

**BLACK COUNTRY
CONSORTIUM**

**ECONOMIC IMPACT OF
THE EXPANSION OF
BRIERLEY HILL/
MERRY HILL**

A Final Report

April 2006

Regeneris Consulting

1-5 The Downs

Altrincham

WA14 2QD

Tel: 0161 926 9214

Fax: 0161 926 8545

Web: www.regeneris.co.uk

regeneris consulting

CONTENTS

1. INTRODUCTION AND SCOPE OF THE REPORT	1
2. SUB-REGIONAL ECONOMIC AND POLICY CONTEXT	3
3. THE CURRENT ECONOMIC ROLE OF BRIERLEY HILL/MERRY HILL	12
4. OVERVIEW OF BLACK COUNTRY CENTRES	17
5. CAPACITY OF THE BLACK COUNTRY CENTRES FOR FUTURE GROWTH	22
6. DEVELOPMENT PROPOSALS & ECONOMIC IMPACT	25
7. THE IMPLICATIONS FOR THE BLACK COUNTRY	30
8. CONCLUSIONS	33
APPENDIX A BIBLIOGRAPHY	37

1. Introduction and Scope of the Report

- 1.1 In the context of the preparation of a revised Regional Spatial Strategy (RSS) for the West Midlands, the Secretary of State asked that the West Midlands give priority to establishing the key actions needed to ensure urban renaissance in the Black Country. The major review of the spatial challenges of the Black Country area is being carried out through the Black Country Study. The Black Country study was asked to give attention to and advise on several key matters including:
- Regeneration priorities; and the
 - The strategic role of town centres and Merry Hill.
- 1.2 These matters were outlined in a letter from GOWM to the Black Country Consortium. This report responds directly to the issues raised within the letter.
- 1.3 As part of the work involved in preparing the Black Country Study, Regeneris Consulting, an independent firm of economic development consultants, were appointed in November 2005 to assess the economic impact of Brierley Hill/Merry Hill expansion. Our remit was "*to assess the impact on the Black Country economy if Brierley Hill/Merry Hill (BH/MH) is not able to expand as per the current master plan.*"
- 1.4 This report provides an overview of the work undertaken by Regeneris Consulting. It helps meet the questions raised in the letter from GOWM to the Regional Assembly, dated 17 May 2005, in the following regards:
- Clearly demonstrating that Dudley is not able to perform a strategic role
 - Establishing the economic need for BH/MH to be designated as a strategic centre
 - Identifying how the expansion of BH/MH will create a net positive economic benefit for the Black Country as a whole.

The Development of Merry Hill/Brierley Hill

- 1.5 An ambitious Master Plan has been developed covering the Brierley Hill and Merry Hill area by David Lock Associates and DTZ Piedad for the Brierley Hill Regeneration Partnership. It was first published in 2003 and has been the subject of public consultation. The spatial issues raised in the Master Plan have fed into the Black Country Study.
- 1.6 There were several key elements to this master plan which aims, for the first time, to fully integrate the Merry Hill shopping centre, the Waterfront office campus and Brierley Hill town centre. The main elements of the Master Plan development¹ are:
- 1100 new homes
 - 43,500 sq m (gross) of comparison floorspace
 - Around 75,000 sq m of new commercial office floorspace
 - 20,000 sq m of new mixed leisure floorspace
 - An expanded range of civic, community and health facilities
 - The full and effective integration of the area's three functional components (Merry Hill, Waterfront office areas and Brierley Hill High Street)

¹ Note: as set out in the Brierley Hill Implementation Strategy by David Lock Associates

- Improved public and private transport access including the development and opening of Midland Metro Line 3 to Brierley Hill and a major new transport interchange.
- 1.7 The Master Plan presents a vision for integrated development through new and improved links between the different components. It recognises the special role of Brierley Hill High Street as a secondary trading location and aims to maximise connectivity between the High Street, Merry Hill shopping centre, Waterfront office park and the Dudley Canal corridor.
- 1.8 However, these proposals in the Master Plan were produced in a “bottom-up” manner, based on the potential physical capacity and demand assessment. As a result of the various pieces of technical work carried out for the Black Country study and more recent discussions between the four Black Country local authorities, there are now revised proposals for retail and office development in the Black Country’s main centres. These proposals aim to share future need for additional comparison goods retail capacity/space and office space across the four main Black Country centres (Brierley Hill/Merry Hill, Walsall, West Bromwich and Wolverhampton). This report uses these more recent assumptions about potential future growth in retail and office space in BH/MH.

Our Approach

- 1.9 In assessing the impact of BH/MH expanding (or not expanding) we have adopted the following approach:
- First, assessed the current economic footprint of the development at a local and sub-regional level. This provides an insight into the contribution to employment, Gross Value Added (GVA) and incomes of current economic activity located at BH/MH (Section 3). This information is drawn from recent data provided for the Waterfront office campus and Merry Hill Shopping Centre, a previous study on the economic impact of the expansion prepared by Hunt Dobson for Brierley Hill Regeneration Partnership² and our own estimates.
 - Second, assessed the current economic roles of the other main future strategic centres in the Black Country – Wolverhampton, Walsall and West Bromwich (Section 4). This work is based on a review of previous studies, most notably work by GVA Grimley and Roger Tym & Partners for the Black Country Study³ and supplemented by a review of key employment data.
 - Third, reviewed the likely future economic roles and relationship between the centres (Section 5) based on the studies already mentioned.
 - Fourth, assessed the impact of the BH/MH master plan proposals at a local and sub-regional level in a “gross” sense based on the current nature of the economic footprint and taking into account the scale of the development proposals (Section 6).
 - Fifth, assessed the likely implications for the Black Country as a whole of the scenario with and without the expansion of BH/MH (Section 7).

² “*Economic Impact Study*” for Brierley Hill Regeneration Partnership, August 2002. Hunt Dobson

³ “*Study of Black Country Centres*” for the Black Country Consortium, November 2005. GVA Grimley and Roger Tym & Partners “ and “*Black Country Employment Land Capacity Report*”, GVA Grimley for the West Midlands Local Government Association, Final Report, June 2005

2. Sub-Regional Economic and Policy Context

2.1 This section sets out the latest available information on the current socio-economic conditions of the Black Country and the prospects for future growth without BH/MH expansion. The Black Country sub-region is considered within the regional West Midlands context. The Project Plan for the Black Country Study sets out four key objectives for the Black Country which are to:

- Reverse out-migration
- Raise income levels
- Change the socio-economic mix
- Transform the environment.

Overview of Economic Performance

2.2 The challenges facing the Black Country are well documented and we will not repeat the analysis again. However, in the context of considering the potential impact of the BH/MH master plan it is worth emphasising several points:

- First, overall there remains a **substantial "output gap"** between the Black Country economy and that of the West Midlands and the UK as a whole. In 2002 total GVA generated in the Black Country was £14 billion or 19% of the regional total. However, the gap in GVA per capita was 93% compared to the West Midlands and 82% compared to the UK average. These figures equate to £925 and £2,755 per head of population and multiplied by total population of the sub-region amount to an annual gap of £1.0 billion and £3.0 billion compared to the West Midlands and UK averages respectively. There is also a similar enterprise gap in terms of low levels of businesses and business start-ups per head of population.
- Second, the **gap is widening**. Over the period 1998-2002, average GVA per capita fell from 89% to 82% of the UK average and 97% to 93% of the regional average.
- Third, the output gap is driven by two main factors:
 - *Not enough people in work* – an employment rate of 70.6%⁴ compared to 73.8% in the West Midlands and 74.3% in the UK as a whole. In absolute terms this means that the Black Country has 8,700 fewer people who are economically productive compared to the national average.
 - *Poor productivity of those in work* – average earnings levels at £18,645 per annum are 9% below the regional and 15% below the UK average in 2005.

Linked to these issues are poor rates of education achievement, poor skill/qualification levels and serious social exclusion issues in many parts of the Black Country.

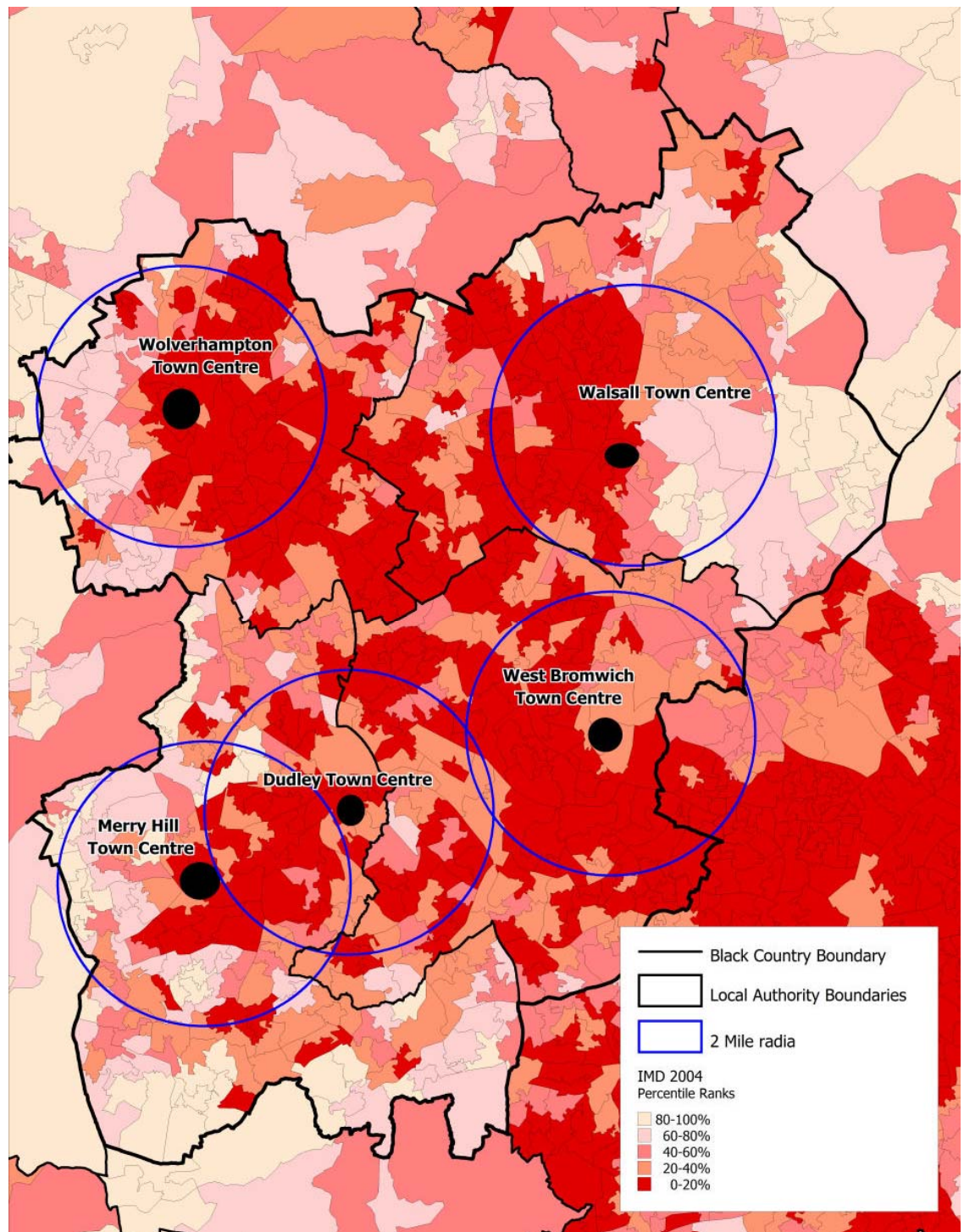
⁴ Employment rate expressed as a % of all adults aged 16 to retirement age in work, data for 2004 taken from the Labour Force Survey

