city and shire interaction':

- Labour;
- Retail;
- Visitor;
- Industry; and
- Housing.

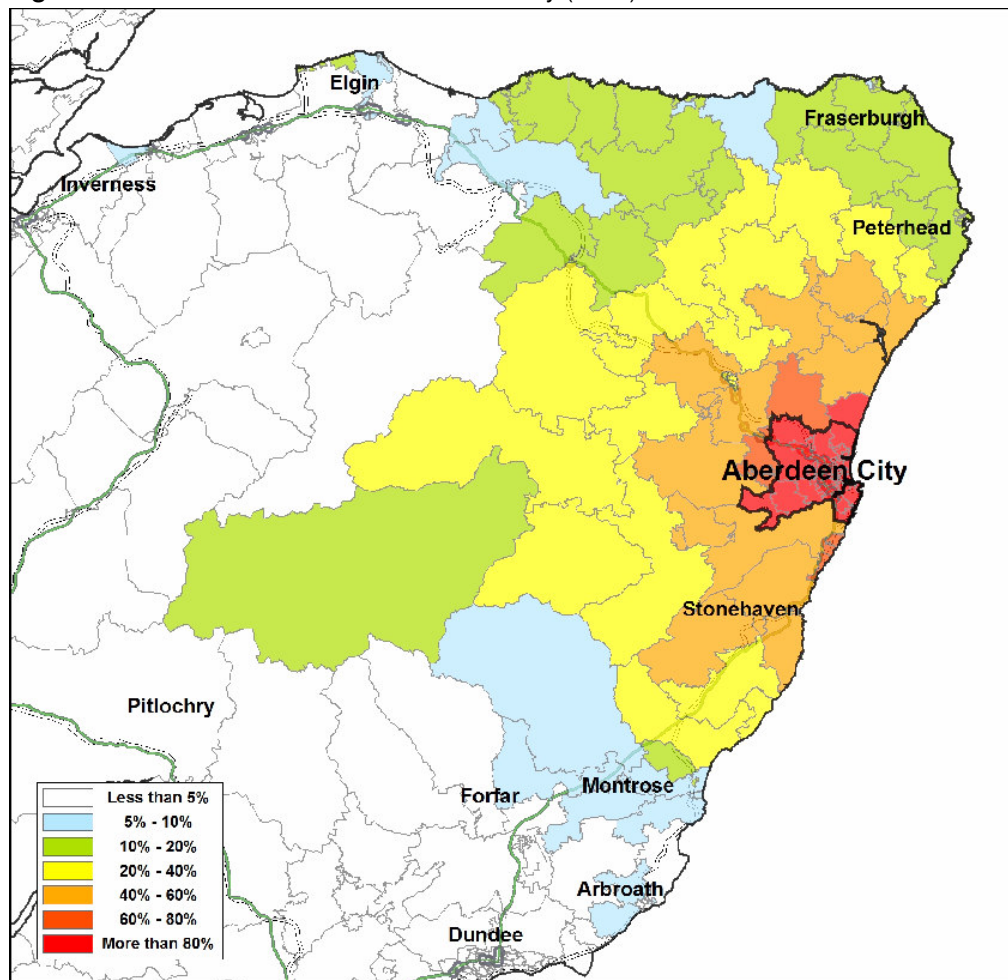
Beyond this general summary there are some clear roles played by different parts of the region:

- the City is the dense focal point of economic activity, retail, leisure and logistics;

- in the immediate hinterland business park and production contributions are significant (e.g. Westhill, Portlethen, Stonehaven, Inverurie etc) – this is mainly subsea, engineering and oil and gas related activity;
- there are a large number of accessible small commuting towns that play less significant industry roles (Peterculter, Ellon, Laurencekirk, Kemnay, Cove Bay and Johnshaven);
- there are more diverse ‘production towns’ further out from the city boundary, such as; Banff and Macduff (shipbuilding), Turriff (agriculture), Huntly (food) and Fraserburgh (fishing, seafood); and
- there is then a further belt of towns which can be characterised as tourism-based and long distance commute towns and include the small service centres in more remote areas (Ballater, Banchory and Aboyne).

A key feature of this summary is that the Shire plays a more significant production role - which is related to the *City’s* economic specialism - than in the case in other city regions in Scotland and throughout the UK. The Shire also helps to diversify the regional economy (e.g. food and drink, primary industry and tourism). In terms of future potential, the opportunities appear to be to invest in transport to strengthen the production and commuting contributions that Shire towns make and investing to create critical mass in housing, culture and retail in the City (see section 2.2).

Figure 1.4: Travel to work flows to Aberdeen City (2001)



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1.2.1 International context

The analysis in this chapter has shown that Aberdeen City and Shire is a relatively unusual economy in the Scottish and UK context. It is one of the most prosperous regions of the UK (in terms of GVA per head) and, partly as a result of this prosperity, has supply side capacity constraints on future growth. These issues mean that it is important to look at how Aberdeen City and Shire performs in an *international* context, partly to see how competitive the economy is on a global scale. It is also important to view the City and Shire as a city region which competes with other city regions in a global market place, this perspective being underlined by the importance of global energy industries to the City and Shire economy.

Analysis carried out for the Aberdeen City and Shire Economic Review 2007⁴ **compared Aberdeen City and Shire with a selection of (8) high performing European city regions. Aberdeen City and Shire was towards the bottom of the rankings on most indicators**, with the exception of employment growth (3rd of 9) and GDP per capita (4th of 9). Most significantly, Aberdeen City and Shire experienced the most modest population growth of all the regions between 1999 and 2006 although it is mid-ranking on population growth to 2010.

This European perspective on economic performance underlines the **crucial supply side issues that need to be addressed** to enable future economic growth in Aberdeen City and Shire. It also shows the case for trying to understand what policy drivers and projects have helped to enable growth in other high performing city regions elsewhere and what could be learned from this to support growth in Aberdeen City and Shire.

Outlook

The Aberdeen City Region is expected to experience higher GVA growth between 2007 and 2010 than in recent years, although **the rate of expansion will continue to be below national, UK, and aspirational comparator levels**.⁵ However, productivity levels will continue to be above average and growth in productivity will also be slightly faster.

