



A Route to Prosperity:

making the most
of the
**Heads of the Valleys
road**



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making the most of the Heads of the Valleys road

by

Peter Slater

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SUMMARY

- The proposed dualling of the A465 Heads of the Valleys Road between Hirwaun and Abergavenny, at an estimated cost of £300 million, represents one of the largest public sector infrastructure projects in Wales.
- There is a widespread expectation that the road improvement will have a significant impact on investment and economic activity along the Heads of the Valleys corridor which, ultimately, will generate higher and sustained levels of prosperity in one of the poorest areas of Wales.
- Research shows that improvements in road infrastructure alone are unlikely to unlock the economic potential of an area and benefits will not be realised unless the investment is supported by a range of complementary measures. Creating a dynamic economic environment requires an integrated package of actions designed to stimulate investment, of which transport infrastructure is just one component.
- This study has revealed major gaps in the strategic vision for the Heads of the Valleys area. There are few if any explicit policy linkages between the £300 million A465 investment and other regeneration activity. There is a serious risk that the potential benefits arising from the improvement will not be maximized unless action is taken to ensure that the project is set firmly within a wider context.
- The following actions need to be taken as a matter of urgency:
 - further collaborative work should be undertaken on the regeneration potential of the A465 Improvement;
 - The Welsh Assembly Government should establish a higher profile for its commitment to the A465 Improvement;
 - The business community should have more certainty about the timing of further investment;
 - The WDA should establish a medium term property and investment strategy for the Heads of the Valleys Corridor;
 - The road investment should be used as platform to prioritise funding of the HERIAN Hubs and Gateways strategy;
 - An Environmental Framework should be established to raise the quality threshold along the A465 corridor;
 - The Welsh Assembly Government and ELWa should review the priority afforded to training and skills in the Heads of the Valleys area;
 - A Development Framework should be established for the Heads of the Valleys to inform resource prioritisation;
 - The Development Framework should broaden the “development offer”, whilst addressing issues such as the potential of Merthyr as an economic driver, the role of housing in the regeneration process and the scope for the further decentralization of public sector functions to the Heads of the Valleys.

PREFACE

The south Wales valleys include some of the poorest communities in Europe. The Bevan Foundation's report 'Ambitions for the Future' identified ways in which a new future might be developed for valleys communities. Key amongst these was how the potential of the current dualling of the part of the A465 Heads of the Valleys road could be realised, for the benefit of businesses and communities alike.

The Bevan Foundation agreed to investigate the question further and we were delighted to secure the sponsorship of a number of public and private sector bodies to support this project. The project is, given the timing and budget available, inevitably modest in scale, but the conclusions firmly set an agenda for regenerating the Heads of the Valleys area. We hope that the proposals in this report will be considered by all those with an interest in improving prosperity and well being in the valleys, and indeed in Wales as a whole.

Victoria Winckler
Director
The Bevan Foundation

1. INTRODUCTION

- 1.1 The A465 is a key strategic link in the national trunk road network connecting West Wales with the Midlands and the North of England. It also forms a major sub regional artery along the Heads of the Valleys corridor from Swansea in the west to Abergavenny in the east.
- 1.2 At an estimated cost of £300 million, the Welsh Assembly Government is planning to dual the A465 between Hirwaun and Abergavenny. Section 1 of the project, which involves the dualling of the section between Dowlais and Tredegar, is currently under construction with completion due in the summer of 2004. The announcement follows on from the improvement of the A465 between Aberdulais and Glynneath, which was opened in February 1997 at a cost of £84.6 million. There are few other infrastructure projects of similar magnitude in Wales at the present time and, as such, the proposed investment constitutes a major commitment by the Welsh Assembly Government. The scale of this commitment is significant by any standards, as indeed is the potential impact of the dualling on those communities situated along and adjacent to the Heads of the Valleys corridor.
- 1.3 Whilst the A465 dualling is being driven by a combination of objectives, there is also the expectation that the improvement will generate new and sustained economic activity and investment. The communities served by the A465 are amongst some of the most disadvantaged in Europe when measured against a wide range of socio-economic indicators; typically they are characterised by low economic activity rates, poor skills and low incomes. The upgrading of the A465 has the potential to bring new jobs and prosperity to these communities, but only if critical policy decisions are made to capitalise on the £300 million investment in the road itself.

Aims of the Study

- 1.4 The primary objective of the research is to examine the extent to which current regeneration policies and initiatives will enable the benefits of the A465 investment to be maximised, and to recommend where necessary how they might be re-focused where there are shortcomings. In this respect, the aim is to demonstrate the need to link the A465 project into the wider sub-regional and local regeneration strategies and their related investment plans, with the overall objective of developing a high level of mutual dependency. Ideally, the A465 project and its impact on accessibility should become a cross-cutting theme in a range of related strategies, including town centre plans, labour market initiatives, tourism, development and employment creation generally. Given uncertainty over the programming and timescale for the A465 improvement, the above approach is considered essential if a commitment to completing the project in the shortest time possible is to be secured, and if the wider benefits of the investment

are to be optimised. It is intended, therefore, that the outputs of the research will help to inform and influence the relevant regeneration strategies and the development decisions that flow from them.

- 1.5 Specifically, the overall approach towards the research sought to examine the following:
- The scope for creating a vision for the Heads of the Valleys corridor in which the A465 Improvement is a major economic driver;
 - The extent to which both statutory and non-statutory strategies and plans recognise the potential opportunities and benefits presented by the A465 Improvement;
 - Development opportunities, needs and constraints with the A465 corridor and the mechanisms required to enable them to be realised and/or overcome;
 - The views of decision makers in the public, private and community sectors on the impact of the A465 Improvement on the regeneration of the surrounding area.

Study Approach

- 1.6 The conclusions of the study are, for the large part, based on a literature review and a series of approximately 30 face to face interviews and discussions held with individuals drawn from a wide variety of organizations, ranging from the Wales Assembly Government to individual businesses and community organisations. In addition, the research included a postal survey of some 250 companies located within the A465 corridor. Communities First Partnerships were also invited to contribute to the research, as indeed were a number of developers in the residential and hotel sectors. In total, therefore, over 300 organizations, companies and individuals were notified of the research and invited to submit information and comment.

The A465 Improvement

- 1.7 The overall status of the scheme between Hirwaun and Abergavenny is that the Welsh Assembly Government is committed to the project, although funds have yet to be identified. In this respect, therefore, the commitment to date, in respect of Section 4 (Dowlais – Tredegar) and Section 1 (Abergavenny – Gilwern) amount to £67.3 million. This leaves an estimated balance of £229 million which has yet to be committed for the remainder of the scheme. According to the Welsh Assembly Government, the priority for the various sections has been determined by a number of factors, including the volume of existing traffic, congestion problems and the incidence of accidents.

2 THE ECONOMIC IMPACT OF ROAD IMPROVEMENTS

KEY FINDINGS:

- The precise relationship between infrastructure and economic growth remains unclear.
- By itself, new road infrastructure is unlikely to be sufficient as a driver of economic development.
- Infrastructure developments are only one part of the economic development package.