- Fourth, the current **industrial structure** of the Black Country acts as a drag on economic performance. There is a need to capture a bigger share of high value sectors as well as raise the productivity of the remaining sectors. Raising productivity, especially in the manufacturing sector, is likely to mean substantial falls in employment over the next couple of decades. The Black Country has already been quite significantly affected by the immediate shock of the closure of MG Rover as a significant number of ex-MG Rover workers lived there as do a significant proportion of suppliers and their workforces⁵.
- Fifth, the combination of poor economic performance and the industrial legacy have left many areas with **significant regeneration challenges**. In the official ODPM Index of Multiple Deprivation 2004 (IMD 2004) Sandwell was ranked 16th most deprived out of 354 Local Authorities in England and was 2nd most deprived in the West Midlands. Wolverhampton was ranked 35th in England and 4th in the West Midlands, Walsall 51st and 5th and Dudley 109th and 7th. In recognition of the serious regeneration challenges facing the Black Country a large part is covered by two Regeneration Zones – which are areas recognised regionally (in the West Midlands Regional Economic Strategy and the Regional Spatial Strategy) as particular high priorities.
- Sixth, there are major concentrations of deprivation:
 - 7% of all Super Output Areas (SOAs) are in the top 5% most deprived in England;
 - 17% are in the top 10% in England; and
 - 40% are in the top 20% in England.

2.3 We have mapped the IMD 2004 for the Black Country (Figure 2-1). This map shows quite clearly the extent of deprivation in the sub-region and the geographical concentration of deprivation around the Black Country Centres.

⁵ "Closure of MG Rover: Economic Impact" Interim Report for the MG Rover Task Force, Regeneris Consulting, July 2005

Figure 2-1: Deprivation in the Black Country by National Percentiles of Most Deprived Super Outputs Area (SOA), 2004



Source: Admin Map 2006 ©, IMD 2004 ODPM Crown Copyright

Labour Market Conditions

Unemployment and Employment

- 2.4 The current employment rate⁶ in the Black Country is 70.6%. This compares with 73.8% in the West Midlands and 74.7% in England. Latest Labour Force Survey data for 2005 indicates that 32,000 people of working age in the Black Country are unemployed, an unemployment rate of 6.6%, which is considerably higher than both the West Midlands and the UK as a whole, which have unemployment rates of 5.2% and 4.8% respectively. This means that 8,700 people would have to move into employment if the Black Country unemployment rate were to fall to the national rate. A total of 26,450 people in the sub-region are claiming job seekers' allowance (4.1% of the economically population, which compares with 3.0% in the West Midlands and 2.4% in the UK).⁷

Wages

- 2.5 Wage levels reflect the low value employment of much employment in the Black Country. Average residence-based earnings stand at £19,600 per annum in 2005, as compared with £21,100 in West Midlands and £22,400 in the UK. Between 2002 and 2005, average residence-based wages increased in line with the national rate (by 10.4%), with some variation by individual local authority (wages in Dudley increased by 13.1%, while in Wolverhampton the increase was 7.7%).
- 2.6 Workplace-based earnings in Sandwell and Wolverhampton are considerably higher than residence-based earnings (£2,000 and £1,400 greater, respectively), indicating that some better paid jobs are being filled by workers who live elsewhere. However, in Dudley, the opposite is true – residence based earnings are £1,400 greater than workplace-based earnings, implying that some of its residents are travelling elsewhere for higher paid work.⁸

Skills and Qualifications

- 2.7 The low levels of educational attainment, and consequently workplace skills, are a major weakness of the Black Country economy and significantly limit the ability of the sub-region to participate in the growing sectors of the economy. Low levels of knowledge intensity are a direct consequence of the lack of higher level skills. Overall, 17% of the Black Country working-age population, or 107,600 adults, are qualified to the equivalent of NVQ level 4 or above. This is significantly lower than the regional (21%) and national (25%) averages (Labour Force Survey, 2004). The percentage with no qualifications is also some way higher than the regional and national averages, at 22%, compared with 19% (West Midlands) and 15% (UK).
- 2.8 The Black Country exhibits the greatest education and skills related deprivation of the four West Midlands sub-regions. In the IMD 2004 28.8% of SOAs in the Black Country are in England's 10% most deprived with regard to the education, skills and training domain. This compares to a 17.8% share at the regional level.

⁶ Defined as those aged 16 to retirement age (60 women and 65 men) in work, data for 2005

⁷ Data from NOMIS, Labour Force Survey and Claimant Count, © Crown Copyright.

⁸ All data from Annual Survey of Hours and Earnings (ASHE), NOMIS © Crown Copyright.

Social and Economic Inclusion

2.9 The RES identifies the Black Country as lagging behind the region specifically in terms of economic inclusion. At the sub-regional level there is significant deprivation in the urban areas of Dudley, Sandwell, Walsall and Wolverhampton, which are all in receipt of Neighbourhood Renewal Funding.

2.10 The Black Country has a disproportionate share of England's most deprived SOAs. 17.0% of the sub-region's SOAs are in England's 10% most deprived, compared to the regional share of 14.4%. As the region has a 10.7% share of all SOAs in England, the West Midlands already has a larger share of deprivation. Table 2-1 ranks the Black Country Local Authority scores in the IMD 2004 in a regional and national context.

Table 2-1: Ranking of Black Country Local Authorities in IMD 2004			
	Local Authority	Ranking	
		West Midlands	England
1	Sandwell	2	16
2	Wolverhampton	4	35
3	Walsall	5	51
4	Dudley	7	109

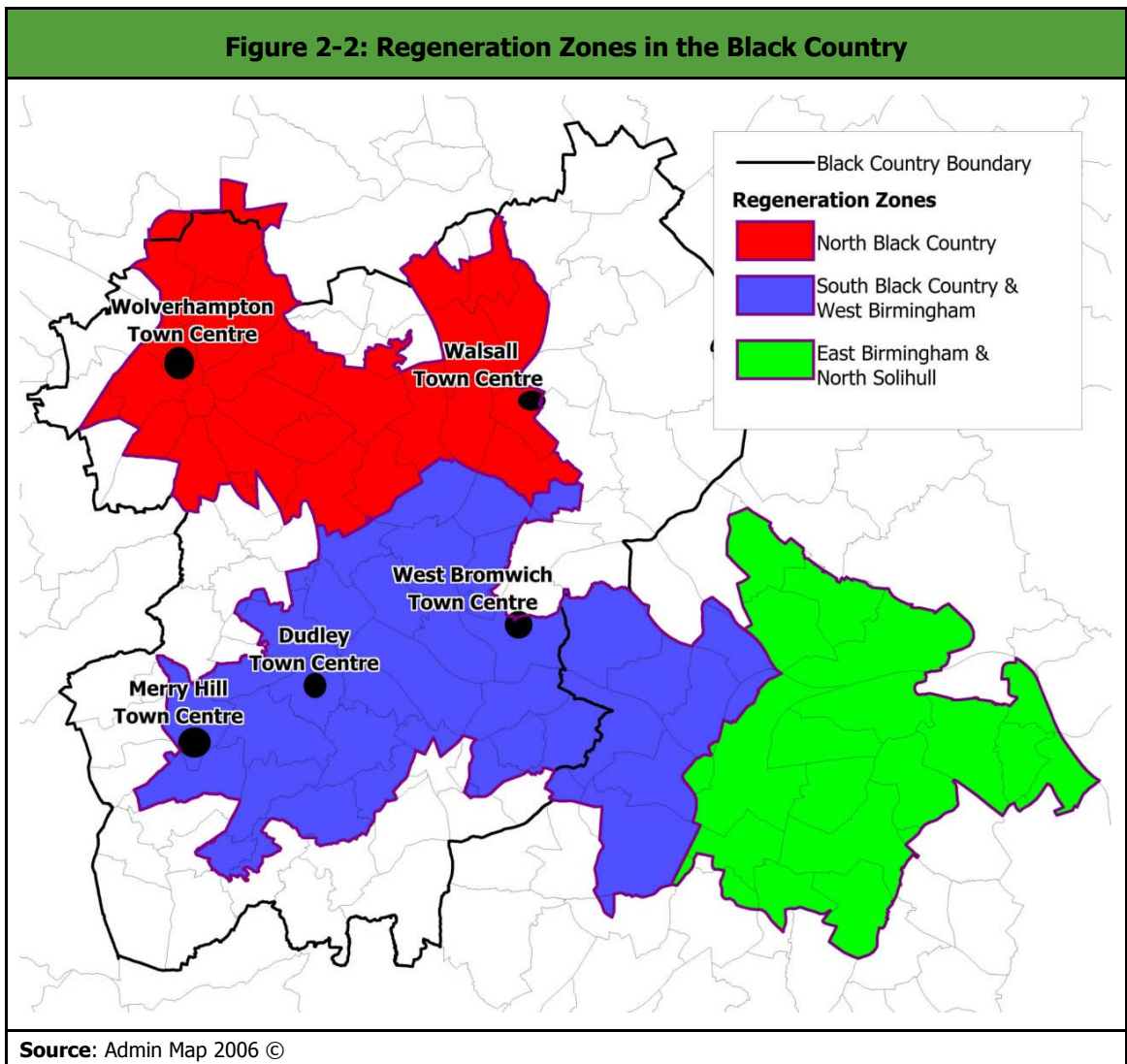
Note: England ranking is out of 354, where 1 is the most deprived and 354 the least deprived. West Midlands ranking is out of 19.