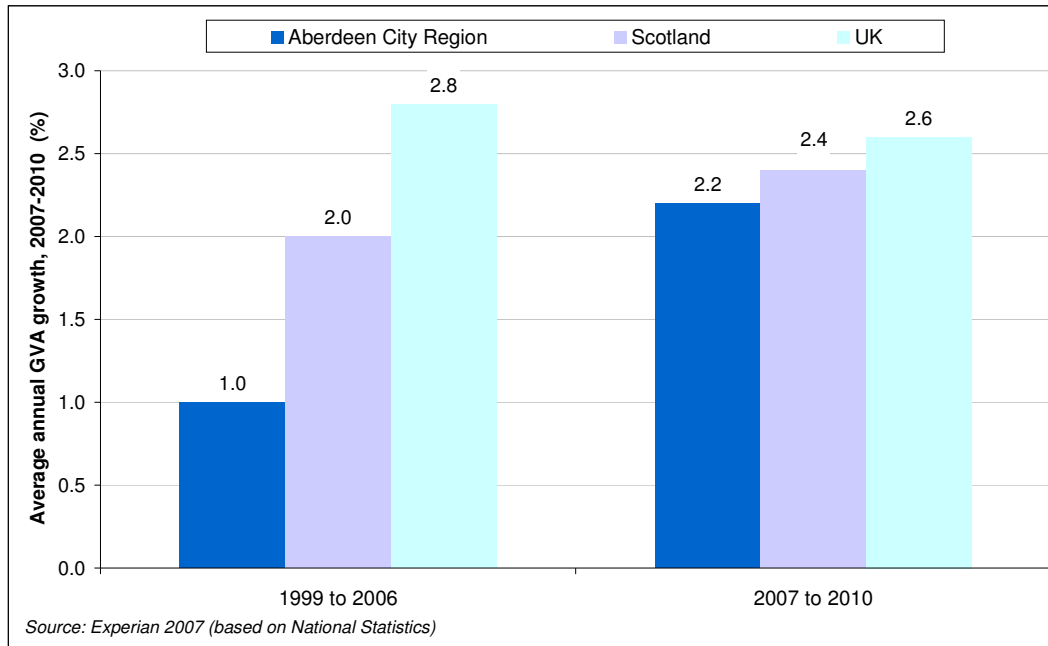
Although the population in the city region is on the rise again, whether this is sustained will be linked to the outlook for employment, which Experian currently forecast to fall marginally to 2010. Changes in the City and Shire's employment will continue to be heavily influenced by developments in the oil and gas sector. Jobs growth in oil and gas depends on policy support for continued investment in the UKCS and on efforts to develop the technology solutions and business base that can support this. Running in parallel with this, policy should seek to enable market and technology diversification for companies currently 'over exposed' to the oil and gas sector.

It is **important that the City and Shire maintains the recent trend of modest population expansion** (or at least stabilises population at current levels) in order to retain or improve its competitive position in relation to City Region peers. Many of the developments currently in the pipeline for Aberdeen City and Shire (see section 2.3) are aimed at strengthening the momentum behind the area's growing reputation as a place which offers a high quality of life.

⁴ Scottish Enterprise, 2008

⁵ Source: Experian 2007

Figure 1.4: GVA trends and forecast



2 Key issues and priorities

2.1 Introduction

This section summarises the key issues and priorities facing Aberdeen City and Shire, as expressed by a small number of stakeholders consulted for this study. We asked stakeholders for their views on the key issues necessary for future development of the city region. Although the views expressed were broadly similar to the ACSEF Manifesto objectives, there were some differences in terms of the relative priorities within this. Stakeholders also offered views on governance issues for the economic development of the region.

2.2 Issues

General

Before summarising specific feedback from the stakeholder consultations it is worth presenting some general views on the City and Shire economy and the challenges facing it. To a large degree, all the stakeholders consulted either raised these views themselves or supported them when prompted.

Firstly, and as noted above, there was a broad consensus that the ACSEF Economic Manifesto objectives were well identified. Although we did not directly ask this question, when we asked what the key issues facing the City and shire economy were, the Manifesto was almost always cited and always in a positive, supportive way.

Secondly, there was a general recognition that the Aberdeen City and Shire economy is, and has been, very successful. Therefore the region's starting point for an economic transition strategy is not a crisis point (e.g. loss of heavy engineering in North Lanarkshire and Glasgow, threats to the petrochemicals cluster that led to the Falkirk Action Plan). Rather the City and Shire's challenge is how to continue economic success and sustain and continue economic diversification, before any over-dependence on the UKCS has any negative economic impacts on the region.

Thirdly, in addition to the diversification imperative the peripheral location of the city region is viewed as being a fundamental driver behind the type of economic development that needs to take place to support future growth. This issue is pervasive, effecting perceptions of City and Shire, ability to attract skilled people, helping to create the high quality of life in the region and underpinning the transport improvements required.

Lastly, although some stakeholders emphasised the prime importance of a particular issue (e.g. transport or attracting skills) the majority stated that future success could only be assured if all elements of the strategy are implemented and in a coordinated way.

In the sub-sections that follow, the feedback from stakeholders is organised under the following headings:

- economic diversification;
- connectivity;
- quality of life;
- human capital;
- innovation;
- investment;
- decision making; and
- City and Shire economic roles.

These headings (with the exception of City and Shire economic roles) are the *key drivers of economic performance*, taken from the Urban Competitiveness Framework as developed for the Core Cities work for UK Government.⁶ This framework is regarded by many agencies and policy makers in the UK as a comprehensive policy and analytical framework for city region development in the UK and is equally applicable to other developed economies. This framework is also broadly consistent with the policy framework presented in the Government Economic Strategy⁷ and other work commissioned by Scottish Enterprise related to this research (e.g. Understanding the Role of Places in city regions and Rural Scotland).⁸

Economic diversification.

The key message was that the issue is not about getting *away* from energy but about diversifying *into* other energy sectors. Most stakeholders asserted that it *was* possible to develop the critical mass to have a global centre of excellence in **energy** even beyond the UKCS being a productive province. One consultee noted that the current high price of oil is a short term constraint on this diversification. The UKCS is currently profitable so some firms, although aware of the need to diversify their markets, currently do not have the capacity to do this.

Diversification is also about maximising the economic potential of non-energy industries. There was broad recognition that the food and drink processing sector is an industry that is significant, particularly in the Shire economy, and has potential for growth. A number of stakeholders also emphasised the potential from the link between the food and drink industry and the life science sector. An example of this is the move of the Rowatt Institute to University of Aberdeen and the development of the National Centre for Food and Nutrition. Together, the research base in food and nutrition in the region and the strong food and drink processing sector were seen as assets which have opportunity for joined-up commercial exploitation.

Life sciences was also noted as an important sector in its own right. The region's universities have research strengths in a number of life science areas, such as nutrition and disease. A number of stakeholders were of the view that this strength could translate into further economic benefits if marketed effectively and if appropriate space and facilities are developed to attract inward investors requiring this research base.

⁶ *State of the Cities Report*, ODPM/DCLG, March 2006.

⁷ *Government Economic Strategy*, Scottish Government, 2007.

⁸ Scottish Enterprise, 2008 (currently unpublished).

Food and drink processing was also noted as an important sector in its own right. The sector is strong in the region, with a number of large employers making significant contributions to local GVA and employment. These companies are mainly located in the Shire. The sector has growth potential but is constrained by some issues. One of these constraints is the quality of transport infrastructure in the region. Another constraint is the cost of connecting to the national power grid for expanding or relocating firms. In terms of industry growth, the big opportunity lies with supporting the growth of the large companies in the sector.

The other main industry emphasised by most stakeholders was **tourism**. Within this it was recognised that many of the attractions and the leisure-based tourism takes places in the Shire. The city is important as a business tourism location. Often business tourism was regarded by consultees as an opportunity to showcase the region and encourage the same tourists to return as leisure tourists. Without exception, stakeholders mentioned the lack of tourist accommodation, both in terms of business and leisure tourism. The city in particular is seen as lacking accommodation and is losing conference opportunities as a result. There was also recognised to be a need to develop the tourism product in the city more broadly.