2.1 The research takes as its starting point the premise that complementary actions will be necessary if the impact of the A465 improvement is to be maximised. The research has not attempted to unravel the complex linkages between transport infrastructure and economic activity. There is a considerable body of research devoted to this issue, but the precise nature of the relationship between new infrastructure and economic growth remains unclear. The situation was aptly described by the Standing Advisory Committee on Trunk Road Assessment, in its report *“Transport and the Economy”*, in the following terms:

“On the one hand, there are linkages which can help explain how transport has an impact on economic activity. On the other hand, economic activity can, itself, shape the demand for transport. There may often be interactions between these two aspects – for example, a transport intervention may lead to changes in the economy which, in turn, may lead to further impacts on the demand for transport”.

In this respect, the Committee was faced with conflicting evidence. On the one hand, it can be argued that transport improvements can improve the economic prospects of an area by increasing its attraction to investors, un-locking under-utilised assets and resources and increasing competition between companies. On the other, it can be argued that improved transport by itself is unlikely to be sufficient to improve an area’s economic performance and that, by exposing indigenous companies to competition from stronger outside rivals, a transport project might lead to the leakage of economic activity.

2.2 Research undertaken by the Welsh Economic Research Unit at Cardiff University into the economic impact of the A55 Improvements in North Wales concluded that *“More importantly, new road infrastructure plays only one part in improving economic prospects for peripheral areas,*

and must be supported by other policy measures, particularly in terms of attracting new businesses". Again, and in common with other studies, the process of disentangling the nature of economic benefits from a series of road improvements was described as remaining "problematic". The research described how Simon (1987) had also concluded in a review of the empirical evidence on the impact of the road improvements that benefits have seldom been realised to any significant extent, citing difficulties of separating cause and effect:

"Whilst infrastructure improvements are usually necessary to provide development they are insufficient on their own: other policy instruments are necessary to complement road improvements as part of a regional development package".

The Welsh Assembly Government is also about to publish research on the economic effects of major road improvements. This is expected to conclude on the basis of a range of case studies that there was no ex-post evidence of road improvements by themselves delivering step changes in the economic performance of areas, although as expected there were some benefits to businesses from reduced transport costs.

2.3 While, therefore, researchers continue to analyse the cause-effect relationship between infrastructure and economic activity, a task made more difficult by the fact that the benefits are often perceived and intangible, all of the evidence acknowledges that road improvements are just one part of the economic package. The relative significance of the infrastructure element may vary and depending on local circumstances, but the message is nevertheless clear; **infrastructure improvements have to be considered as an integral part of the economic development framework and the measures that support it.**

2.4 Referring briefly to the economic impact of the A55 in North Wales, the research undertaken by the Welsh Economy Research Unit on behalf of the British Road Federation (1996) concluded:

"There is no doubt that the impact of the A55 improvements have been both substantial and significant to the economy of North Wales. More importantly, the benefits of the improvements will continue to grow over time, as the behaviour of individuals, companies and organizations fully adjusts to this infrastructure change, and the full realisations of access to the dominant motorways network. North Wales now faces the positive challenge of becoming a fully integrated part of the UK economy, and by extension, a full part of the European economy of the twenty-first century".

2.5 With related infrastructure investment at locations such as Chester Business Park, Deeside, St Asaph and Park Mennai, the A55 corridor has developed an economic impetus of its own, so much so that it is now considered the equivalent of the M4 corridor in the South. As one

of the Welsh Economic Research Unit's contributors commented: "Completion of the A55 Improvements has eliminated for good the peripheral status of North Wales".

- 2.6 It is important, therefore, for the A465 corridor to be driven by similar aspirations. Its proximity to the M4 to the south will always be a limiting factor, but this should not restrict the vision for the corridor as a dynamic economic environment which has the potential to transform the economy and communities dependent upon it.



3 THE ECONOMIC POLICY CONTEXT OF THE A465 IMPROVEMENT

KEY FINDINGS:

- There is a general absence of any explicit attempts to place the A465 Improvement in a wider regeneration context.
- There is a need to follow up the suggestion in the Wales Spatial Plan that further collaborative work be undertaken on the economic and social regeneration potential of the A465 Improvement.
- Progress on the A465 Improvement might be accelerated if its significance to the wider regeneration agenda is demonstrated.

3.1 There is a widespread expectation that the A465 Improvement will be the catalyst in bringing about the economic transformation of the Heads of the Valleys corridor and the surrounding area, which in turn will reflect the wider goal of creating a Welsh economy which is sustainable, high value-added and prosperous.

3.2 What is surprising, however, is that there are few, if any, explicit references to the role of the A465 Improvement in the various initiatives, sub-regional and local strategies which are driving the wider economic agenda for the heads of the Valleys area. **This represents a major failure of strategic, joined-up thinking given that we are considering a £300 million investment in a single project.**

National Development Strategies

3.3 Starting with the Welsh Assembly Government's "*Plan for Wales*" and its guiding principles of sustainable development, social inclusion and equal opportunities, the plan refers to the spatial dimension of the Welsh economy in the following terms:

"Employment Growth in the West and the Valleys lags behind the M4 and A55 Eastern area".

3.4 The Plan goes on to discuss the need to develop an integrated, effective and accessible transport system that supports a growing economy. At the outset, therefore, there are two key strategic themes of economic disparity and accessibility which can be used to promote the A465 as a key transport and economic priority.

3.5 The Assembly's National Economic Development Strategy. "*A Winning Wales*", builds on the three guiding principles set out in the Plan for Wales. Amongst its objectives and priorities is investing in transport

infrastructure and services which support the economy of Wales and improve access to main markets. It continues with references to the need to maintain and enhance the strategic transport corridors to “.... *improve access and mobility for internal movements and journeys and those wanting to gain access to the rest of the UK, Europe and beyond for economic, social and other reasons*”. Whilst the plan acknowledges the need to provide a clear framework for the spatial implications of economic development – ensuring that people benefit from economic growth wherever they live or work – the expectation is that these will be expressed through the Wales Spatial Plan and the Sub-Regional Regeneration Plans, the latter being seen as the mechanism for delivering joined-up economic regeneration at the strategic level.

- 3.6 Regarding the draft Wales Spatial Plan, which amongst other matters aims to present “*an opportunity to bring a stronger geographic element to all our work: informing policy formulation; strengthening implementation and measuring the impact of actions*”, the A465 is mentioned in the context of actions to which the Assembly is already committed: “*Support necessary improvements to the transport infrastructure within the region (South East Wales) including highway capacity improvements on the M4 between Castleton and Coryton and dualling the A465 Heads of the Valleys Road to provide enhanced access to the West Midlands*”. In addition, there is a similar reference to the A465 in relation to the South West Wales area. Significantly, the plan recommends that further collaborative work be undertaken on how the economic and social regeneration potential of the A465 Improvement might be realized but, to date, there is no evidence of the proposal being taken forward.
- 3.7 The theme of the South East Wales strategy set out in the plan is “*increasing prosperity and promoting the social and economic re-integration of the area, benefiting from Cardiff’s role as a capital city*”. In this context, the mid and upper South Wales Valleys are described as being characterised by very low rates of economic activity and with a skills base which is poorly matched to the job opportunities arising there or within the coastal belt. There is no explicit reference to the A465 as a potential growth corridor but, significantly, one of the possibilities for future collaborative work is: “*Examine ways to realise the economic and social regeneration potential of dualling the A465 Heads of the Valleys Road*”. This would appear to be a clear acknowledgement of the absence of any strategy to ensure that the economic benefits of the A465 Improvement are maximised. There is what amounts to a commonly held view that the road will indeed bring significant benefits to the communities and businesses of the mid and upper valleys, but the manner in which this will be achieved remains unclear, as does the overall priority to be afforded to the development of the A465 corridor.