Policy Framework

2.11 One of the key delivery mechanisms for the Regional Economic strategy is Advantage West Midlands' Regeneration Zone (RZ) approach. AWM has created six RZs linking areas of concentrated need and opportunity with the aim of raising employment levels, increasing business activity and improving the quality of life in the region's most deprived communities. Two RZs are located within the boundaries of the Black Country (Figure 2-12), the first being the North Black Country and South Staffordshire 'Future Foundations' RZ. The South Black Country and West Birmingham (SBCWB) 'Arc of Opportunity' RZ is the largest of the six Zones and incorporates a substantial area of Dudley MBC, including BH/MH itself. It faces perhaps the greatest socio-economic challenges of all Regeneration Zones, but is also characterised by a series of strategic development opportunities, including BH/MH.

2.12 One other important economic development policy with a clear spatial dimension is that of the High Technology Growth corridors – introduced and developed by AWM and partners as a response to the first Rover crisis in 2000. The aim of the high technology growth corridors is to stimulate economic diversification by attracting higher value, knowledge based activity. Two corridors impact on the Black Country: the "Central Technology belt" (Birmingham to Worcester High Technology Corridor also known as the A38 HTC), which in effect extends into Dudley⁹ and BH/MH; and the Wolverhampton to Telford High Technology Corridor.

⁹ There are no precise boundaries for the HTCs, but the indicative maps suggest that the HTC's influence extends well into Dudley local authority area

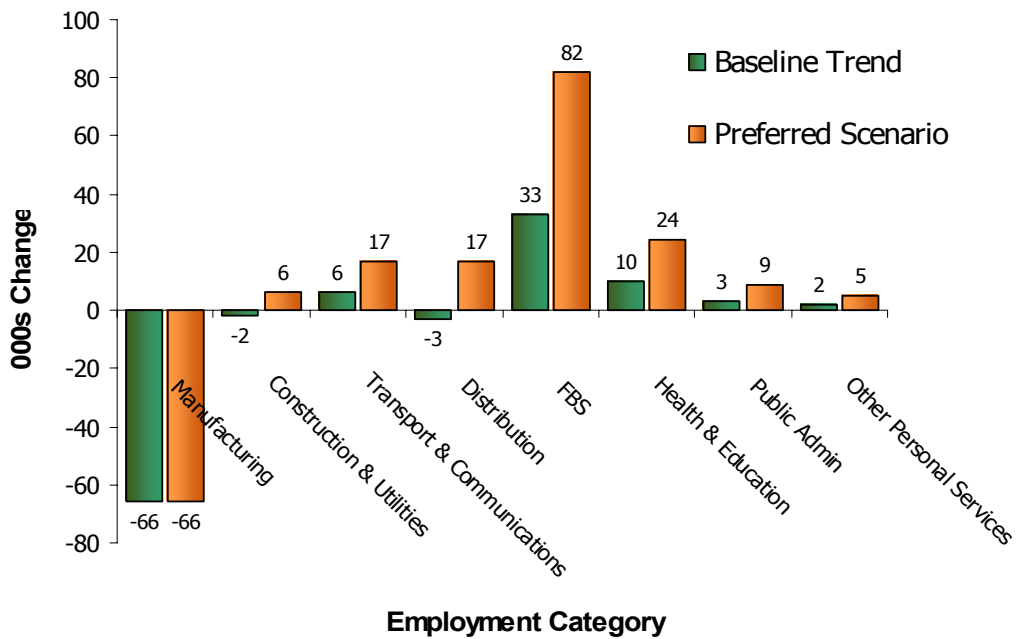
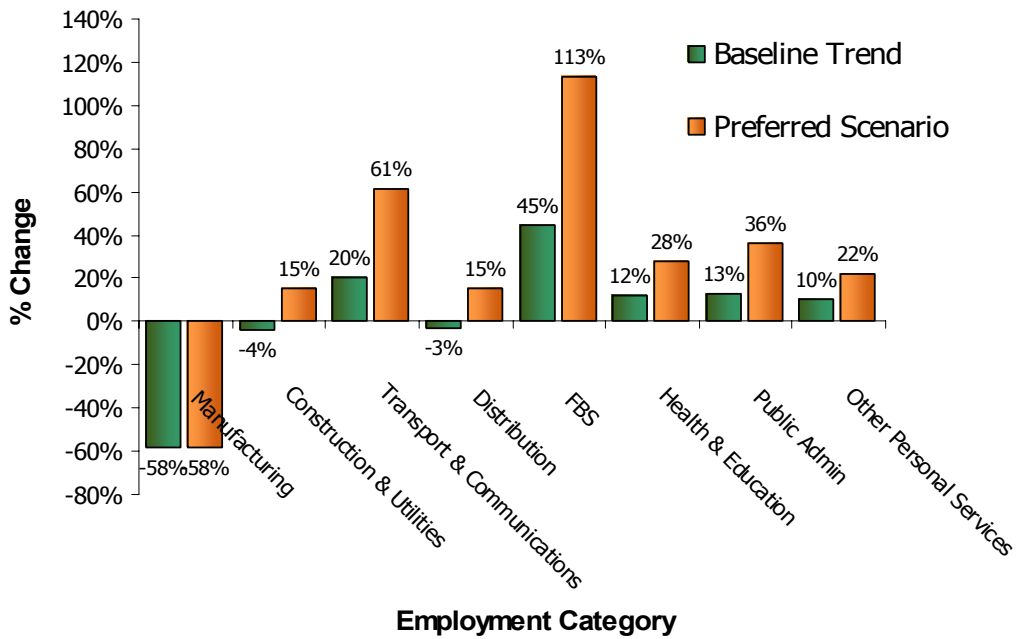


Baseline Forecasts and Scenarios for the Future

- 2.13 Detailed technical work on future employment and economic prospects for the Black Country has been carried out by GHK for the Black Country Consortium¹⁰. This sets out two scenarios for the Black Country: one is essentially a baseline trends scenario (or “business as usual”) which is based on past trends and relative economic performance; the other is the “preferred scenario” which assumes the economic changes necessary to achieve the overall Vision for the Black Country as set out in the Project Plan actually happen. What are the implications of this work?
- Under the **baseline trends scenario** there is forecast to be continued de-population (an overall fall of 5% or around 50,000 in resident population to 2030) and a slow decline in overall employment totals (3% or 17,000 jobs 2003 to 2030). However, within the slight overall fall in employment there are fundamental shifts in the structure of employment to 2030 with a fall of 66,000 manufacturing jobs (nearly 60% of the 2003 levels) and a rise of 33,000 finance and business service jobs or 45% of 2003 levels (the main sector accounting for demand for office space).
 - Under the **preferred scenario** there is assumed to be a fundamental shift in the performance of the Black Country area, with population growth (11% or 120,000 by 2031 to 1.2 million people) and significant growth in population based services and in finance and business services. Overall by 2030 employment is forecast to grow by 94,000 (19% on 2003), with improvement spread across many sectors (as a result of population growth) but especially in finance and business services (growth of 80,000 extra jobs or 113% in that sector from 2003). This scenario has been a driver for future estimates of the need for new office space in the sub-region.
- 2.14 Figure 2-3 illustrates the comparative percentage change in employment by category under the baseline trends scenario and the preferred scenario, over the period 2003-2030. The preferred scenario has a clear impact on the employment forecasts for Financial and Business Services (FBS).
- 2.15 The work by GHK translates these employment forecasts into requirements for employment floorspace across the Black Country. These forecasts are reproduced in Table 2-2. The key points are that:
- Even under the baseline trends scenario there will be a need for additional office floorspace (in effect B1 (a) and A2 use classes) for financial and business services of 200,000m² to 400,000m² (depending on actual employment densities). However, under the preferred scenario there will be the need for a substantially higher growth in office floorspace to cater for these uses (800,000m² to 1.4 million m²). The latter figure was used as the basis for future additional office needs for the Black Country in the work on Black Country Employment Land capacity.
 - The projections suggest little need for net additional, growth in floorspace for public administration (although these forecasts do not take into account the possibility of the impact of the Lyons review and possible relocation of major government functions to the Black Country).

¹⁰ “Long-Term Economic and Employment Strategy for the Black Country” a Final Report to the Black Country Consortium, February 2005. GHK in association with Oxford Economic Forecasts & Regional Forecasts, Land Use Consultants

Figure 2-3: Forecast Change in Total Black Country Employment by Sector Category, 2003-2030



Source: Table 4.3 "Long-Term Economic and Employment Strategy for the Black Country" A Final Report to the Black Country Consortium, February 2005. GHK et al.

Note: FBS= Financial and Business Services (the main source of demand for office employment)

Table 2-2: Future Black Country Floorspace Requirements (000m ²)					
	2003	Baseline Trends Scenario 2030		Preferred Scenario 2030	
Type of Floorspace	Current Densities	Current Densities	Future Densities	Current Densities	Future Densities
Manufacturing	3,900	1,600	1,300	1,600	1,300
Distribution	4,200	4,400	5,600	5,100	6,400
Retail	1,800	1,500	1,600	1,900	2,100
Financial & Business	1,200	1,800	1,400	2,600	2,000
Public Admin	400	400	300	500	400
Personal Services	600	600	600	700	700
Total of above	12,100	10,300	10,800	12,400	12,900
Change from Current		-1800	-1300	300	800

Source: Table 4.7 "Long-Term Economic and Employment Strategy For The Black Country" a Final Report To The Black Country Consortium, February 2005. GHK et al

Note: current and future densities relate to employment densities - that is floorspace per person employed by sector.

Conclusions

2.16 This brief analysis of the past and future performance of the Black Country has highlighted several important points:

- First, the sheer scale of the current economic and social challenges facing the Black Country, although these are not uniform across the Black Country, they are present in all four local authority areas and around all the strategic centres. It is important to note that the BH/MH is located in the southern part of the South Black Country Regeneration Zone.
- Second, that under the baseline scenario ("business as usual") these problems are forecast to get significantly worse in relative terms with continued de-population, falls in relative productivity and falls in wage rates. A key reason for this is that the current economic structure of the Black Country is too focused on the manufacturing sector and not enough on higher value service activities. The big difference between the preferred scenario position is a much more rapid growth in office-based service sector activity (financial and business services), as well as more general growth in population-based services such as retail and leisure.

3. The Current Economic Role of Brierley Hill/Merry Hill

3.1 In effect Brierley Hill/Merry Hill already functions as a strategic centre for the Black Country and is identified as such by GVA Grimley and Roger Tym & Partners¹¹:

"There is overwhelming survey and market evidence which demonstrates that Brierley Hill already performs a strategic role in the Black Country network of centres as a convenience/comparison and services shopping centre; and a sub-regional focus for employment and leisure. In this respect it is already a strategic centre, and should be recognised as such by the RSS."