Transport

There was a broad consensus on the importance of addressing transport constraints to the economic development of the City and Shire. Within this there was recognition that transport is not an end in itself but it is important for unlocking the economic potential of City and Shire. However, there was also an appreciation that successful implementation of strategic projects such as the Western Peripheral Route (WPR) would also be symbolic in terms of demonstrating change.

Although the WPR is recognised as being an important transport project in its own right there was a clear view that the WPR is needed to unlock land for development, particularly in areas such as Dyce. Many stakeholders were of the view that there is a chronic under-supply of land and that the WPR was important to ensure sites around could be developed to meet employment land requirements. WPR is also important to linking together the key existing employment sites at the north and south ends of the city.

As mentioned above, transport was noted as a constraint to expansion in the food and drink sector. Journey times by road between the Shire, where most of the primary producers and processors are (e.g. Fraserburgh, Huntly and Peterhead) and Aberdeen can be quite long (and there is no rail freight alternative) and transport between the city and downstream markets is also sub-optimal. There are currently no specific initiatives to address the former issue, although the WPR will help general transport around the City. In terms of access to markets, there is a project to look at short journey freight from Aberdeen to circumvent road transport constraints in Scotland.

Aberdeen is, in both Scottish and UK terms, a peripheral city. Therefore the need for improved external connections to other cities and countries was mentioned by several stakeholders. Owing to its peripherality, air connections are important to the City and Shire. For example, London is a lengthy journey by road or rail. Some stakeholders thought that it was important to expand the airport's capacity and route variety, although they were aware that this would require both a longer runway and an expanded terminal. Another aspect of external transport that was regarded as weak by some stakeholders was rail. In order to compete effectively with

mainland European city regions there was felt to be a need for a comparable inter-city speed rail service from Aberdeen to other Scottish cities.

In terms of internal transport within the City and Shire region some stakeholders argued that a commuting rail service was required, both for more effective movement of labour and also for sustainability (alternatives to private car usage). At present there is still an issue of traffic congestion at the Bridges of Dee and Don at peak times, which is a weakness in the internal connectivity within the region.

Quality of life.

Quality of life was viewed as being crucial to the economic development of the City Region. All stakeholders who raised the issue referred to a difference between external perceptions of the City and Shire as a place to live and the actual experience of living and working in the region. Therefore although there were improvements that could be made to improve quality of life, there was also a need for better place marketing. Within this, many stakeholders suggested that the quality of life offer in the *city* itself is in need of improvement. As a result of the City and Shire's economic success relative to other parts of Scotland, the city centre has had less investment than other cities and large towns. This was recognised as having undermined the region's current offer. In order to improve the city's offer, a number of key issues recurred; improve retail offer and attraction of key retailers, improve housing offer for skilled people, lack of key cultural attractions, lack of contemporary iconic buildings and lack of arts / culture offer. There was also a view that other cities were developing contemporary waterfront housing but that this cannot currently happen in Aberdeen whilst there is still a working port. The Shire was seen as having good quality of life but that this message was not always getting through. One consultee also claimed that strategy was held back by a lack of a definition at the moment (to enable measurement). Their view was that quality of life encompasses consumer choice, education, health and transport.

Scottish Enterprise have commissioned a separate project to benchmark Aberdeen City and Shire's quality of life.

Human capital.

The need to develop and maintain high quality human capital assets in Aberdeen City and Shire was clearly related to quality of life by all stakeholders. There was general agreement that skill shortages are an issue in the region. However, there were varying opinions on whether these are very specific to the oil and gas sector or whether they affect the breadth of the economy. A few stakeholders identified recruitment and skills as the top priority and constraint for the region's economy. Many stakeholders reported that attracting people to jobs in the region can be difficult (e.g. *perceptions* about the city's peripheral and industrial character and also high cost of living). However, there was also general agreement that retaining people, once they have moved to the region, is not so difficult. There is also a specific need to retain graduates, although many do stay after study and some stakeholders reported that student retention is good.

In some sectors there is an appreciation that skills shortages are driving rising costs. This is particularly evident in the oil and gas and related sectors. There is now a global market for engineers in the oil and gas industry and Aberdeen City and Shire have to compete with other provinces and economies for these skills. At the lower end of the skills spectrum (e.g. some

food and drink and hospitality roles) migrant workers from central and eastern Europe have played an important role in filling labour gaps.

In the food and drink sector, there are some concerns around skills supply to the industry. At present there is a dependency on the migrant worker population to provide labour to certain parts of the sector and to certain roles (e.g. fish processing). However, this solution may be short term and there is uncertainty around how long this level of resource will be available for the sector. Beyond this issue there are also concerns around whether there are enough food scientists, engineers and sales and marketing professionals available to the industry. On top of these issues is the fact that it is more difficult to attract people to the North East of Scotland and more difficult to create competitive pay.

There was also a concern expressed that the region's economic growth is constrained by disadvantageous demographics – there is a lack of working age population growth to support economic growth. There is also a related concern that the region lacks the capacity to expand (e.g. housing and employment land).

Innovation.

Innovation was rated quite highly in the region by some stakeholders. In addition to a general culture of enterprise the HEI sector was noted as being important to the energy, life sciences and food and drink sectors. One stakeholder identified that there is a need for more test facilities for new technology. If there were test facilities, private partner organisations and financiers could come on board sooner in the process and before commercialisation. It was recognised that the private sector is good at innovating but that there is a need for other private sector partners to come in after testing not once the product is proved (this is partly a public role). There is a clear public sector role in the innovation system too. At present, it was felt that innovation is done on a company by company basis and there is not enough of a comprehensive, coordinated approach between industry, the universities and the public sector. This is currently limiting ability to develop energy critical mass in the energy sector beyond the UKCS.

In the food and drink sector, some companies struggle to expand because connecting new production sites to the national grid can be very expensive (if there are no other additional sites to share the costs). Therefore some companies are looking for alternative energy sources. There may be an opportunity to link this demand with the skills and expertise that exist in the region in energy.

Investment.

As noted elsewhere there is a consensus that the City and Shire require increased capacity to accommodate future growth. In order to accommodate industry, employment and population expansion additional land and investment is required in both the City and the Shire. One issue noted by a few stakeholders is that the key land assets around city are in a few private hands and there is not much land in the public sector. This represents a difficulty for ACSEF partners in striving to realise aspects of the Manifesto. Whilst there are examples of the private sector seeing the opportunities and taking an active role (e.g. Peterhead Port) there is also recognition that there are competing demands for land owned privately (e.g. employment versus housing demands).

Many stakeholders highlighted that there are a few corridors of investment potential around the City. For example, the 'Energetica corridor' north up the A90 to Peterhead, the A90 corridor south through Portlethen to Stonehaven, the A93 out south west through Peterculter to Bachory, the Inverurie Road (A96) and the road and the A947 past the airport to Banff. Other constraints on these land assets being developed are the lack of funding, infrastructure constraints (e.g. services) and the speed of the planning system. In relation to the latter point, some respondents cited the WPR as an example of the slow speed of the planning system. In addition to these constraints the view was offered by some stakeholders that there was still too little land actually zoned for development in the Development Plan for the City and Shire.