Sub Regional and Local Strategies

- 3.8 The A465 'expectation' theme is continued in sub-regional and local strategies spanning the A465 corridor between Hirwaun and Abergavenny. Figure 1 shows extracts which, whilst not exhaustive, give an indication of the level of recognition afforded to the project in many of the strategies.

Figure 1 Extracts from Sub Regional and Local Strategies

Five Counties Regeneration Strategy:

In order to ensure that efforts to diversify the economy of the five counties it will be necessary to make five sets of investment decisions to improve public transport and accessibility, namely:

- *Ebbw Vale – Newport/Cardiff rail service;*
- *Relief of M4 congestion;*
- *Upgrading Heads of the Valleys Road;*
- *Improving access to Mid Valleys Growth Corridor;*
- *Investment in selective road schemes to promote economic regeneration.*

The Plan goes on to suggest that the above should be subject to 'value for money' tests made in the context of the Spatial Plan's Regional Perspective. Significantly, however, the Five Counties Plan makes no explicit reference to the A465 as a potential economic driver, and whilst the need to improve the capacity of the M4 is mentioned in the context of establishing a "Well-connected Sub Region", the A465 is conspicuous by its absence.

Blaenau Gwent Regeneration Programme:

A key strategic investment which is required for the upper valleys is a commitment to up-grade the A465 Heads of the Valleys Road potential investors will wish to be confident that the planned up-gradings will proceed in the future and an accelerated funding programme should be put in place to achieve this with a shorter timescale.

Blaenau Gwent's Unitary Development Plan:

Objective: To improve the main north-south routes within the three valleys in the County Borough and the Strategic Heads of the Valleys Route.

Policy T2: Land will be safeguarded to accommodate the following transport proposals: Dualling of the A465 Heads of the Valleys Road.

Cynon Valley Local Plan

Proposal TP5:

The A465 will be dualled between Abergavenny and Hirwaun. The up-grading of this important strategic route will further assist the economic regeneration of the Heads of the Valleys and in particular the northern part of the Cynon Valley.

The Wider Regeneration Agenda

3.9 This brief review of the plans and strategies which guide the economic development process has revealed a surprising absence of any explicit attempts to place the £300 million A465 Improvement in a wider regeneration context. Equally surprising are the few, if any, cross references between the scheme and other regeneration measures and proposals. Arising from this, the following conclusions can be drawn:

- **There is an urgent need to follow up the suggestion in the Wales Spatial Plan that further collaborative work be undertaken** on the ways in which the economic and social regeneration potential of the dualling of the A465 Heads of the Valleys road can be realised;
- **The funding and programming of associated regeneration initiatives and projects along the Heads of the Valleys corridor may be prejudiced** by not exploiting their relationship with a £300 million infrastructure investment;
- **The process of securing the remaining £229 million commitment required for the scheme, together with the timescale for the project, might be accelerated** if the significance of the A465 Improvement to the delivery of the wider regeneration agenda could be demonstrated in more explicit terms.

4 CREATING A MODERN BUSINESS ENVIRONMENT

KEY FINDINGS:

- **In the short and medium term, the A465 Improvement will benefit business by improving their cost base.**
- **Investment is required in high quality business infrastructure to enable companies to move up the value-added chain.**
- **The business community should be afforded a higher degree of certainty with regard to the programming of the A465 Improvement.**
- **The A465 Improvement is not expected to generate significant rental growth and investment projects will continue to be dependent on public sector interventions.**

Improving the Quality of the Product

- 4.1 Given the prospect of a modern, high speed dual carriageway linking the Heads of the Valleys with the surrounding regions, another important theme to emerge from the research concerned the need for the area to offer a new product in terms of business infrastructure. Many of the industrial sites along the corridor, typified by the Rassau and Tafarnaubach estates, have their origins in the 1960's. They are usually characterised by low cost, low specification units. Whilst the WDA and local authorities have, in recent years, added higher specification buildings to the total stock, there is still considered to be a limited '*product range*' along the Heads of the Valleys corridor. This situation is not consistent with the objective of promoting the area as a location for modern, 21st century businesses and many consultees commented on the need to offer a new infrastructure product, which would embrace both industrial site/business parks and town centres as the main focal points of employment and economic activity.

Investing in Business Infrastructure

- 4.2 This part of the research was informed by the results of the company survey and interviews held with the development agencies and individual companies.

The Business View

- 4.3 Despite the limited response to the company survey, a distinct pattern of business expectations and concerns in relation to the A465 was

discernible. The results can also be used to give an indication as to where additional research or information might prove to be useful. In overall terms, the respondents to the survey chose to raise a wide range of issues directly or indirectly related to the A465 Improvement. These are summarised below, with the number of respondents commenting on each of the topics shown in parentheses;

- The dualling will result in improved access to markets, reduce congestion and lead to more reliable delivery times (29);
- The present construction work between Dowlais and Tredegar is disrupting business activity (12);
- The A465 Improvement will stimulate further investment in the Heads of the Valleys corridor (9);
- The resulting improvement in access will extend the labour catchment area (8);
- There is a need for the A465 investment to be under-pinned by incentives to aid businesses and employment measures (5);
- The A465 improvement will result in much-needed levels of road safety (5);
- There is a need to improve public transport facilities for the workforce (5);
- The image of the area needs to be improved by enhancing the landscape and general environment (5);
- The cost of the A465 Improvement cannot be justified and will not benefit businesses (3);
- The A465 Improvement will stimulate demand for property which, in turn, will lend to price rises (2);
- There is a need to secure hotel developments along the corridor (2);
- There is a need to increase the supply of modern, high quality business premises (2);
- Access to industrial estates requires improvement (2).

4.4 Although the forecast reductions in travel time arising from the improvement are likely to be modest – a saving of an average of 7 minutes on the journey between Hirwaun and Abergavenny, it is clear that the majority of respondents still see improved access to markets and reduced delivery times and costs as important benefits. Most research, however, emphasises that transport costs are likely to represent a relatively small proportion of total costs; the SACTRA report describes how a survey of European logistics costs claimed that manufacturers spend on average, only 1.5-2% of sales revenue on transport (McKinnon, 1990). On the other hand, information provided by the Road Haulage Association as part of this research showed that in the context of the limitations placed on drivers' hours, a 20 minute delay or extension to a journey can result in a 4% loss of productivity.

4.5 In reality, therefore, different companies will respond in a variety of ways to the A465 Improvement, depending on their individual

circumstances. However, given that the Heads of the Valleys area is heavily dependent on manufacturing, which in turn has a significant element of low value-added activity, particularly in the plastics, electronics and automotive sectors, many companies find themselves under severe cost pressures. Such cost pressures can only increase with the impending enlargement of the EU to include the new central and east European Member States, and the growing economies of Asia and the far east.