3.2 Unlike many "out of town centres", Merry Hill is embedded into the urban fabric. Built in phases between 1984 and 1989 the site is located within a dense conurbation and has had a transformational impact on the local area.

Overall Employment Levels

3.3 BH/MH already acts as a significant economic driver for the Dudley metropolitan area and the wider Black Country.

- BH/MH is a major source of employment generation in an area that has experienced significant industrial decline over the last 30 years and is identified as such by Hunt Dobson. There are well in excess of 10,000 people employed at Merry Hill and the Waterfront office park (this equates to 8% of all of Dudley local authority total and 2% of all employment in the Black Country)¹².
- The expansion of employment in the areas since the mid-1980s has been an important contributor to the relatively strong economic performance of Dudley metropolitan area in the Black Country context. The analysis by GHK indicates that Dudley was the only one of the Black Country local authorities to see employment growth over the period 1991 to 2002 in excess of what might have been expected given its industrial structure in 1991.

The Location of Employment

3.4 An analysis of 2001 Census data on local authority of residence of those employed in the best fit BH/MH wards indicates that 7,220 of the employees working in the Merry Hill area (79%) lived in Dudley district. 1,925 lived outside the Dudley district – 795 (9%) in Sandwell, 265 (2.9%) in South Staffordshire, 235 in Wolverhampton and 172 (1.9%) in Birmingham. These patterns are illustrated in Table 3-1 below. Overall, 91% lived in the Black Country.

¹¹ Taken from "Study of Black Country Centres" for the Black Country Consortium, November 2005. GVA Grimley and Roger Tym & Partners, p112

¹² Based on our ward definition of the town centre (see para 4.3), there could be up to 18,000 employees in the whole BH/MH town centre area - this represents 14% of the Dudley local authority total and 4% of all employment in the Black Country. There need to be two caveats to these figures: first, we have used three wards as they appear to cover the key elements of the BH/MH centre, this includes Quarry Bank/Cradley ward which may only cover very limited parts of BH/MH yet is the main centre of office based employment in Dudley MBC according to the Annual Businesses Inquiry; second, the 2002 ward data on which these figures are based indicates a very rapid (and implausible) growth in office based employment compared to 2001

Table 3-1: Local Authority of Residence of Employees in BH/MH Wards, 2001		
Local/Unitary Authority	No. of Employees	% of total
Dudley	7,218	78.9%
Sandwell	793	8.7%
South Staffordshire	267	2.9%
Wolverhampton	235	2.6%
Birmingham	172	1.9%
Wyre Forest	122	1.3%
Bromsgrove	111	1.2%
Walsall	84	0.9%
Bridgnorth	40	0.4%
Wychavon	26	0.3%
All Black Country	8,330	91.0%
Source: ONS, Census 2001, Travel to Work data		

Retail Activity

3.5 Merry Hill is by some way the largest retail centre within the Black Country, comprising 1.5 million sq ft retail floorspace and over 200 retail units. With an estimated comparison retail turnover of £583 million, the CACI Retail Footprint 2005¹³ ranks Merry Hill 2nd in the West Midlands and 35th in the UK in terms of retail footprint. According to these figures Merry Hill is some 50% larger than Wolverhampton and over twice as large as Walsall. The Centres study suggested that comparison goods expenditure in Merry Hill at £620m in 2004 was rather higher accounting for 14.2% of the total Black Country catchment spend, second to Birmingham which had 15.4%.

Table 3-2: Ranking of West Midlands Retail Centres, 2005		
	Centre	Estimated Comparison Retail Spend, 2005
1	Birmingham	£2,207m
2	Dudley – Merry Hill	£583m
3	Solihull	£431m
4	Stoke-on-Trent - Hanley	£395m
5	Wolverhampton	£380m
6	Leamington Spa	£360m
7	Coventry	£351m
8	Worcester	£316m
9	Shrewsbury	£299m
10	Walsall	£250m
Source: CACI Retail Footprint, 2005		

3.6 Merry Hill is an established shopping facility with a strong catchment that reflects its sub-regional and regional significance. Work carried out for the Study on Black Country Centres estimates that:

- The core retail catchment for Merry Hill is predominantly local. According to the site owners Westfield, 310,000 people live in the primary catchment area and 60% of visitors originate from within 5 km of the site.
- The secondary catchment area extends into the relatively affluent and largely rural counties of Worcestershire, Shropshire and South Staffordshire.

¹³ Retail Footprint 2005 is CACI's model of retail centre potential, incorporating over 2,900 comparison retail centres across the UK.

- The alternative local destinations for shoppers to Merry Hill are Dudley, West Bromwich, Redditch and Kidderminster town centres. Wolverhampton, Walsall, Solihull and Birmingham city centre provide a higher order retail offer at greater distance within the secondary catchment area. Outside of the Black Country, the main alternatives are Birmingham City Centre and then Solihull and Telford, which have both strengthened their town centre retail offering.
- 3.7 The information we have received on employment at Merry Hill and our own analysis suggests that there are some 6,000 to 7,000 people employed in the retail centre (the numbers will fluctuate depending on the season). This is based on the following estimates:
- Total turnover estimated as £583m in 2005 by CACI would equate to around 6,600 jobs based on applying estimated turnover per employee for the retail sector for 2003¹⁴ updated to 2005.
 - Total retail employment in the wards covered by Merry Hill in 2003 was 6,100 jobs according to the Annual Business Inquiry.
 - An earlier estimate based on returns from Merry Hill tenants put employment at over 6,500¹⁵.
- 3.8 Information obtained in 2002 indicated that 65% of employees in the Merry Hill Shopping Centre lived in a Dudley postcode area and 30% from Birmingham (which covers part of Dudley and most of Sandwell district), Wolverhampton or Walsall postcodes. Based on our experience of other major retail centres, we would expect the great majority of these employees to live in relatively close proximity to the retail centre.

Office Activity

- 3.9 The main location for office development in BH/MH is the Waterfront office park. This comprises a large office development with 70,000m² (753,200ft²) of commercial floorspace including offices, bars, restaurants, a health club, hotel and marina. Recent infrastructure improvements have improved pedestrian access to and connectivity with Merry Hill shopping centre and Brierley Hill High Street. The most recent estimate of employment is that there are some 5,200 people working at the Waterfront in the office and leisure activities.
- 3.10 The Waterfront is identified as a strategic office location in the Black Country and the most significant 'central' office location in the West Midlands after Birmingham City Centre.
- *"Only the Waterfront at Brierley Hill/Merry Hill can be considered as a strategic office location."*¹⁶
 - *"The main exception [to the limited Black Country office market] is at Brierley Hill/Merry Hill where the Waterfront represents a hybrid between traditional town centre markets and out of centre provision."*¹⁷

¹⁴ According to ONS data total turnover for SIC 52 (retail trade except motor vehicles) was £251.5bn and total employment was 3.14 million (average through year) or an average of £80.2k per employee

¹⁵ Hunt Dobson op cit

¹⁶ Taken from "Study of Black Country Centres" November 2005 , GVA Grimley and Roger Tym & Partners p16

¹⁷ Taken from "Study of Black Country Centres" November 2005, GVA Grimley and Roger Tym & Partners p39

- 3.11 Physical renewal of the Waterfront since the 1980s has captured footloose public and private sector led investment. It is an established office location with larger office floor plates and rentals significantly above comparables in the Black Country centres.
- 3.12 The Waterfront has created medium to higher value added employment opportunities, as set out in the Waterfront Employees Modal Split Survey¹⁸: 79% of employees worked full-time on standard office hours (25+ hours/week), and 94% were employed on a permanent contract. The majority (80%) of employees out of the total sample of 1,315 were employed by just five main occupiers (Inland Revenue, Child Support Agency, Heath Lambert Group, Egg and Barclays Bank).

3.13 Employment patterns reflect the strategic importance of the Waterfront. Based on the latest information obtained by the Brierley Hill Regeneration Partnership the pattern of employment is predominantly local, with 60% of employees drawn from the Dudley postal code area and 60% originating from within 5 miles of the site. A significant proportion of Waterfront employees (32%) however, are drawn from the Birmingham (19%), Wolverhampton (11%) and Walsall (2%) postal code areas. It is important to note that most of Sandwell District and part of Dudley District are covered by Birmingham postcodes.

Table 3-3: Employment Patterns at the Waterfront, 2001		
Residence by Postal Code Area	Employees, 2001	
	%	000s*
Dudley	60 %	3.1
Birmingham	19 %	1.0
Wolverhampton	11 %	0.6
Walsall	2 %	0.1
Other	8 %	0.4
Total	100 %	5.2

Source: Table 7 "Waterfront Employees Modal Split Survey" September 2001, ICM Research
Note: * the % splits applied to assumed total Waterfront employment

Leisure Activity

- 3.14 Merry Hill is a significant commercial leisure destination within the sub-region and the principal focus for commercial leisure within the Dudley area. The leisure offer currently includes bars, restaurants, a 4 star hotel¹⁹ and 3,700 m² (40,000 sq ft) 10 screen multiplex cinema and more recently the development of a new public square. The leisure function of BH/MH has been enhanced by the Waterfront development, which is the focus of the eating and drinking offer. However, with the exception of the cinema, the BH/MH has a limited night time economy at present and its sub-regional leisure role is far less significant than its retail role. A survey of shopping/leisure patterns of 4,000 residents of the Black Country carried out as part of the Black Country study concluded that "*Merry Hill performs an entirely 'shopping' function with little response [to the survey] for evening entertainment except the cinema*"²⁰.
- 3.15 "City living" is at an embryonic stage within BH/MH but residential developments have come forward, including the Selbourne Homes and Chelsfield schemes, that aim to capitalise on the mixed use offer.

¹⁸ "Waterfront Employees Modal Split Survey" September 2001, ICM Research

¹⁹ 138 bedroom 4 start Copthorne Hotel, Leisure Club and Conference Centre

²⁰ "Study Of Black Country Centres" op cit, Appendix B, Household Telephone Survey

Conclusions

3.16 In summary:

- BH/MH acts as a major retail and office employment location in Dudley and the wider Black Country
- It provides jobs for residents of Dudley, but also is a significant source of employment in the rest of the Black Country.
- It has been a successful employment location where employment has grown over the period 1991-2002.

4. Overview of Black Country Centres

4.1 This section outlines the current economic role of the other key strategic centres within the sub-region (Wolverhampton, Walsall, and West Bromwich) in relation to the three sectors of office, retail and leisure. We also discuss the role of Dudley town centre at the end of this section.