Decision making.

Mirroring the city and shire nature of the functional economic region, Local governance is provided by a Local Authority for the Shire and another for the City. Some stakeholders regarded this arrangement as an opportunity which helps to enable effective regional decision making. The view was offered by one stakeholder that the two Local Authorities are equal partners and views were also offered that with only two Local Authorities (rather than the nine in Edinburgh City Region or the ten-plus in Glasgow City Region) developing and implementing economic development planning was easier.

There were also contrary views offered, namely that having two Local Authorities covering one regional economy was a constraint on economic planning. For instance, some stakeholders viewed the 50:50 split of development in the emerging Structure Plan as a political outcome rather than as an optimal economic planning outcome. One stakeholder went as far as to suggest that a regional council would be the best arrangement. However, the majority of stakeholders cited ACSEF as a positive piece of the economic planning infrastructure in the City and Shire and no negative views of the Forum itself were presented.

A number of stakeholders mentioned the importance of leadership to the economic development aspirations of the City and Shire. Many, particularly in the private sector, looked to the Local Authorities (particularly the City Council, in terms of place marketing for example) for providing this leadership. There were some concerns raised that the Local Authority role was perceived, by the private sector, as being about development planning and control rather than providing leadership and expressing economic vision. Moreover, some respondents went further to suggest that an over-emphasis on land use planning roles made local government appear as if they were constraining rather than inspiring growth. This was not a universal view.

Most stakeholders referred to public and private roles within economic development. The general consensus was that public-private collaboration has been quite positive in the region. There was also a broad consensus that the role of public sector was to provide leadership, enable economic development and deliver benefits that cannot be achieved on a company by company basis (e.g. a more developed innovation system, with systematic HEI-business interaction and well developed innovation testing facilities). The private sector was seen as the primary agent in economic development, comprising the economic assets of the region and driving economic performance.

City and shire economic roles

General: There was a variety of views on whether the city and shire 'model' works well. In one sense the city and Shire is a more fully functioning city-region economy than others in Scotland. The Shire plays such an important production role which supports the industrial specialisation of the city. This is unusual for Scotland and the UK. However, the less positive views of how well the City and Shire operate together largely related to political and administrative arrangements. A number of stakeholders argued that the City and Shire must be 'seamless' with no boundary in terms of economic development planning and decision making. However, there was recognition that with two Local Authority areas, this was sometimes difficult to achieve.

Development Planning: One of the key areas where respective City and Shire roles were regarded as important was in terms of land use planning. The key issue here is where future growth should be directed to and accommodated. Some stakeholders argued that the City is the natural focal point for the region but as it lacks land, growth has been accommodated in the Shire and this will continue to be the case to some extent. There was also the view offered by some stakeholders that 'you need to invest in success' and that *because* Aberdeen has been such a prosperous economy there had been a legacy of under-investment in the city. The need for investment in the City was now viewed by some as 'critical'. Supporting this view, other stakeholders suggested that the City should be the 'showcase' of the region, that not enough people 'interface' with the City, that it doesn't reflect the region's wealth and that there was a need for a comprehensive Master Plan for the city (rather than a few separate Master Plans).

Whilst the City was identified as a key focus for investment, there was also recognition that Council boundaries are 'artificial' and therefore that development Planning should treat the region as a whole, not as two parts. This view was supported by arguments by a few stakeholders that parts of the region were 'underutilised', including the A90 corridor north, the A90 south, the A93, A96 and A947 corridors. It was also identified that there was a need for strategic decisions about where development should be to support the development of specific industries in the region, bearing in mind the existing patterns of industrial specialisation in the region and Scottish Enterprise' industry approach to economic development.

Industry: As discussed above, the issue about where employment land expansion has, and should be, accommodated is crucial in the debate about the operation of City and Shire. Arguably there is not a large scale, single-site Central Business District in the City and historically the lack of developable land in the City has led to employment land expansion in places outside the City boundary, such as Dyce, Porthlethen, Westhill, Inverurie and Stonehaven. As a result, the Shire area surrounding the City has developed specialisation in oil and gas support, engineering and subsea, most notably Westhill, which has rapidly become a subsea technology centre of excellence. Although this pattern of industry was not the result of a coordinated strategy to achieve such an end (although the Shire was flexible and responsive to industry needs), it was viewed by most stakeholders as an effective outcome. Indeed the supply chain and industry strengths of the Shire are viewed as a relatively unique strength of Aberdeen City and Shire region, distinguishing it from other Scottish and UK city regions to a large extent.

In future this pattern of development and support for industry was seen as offering opportunities for using low land values and opportunities in the A90 north corridor (e.g. Peterhead Port facilities and land) to encourage development in this area. The Energetica project captures this view and the WPR was seen by most stakeholders as an important step in making this happen.

Further transport development, such as rail, is also seen as important to realising this industry / lifestyle vision.

In the food and drink sector, the Grampian Food Forum is a good example of collaboration between City and Shire (and Moray area). The Forum's activities are around events and food tourism but there is potential to build on its strengths to play a more strategic role in developing the complementary offer and performance of the food and drink sector in City and Shire.

There was a view, by some, that the City and Shire has the potential to be a 'true city region' in a way that not many city regions do. However, in order for this to happen employment land expansion (and supporting infrastructure) needs to be concentrated in the Shire in order to allow more concentrated housing development in the City. This view is not necessarily consistent with the 50:50 split approach to development land in the emerging Structure Plan. Indeed there was not a consensus that the current Structure Plan approach was optimal for the economic development of region, for just that reason.

Lastly, there was also one stakeholder who argued for more business space provision in smaller rural areas. This was based on observations about how the quality of life in the Shire was often drawing in skilled, entrepreneurial people who may be constrained by the lack of property to develop businesses. A specific anecdote of this situation was offered. It was also argued that more infrastructure for home working in the Shire's 'commuter towns' would meet sustainability objectives and help rejuvenate the day time dynamic in these towns.

Housing: A trend which has mirrored the employment land expansion in the Shire has been the housing expansion in the Shire. As with employment land, the lack of developable sites for housing has led to households 'leap-frogging' the City boundary to meet their housing needs (prompted by greater affordability as well as availability in the Shire). As a result, population has been growing strongly in the Shire since the mid 1990s but has been declining in the City, up until 2003/4. As noted above, some stakeholders were of the view that this pattern of development has had a negative impact on the City, with there now being a lack of housing options, particularly for young people and for families. Looking ahead, some were of the view that there is need for the type of higher density housing in the City that is becoming popular in other waterfront and riverside cities (e.g. Glasgow, Manchester, Bristol and Bergen). However, there were some divergent views on whether such a focused housing expansion is required in the City, as well as on what type of housing should be provided (waterfront flats versus family housing).