- 4.6 In the short-medium term, therefore, **the A465 can only benefit such companies by improving their cost base**, thereby helping to maintain what are in many instances somewhat slender competitive advantages. Over time, these advantages will continue to be eroded by other competitive pressures, and the challenge for the Heads of the Valleys area is to develop an economic structure which enables it to move up the value-added chain. **This in turn will need to be supported by measures which stimulate the provision of high quality business infrastructure in the form of sites, premises and ICT, and, most importantly, higher skill levels.**
- 4.7 Another clear message from the business survey is that the perception of the A465 as an efficient, modern, high quality link is also of vital importance to business confidence. As such, **the project needs to be seen and promoted as a strong declaration of confidence in the future of the area**, which in turn will stimulate and attract new investment. As one consultee stated:

“We need to demonstrate that the Heads of the Valleys can offer an unbeatable package of access, quality sites and premises, a high skill base and business friendly funding and support measures”.



- 4.8 Inevitably, a significant number of respondents commented on the disruption to businesses arising from the present construction work on the A465 between Dowlais and Tredegar. Given the decision to adopt what is for the large part an 'on-line' improvement, a certain level of traffic disruption is clearly unavoidable. This was acknowledged by a number of respondents, as indeed were the efforts of the contractors to maintain the flow of traffic and to minimise the number of occasions on which closure of the road was necessary.
- 4.9 It is an inescapable fact, however, that construction work will continue to disrupt both companies and their workforces for the foreseeable future, albeit in varying degrees. This situation raises several important issues. Firstly, and most significantly, the construction of the remaining phases of the A465 should be programmed so as to minimize the overall construction period. Despite the Wales Assembly Government's commitment to the overall project, the programming of the scheme is open-ended with no firm completion date or indeed start dates for the remaining phases. **This commitment needs to be strengthened with assurances from the Welsh Assembly Government that funding for the project will enable completion within a specified time period.** In this respect, the overall aim should be to minimize the level of disruption imposed on the Heads of the Valleys economy while at the same time affording the business community a greater degree of certainty with regard to the phasing of the project.
- 4.10 The second issue concerns the potential for creating a negative perception amongst investors during the construction phase which, even with the optimum combination of funding and phasing, will still span a period of several years. During the late 1980's lane closures and repair work on the Seven Bridge, together with the resulting congestion, created the perception that South Wales was no longer open for business, even though the reality was quite different. In the case of the A465, it is important to ensure that a similar perception is not allowed to develop, given the potential damage this could inflict on the investment decisions of both indigenous and inward investors. **This risk can be minimized if effective steps are taken to achieve the following:**
- a reduction the degree of uncertainty associated with the programming of the A465 Improvement;
 - engagement with the business community on a regular and continuous basis in order to improve the information flow on the A465 project;
 - a higher profile for the Welsh Assembly Government's commitment to the project as a key element in the economic regeneration of the Heads of the Valleys area.
- 4.11 Approximately 20% of the survey respondents were of the view that the A465 Improvement would stimulate further investment in the area,

either through the expansion of existing companies or through new investment. Conversely, none of the respondents commented on the possibility that the resulting improvement in access would expose local companies to more competition from adjoining regions. This may be a reflection of the dominance of manufacturing in the local economy, and the fact that the real competitive pressures emanate from lower labour costs in Eastern Europe and the Far East etc. Significantly, many of the comments made in respect of improved access were in respect of market opportunities, which reinforces the view that **the A465 scheme is seen as generating direct benefits to businesses in the area.**

- 4.11 Studies undertaken elsewhere reflect a widely held view that the quality of transport links is an important factor in stimulating and attracting new investment, even though the cost advantages resulting from improved access may be minimal. In this respect, there seems to be a strong perception amongst businesses that transport improvements enhance competitiveness which in turn stimulates investment. A CBI survey of 12,000 firms asked businesses to prioritise those factors most likely to promote the competitiveness of their region, and “*better transport*” was considered to be among the top three out of a total of 22 priorities.
- 4.12 The role of transport infrastructure as just one element in the ‘*investment package*’ is borne out by the comments of respondents with regard to other factors considered to be important to businesses. Chief amongst these were labour supply, which is considered in paragraph 6.17, financial incentives, the supply of modern, high quality business premises and the enhancement of the overall environment. Again, this underlines the primary message of this research namely that **the contribution of the A465 scheme to the wider economic regeneration of the Heads of the Valleys is dependent on the degree of complementarity with other policy tools and initiatives.** By way of an example, the SACTRA report describes a case in which the “*evaluation of the effect of the Bristol Spine Road (DETR, 1997) showed that the regeneration benefits of the scheme had been limited, though still positive – because the Urban Development Corporation had failed to put in place a coherent strategy*”.
- 4.13 A significant number of the survey respondents stated that the A465 Improvement would have a positive impact on labour supply and recruitment. Co-incidentally, the same respondents often mentioned the need to improve public transport facilities for the workforce. Both of these points would seem to confirm that some companies in the area are experiencing labour shortages and that **the improved access resulting from the A465 dualling is seen as widening the labour catchment area, thereby easing labour supply.**
- 4.14 However, whilst improved transport links can result in the expansion of the local labour market; reduced transport costs lead to an expansion of the search area for jobs as employees are prepared to travel further for the same cost. This in turn can generate more competition from

outside a given area for jobs inside. Conversely, it can open up jobs to workers from within the region. On one level, therefore, the labour shortage concerns implied in the business survey could be either eased or worsened by the A465, depending on the dynamics of the adjacent labour markets and the extent to which the supply problem is confined to a particular area or sector. In this respect, most of the evidence would suggest that more and more companies in the Heads of the Valleys area, and across South East Wales generally are experiencing recruitment difficulties. With unemployment approaching historically low levels across the whole of the South East Wales region, including the so-called unemployment “*hot spots*”, it seems unlikely that the A465 will itself improve labour supply in the Heads of the Valleys area. Rather, **the issue is one of raising skill levels and increasing the overall supply of labour by reducing the high levels of economic inactivity evident throughout the Heads of the Valleys area.** These and related issues are discussed more fully in Chapter 6 – “Skills Development and the High Value-added Economy”.

Business Infrastructure

4.15 Comments made in respect of the current infrastructure presented a mixed picture of needs and opportunity, whilst the recurring theme was the emphasis on raising the quality threshold:

- The Heads of the Valleys corridor has a major image problem – grey and bleak with low quality investment and infrastructure;
- There are major shortages of quality premises, particularly in the food sector;
- There is an urgent need for advanced office and/or service sector accommodation, particularly in town centre locations;
- Town centre developments should have a more prominent role in driving economic growth;
- Iconic buildings and structures (including bridges) should be established at key vantage points to reinforce the quality image;
- Evaluation of the South East Wales ‘*product*’ revealed property as the weakness;
- There is a need to upgrade existing industrial estates and establish a hierarchy of business parks;
- There needs to be a common property market strategy for the Heads of the Valleys with a global message;
- The inward investment market is no longer buoyant and there is an issue regarding the take-up of large, readily available sites;
- It is difficult to attract service sector employment because of available sites along the M4, whilst Treforest has the added advantage of cheaper rents, good access and infrastructure;
- Merthyr Tydfil is emerging as a significant economic driver as a result of good infrastructure and the benefits of speculative public sector investment in the past.