Overview of Centres

4.2 The role of the centres was analysed in some depth in the recent Centres report for the Black Country Study. The main conclusions of this work in relation to the different uses were as follows:

- **Retail.** Birmingham City Centre is strengthening its position as the regional dominant retail centre. This is beneficial to the West Midlands as a whole but presents a significant threat to the sub-region.
- The five major centres (Merry Hill, Wolverhampton, Walsall, West Bromwich and Dudley) collectively retain only 39.1% of the comparison goods spend of the Black Country catchment area. Overall there is 33% leakage of comparison goods spend out of the Black County, which equates to a total loss from the sub-region of £1.4 billion. Birmingham draws the highest proportion of this, totalling £675 million or roughly two times the retail trade draw of Walsall.
- Despite its position as the strongest retail centre in the sub-region, Merry Hill draws less comparison goods trade (£621 million) from the Black Country catchment than Birmingham (£675 million). The next largest Black Country centre is Wolverhampton with £495m or 11% of total catchment area spend.
- Walsall and West Bromwich have experienced significant and continuing decline in retail market share in relative terms.
- **Office.** Birmingham city centre is by some way the dominant office market in the West Midlands. Outside of Birmingham the main regional growth areas are along the established M42 corridor and, to a lesser extent, South Coventry around the University of Warwick. The report notes that none of the traditional Black Country Centres has a significant office market at present and *"the existing accommodation is generally dated and falls short of current occupier requirements in terms of parking, technology, floor to ceiling heights and floor plates layout"*.
- The report points out that the main exception is at Brierley Hill/Merry Hill where the Waterfront represents a "hybrid" between traditional town centre markets and out of centre provision. In the view of the authors the only 'genuinely strategic' office location in the Black Country is the Waterfront at Brierley Hill.
- **Leisure.** The commercial leisure sector is driven by changing social and demographic trends, most notably the increase in town and city centre investment. Brierley Hill is strengthening its role as a commercial leisure destination within the sub-region.
- There is significant need to grow affluent catchment areas to drive investment in the sub-region. City living is expected to increase in Wolverhampton and, over time, in Walsall and the wider Brierley Hill area.

- 4.3 We have also examined the role of the centres using recent economic statistics. This work is based on employment data from the Annual Business Inquiry, as such it has some limitations, most noticeably that it is available for ward areas only which do not always map well onto the areas of the centres and that it can be unreliable at a ward level. We have taken the wards which best match the centres these are:
- Wolverhampton: St. Peters ward
 - Walsall: St. Matthews ward
 - West Bromwich: West Bromwich central ward
 - Brierley Hill/Merry Hill: Brierley Hill, Brockmoor/Pensett, and Quarry Bank/Cradley wards²¹
 - Dudley town centre: St. Thomas's.
- 4.4 The data is set out in Table 4-1 for relative importance for the different employment categories. These employment categories have been defined in terms of Standard Industrial Classification (SIC) codes, for "office" employment this includes all financial and business services as well as public administration²². This definition of office employment will capture most but not all office based activity: there will be some activities occupying offices which could be classified as other sectors – for instance a call centre servicing the communications or travel sector, or a headquarters building for a manufacturing company.
- 4.5 The key points are:
- Wolverhampton is the largest centre for retail, leisure and "office" employment in the sub-region – it has around 24,000 employees in these areas. It is the location for a particularly large share of Black Country "office" employment (18%);
 - BH/MH is the largest centre in the sub-region for retail employment – there are 6,700 retail employees, which represents 14% of the Black Country total. It is, based on most realistic estimates, the joint second largest centre for these sectors overall, with 14,000 employees in the three sectors.
 - Walsall is the joint second largest centre for these sectors overall, with a particularly high share of office employment;
 - By far the smallest centre is Dudley, with 5,200 employees across these sectors.
- 4.6 In terms of recent employment growth:
- Employment in these sectors has grown in recent years in all centres except Dudley, which has seen a net fall of 4,500 jobs overall.
 - Wolverhampton centre has been the strongest growing overall, with a net growth of 6,400 jobs.

²¹ Note: Quarry Bank/Cradley included on the basis of the significance of office based employment, indicating that it covers part of the Waterfront development. However, the ABI data used is not always reliable for small areas.

²² Note: in the Employment Capacity study office needs were taken as being driven by financial and business services, in practice the public sector generates significant office space demands, although as seen in Section 2 this is not expected to generate substantial future net additional space demands over the present day

Economic Impact of the Expansion of Brierley Hill/ Merry Hill

- BH/MH has also seen strong growth, its employment increasing by 5,900 jobs, a 40% increase.
- Taking all centres together, retail employment has grown, although it has fallen in Walsall and West Bromwich. BH/MH has seen by far the strongest growth, at 17%, which is significantly above the other centres and nearly three times the Black Country average.
- Overall, employment in leisure services has fallen in the centres. This was most notable in Dudley and West Bromwich, where leisure employment fell by a factor well above the sub-regional average. Employment in this sector has, however, increased by 160 jobs in Merry Hill.
- "Office" employment has grown significantly overall, especially in Wolverhampton, where the sector grew by 6,100 jobs, or 64%. Merry Hill has experienced growth in this area, with our estimate that employment grow by around 1,200 jobs. Growth has also been strong in Walsall and West Bromwich. Dudley, however, has seen a large fall in employment in this area, with a net loss of 4,400 jobs.

Table 4-1: Total Employment by Centre, 2002

	Retail Employment		Leisure Employment		"Office" Employment	
	000s	% of all Black Country	000s	% of all Black Country	000s	% of all Black Country
Brierley Hill/Merry Hill Centre	6.7	14%	2.1	8%	5.3 to 8.9*	6% to 10%*
Wolverhampton Centre	6.4	13%	2.3	8%	15.7	18%
Walsall Centre	3.1	7%	1.4	5%	10.4	12%
West Bromwich Centre	1.8	4%	0.7	2%	6.7	8%
Dudley Centre	1.6	3%	0.5	2%	3.1	3%
All Black Country	48.1	100%	27.7	100%	88.7	100%

Source: ONS, NOMIS, Annual Business Inquiry, © Crown Copyright

Notes: (1) Retail sector is defined as SIC 52, "office" as SIC 65-75, and leisure as SIC 55 and 92; (2) centres defined from 1991 based wards as follows: Brierley Hill/Merry Hill - Brierley Hill, Brockmoor and Pensett, Quarry Bank and Cradley; Wolverhampton – St. Peters; Walsall – St. Matthews; West Bromwich – West Bromwich Central; Dudley – St. Thomas's.

* The lower figure excludes the exception growth between 2001 and 2002 in office employment in Quarry Bank/Cradley ward which is almost certainly a data error

Table 4-2: Change in Employment by Centres, 1998-2002						
	Retail Employment		Leisure Employment		"Office" Employment	
	000s change 1998-2002	% change	000s change 1998-2002	% change	000s change 1998-2002	% change
Brierley Hill/Merry Hill Centre	1.0	17%	0.2	8.3%	1.2*	29%*
Wolverhampton Centre	0.3	5%	0.0	-0.7%	6.1	64%
Walsall Centre	-0.3	-8%	0.0	0.1%	2.2	26%
West Bromwich Centre	-0.1	-7%	-0.1	-18.0%	1.6	32%
Dudley Centre	0.1	4%	-0.2	-25.8%	-4.4	-59%
All Black Country	2.7	6%	-1.2	-4.2%	13.2	17%

Source: ONS, NOMIS, Annual Business Inquiry, © Crown Copyright
Notes: (1) Retail sector is defined as SIC 52, "office" as SIC 65-75, and leisure as SIC 55 and 92;
(2) centres defined from 1991 based wards as follows: Brierley Hill/Merry Hill - Brierley Hill, Brockmoor and Pensett, Quarry Bank and Cradley; Wolverhampton – St. Peters; Walsall – St. Matthews; West Bromwich – West Bromwich Central; Dudley – St. Thomas's.
* Figures exclude the data quirk of an extra 3,600 office based jobs in Quarry Bank/Cradley ward in 2002 compared to 2001

Performance of Centres

4.7 Another dimension of relative centre performance is rental levels – a reasonable measure of how established a centre is and levels of demand. Table 4-3 below summarises the official Valuation Office view of the main office centres in the West Midlands. The key points are that:

- The high rental levels in Birmingham centre and Solihull (the latter reflecting the M42/Airport office market)
- There are no figures shown for either Dudley or Walsall, reflecting that there are no significant commercial office locations.
- The typical rental levels for Merry Hill (£120/m²) are well above those in Wolverhampton and West Bromwich (a third higher) and indicate that it is a 2nd tier office location in the West Midlands.

Table 4-3: West Midlands Typical office rentals July 2005 (£/m²/annual)			
LOCATION	Type 1	Type 2	Type 3
Birmingham (see below)	* 275	* 275	135
Coventry	108	115	80
West Bromwich	90	95	75
Wolverhampton	93	98	80
Lichfield		145	135
Telford	120	130	85
Hanley (Stoke)		135	110
Solihull	225	210	125
Redditch	135	140	100
Merryhill	120	125	
Source: Valuation Office, Property Market Report, July 2005			
Note: * The values for Birmingham are based on the central business district within the Inner Ring			

- 4.8 There is similar information on retail rental levels from the Valuation Office. This shows that in the West Midlands Type 1 rentals (prime positioning a prime shopping centre) were highest in Birmingham (£2,900 per m²) followed by Merry Hill (£2,500 per m²), Wolverhampton (£1,300) and West Bromwich (£800) were considerably lower.

Role of Dudley Town Centre

- 4.9 Recent work by Dudley MBC identifies little opportunity over and above existing UDP commitments for retail and other town centre development in Dudley²³. Opportunities for the expansion of future capacity are limited by:
- The fact that it can no longer hold its position in the retail hierarchy of the Black Country.
 - Quality of employment sites. Only 12% of Dudley's regional employment land study (RELS) sites are identified as being of good quality, with the majority (74%) being described as being of either average (40%) or lower than average quality (34%).
 - The limited physical capacity of Dudley town centre to accommodate major redevelopment demanded by modern retailers
 - Lack of flexibility in the physical form to accommodate major redevelopment
 - Relative inaccessibility from the motorway network
 - Impact on the historic fabric of the town centre. Expansion of capacity would be detrimental in the context of the role Dudley is pursuing as a sub-regional focus for leisure and tourism.
- 4.10 Dudley is clearly not able to perform a strategic role within the sub-region we have therefore not considered it further in the analysis in this report. This is also borne out by the analysis above of the relative scale of economic activity and rate of change of the activity above.