Key questions

This analysis suggests that the following may be important questions to consider in relation to comparator city regions:

- How has growth been accommodated (city versus hinterland / shire)?
- Has city / shire split in development been the same in housing and employment land?
- How have transport systems been developed to support regional growth?
- What planning arrangements and partnership structures are in place to ensure regional economic development outcomes are maximised?
- Are there other examples of successful city regions where the shire plays such a significant role supporting the city's most significant industry?
- How is major infrastructure delivered – how are decisions made and projects funded?

Figure 2.1: Issues and implications for comparisons

Key driver	Issues	Implications for comparison
Economic diversification	<ul style="list-style-type: none"> Diversifying into other energy sectors Research base attraction for future inward investment (life science, nutrition) Branding / marketing required (e.g. life sciences) Lack of tourism accommodation and city attractions Enterprise culture is key opportunity 	City regions that have successfully diversified away from dependency on key sector/market; university-business links; city branding projects; inward investment
Transport	<ul style="list-style-type: none"> Transport developments (esp. WPR) key to unlocking land supply Need for more rapid inter-city Air development important because of peripherality & global markets Internal – need WPR and rail for commuting (modal shift) Minimising need for travel – home working 	Examples of transport-led city region regeneration/improvement; city regions with similar peripherality challenge
Quality of life	<ul style="list-style-type: none"> Intrinsic part of economic development Perception issues Improve city offer – culture, retail, housing 	City regions that have successfully developed and communicated a reputation based around quality of life
Human capital	<ul style="list-style-type: none"> Top of some people's priorities is skills shortages Skills and pay currently quite high Cost of living is high – difficult to attract people Need for population <i>growth</i> Retaining graduates 	High cost city regions that attract people; city regions that have managed population growth
Innovation	<ul style="list-style-type: none"> HEI sector important to energy, life science and food and drink sectors New technology – need for more testing facilities (needs to be coordinated) 	City regions with successful innovation systems, where public sector, HEI and business are partners
Investment	<ul style="list-style-type: none"> Current under supply of land, Utility/service constraints Land around city owned by a few in private sector (a constraint) Economy has become 'too big' for the city Some corridors need to be developed (Aberdeen-Peterhead, A90 etc) Need capacity growth to accommodate population growth (e.g. key worker housing) 	Examples of how a city and its region have collaborated to generate capacity for growth
Decision making	<ul style="list-style-type: none"> City and Shire Councils – opportunity or constraint? Regional decision making Leadership and vision Private sector 	Examples of public-private collaboration and leadership which has driven transformation
City and Shire	<ul style="list-style-type: none"> City and Shire interact to drive regional economy 	Examples of different regional models

2.3 Projects

This section presents the main findings from consultations with stakeholders on the key economic development projects currently in the pipeline in the region.

Consultation feedback

The key projects for the City and Shire are largely summarised in the *Building on Energy* document. However, in this section we consider the consultation evidence and summarise the level of support for these projects and their perceived relative significance in effecting economic transition in the region.

Generally, stakeholders argued that the projects in the Manifesto 'are the right ones'. However, there were some stakeholders who argued for greater coordination of these projects, ensuring that all the joins were made. The paragraphs below consider the main projects discussed.

As noted earlier in this report, the **WPR** was regarded as most as a significant project. Its significance was probably perceived as being greatest in freeing up land for development on the outskirts of the City and for enabling airport expansion. Its impact as a solution for the internal transport issues within the City and Shire was generally regarded as being less strategic than the land release issue. The other key transport project regarded as being strategically important is **airport expansion**. As a peripheral region with considerable dependence on global markets, further developments of routes and capacity at the airport were viewed as being important to the region's future economic development.

There was a general consensus that the **Energetica** project encapsulated the thrust of *Building on Energy* and provided a good match between existing strengths, long term vision and development opportunity. However, running in parallel with this consensus that it was a well identified project was a view, by some, that all agencies involved must do their part in implementing it.

Many stakeholders recognised the importance of innovation in the City and Shire and therefore the importance of linking University research strengths with the region's businesses. There were some examples mentioned of where this working well, mainly in the energy sector and in food and drink / nutrition (e.g. Rowatt Institute relocating to University of Aberdeen). This was cited as an example of an initiative which it was hoped would lead to inward investment, attracted by critical mass in the research base. Currently, the lack of space (e.g. spin out space) was viewed as being a constraint on this vision being achieved.

Investment in the City generally was highlighted by all stakeholders as a priority. As noted earlier, there has been a legacy of under-investment (compared with other Scottish cities) which means that the current cultural, housing, transport, education and retail offer in the city is regarded as being below what the city requires for its aspirations.

Linked to City development, but with wider regional benefit, is the need for **place branding and marketing**. This area of intervention was viewed as being very important by all stakeholders, linked to the need to alter perceptions about the City and Shire and attract further population growth. Generally there was a view that this is not happening effectively enough yet and that there is still a need for greater civic leadership in this area.

These were the key projects that were consistently cited as have strategic significance for regional economic development. Other projects were mentioned but were not give the same level of significance or support; South of the City URC, Royal Deeside DMO, area regeneration projects within the City and the regional sports complex.

Key questions

The issues discussed above suggest that the following learning should be sought from comparator city regions on specific projects:

- Large scale strategic, mixed use projects – how were they planned, how were obstacles overcome, how was the private sector involved and have they achieved their vision?
- Strategic transport projects that have underpinned transition – what did they achieve and how were they achieved?
- Strategic city redevelopment projects – what were the key projects that had an impact and how were they delivered?
- Examples of effective place marketing that have helped attract people, investors, visitors etc?

3 Comparator city regions

3.1 Introduction

This chapter presents the findings from our research on potential comparator city regions for Aberdeen City and Shire. Section 3.2 summarises the approach taken, 3.3 presents the long list of potential comparators and section 3.4 presents the recommendations for the short list.

3.2 Selecting comparators

In order to identify potential comparator areas we applied the following criteria to places that we reviewed:

- scale;
- key industry dependency (not oil and gas);
- oil and gas dependency;
- relative remoteness from other city regions;
- city and hinterland interaction; and
- extent to which the city region is in the process (or has recently completed) a significant economic transition.

Therefore, depending on how well a given city region meets some or all of the criteria we have included them in the long list. For most of the comparators it was possible to use quantitative sources to measure most of these features (e.g. changes in employment share of manufacturing and services in the last decade as a proxy for transition) but this was also backed up by qualitative sources (e.g. marketing websites, brochures and government documents). Quality of life was more difficult to measure in some places than others and the extent of city-hinterland interaction has mainly been inferred from geographic features.

In the consultations we also sought views from stakeholders on places that they thought offered potential learning for Aberdeen City and Shire. Many stakeholders did not feel that this was an area of which they have a great understanding. Many of the suggestions made of places where transition had evidently occurred were much larger than Aberdeen City and Shire. This included places such as Barcelona, Houston, Adelaide, San Francisco, Birmingham, Hong Kong and Washington. Some known energy-dependent places were also mentioned by some stakeholders, such as Perth (Australia), Calgary and Houston, again. Other useful ideas were that perhaps the examples of University-industry interaction in the Netherlands might be useful. Edinburgh, Dublin, Portuguese cities, Hamburg, other Scandinavian cities and Glasgow were also mentioned, but usually with little specific evidence to justify their consideration.