4.16 At the same time, the research also revealed a number of obstacles to achieving higher levels of investment in the wider range of quality premises. Chief amongst these is the fact that trends in rental growth in many parts of the corridor are such that most property projects are not seen as being capable of generating adequate returns when compared with other, more attractive, investment opportunities. Despite overall occupancy rates of 85-95%, prevailing rental values of £3-3.50 per sq foot are not considered by the private sector to provide a viable basis for new investment. Furthermore, it was the general view that the A465 Improvement would not fuel any significant growth in rental values, which would probably have to increase by almost 50% to encourage private sector investment without the assistance of gap funding. There is, however, some evidence of increasing rental values in the Cardiff area creating a ripple effect, with property at Trefforest commanding additional premiums of up to £1.00 per square foot in comparison with Merthyr. In overall terms, however, the rents required to support the provision of higher quality, well specified business units and parks in the Heads of the Valleys area were not seen as being achievable in the current economic climate.



4.17 There was also some evidence to suggest that the provision of higher specification property by the public sector, whilst widening the product range and raising the quality threshold, was depressing the second hand market. This presents a dilemma for the private sector, given that there is too much value in existing buildings to warrant redevelopment, but at the same time downward pressure on rentals for older properties is also constraining refurbishment options. In terms of the overall role of the public sector, there was a perception amongst some that the

opportunities for joint ventures with the private sector in the industrial and business property markets were being neglected in favour of kick starting residential, commercial and retail developments.

- 4.18 Regarding employment land there was no evidence to suggest that there should be any further significant releases over and above the allocations already identified in the Development Plans. Indeed, there was a view amongst some consultees that there is a need to “*loosen the handle on employment land*”, in order that other development and community uses could be realized. This assertion stemmed from the observation that the market’s priorities are quality and location, rather than size, and that there is scope for rationalizing allocations in order to concentrate on bringing forward a fewer number of selected sites with clear development potential. On the other hand, one developer pointed out that the increased number of residential and retail developments in the area was resulting in an upward pressure on land values, which was also affecting industrial land prices. The consequence of this was to further undermine the viability of private sector investment in business premises.
- 4.19 The main point to emerge from this very brief review of property development along the A465 corridor is that such investments will, for the foreseeable future, continue to be dependant upon public sector incentives and assistance. Given that the road is, itself, not expected to stimulate rental growth, and therefore investment, **the WDA and others need to examine the options for delivering the ‘quality’ product which will help to define the Heads of the Valleys corridor as a modern and efficient business location.** Property development is one of the key elements in the total economic package, and it is one of the main components which help to ensure that the impact of the road improvement is maximized.
- 4.20 **The WDA is currently undertaking a Property Review, and so far as the Heads of the Valleys is concerned it is vital for the review to consider the following factors:** the scale of the gap funding that is likely to be required in order to make a significant impact on the overall quality, range and availability of business premises; the scale of the competing demands for gap funding and the criteria for prioritization; the need to establish a medium term property development and investment strategy for the Heads of the Valleys corridor.
- 4.21 Finally, it is worth noting that many infrastructure projects in the Heads of the Valleys area have, over the years, benefited from significant levels of financial assistance through the EU’s Structural Funds. However, with the prospect of significant changes to the Structural Fund regime after 2006, as well as the European Commission’s current review of State Aids, there could be an added issue of how these developments will impact on the grant-aiding of new projects in the A465 corridor.

5 DEVELOPING TOURISM

KEY FINDINGS:

- **As a major gateway, the A465 Improvement has the potential to stimulate market growth.**
- **The potential of the project is not generally recognised in the sector's forward plans.**
- **There is a need to commit investment in HERIAN'S Gateways and Hubs Strategy.**
- **An Environmental Framework should be established in order to underpin the improvement of the environment along the A465 corridor.**

- 5.1 Capital Regional Tourism, the Regional Tourism Partnership serving South East Wales, describes its mission as: *“Through genuine partnership working, to lead South East Wales in fulfilling its tourism potential as both the essential gateway to Wales and a destination of world class quality in its own right, in ways which bring clear lasting and increasing benefits to the residential communities and businesses of the region”*.
- 5.2 As both a gateway to Wales and a tourism destination in its own right, South East Wales is critically dependent on good transport links. In this respect, the M5/M4 corridors have, traditionally, been the most productive generators of visitors to the region and to the remainder of South Wales to the West. Geography and the distribution of population will dictate that this will remain the case. In economic terms, 51% of the value generated from overseas visits to Wales enters through South East Wales, whilst 42% of tourism employment is located in South Wales.
- 5.3 With the dualling of the A465, however, the region will be able to capitalize on a second strategic access route, particularly in terms of attracting visitors from the North and Midlands. To date, the A465 has not figured prominently in tourism strategies and marketing, negative perceptions and the corridor's low grade environment being quoted as the main reasons for this. At the same time, it is fair to say that the potential of the A465 Improvement has also yet to be fully recognized in the industry's forward development plans.
- 5.4 It should also be emphasised that the A465 dualling has implications for the tourism sector in South West Wales, although this research is primarily concerned with the South East Wales region. One particular concern is that the improved access resulting from the A465 improvement, could stimulate the 'day out' market at the expense of the

'short stay', the latter being an important growth area. This comment is based on limited experience gained in respect of the A55 corridor in North Wales, and it underlines the need to anticipate such eventualities by putting in place supporting infrastructure and marketing strategies to capture the higher value-added sectors.

- 5.5 Regarding the potential impact of the A465 Improvement in the development of the tourism sector, two main themes emerged during the course of the research. Firstly, there is a strong expectation that the road has the potential to stimulate market growth in three particular sectors: business tourism; heritage and cultural tourism; activity/outdoor pursuits-based tourism. Secondly, a range of measures will be required to enhance the environmental quality of the A465 corridor if it is to be promoted as a strategic gateway.



Stimulating Market Growth

- 5.6 Turning to the potential of the road to stimulate market growth as part of the wider economic regeneration objectives, the research identified the following opportunities:
- The new road will provide an opportunity to expand the 'offer' along the A465 corridor to include the three key themes of mountains, culture and heritage;
 - The A465 route can become the backbone of the HERIAN strategy providing linkages to the five hubs at Blaenavon, Merthyr, Rhondda Heritage Park, Swansea and Cardiff;
 - In linking communities and providing access to the Valleys, the A465 will help to improve the capacity of local communities to embrace tourism opportunities;
 - There is an opportunity to capitalize on the name and identity of the "Heads of the Valleys", perhaps in conjunction with HERIAN's 'Arc of History'.
 - There is potential to brand the Heads of the Valleys Road as a leisure route supported by a signing and information strategy;
 - Strengthening the regional economy will increase the demand for business tourism, which in turn will help to increase the viability of tourism infrastructure;