²³ Dudley MBC (2005) 'Capacity of Dudley Centres', prepared on behalf of the West Midlands Regional Assembly

5. Capacity of the Black Country Centres for Future Growth

5.1 This section outlines the future potential of the four Black Country strategic centres to absorb economic growth. In particular, the potential to increase the market share of the Black Country centres in a West Midlands context.

Overview on Capacity

5.2 In considering the future capacity of the strategic centres to accommodate growth there are three key considerations:

- First, what is the overall quantum of growth in actual or potential demand likely to be?
- Second, what are the key drivers influencing where this activity is likely to be located?
- Third, what is the actual and potential capacity of centres to accommodate this growth (in terms of actual physical capacity, but also market desirability)?

5.3 To some extent these arguments are inter-related and potentially circular: population growth instead of decline will drive employment growth and employment growth will drive population growth.

Scale of Potential Growth

5.4 The evidence we have assessed suggests the following:

- In relation to **retailing**, the recent Black Country Centres study indicates that total trend line growth in annual retail comparison goods spend over the period 2004 to 2021 from the Black Country catchment will be to £4,400m with a further £1,200m under a high growth scenario. Currently there is leakage of 15% to Birmingham from the Black Country and overall 33% leakage.
- The overall growth in retail capacity (i.e. turnover for which new floorspace is needed) assuming market shares remain the same and based on trend-line population growth would be by 2021 155,000 m² of net floorspace or 229,000 m² gross (including A2/A3 needs). Adding higher assumed growth in line with the Black Country Vision increased these to 215,000 m² net and 320,000 m² gross by 2021.
- The level of population growth and comparison goods spend is assessed in the Centres study under the high growth scenario generates capacity for around 390,000 m² net (circa 580,000 m² gross) by 2031 (under the trend line scenario the capacity by 2031 is 250,000 m² net or 370,000 m² gross). Current commitments/major policy proposals in the Black Country (including the Merry Hill/Brierley Hill proposal) collectively account for only about 234,000 m² gross. Therefore the report points out that there is significant current capacity and a need to plan for major growth - if this capacity is not provided it will leak out of the sub-region.
- There is potential to clawback some of the retail leakage by additional growth in capacity in the Black Country, should this happen then the work suggests that the overall capacity for growth in annual retail comparison goods spend is 140,500m² of additional net floorspace by 2031.

- In relation to **office** uses, as already indicated the net requirement in additional offices is likely to be as a minimum of 200,000m² to 400,000m² (to accommodate 33,000 net additional jobs) over the period to 2030 for financial and business services. If the Black Country economy is to be transformed in line with the Black Country Vision this would rise to 800,000m² to 1.4 million m² (for around 80,000 net additional jobs).
- There are no equivalent clear projections for leisure related employment or floorspace. The Centres Study indicates likely significant growth in leisure expenditure to 2021 and 2031. The GHK work²⁴ suggests that total personal services sectoral employment will rise by 10% to 22% - this gives some indication of likely growth in floorspace required over the Black Country area.

Key Drivers Influencing Location

5.5 The Black Country Centres study identifies the key market drivers for the location of retail as follows:

- The polarisation by retailers towards **larger schemes in larger centres**, the report states that the *"focus of the most influential retailers and developers is increasingly concentrated on larger developments in dominant city centres which are, or have the potential to become, 'top 50' destinations with strong catchments. At present, only Merry Hill and Wolverhampton fit this profile"*
- **Larger footprints:** the space requirements of retailers on the 'high street' and particularly in shopping centre locations are changing with many retailers *"requiring large footprints in order to be able to compete with one another and off centre locations, show-case extensive product ranges, and provide sufficient in store facilities and an attractive, modern shopping environment"*.
- The impact of **"etailing"** (electronic, internet based retail) – which will eat into the traditional retailers market share. Roger Tym take this into account in their capacity analysis assuming the "etailing" share of comparison goods rises from 8% now to 20% by 2021.

5.6 The key drivers for office development include:

- Strategic sites - the polarisation of office activity into a small number of key destinations indicates that only one or two locations are likely to emerge within the Black Country over the study period as significant office locations.
- Regeneris Consulting's work on locational requirements for the office sector²⁵ has indicated that there are macro and micro locational factors for most sectors – especially knowledge based sectors in the financial and business services.

²⁴ *"Long-Term Economic and Employment Strategy for the Black Country"* a Final Report to the Black Country Consortium, February 2005

²⁵ For instance as part of the team for the Mersey Belt study for the NWDA

- **Macro locational** factors drive the overall location (i.e. the Black Country, or south vs. north Black Country, or the M42 corridor or Birmingham City Centre). The key driver here is access to a suitable sized pool of skilled labour and, in some instances communications links for national and international travel (such as proximity to Birmingham International Airport or mainline railway station with good services to London). The Black Country has tended to suffer in comparison to the centre of Birmingham and the Solihull/Warwick M42 axis in attracting knowledge based firms.
- **Micro locational** factor drive the precise location and relate to the environmental quality of the location, access to services (such as retailing and leisure) for workers and local roads and public transport links. Increasingly the accessibility of locations and ability to draw on a wide labour pool, especially of skilled labour, is a key driver of office location. Here currently locations accessible to the motorway network, to areas of residence of relatively skilled, well qualified labour and at major public transport nodes have a key advantage. Looking to the future, being at or close to major public transport nodes will become an increasingly important factor (where Birmingham has a distinct advantage in the West Midlands).

Capacity/Suitability of Centres

5.7 There has been a considerable body of work looking at employment land supply and the role of the centres in the Black Country, the key messages going forward are:

- **Retail capacity:** there is not sufficient capacity planned across all 4 strategic centres in the Black Country to cater for forecast growth even taking into account the proposals for Brierley Hill/Merry Hill under the growth scenarios assessed in the Centres study.
- **Office development capacity:** the key issue here is the need for suitable offices to cater for local demand and to provide an attractive proposition for the relatively footloose firms in the region's target sectors (essentially knowledge based industries). Under the baseline scenario explored by GHK under the baseline trends scenario there will be a need for additional office floorspace for financial and business services of 200,000m² to 400,000m², under the "preferred scenario" there will be the need for a substantially higher growth in office floorspace to cater for these uses (800,000m² to 1.4 million m²). There is limited development planned in the strategic centres, certainly not sufficient to deliver the higher level of new office space, this is also, broadly the conclusion of the Black Country Employment Land Capacity Study.

6. Development Proposals & Economic Impact

The Proposals

- 6.1 An ambitious master plan has been developed covering the Brierley Hill and Merry Hill area, which will inform the Phase One Revision of the Regional Spatial Strategy (RSS) for the West Midlands.
- 6.2 The development proposals for the Merry Hill Centre and Waterfront are designed in the context of the planned regeneration for Brierley Hill, as described in the Brierley Hill Implementation Plan 2003. There are eleven 'Urban Quarters' which make up the Implementation Plan. These are: Brierley Hill High Street, Lower Brierley, Canal Walk Central, Canal Walk South, Merry Hill, Merry Hill Retail Park, Waterfront Business Park, Waterfront, Archill, Pedmore Road, and Canal Walk North.
- 6.3 Better accessibility through public transport improvements is a precondition to further growth in the BH/MH area. The West Midlands Local Transport Plan (LTP) for 2003 proposes:
- An extension of the existing Midland Metro Line 1 (Wolverhampton-Birmingham) between Wednesbury and Brierley Hill, via Dudley Town Centre (Midlands Metro 3). The proposed extension will create five new stations.
 - Local Transport Plan Major Scheme of transport improvements, including:
 - Introduction of car parking charges at Merry Hill
 - A new parallel route reducing the weight of traffic on Brierley Hill High Street
 - An additional east-west link road
 - Bus priority measures
 - Improved pedestrian linkage.
- 6.4 However, there has been considerable discussion about the future scale and location of future floorspace across the Black Country and role of the key centres. We have drawn our estimates of the expansion of BH/MH based on the emerging strategy of the amount of (gross) floorspace by centre up to 2021. These figures are:
- Comparison retail (gross) - 51,000 m² by 2021 and 80,000 m² by 2031²⁶.
 - Offices (B1 (a) use class, excluding A2) – 191,500 m² (gross) by 2021 and 299,500 m² by 2031²⁷.
 - There has been no similar agreement about leisure floorspace. We have therefore continued to use the figures from the BH/MH development proposals.

²⁶ Out of a total for the 4 strategic centres of 185,000 m² by 2021 and 284,000 m² to 2031 (or 28%)

²⁷ A quarter of the assumed total additional B1(a) floorspace across the Black Country – which is all assumed to be located in the four strategic centres (less the assumed 100,000 m² of committed floorspace)

- 6.5 It is worth commenting that the split of floorspace for retail and office across the four centres is not based on an analysis of market demand or desirability. Work has been carried out to show that all centres have the physical capacity to accommodate this growth. The office development would represent an extremely large amount of new development relative to what is already there in all four centres, including BH/MH.

Gross Economic Impact of the Proposed Development

- 6.6 We have assessed the likely gross impact of the development proposals for BH/MH by applying three layers of assumptions:

- First, standard **employment density assumptions** to convert from floorspace to employment. For the purposes of this exercise we have used the densities set out in the English Partnerships Best Practice Guide on Employment Densities²⁸. For purposes of the assessment we have used the following ratios of sq metres of net floorspace per job:
 - Retail: 20m² per job for a town/city centre retailing.
 - Office: there is a range of 16m² to 20 m² per job representing the range from Business Park to general offices, we have used 18m² (which is also consistent with the assumption used in the Black Country Employment Capacity Study).
 - Leisure: 40m² per job for amusement and entertainment centres (note it is difficult to find standard densities for leisure activities as they are very variable).

Note: we have used a factor of 85% to convert from gross to net floorspace to assess impacts.

- Second, assumptions about occupancy. We have assumed a 10% vacancy rate for the office and leisure aspects and 5% for the retail aspects of the development.
- Third, assumptions on place of residence of new workers based on the current pattern of travel to work..

- 6.7 The key results are summarised in Table 6-1 (for 2021) and Table 6-2 (for 2031). The key points are:

- The overall employment impact of the development proposals by 2021 would be to create, we estimate, of the order of **10,600 jobs** and by 2031 **16,300 jobs** in the BH/MH area.
- The growth to 2031 at BH/MH would equate to 17% of the total employment growth across the whole of the Black Country forecast to 2030 under the preferred scenario (93,000 net additional jobs).
- A fifth of these jobs would be in retailing activity and around four fifths in office based employment.
- The effect of the development would be to very substantial increase employment in these sectors in the BH/MH area by at least 100% (2021) and 150% (2031) compared to the current position.