There were mixed views on whether looking at places of similar scale was important. Some stakeholders felt that it was the potential lessons that should be most important or the similarity in features (e.g. Adelaide has little developable land but is managing to grow).

3.3 Long list

In the paragraphs that follow we present a summary of each of the potential comparator areas in the long list. The cities are presented in order of their potential relevance as comparators for Aberdeen City and Shire. More detailed information on each potential comparator (across the criteria outlined in 3.2) is provided in appendix B.

Stavanger, similar in size to Aberdeen both in terms of population and is a peripheral location, dependent on the oil and gas sector. However, its share in the sector is declining and the increase in the business and other services sector suggests the city is becoming more service sector based like most cities today. Unlike Aberdeen City Region, Stavanger has seen an encouraging growth in its population over the last decade.

The strength of the **Halifax** (Canada) economy rests on traditional defence and port functions, and its expanding and diversifying service sector. The area has a regional prominence in new producer services such as research activities in the health, marine and university sectors. Although remaining port and marine dependent, Halifax is progressively being replaced by the professional service industry. The second largest employer is the public sector where Halifax is home to the Canadian Naval bases. Like Aberdeen Halifax has a strong pull on suburb and rural hinterland areas for labour and has achieved youthful in-migration in recent years. There are also plans for population expansion of 100,000 by 2028 in Halifax.

Calgary, approximately double the size of Aberdeen, is the energy capital of Canada with rich proven reserves of coal, oil and natural gas. Calgary is in a peripheral position however its closest city Edmonton also has a strong presence of the energy industry. Like Aberdeen, Calgary is the main city within the Alberta area serving its hinterland as a service, industry and export hub. In response to oil volatility, Calgary has diversified following a government lead to professional services and science-based industries. The population of Calgary has also expanded in recent years.

Like Aberdeen, **Anchorage** (Alaska) is a producer of petroleum. Other important sectors are government, military and tourism. Anchorage host two military bases. The city also serves as an important port for trade and travel, with 95% of the state's freight going through Anchorage's port. The city is similarly peripheral to Aberdeen and has a pull on the surrounding hinterland given its nearest city region is Fairbanks, over 360 miles away. Anchorage has also been named "All American City" four times.

Bristol, similar in size to Aberdeen, has a considerable pull effect on wider Somerset and also has some links with South Wales. Bristol's key industry is aviation where it is home to 9 out of 12 of the largest aerospace companies in the UK including Rolls Royce and Airbus. However the city has experience a recent expansion of the business and other services sector. The city has also undergone a waterfront development which has undoubtedly would aided in the increase in quality of life Bristol has to offer.

Bergen is similar to Aberdeen both in size and its peripheral location (given its distance from Oslo), where it serves the wider hinterland. The former shipbuilding centre of Bergen is now making a transition to service based industries, given its recent growth in the business and other services sector. The construction sector has also witnessed an expansion. Bergen, where quality of life is also on the increase has hosted the title European Capital of Culture.

Bremen serves as a hub for the Kreisfreie Stadt region of Germany. The city, which is similar in size to Aberdeen, does not have a dominant oil and gas sector. Bremen, although showing a decline in recent years, has manufacturing as its key sector (with aerospace, car manufacturing and space technology being crucial to the economy), however business and other services and public services have seen growth over the same period. Bremen's old town has a cultural offering of art, museums and events.

Aarhus' harbour is paramount to the city's success. The port is a trade platform for the agriculture and manufacturing sectors, both of which are key sectors in Aarhus. Like the Aberdeen City Region, agriculture is more prominent in the rural hinterland areas of Aarhus, while the IT and service sectors are concentrated in the city itself. The city has also experienced positive population growth, resulting in the average age of the population being lower than Denmark as a whole.

The economic structure of **St Louis** (Missouri) has not changed significantly in recent years, although like most cities there has been a decline in manufacturing. The city's main sector is trade, transportation & utilities; however there has been a slight decline in the sector over that last decade. St Louis' closest neighbouring city is Kansas City, over 260 miles away and as such St Louis has a strong pull on labour from the surrounding hinterland.

The **Tampere** city region is similar in size to Aberdeen; however it does not have the presence of the oil and gas sector. Tampere's most dominant sector is manufacturing, although there has been a decline in the industry over the last decade. The city is the largest city outside the Helsinki area and has a significant pull on population. Tampere is also consistently rated high amongst Finland's most popular cities to relocate to.

Christchurch is the largest city of the south island of New Zealand, yet smaller in size to Aberdeen. Manufacturing is a key sector in Christchurch; however heavy industry has been relocated to Asia and replaced by lighter manufacturing, electronics and services. Wellington is the Christchurch's closed neighbouring city which is located on the north island of New Zealand resulting in Christchurch serving a large part of the south island. The city has recently experience positive employment growth and offers an attractive cultural experience for residences by cathedrals, civic and park areas.

Portland, Oregon, similar in size to Aberdeen is not dependent on the oil and gas sector for income and employment. Following a decline in the manufacturing industry the city has diversified into advanced manufacturing and IT, although the recent burst of the dotcom bubble affected the city. Portland is the key state hub of Oregon as there are no nearby competing cities and like Aberdeen has a significant pull on the surrounding hinterland. The city has also witnessed positive population growth over the last decade.

Gothenburg (Sweden) is known historically for its trading port and as such manufacturing (including ship building) has been an important sector for the city. Despite the closure of the ship yards, manufacturing is still dominant especially car manufacturing. Service sectors like banking and finance are also growing as well as tourism. Similarities to Aberdeen include Gothenburg's peripheral location and population size.

Dublin is both the largest and capital city of the Republic of Ireland and has a considerable pull effect on the east of Ireland, particularly because the closest city to Dublin is Manchester. Its rapidly expanding population is almost three times the size of Aberdeen mostly likely correlated

to the increase in quality of life that the city offers. Dublin's key industry is high value added manufacturing however over recent years there has been a decline in this activity. The main growing industries are information technology, bio technology and financial services. Dublin offers a unique cultural experience given its writers' museums, four universities and its recent award of Cultural Capital of Europe.

Like Aberdeen, **Perth** (Australia) has a dominant energy industry, more so than the rest of the country. Retail and manufacturing sectors are important to Perth along with the growing tourism sector. The isolated city which dominates its hinterland of Western Australia attracts a vast volume of commuters and is the largest city of Western Australia. The city's population and quality of life have both expanded over the last decade causing in-migration.

Charlotte is the largest city in North Carolina, however similar in size to Aberdeen. The city is a key financial centre which has transitioned from a once traditional manufacturing dependent city to advanced manufacturing and finance. Charlotte services the broad region bordering Greensboro and Columbia. Like Greensboro, Charlotte's closest large city is Atlanta. Charlotte offers a favourable climate, unrivalled sports and leisure facilities, affordability, an urban-rural mix and quality HEIs, all of which adds to the city's attractiveness to in-migrants.