- The new road will present opportunities for some limited hotel developments, particularly in the budget sector;
 - The A465 could be a key element in taking forward the '*Regional Park*' concept proposed in the '*City of the Valleys*' report, providing access to and between the Valleys in the south and the Brecon Beacons National Park to the north;
 - The effective integration of the A465 with cycle routes will improve access as well as providing much-needed impetus to expand and complete the proposed network.
- 5.7 Obviously, the use of the Valleys' culture and industrial heritage as a tool to regenerate communities emerged as a strong theme during the course of the consultations. Given that the HERIAN Strategy will be the main driver in bringing about the development of this particular market sector, the A465 Improvement could prove to be a major factor in terms of its gateway role and the access it will provide to the '*Arc of History*'. **It is vital, therefore, that the investment required to realize HERIAN's '*Gateway and Hubs*' Strategy is forthcoming.** Additional sources of investment also need to be identified for the purpose of improving and expanding the visitor centre network and the associated information and signing infrastructure. Again, the message is a very clear one, **the £300 million investment in the A465 Improvement should be used as a platform to prioritize resources towards those activities where there are obvious and beneficial linkages with the project.**

Enhancing the Environment

- 5.8 The poor quality of the landscape and the urban environment along the Heads of the Valleys corridor is viewed by many as a major disincentive to visitors and investors alike. On the other hand, it was also recognized that the topography of the area was a valuable asset, and that the measures adopted to enhance the image of the A465 as a major gateway would probably constitute the most cost-effective way of building confidence in the area and increasing its attractiveness to potential investors and tourists. To put it simply, a failure to grasp the opportunity to upgrade the quality of the environment along the corridor will result in many of the related development strategies and initiatives being severely prejudiced.
- 5.9 Some of the key messages to emerge from the consultation on the issue of raising the environmental quality threshold of the A465 corridor, were as follows:
- There is a need to create a strong sense of arrival and place;
 - Stunning scenery (Clydach Gorge) requires stunning engineering solutions and the radical use of materials;
 - The corridor should be subject of a '*Bio-Regional Plan*'; which would then form the basis of co-ordinated management and action;

- Community links between Valleys and the adjoining Brecon Beacons National park should be enhanced;
- There is a need to integrate land-mark buildings within a wider urban design strategy.

5.10 There is at present no overall strategy for enhancing the environmental quality of the A465 corridor, although there are a significant number of individual landscape improvement initiatives being undertaken by different authorities and agencies. However, **there would seem to be considerable merit in adopting a holistic approach towards the appraisal of the current physical and built environment with a view to establishing an Environmental Framework for the corridor.** This should be undertaken on the basis of a multi-agency arrangement, led perhaps by the WDA.

6 SKILLS DEVELOPMENT IN THE HIGH VALUE-ADDED ECONOMY

KEY FINDINGS:

- There are growing concerns over the skills deficit in the Heads of the Valleys area.
- Competing on low input costs is not an option if higher levels of prosperity are to be achieved.
- The Welsh Assembly Government and ELWa should review the priority currently afforded to training and skills development along the A465 corridor, with a view to increasing the level of activity and investment by an order of magnitude.

- 6.1 Throughout this report, the A465 has been emphasised as a key element in the total economic regeneration package for the Heads of the Valleys area. There is, however, another element of the package which is of profound significance; virtually every consultee involved in the study expressed growing concerns over the skills deficit in the Heads of the Valleys area. Reference to some of the basic statistics for the area shows why such concerns are well-founded.

EMPLOYMENT AND WORKFORCE DEVELOPMENT

	% of Population economically active	% receiving job-related training	% of working age population without qualifications	% of working population with NVQ2 and above
Merthyr	65.0 (22)	10.0 (16)	27.0 (19)	48.5 (19)
Blaenau Gwent	69.0 (19)	9.0 (22)	33.0 (22)	42.9 (22)
Wales	73.0	11.5	21.0	56.0

Unitary Authority Rankings shown in parentheses
Source: Local Area Labour Force Survey, 2001

- 6.2 The consensus among policy makers was that **the expected economic benefits arising from the investment in the A465, and a wide range of related initiatives, would not be realized unless urgent and sustained action was taken to address low skill levels and the associated problem of economic in-activity.** In the tourism

sector, for example, the poor skills base was seen as a major constraint on the future development of the industry.

Raising Skills Levels

- 6.3 Similarly, ELWa's Regional Statement of Needs for South East Wales underlines concerns over the high levels of economic inactivity and low basic skills attainment in the Heads of the Valleys area. Addressing the needs of this particular client group is described as presenting "great challenges to the education and training infrastructure". There are also concerns regarding the nature of the demand for labour with the ELWa report acknowledging that the largest proportion of job starts in South East Wales in 2002 was at the elementary occupations level. Significantly, this situation is described by ELWa in the following terms: "This demand may be an indication of high turnover but may also reflect a low skills strategy adopted by many employers." Given the higher incidence of low skills in the Heads of the Valleys area, the proportion of starts at the elementary occupations level can be expected to be correspondingly higher than those for the region as a whole. With evidence of low skills being the common dominator on both the demand and supply sides of the labour market the message is clear: **competing on relatively low input costs is not an option for the Heads of the Valleys area if higher levels of prosperity are to be achieved.**
- 6.4 Knowledge and skills development are now at or near the top of the economic agenda, and higher levels of sustained investment will be necessary throughout the Heads of the Valleys area in order to underpin the regeneration of communities and the economy. The increasing pace of change within the global market is placing significant pressures on the manufacturing sector in particular and, increasingly, companies are having to improve productivity to maintain a competitive edge; for many, their long term survival will depend on their ability to move up the value-added chain. Crucially, this is not just about investing in new technology, products and premises, it is also about ensuring that the workforce acquires the necessary knowledge and expertise required to understand, absorb and apply new technological and business advances.
- 6.5 Research shows that the increase in the demand for skills driven by technological advance is greater for manufacturing than other sectors, and that deficiencies in skills levels continues to account for the gap in productivity related to our main competitors. Given the predominance of the manufacturing sector along the Heads of the Valleys corridor, accounting for up to 40% of total employment in Blaenau Gwent for example, the area remains vulnerable to competitive pressures. In this context, improving skill levels takes on a particular significance with high levels of investment being required not only to sustain existing industries but, crucially, to diversify the employment base. The latter is

essential if the areas over-dependence on manufacturing, and hence its vulnerability to external economic shocks, is to be reduced.

A Higher Priority for the Heads of the Valleys

- 6.6 Dealing with low skills and economic inactivity, therefore, remains a major challenge in the Heads of the Valleys area and the Valleys generally. Paradoxically, the relatively low levels of economic activity also presents a major opportunity, representing as it does an under-utilized resource which needs to be un-locked. In this respect, there are many examples of initiatives, such as the Learning Network, being taken by ELWa and others to widen participation in education and training. The Job Match programme in Blaenau Gwent is also achieving some early successes in bringing the economically inactive back into the labour market. **Strengthening the roles of the CCETS and the Sector Skills Councils, together with greater coordination of their respective interests, would help to inform decisions as to how these and other initiatives can be rolled-out across the Heads of the Valleys area.**
- 6.7 At the same time, however, there is the fundamental challenge of moving from a location competing on relatively low cost goods to one competing on unique value and innovation. This transition will be aided by a range of actions, including the A465 Improvement, but above all it will require a ramping up of investment in skills development. Given the scale of the skills shortfall in the Heads of the Valleys area, it is difficult to see how the resulting prosperity gap can be closed without an increase in investment and the level of training activity by an order of magnitude. **In this respect, there is a clear need for the Welsh Assembly Government and ELWa to review the priority currently afforded to training and skills in the Heads of the Valleys corridor with a view to removing what is probably the most significant barrier to the economic regeneration of the area.** Without such action, the £300 million investment in the dualling of the Heads of the Valleys Road will be a lost opportunity.