²⁸ "Employment Densities a Full Guide" Arup Economics and Planning, 2001

6.8 It is important to note that these estimates relate to the development, not the potential impact on the Black Country as a whole. We have not, at this stage, taken into account displacement or multiplier effects.

Table 6-1: Estimates of the Gross Economic Impact of the Proposed Expansion of BH/MH to 2021				
Element of Development	Floorspace Area of Development m ²		Gross Employment Impacts	
	Gross	Net	000s jobs	%
Retail Development	51,000	43,350	2.1	19%
Office Development	191,500	162,775	8.1	77%
Leisure Development	20,000	17,000	0.4	4%
Total	262,500	223,125	10.6	100%
Source: BH/MH development proposals and Regeneris Consulting calculations				

Table 6-2: Estimates of the Gross Economic Impact of the Proposed Expansion of BH/MH to 2031				
Element of Development	Floorspace Area of Development m ²		Gross Employment Impacts	
	Gross	Net	000s jobs	%
Retail Development	80,000	68,000	3.2	20%
Office Development	299,500	254,575	12.7	78%
Leisure Development	20,000	17,000	0.4	2%
Total	399,500	339,575	16.3	100%
Source: BH/MH development proposals and Regeneris Consulting calculations				

Labour Market Impacts of the Proposed Development

6.9 In order to assess the labour market impacts of these development proposals we need to estimate from **where** the workers are likely to be drawn. Based on current employment and travel to work patterns (see Table 3-1 earlier) we might expect between 60% to 80% to come from the Dudley local authority/post code area and overall around 90% from the whole of the Black Country. However, much will depend on the nature of employment, wage rates paid and future travel to work patterns. The impact of the proposed Midland Metro extension to Merry Hill would substantially improve public transport accessibility to areas further north in the Black Country and could well increase commuting from the Wolverhampton and Walsall areas.

6.10 Using the current best information on travel to work patterns (as summarised in Section 3) the residential location of total gross employment opportunities might be taken from the Black Country as shown in Table 6-3. There are several interesting points from this analysis:

- First, the scale of additional employment – if impacting now on the labour market – would on the face of it be difficult to be accommodated purely from the labour pool of Dudley local authority area (if proxied by the scale of claimant unemployed). Even accounting for the fact that the claimant unemployment level understates the actual potential labour pool, the figures show that the full development would create additional employment that, in practice would need to be met by residents from across the Black Country.

- This emphasises the importance of public transport improvement to improve accessibility and of direct work in terms of recruitment and training to widen as far as possible access to employment from the largest possible labour pool.
- Second, that the scale of gross employment resulting from these proposals – although substantial – still amounts to just 10% of the overall net employment growth to 2030 needed under the preferred scenario for the Black Country.
- Third, it is worth of course pointing out that the actual employment levels at BH/MH would build up over time and would occur against the backcloth of substantial falls in employment in other parts of the Black Country economy – in particular a forecast loss of 66,000 manufacturing jobs to 2030.
- Fourth, these very bullish employment forecasts are also based on an assumption that population across the Black Country will grow by around 170,000 (16%) to 2030, ensuring the overall labour force expands.
- Fifth, the 16,300 extra jobs to 2031 at BH/MH would equate to 11% of the current number employed in Dudley District and indeed 9% of the current working age residents of Dudley District.

Table 6-3: Estimates of Place of Residence of Workers in Additional Development at BH/MH by 2021					
Local Authority Place of Residence of Workers in Additional Development at BH/MH	Current Claimant Unemployed (000s)	Higher Local Share		Lower Local Share	
		Share of New Jobs	Total Employment Taken by Residents of Each Area (000s)	Share of New Jobs	Total Employment Taken by Residents of Each Area (000s)
Dudley	6.1	79%	8.3	60%	6.3
Sandwell	7.9	9%	0.9	11%	1.2
Wolverhampton	6.7	3%	0.3	11%	1.2
Walsall	5.7	1%	0.1	2%	0.2
All Black Country	26.4	92%	9.6	84%	8.9
<p>Source: Regeneris Consulting estimates Note: higher local share based on 2001 Census; lower local share based on information from current Waterfront office development</p>					

- 6.11 It is also possible to estimate, broadly, the likely pattern of employment by type of job and gender. We have calculated this by using the average (all sector) West Midlands gender and part-time/full-time split for autumn 2005 from the Labour Force Survey (see Table 6-4). This of course assumes that the sector split at BH/MH will correspond to that of the region as a whole and that the current pattern in the region applies to the future. The analysis suggests that of the 8,000 or so jobs, around 6,000 will be full-time suggesting that around 7,000 full-time equivalent jobs will be created. This approach is likely to slightly overstate the number of full-time jobs given the significance of retailing employment.

Table 6-4: Estimates of Type of Employment of Workers in Additional Development at BH/MH by 2021

Gender	All	Full Time	Part Time
Male	4.3	3.9	0.4
Female	3.6	2.0	1.5
All	7.9	5.9	2.0

Source: Regeneris Consulting estimates, based on West Midlands total employment split for autumn 2005 from the Labour Force Survey

7. The Implications for the Black Country

7.1 In assessing the overall implications for the Black Country of the expansion of BH/MH we need to consider two related questions:

- First, what are the implications on other centres of going ahead?
- Second, what would be the implications of not going ahead overall?

Key Assumptions

7.2 In assessing the net economic impact of the proposed BH/MH development we need to consider the likely degree to which each aspect of the development will attract additional economic activity to the Black Country or **displace** activity that would have otherwise located elsewhere in the Black Country. There are two key facts which will drive this:

- First, the extent to which there is elsewhere in the Black Country either the physical capacity for or locations offering similar attractions to shoppers, visitors or office occupiers.
- Second, the nature of the activity attracted to BH/MH. Is it essentially local and serving local markets and so would be unlikely to locate outside the local catchment of the Black Country, or is it regional or even national in nature?

7.3 It is difficult to be precise about the extent of displacement. Previous evaluation work summarised in a good practice guide for English Partnerships indicates that at a regional level typical rates of displacement of economic activity run at:

- Retail: 50% locally and 70% regionally (but see paragraph 7.6 below)
- Leisure: 40% locally and 65% regionally
- Offices: 12% locally and 22% regionally. This is reasonable for BH/MH given that it provides at present a unique location for larger footplate office occupiers and has a particular role in the Black Country context.

7.4 The work is based on rather dated research in the early 1990s into the Enterprise Zones, however it the most relevant we have in terms of the types of development. The Black Country area would be seen as closer to a regional than a local level, so we have used the regional displacement rates to err on the cautious side. Also arguably since the additional property development across the Black Country is needed to deliver the Black Country Vision there is no sense in which the different strategic centres are competing with each other – all need to make a contribution.

7.5 Of course it is better to use project specific information where this is held. In the case of this development we have considered the available information and it is only in the case of comparison retailing where there is better project specific information. We know that Merry Hill has 14.2% of total Black Country catchment for comparison goods expenditure and that overall 33.1% of all such spend leaked out of the Black Country. If the extra retail growth were not catered for by an expansion of Merry Hill (as well as of course the growth in capacity in other strategic centres) what would happen to this retail growth?

- 7.6 Arguably every £1 of retail growth not accommodated at Merry Hill might be split between the other strategic centres, the rest of the centres in the Black Country and outside the Black Country in proportion to the shares of current spend excluding Merry Hill. If this were the case, then 60% of the growth at Merry Hill could be accommodated in theory in other centres both local (31%) and Strategic (29%) in the Black Country.
- 7.7 This approach produces, we believe, a very much worst case scenario in terms of displacement. This is because it assumes that there would be the capacity in other Black Country centres to cater for all the growth that would otherwise occur at Merry Hill. The role played by Merry Hill is, in a Black Country context, unique and it is quite likely that if it were unable to expand a significant proportion of the spend would leak out of the Black Country to, in particular, Birmingham. We have, however, for purposes of our estimates to err on the cautious side used this estimate of 60%.

Estimates of Net Employment Impact

- 7.8 Table 7-1 sets out the estimates of worst case net direct employment impacts of the BH/MH development based on the displacement assumptions discussed above. Our conclusion is that the overall net direct employment impact could be as little as around 7,000 in 2021 rising to 11,000 by 2031 (or around 70% of the gross impact), with the other jobs representing employment which might be displaced from other locations in the Black Country (in the sense of growth that might otherwise occur there).

Table 7-1: Estimates of the Net Direct Economic Impact of the BH/MH Development Proposals					
	Gross Employment Impact (000s) Average		Assumed Worst Case Additionality (i.e. 100% less displacement)	Worst Case Net Employment Impact (000s)	
	2021	2031		2021	2031
Retail Development	2.1	3.2	40%	0.8	1.3
Office Development	8.1	12.7	78%	6.3	9.9
Leisure Development	0.4	0.4	35%	0.1	0.1
Total	10.6	16.3		7.2	11.3
Sub-Regional Multiplier (30%)	3.2	4.9		2.2	3.4
Overall Net Impact	13.8	21.2		9.4	14.7
Source: BH/MH development proposals and Regeneris Consulting calculations					
Note: there is considerable uncertainty around these estimates.					

- 7.9 Expansion at BH/MH will also create multiplier effects well beyond the immediate site through a combination of supply chain and income effects. In principle we are able to assess the indirect income and employment multiplier effects based on key assumptions. We have reviewed a number of other studies and used these to determine appropriate multipliers, for an area the size of the Black Country and are of the view that a 1.3 combined indirect (supply chain) and induced (employment income) multiplier is appropriate²⁹. This would provide a cautious overall estimate of the employment impact as a result of the BH/MH development across the Black Country of a minimum of:

²⁹ This figure is midway between the 1.1 average local and 1.5 average regional multiplier in the EP good practice guidance on additionality

- Direct – 7,000 net additional jobs by 2021 rising to 11,000 by 2031
- Total – 9,500 net additional jobs by 2021 rising to 15,000 by 2031.

7.10 These are taking a very cautious view of potential displacement effects, the actual net effects could be considerably larger.

Other Benefits

7.11 In addition to these important employment benefits, the proposed BH/MH development will help deliver other benefits:

- First, the expansion of Merry Hill will help directly the funding to ensure the delivery of a key investment in important **infrastructure** (Midland Metro extension – Line 3)
- Second, the delivery of jobs within a Regeneration Zone and in an area of considerable regeneration need. As shown in Figure 2-1 earlier there are major concentrations of multiple deprivation within a few miles distance from BH/MH.
- The delivery of training opportunities and by a major concentration of new jobs opportunities for customised recruitment and training

7.12 The issue of **timing** is an important consideration. BH/MH has the opportunity to progress faster than many other Black Country schemes.