Lisbon is similar in size to Aberdeen and as Portugal's capital and most prosperous city Lisbon, has a considerable pull on the country. There are no other cities of its scale in the country; in fact, the closest city to Lisbon is Madrid (Spain). Lisbon is dissimilar to Aberdeen insofar as it is not dependent on the oil and gas sector. Reflecting the decline in manufacturing that Lisbon has experienced, there has also been growth in the business and other services sector. The main sector is the service sector with creative and media industries, financial services and high-tech industries being the strongest. The biotech industry is also expanding in Lisbon.

Greensboro (North Carolina) smaller in size to Aberdeen is similarly peripheral due to its distance from its nearest neighbouring city of Atlanta. Greensboro serves its hinterland as part of a string of large towns and small cities along with Winston-Salem and Durham. Traditional industry such as textile, furniture and tobacco industries remain important to Greensboro's economy; however the once manufacturing dependent city is witnessing a transition into the service sector. Quality of life has also improved making it attractive to in-migrants.

Houston, (Texas) has a dominant energy sector and despite a recent fall in the industry share energy still remains the city's key sector. Public sector led diversification has reduced dependency on the energy sector and increased the importance of finance, life science and aerospace. Houston, one of the USA's largest cities is considerably larger in size to Aberdeen and as such has a significant pull on the rest of the region. The city's quality of life has increased over recent times.

Nîmes is a small French city neighbouring Arles, both of which are influenced by the close proximity to the city of Marseilles. The historic city has in the past been dependent on employment in the manufacturing sector. Nîmes however has recently seen a shift from manufacturing to business and other services sector. Quality of life has also increased in the city which is home to a vast selection of cultural offerings including Roman ruins, Spanish bull-fighting and bird refuge parks.

's Hertogen-bosch is part of a network of five cities in Noord Brabant in the Netherlands. The city is similar to Aberdeen both in size and level of employment however; unlike Aberdeen the 's

Hertogen-bosch has experienced recent population growth. The closest neighbouring city to 's Hertogen-bosch is Amsterdam. The once dominant manufacturing sector is in decline in 's Hertogen-bosch making way for the growing business and other services sector. The city is the largest financial centre in the south of the Netherlands including ING and Van Lanschot Bank.

Huntsville is the largest city in north Alabama. Employment in the city is concentrated in aerospace and military technology, however the manufacturing sector is declining and the economy is shifting towards the service sector. Huntsville is also home to the second largest research park in the USA, CRP. In 2005, Forbes Magazine named the Huntsville-Decatur Combined Statistical Area as 6th best place in the nation for doing business, and number one in terms of the number of engineers per total employment.

Hamburg, Germany's second largest city has a population almost four times that of Aberdeen. Hamburg's closest city is Bremen, both of which are hubs to their hinterland. The previously manufacturing dependent city is becoming more concentrate in the business and other services sector. The city's service sector compromises of real estate services, consulting and insurance industries. Furthermore, Hamburg has becoming a favourable choice location for multi-media and internet related services companies.

3.4 Recommendations for short list

In order to move from the long list to the short list we used a scoring system. The scoring system uses Multi Criteria Analysis techniques to score each comparator area against the selection criteria. The chosen weights for the selection criteria are as follows:

- | | |
|-------------------------------------|-----|
| • Scale | 20% |
| • Dependency on oil and gas | 12% |
| • Dependency on another industry | 12% |
| • Distance from larger city regions | 12% |
| • City and hinterland interaction | 12% |
| • Economic transition | 20% |
| • Quality of life | 12% |

Larger weights were applied to the '**scale**' and '**economic transition**' criteria to reflect the importance of these criteria to the project outcomes. Each place was scored on a scale of 1-5, (where '5' fully meets the criteria and '1' meets only certain characteristics of the criteria). The scoring based on this approach is provided in figure 3.1. More detailed information on each comparator area is provided in appendix B.

Figure 3.1: Scoring long list against criteria

Potential comparator area	Scale	Key industry dependency - Oil and gas	Key industry dependency (not oil and gas)	Distance from larger city regions	City and hinterland interaction	Economic transition	Quality of life / culture	Composite score
Stavanger	5	2	5	5	3	5	3	4.2
Halifax	4	3	4	5	3	4	4	3.9
Calgary	2	5	4	5	3	5	3	3.8
Anchorage	4	5	3	5	4	3	3	3.8
Bristol	5	1	3	4	3	4	4	3.6
Bergen	5	2	3	5	3	3	3	3.5
Bremen	4	1	3	3	3	5	4	3.5
Aarhus	3	1	4	4	5	3	4	3.4
St Louis	4	1	2	4	3	5	3	3.4
Tampere	4	1	3	3	4	3	5	3.3
Christchurch	4	1	3	5	3	3	4	3.3
Portland	4	1	4	3	3	4	3	3.3
Gothenburg	4	1	2	5	3	4	3	3.3
Dublin	2	1	3	4	3	5	4	3.2
Perth	2	5	3	5	2	3	3	3.2
Charlotte	4	1	3	2	3	4	4	3.2
Lisbon	4	1	3	4	3	3	3	3.1
Greensboro	4	1	3	3	3	3	4	3.1
Houston	1	5	3	2	2	5	3	3.0
Nimes	4	1	3	2	3	3	3	2.8
's-Hertogenbosch	4	1	3	1	2	4	3	2.8
Huntsville	3	1	3	4	3	3	2	2.8
Hamburg	1	2	3	3	3	4	3	2.7

Source: Experian 2008.

Based on this scoring system we have presented our recommendations on what look like the strongest contenders for the short list (figure 3.2). However, as can be seen from figure 3.1 the scoring is very close between many of the city regions on the long list. This is to be expected as places that are a close match for Aberdeen on some measures (e.g. scale and distance from other cities) may not be a close match on other measures (e.g. key industry dependency or economic transition) and vice versa.

Figure 3.2: Proposed short list

Recommended comparator	Justification
Stavanger	<ul style="list-style-type: none"> • Similar size and peripherality to Aberdeen • Also dependency on oil and gas industry • Important difference (and lesson) for Aberdeen is that significant population and economic growth has been accommodated • Population growth and European City of Culture status (1996) indicate quality of life
Halifax	<ul style="list-style-type: none"> • Peripheral within Canada • Successfully diversified into private services but port activity still important • Attracting young people but retention issues remain • Coherent economic geography (CBD / university sector / suburban hinterland / rural expanse)
Calgary	<ul style="list-style-type: none"> • Key global energy, like Aberdeen • Remote from other main Canadian cities • Government-led strategy to diversify economy towards science and knowledge-based professional services
Anchorage	<ul style="list-style-type: none"> • A peripheral port town, similar to Aberdeen • Oil industry is important part of the economy • Greater logistics role than Aberdeen (may be lessons here) • Strong economic pull exerted on hinterland • Scores highly on quality of life measures
Bristol	<ul style="list-style-type: none"> • Peripheral UK city • Proven quality of life development (culture, waterfront development) • Attracted growing industries • Balancing diversification with specialism (aviation) • Plans for future growth (30K homes in 10 years)
Source: Experian 2008	