7 A DEVELOPMENT STRATEGY FOR THE HEADS OF THE VALLEYS

KEY FINDINGS:

- There is confusion over the nature of the strategic vision for regenerating the Valleys.
- The strategic policy vacuum should be filled with a Development Framework for the Heads of the Valleys.
- The role of Merthyr as potential economic driver for the sub-region should be explored.
- The skills strategy should be supported by “Centres of Excellence”.
- The “Development Offer” should be broadened.

- 7.1 As with the earlier review of plans and programmes, the consultations revealed a general absence of any explicit recognition of the potential synergy between the A465 and other regeneration activity. In this respect, there was considerable confusion over the way, in what is undoubtedly a very extensive package, regeneration activity was being guided or focused by an overall strategy for the Valleys. Furthermore, whilst there was some reluctance to advocate yet another ‘*partnership*’ or ‘*task force*’, the general view amongst many of the consultees was that development of the corridor would benefit from a more holistic approach. On the related issue of the Wales Spatial Plan, some consultees questioned its adequacy on a basis for prioritizing resources towards the most deprived areas such as the upper Valleys. In this respect, it was described by one consultee as being ‘*Cardiff Centric*’. **The general consensus was that the strategic policy vacuum needed to be filled with a simple mechanism which would enable a development framework for the A465 corridor to be agreed amongst the interested parties.** Given such a framework, the expectation was that it would lead to a greater degree of co-ordinated action, whilst also serving as a vehicle for informing decisions on resource prioritization by the Welsh Assembly Government and others.

Proposed Development Framework

- 7.2 Whilst it is not the purpose of this study to formulate a development strategy for the Heads of the Valleys corridor, reference to some of the comments made by consultees gives some indication of some of the issues and opportunities which such a development framework might address:

- The Heads of the Valleys development framework would provide the opportunity to deliver the aspirations of the Wales Spatial Plan;
- There is a need to build on the reference in the Wales Spatial Plan – “*Maximizing the socio-economic impact of the Heads of the Valleys Road*” – by developing an area perspective for the corridor based on a series of growth points and priorities;
- Development of the Heads of the Valleys provides the opportunity to reintegrate the Valleys with the coastal belt;
- The corridor has the potential to deliver elements of the proposed City of the Valleys;
- The Heads of the Valleys road should be seen as serving communities rather than employment sites alone;
- There are opportunities for more collaborative initiatives along the Heads of the Valleys corridor;
- There should be an investment plan for the Heads of the Valleys, underpinned by special development status and/or access to a Special Purpose Vehicle (SPV);
- The A465 has the potential to enhance the “*Arc of History/Tourism*”;
- There is a need to capitalize on the name and identity of the Heads of the Valleys;
- The Heads of the Valleys corridor needs a customised approach regarding its strategic promotion;
- There should be a unified approach towards the marketing and development of the Heads of the Valleys corridor;
- There is a need to raise the quality threshold and promote the identity of the Heads of the Valleys through a co-ordinated marketing and development strategy;
- As the largest road scheme in Wales, the A465 is a marketable project;
- There is a need for an urban design strategy to enhance the image and perception of the Heads of the Valleys.

7.3 It will be evident from the above statements that there is no shortage of potential unifying themes which a development framework for the corridor might address. There also appears to be a willingness amongst local authorities and the other agencies to embrace the principle of wider collaborative working. This would be entirely consistent with one of the principle themes of the Wales Spatial Plan, namely to provide “*A Framework for Collaborative Working and decision-making across sectoral and functional boundaries*”. **It is suggested, therefore, that the Welsh Assembly Government, local authorities and other relevant agencies should examine possible mechanisms for establishing a more coherent development framework for the Heads of the Valleys area.**

Development Themes

- 7.4 The proposed development framework should be the main vehicle for prioritising and targeting resources on those locations and activities which have the potential to bring about a step change in the overall level of economic activity. This will not be an easy process, since there will be difficult decisions to be made on the priority to be afforded to the various policy instruments and initiatives which are currently driving the regeneration process. Above all, it will involve the questioning of some of the spatial priorities. If it is to be meaningful, the framework will have to be based on a strong sense of mutual interest, underpinned by an acceptance that the relationship between towns and communities within the Heads of the Valleys area may need to change. In this respect the development framework will need to examine the scope for differentiating the roles and functions of individual towns within the overall strategy. At the same time, clear and strong political leadership will be essential in order to drive the process forward.
- 7.5 Regarding the scope and content of the development framework, there are a number of key themes to be addressed . The following list is not exhaustive, and its main purpose is to give a broad indication of some of the strategic issues and options which need to be considered if the development opportunities within the corridor, together with resulting benefits to the community and the economy, are to be maximized.

The Role of Merthyr Tydfil

- 7.6 Increasingly, dynamic urban centres are proving to be the main drivers of economic growth and change at both the regional and sub-regional levels. Successful towns and cities extend their influence well beyond their immediate boundaries, impacting on housing and labour markets as the surrounding hinterlands become inextricably linked with the central economic hub. The resulting interdependence can in turn give the sub-region added dynamism generating its own economic momentum.
- 7.7 Cardiff is a good example of the above phenomenon and the proposed development framework needs to examine the options and implications of developing a similar model in the Heads of the Valleys area with Merthyr as the sub-regional driver. In this respect, there is already evidence to suggest that Merthyr is beginning to develop a critical mass of development activity, particularly in the service and retail sectors, which in turn is being partly driven by its larger catchment population. Crucially, it can also exploit its location at the junction of two strategic corridors, the east-west A465 and the north-south A470, together with its public transport links to Cardiff.



- 7.8 **The development framework will need to examine the options for enhancing the role of Merthyr as a sub-regional centre**, together with the ways in which its potential can be harnessed for the benefit of the surrounding area. Equally, consideration will need to be given to the opportunities for developing complementary activities and sectors in the nearby towns within the corridor. These should also be viewed as fulfilling dual roles, although the balance between their local and wider significance will obviously vary as will the scale and nature of the activity. Clearly, this approach would be based on achieving a greater degree of integration and connectivity between the towns and communities within the Heads of the Valleys area, which in turn will require increased investment in the public transport and local road networks.

Creating Centres of Excellence for Skills Development

- 7.9 As described in Chapter 6, the skills deficit in the Heads of the Valleys area is probably the most significant barrier to achieving sustainable employment and the prosperity that goes with it. The skills strategy will need to be at the heart of the development framework given the need to raise employment levels and the earning potential of the workforce. These are critical objectives which have to be achieved if the area is to realise the benefits of the increased spending power necessary to stimulate demand across all sectors of the local economy, particularly those that are currently under-represented, such as the service sector. By increasing the secondary demand

within the economy, which in turn will stimulate further employment, the area can begin to look forward to an era of self-sustaining growth.