8. Conclusions

The Black Country Faces Enormous Regeneration and Economic Development Challenges....

8.1 We have reviewed the socio-economic position of the Black Country – its difficulties and challenges are well documented and understood. We highlight the important points as:

- First, the sheer scale of the current economic and social challenges facing the Black Country due to a combination of industrial re-structuring, skills and education issues and quality of environment issues. The recent impact of the closure of MG Rover is another example of the structural challenges faced by the area. This affected both residents working at Longbridge, but also a large number of automotive suppliers based in the Black Country.
- Second, although these issues are not uniform across the Black Country, they are present in all four local authority areas and around all the strategic centres. All Strategic Centres are located close to major areas of urban deprivation and concentration of social exclusion issues and each has a role to play, especially given the relatively short distances travelled to work by the less skilled and well qualified.
- Third, the BH/MH area is located in the south west part of the South Black Country and West Birmingham Regeneration Zone. It has a key role as a catalyst form this area and the main growth node.
- Fourth, under any baseline scenario (or “business as usual”) these problems are forecast to get significantly worse in relative terms with continued de-population, falls in relative productivity and falls in relative wage rates. A key reason for this is that the current economic structure of the Black Country is too focused on the manufacturing sector and not enough on higher value service activities.
- Fifth, any significant transformation of the Black Country requires much more rapid growth in office-based service sector activity (financial and business services), as well as more general growth in population-based services such as retail and leisure.

8.2 There is an important role of the Black Country’s strategic centres in leading any transformation of the area. The centres both reflect the progress and position of their surrounding economies, but also have the potential to lead its transformation. The Centres study by GVA Grimley/Roger Tym and Partners set out the challenge:

- *“Without significant investment in the strategic Black Country Centres...the sub-region as a whole will lose market share. As retail development provides the catalyst for large scale investment in any strategic town/city centre, it is wholly unrealistic to plan for a renaissance of the Black Country Centres without addressing the sub-regions strategic retail needs.”*
- *“In strategic terms we consider the choice for the Black Country is whether to capture this scale of new investment and retain current market shares, or witness continued decline of the Black Country sub-region as Birmingham City Centre continues to grow and dominate the sub-region.”*

BH/MH Plays a Critical Current Economic Role in the Black Country....

8.3 BH/MH is already an important strategic employment location in a Black Country context. It has two principal roles:

- Merry Hill is by some way the **largest retail centre** within the Black Country, comprising 1.5 million sq ft retail floorspace and over 200 retail units - supporting an estimated 6,000 to 7,000 jobs.
- The Waterfront is one of the **major office locations** in the Black Country, arguably the only 2nd tier regional level office location in the Black Country at present. There are an estimated 5,000 people working here in major private sector and public sector employers. The location is a “hybrid” between a traditional town centre and out of town accommodation and offers the only large scale higher specification office centre in the Black Country.
- Taking the broadest view of the BH/MH centre area, we estimate that there are at least 12,000 people currently employed there. This represents more than 1 in 40 jobs in the whole Black Country. In overall employment size in office, retail and leisure employment combined, BH/MH is not as large as Wolverhampton centre, but is on a par with Walsall centre. It is significantly larger than West Bromwich and far larger than Dudley town centre.
- The jobs are largely taken by residents of the Dudley local authority area, but significant numbers by residents of the other three Black Country local authorities, over 90% in total are filled by Black Country residents.

BH/MH has an Important Future Economic Role in the Black Country....

- 8.4 The current development proposals would represent a substantial fillip to the Black Country economy in terms of additional employment and would mean BH/MH making a major contribution to the delivery of the Black Country Vision. We estimate that the overall gross employment impact of the development proposals would be to create of the order of **11,000 jobs by 2021 rising to 16,000 by 2031** in the BH/MH area (before any multiplier effects and before taking account of any displacement of economic activity from elsewhere in the Black Country). A fifth of these jobs would be in retailing/leisure activity and four fifths in office based employment. The effect of the development would be to increase employment in these sectors in the BH/MH area by at least over 150% compared to the current position by 2031.
- 8.5 Based on current employment and travel to work patterns we might expect between 60% to 80% of workers filling these jobs to come from the Dudley local authority/post code area and overall around 90% from the whole of the Black Country. The impact of the proposed Midlands Metro extension to Merry Hill would substantially improve public transport accessibility to areas further north in the Black Country and could well increase commuting from the Wolverhampton and Walsall areas.
- 8.6 The scale of employment growth would provide alternative opportunities over the next 5-25 years, to replace the significant falls in employment forecast in the Black Country manufacturing sector (66,000 jobs) as well as help absorb some of the current unemployment, encourage people back into the labour market and provide jobs for planned population growth.

The Expansion of BH/MH would largely be Complementary to other Black Country Centres and so Create Additional Economic Activity.....

- 8.7 It is possible that not all of the extra jobs brought about as a result of the expansion of BH/MH would create additional employment and economic activity for the Black Country as a whole. In any office, retail and leisure scheme there will be some element of displacement of spend and jobs. Should there be no further development at BH/MH at least some of the growth will otherwise occur elsewhere in the Black Country. Based on conservative and worst case assumptions we estimated that around 7,000 out of the 11,000 jobs by 2021 and 11,000 out of the 16,000 jobs by 2031 represents an overall new gain in Black Country employment compared to the situation of no expansion of BH/MH. And taking into account local multiplier effects **at least 10,000 additional jobs by 2021 and 15,000 by 2031 would be created across the Black Country**. In summary, the growth at BH/MH is very largely (but not exclusively) complementary to that in other Black Country centres.
- 8.8 However, we believe that these estimates may well understate the net impact of growth in BH/MH on the Black Country for the following reasons:
- First, in terms of clawing back current and future growth in retail leakage from other centres (in particular Birmingham) to the Black Country, Merry Hill has a unique role to play given its size, diversity of offer and larger retail formats. In summary its retail role is largely complementary to that of other Black Country centres.
 - Second, our implicit assumption is that other Black Country centres have the capacity and means (and developer/investor interest) to accommodate substantial retail and office growth (and to take up any "slack" created by a lack of expansion of BH/MH. To the extent that this is not so, then the expansion of BH/MH brings almost entirely additional benefits to the Black Country over and above what would happen in the absence of its expansion.
 - Third, BH/MH offers an established office market and product, which is different in nature to Wolverhampton (the main alternative location) and has proven one of the very few locations attractive to corporate occupiers. As such, it is reasonable to assume that growth in the BH/MH area is likely to be in competition with other locations along the M42 corridor, or possibly further south along the A38/Central Technology Belt, rather than elsewhere in the Black Country. In any case, if the Black Country is to attract substantial growth in knowledge based/office based industries then it needs several attractive and competitive locations with slightly different offers and access to slight different labour markets. BH/MH is well placed to draw on workers from the south part of the Black Country and parts of Worcestershire where there are significant concentrations of more highly skilled workers.

There are Substantial Wider Regeneration Benefits for the Development of BH/MH....

- 8.9 As well as the direct employment and income benefits from the expansion of BH/MH we believe that it offers three key wider regeneration benefits:
- First, the retail expansion provides a means to help fund the much needed extension of the Midland Metro through Dudley town centre to Merry Hill – connecting much better this key employment node to the rest of the Black Country and helping support a key new part of the Black Country infrastructure.

- Second, the creation of a remodelled BH/MH area will create a visitor location and quality location for Black Country residents helping improve the “liveability” of the south part of the Black Country and contribute to the attraction of in-migrants and helping stem the de-population of the area.
- Third, although all expansions in employment offer recruitment and training possibilities, the nature of large retail development and larger office development is that there are the best opportunities for proactive customised recruitment and training packages to help link the job opportunities to local residents not in work. The expansion of BH/MH would allow for a major training and recruitment partnership between developers/owners and the public sector and help residents of the South Black Country Regeneration Zone.

Overall Conclusions....

- 8.10 The expansion of BH/MH would provide a substantial economic development and regeneration boost for the Black Country having the potential to create around 11,000 extra jobs locally by 2021 rising to 16,000 by 2031. Taking account of potential displacement and multiplier effects the net impact on employment in the Black Country would be of the order of 9,500 net additional jobs by 2021 and 125,000 by 2031. Its expansion would be very largely complementary to that of the other strategic centres and it therefore has a critical role in delivering the Black Country Vision.

Appendix A Bibliography

Date	Author	Title
2001 September	Arup Economics and Planning	Employment Densities A Full Guide
2005 August	The Black Country Consortium	The Black Country Sub-Regional Study: Proposed Revision to the Regional Spatial Strategy for the West Midlands
2005 May	CACI Ltd	CACI Retail Footprint 2005
2004 December	DTZ Piedad Consulting, David Locke Associates, Alan Baxter & Associates	Brierley Hill Development and Investment Framework Report
2003 January	Dudley MBC	Brierley Hill Implementation Strategy
2005 October	Dudley MBC, prepared on behalf of the West Midlands Regional Assembly	Capacity of Dudley Centres
2005 February	GHK in association with Oxford Economic Forecasts & Regional Forecasts, Land Use Consultants	Long-Term Economic and Employment Strategy for the Black Country: A Final Report to the Black Country Consortium
2005 June	GVA Grimley for the West Midlands Local Government Association	Black Country Employment Land Capacity Report: Final Report
2005 November	GVA Grimley and Roger Tym & Partners for the Black Country Consortium	Study of Black Country Centres
2002 Autumn	Hunt Dobson	Brierley Hill Regeneration Partnership: Economic Impact Study
2001 September	ICM Research	Waterfront Employees Modal Split Survey
2005 March	ODPM	Planning Policy Statement 6: Planning for Town Centres
2005 July	Regeneris Consulting	Closure of MG Rover: Interim Economic Impact Report for the MG Rover Taskforce
2005 July	Valuation Office	Property Market Report
2005 November	West Midlands Regional Assembly	West Midlands Regional Spatial Strategy - Phase Two Revision: Draft Project Plan



Regeneris Consulting

Regeneris Consulting delivers specialist advice in economic development and regeneration to the public and private sectors.

Our philosophy is

to provide clients with real value and give our staff the freedom to be creative and to learn.

Our five main service areas are:

Economic research and policy advice

Economic development and regeneration strategies

Project feasibility, business planning and appraisal

Economic impact assessment

Policy and programme evaluation and review

regeneris

consulting

Regeneris Consulting Ltd

1-5 The Downs

Altrincham, Cheshire WA14 2QD

Tel. 0161 926 9214

Fax. 0161 926 8545

info@regeneris.co.uk

www.regeneris.co.uk