Appendix A

Consultations

Contact	Organisation
Melfort Campbell	IMES Group / RGU
Jennifer Craw	Scottish Enterprise
Iain Gabriel	Aberdeenshire Council
Mark Gordon	Aberdeen City Council
David Littlejohn	Scottish Enterprise
Steve Logan	University of Aberdeen
Maggie McGinlay	Scottish Enterprise
Marion Miller	Marion Miller Solutions for Business
Geoff Runcie	Aberdeen and Grampian Chamber of Commerce
Rita Stephen	Aberdeen City and Shire Economic Forum

Appendix B

Comparing long list against criteria

Potential comparator area	Population ('000s)	Key industry dependency - Oil and gas	Key industry dependency (not oil and gas)	Distance from larger city regions	City and hinterland interaction	Economic transition	Quality of life / culture
Stavanger	400	Yes (3.9% share but declining)	-	Oslo (430km)	Information not available	Business & other services share increased from 10.9% to 14.4%	12% population growth since '96 European capital of culture 2008
Nimes	610	No	1996 Manufacturing share 13.4%, 2006 share 10.7%.	Marseille	Nimes and Arles are both small cities, close together. Somewhat affected by Marseille proximity	Business & other services share increased from 12.8% to 16.0%	11% growth
Bergen	454	No - 1996 share 1.4%, 2006 share 1.3%	1996 Manufacturing share 16.6%, 2006 share 14.3%	Oslo (397km)	Bergen is isolated small city serving wider hinterland	Business & other services increased share from 10% to 15%, Construction increased share from 7.0% to 9%	6.6% population growth since 2000. European capital of culture 2000
Hamburg	1,750	No - 1996 share 1.2%, 2006 share 1.0%	Manufacturing	Bremen (124 km)	Most significant hub in north along with Bremen	Business & other services increased share from 19% to 29%	2.7% growth between 1996 and 2005.
Lisbon	760	No	1996 Manufacturing share 18.9%, 2006 share 14.4%	Madrid	Capital city with pull on most of country. No other cities of scale.	Business & other services increased share from 16% to 21%	Information not available
Dublin	1180	No	High value added manufacturing	Manchester	Significant pull effect on east of country (capital city)	1996 Manufacturing share 17.7%, 2006 share 10.8%	12% growth between 1996 and 2006.
's-Hertogen-bosch	630	No	1996 Manufacturing share 20.8%, 2006 share 16.7%	Amsterdam (90km)	Part of network of 5 cities in Noord Brabant	Business & other services share increased from 19.2% to 22.3%. GDP growth 3.2% per annum (96-06)	7% population growth since 1996
Bristol	411	No	Aviation	Birmingham (120km)	Significant pull effect on wider Somerset and also some links with South Wales-Cardiff	Business & other services share increased from 28.8% to 31.2%	5% growth since 1996. Waterfront housing and commercial regeneration. Plans for 30K more homes.

Bremen	546	No	1996 Manufacturing share 22.1%, 2006 share 18.8% (space, aerospace and automotive)	Hamburg (90km)	Bremen is hub for the Kreisfreie Stadt region	Business & other services share increased from 15.7% to 21.8%. Public service share increased from 19.9% to 24.1%.	Old town, art and science museums, events
Greensboro	238	No	Manufacturing share (Guildford County) down from 20.9% (1994) to 14.7% (2004)	Atlanta (400km)	Part of string of large towns/small cities - along with Winston-Salem and Durham. Removed from large US cities	Service sector was 30.2% of economy, up from 26.2% in 1994	22% growth between 1996 and 2005. Climate
Charlotte	585	No	Key financial centre - finance and insurance industry account for 16%	Atlanta (300km)	Services broad region bordering Greensboro and Columbia	From traditional to advanced manufacturing and finance	Climate. Sports / leisure. Urban / rural mix. Affordability. HEIs
Christchurch	348	No	16% of employment is manufacturing	Wellington (250km)	Serves large part of south island, remote from other large cities.	Heavy industry relocated to Asia. Replaced by lighter manufacturing/electronics and services.	8% population growth between 2001 and 2006. Cathedral, civic and park areas. 16% growth expected to 2026.
Calgary	924	Mining, gas and oil are 6.5% of employment	No	Edmonton (150km)	Many city in Alberta serving as service, industry and export hub	In response to oil volatility, government led diversification, with professional services and science-based industries.	2.0-3.5% population growth per year since 2004.
Perth	1450	Energy and raw materials - Over 80% more significant than nationally	None	Adelaide	Isolated city which dominates western Australia. Commuters number around 100,000.	Information not available	16% growth between 2000 and 2006. or 1.6% growth annually
Halifax	373	Much less mature industry in Halifax - in exploration stages	45% of industry output is 'professional services'	Main city in Atlantic Canada - peripheral but nearest cities are Quebec and Montreal	Strong pull on suburb and rural hinterland for labour	Port and marine dependent but progressively being replaced by professional service industry	Achieved youthful immigration in recent years. Plans for population expansion of 100K by 2028

Portland	537	No	IT and advanced manufacturing	Seattle (150km)	Key state hub with no competing cities nearby	Recent manufacturing decline replaced by more advanced manufacturing. Even more recently dotcom bust affected city. However, IT still important industry.	10% population growth since 2000
Houston	5,000 (Houston-Sugar Land-Baytown area)	energy has dropped from 86% of industry base to 50%	No	Dallas	National hub for energy and global energy centre. One of the largest US cities and considerable pull on region	Mature energy province but public sector led diversification has reduced dependency and increased importance of finance, life science, space etc.	18% growth between 2000 and 2006.
Huntsville	158	No - aerospace	1998 Manufacturing share 22% 2007 16%	Birmingham (100 miles)	Largest city in 100mile radius	Previously dominated by manufacturing moving towards professional and business services	Growing population
Anchorage	263	Yes	Government (23%) and trade, transportation & utilities	Fairbanks (360 miles)	Anchorage serves as a link to the rest of the US and the globe through its airport and port	Trade, transportation and utilities 23%, government 20%	Named "All American City" in 2002 for the 4th time
St Louis	353	No	Trade, transportation and utilities	Kansas City (250 miles)	Strong pull on workers from hinterland - 56% of workers in St Louis commute from out with the St Louise City county (40% St Louis County)	Economic structure hasn't changed significantly between 1998 and 2007, decline in manufacturing	Declining population
Tampere	464	No	Manufacturing	Pori (70 miles)	Two thirds of all Finns live within a two hundred kilometre radius of Tampere	Declining manufacturing sector and growing service sector	Tampere Central Region consistently rate among Finland's most popular areas for resettling

Gothenburg	494	no	Manufacturing	Stockholm (468 km)	Its isolated location and port makes it a significant trading hub to hinterland	Service sector 68% - key to employment growth	Attracts many immigrants, making up 20% of the population
Aarhus	649	No	Agriculture 3%, Heavy (Trains and ship building) and light manufacturing 25%	Copenhagen (300km)	Commercial activity concentrated in city, pull on rural hinterland	Growing IT and Service sector companies in city centre, agriculture prominent in rural areas	8.7% growth between 1998 and 2003, Average age lower than rest of Denmark
Aberdeen	445	Yes (11% share of economy)	-	Edinburgh (203km)		Planning stage	0% population growth since 1996