- 7.10 There is, however, an urgent need to build on the concept of the Learning Network in order to broaden the access to learning opportunities, both within the work place and the community, and to increase overall participation rates. Improving the quality of the learning experience is an essential element in motivating communities and individuals to embrace the life long learning culture. **In this respect the Development Framework needs to address the adequacy of the resources, delivery mechanisms and infrastructure in terms of their capacity to achieve the required step-changes in skill levels and economic activity rates.** In particular, it will need to review the priority afforded to flag-ship projects such as the proposed Learning Campuses at Merthyr and Ebbw Vale. Early implementation of these proposals would signify a huge commitment to education and training in the Heads of the Valleys area, boosting the confidence and self esteem of communities and individuals, while at the same time reinforcing a wide range of training and education initiatives with state of the art facilities. The Development Framework should also examine the potential for establishing a Centre of Excellence for Essential Skills given the magnitude of this particular challenge throughout the Heads of the Valleys. Similarly, the establishment of an Academy of Enterprise could be considered as a response to the low rates of entrepreneurship and business formation within the area.

Broadening the ‘Development Offer’

- 7.11 Traditionally, the “development offer” along the Heads of the Valleys has centred on the diversification and strengthening of the manufacturing sector. Despite the success of this approach, particularly in terms of its inward investment record, the area now finds itself vulnerable to the cyclical down-turns characteristic of the manufacturing sector. For reasons which are well documented, this is no longer a sustainable option for the Heads of the Valleys. Instead, **the Development Framework should examine the scope for broadening the development offer** with a view to exploiting a wider range of investment opportunities which, in combination, will help to create a more robust economy and sustainable communities.
- 7.12 Broadening the development offer has the potential to change the future of the Heads of the Valleys area in two ways. Firstly, it can be used to change the strategic balance between housing and employment. Secondly, it is the key to bringing about further and lasting diversification of the employment base which is currently narrow and insecure.

Housing as an Economic Driver

- 7.13 For obvious reasons, creating employment has been the main driver of economic change for many decades throughout the Heads of the Valleys area. However, in recent years private housing developers have enjoyed buoyant sales and increasingly the area is proving to be an attractive proposition for investment in residential development. This demonstrates that, contrary to expectations, levels of disposable income are indeed sufficiently high to sustain the demand for new homes. This is significant for several reasons. Firstly, it suggests increasing levels of confidence in the area on the part of developers and purchasers. Secondly, it retains expenditure and long term spending power within the Heads of the Valleys, thereby reducing leakage and what amounts to the exporting of jobs to the coastal belt and other areas. Thirdly, it can offer the possibility of stabilizing or indeed reversing outward migration by helping to retain the existing population and attracting new people into the area. In summary therefore, **housing can be an important economic driver in its own right insofar as it both retains and generates expenditure within the local economy.**



- 7.14 Clearly, increasing the role of housing as an economic driver raises fundamental policy issues regarding the vision for the Heads of the Valleys area. The combination of lower commuting costs arising from the A465 Improvement, easier access to the Heads of the Valleys and the pressures of the burgeoning housing market along the coastal belt could lead to a gradual influx of population into the upper valleys area.

Clearly, this would have wide ranging implications for the future development and role of the Heads of the Valleys area, depending on the scale and rate of the potential migration. For example, it could lead to an increase in labour supply in some instances, leading to more competition in the labour market in those areas where good quality jobs are already a relatively scarce commodity. It could also result in upward pressures on house prices and, in the longer term, require the release of additional land for residential development. Increased local spending would, at the same time, help to stimulate demand for services, including leisure and retail.

- 7.15 **Whilst the relationship between housing and economic regeneration is complex, the proposed Development Framework should be seen as an opportunity to examine these fundamental policy choices.**

Diversifying the Employment Base

- 7.16 Whilst the success or otherwise of the skills strategy is likely to be the ultimate determinant of the future employment structure in the area, the Development Framework will need to ensure that the necessary supporting policies are also in place to promote business development and the widening of the job market. The economic infrastructure of the area will require significant levels of investment if The Heads of the Valleys is to improve its competitiveness and the report has already discussed in some detail the need for a property strategy to inform decisions on priorities. **Here, the emphasis should be on quality, choice and location** if the Heads of the Valleys area is to increase its attractiveness to a wider range of investors from both the manufacturing and service sectors. Again, the proposed Development Framework should be prepared to address some difficult questions regarding the prioritization of development opportunities and investment in new infrastructure. It will also need to examine the options for delivering a strategy aimed at up-grading the existing infrastructure, particularly those industrial estates located along the A465 which are important centres of employment and in need of significant levels of re-investment.
- 7.16 Ensuring that resources are forthcoming to implement related initiatives, such as HERIAN, should be a priority of the Development Framework; there are a number of innovative strategies in place that could impact significantly on the Heads of the Valleys, but concerns remain over the adequacy of funding. **The Development Framework should aim to deliver a greater degree of certainty to resources and timescales which in turn would encourage further investment across all sectors.**
- 7.17 One area where the Welsh Assembly Government is already having a direct impact on the employment base in the Heads of the Valleys area concerns its decision to decentralize some of its functions to

Merthyr Tydfil. This is an important and long over-due policy measure which is capable of delivering immediate and lasting economic benefits to the area. These include the provision of a more stable core to the employment structure, the widening of local job opportunities and the injection of additional spending into the local economy. Ultimately, it should also provide further stimulus to the housing market. **The Welsh Assembly Government should now turn its attention to identifying further opportunities to relocate some of its central functions to the Heads of the Valleys area as part of the proposed Development Framework, and encourage other government departments and public sector bodies to do likewise.**

Changing Perceptions

- 7.18 A recurring theme of the research has been the negative perception of the Heads of the Valleys, which in turn fuels low esteem and the general lack of confidence in the area. The poor quality of the urban and physical environment is a major obstacle to broadening the development offer and the realisation of a new vision for the area. Enhancing the quality of the environment is a necessary prerequisite for the successful implementation of the wider economic and community regeneration, and **this objective should be afforded a high priority within the proposed Development Framework.**

8 CONCLUSIONS

- 8.1 Despite widespread interest in the dualling of the A465 Heads of the Valleys Road the research revealed a surprising absence of any explicit attempts to place the £300 million investment in a wider regeneration context. As a result, the funding and programming of associated regeneration initiatives and projects along the Heads of the Valleys Corridor may be prejudiced if their relationship with the A465 investment is not fully exploited.
- 8.2 Research undertaken elsewhere confirms that new road infrastructure is not usually sufficient on its own as driver of economic development; other policy instruments and measures are necessary to complement the investment as part of a total package.
- 8.3 There is an urgent need to follow up the suggestion in the Wales Spatial Plan that further collaborative work be undertaken on how the economic and social regeneration potential of the dualling of the Heads of the Valleys Road can be realised.
- 8.4 In the short-medium term, the A465 Improvement will benefit businesses by improving their cost base. Over time, however, their low cost advantages will continue to be eroded by other competitive pressures and the challenge for the Heads of the Valleys area is to develop an economic structure which will enable it to move up the value-added chain. This will require investment in measures which stimulate the provision of high quality business infrastructure in the form of sites, premises and ICT and, most importantly, skill levels.
- 8.5 There is a need for the Welsh Assembly Government to adopt a higher profile for its commitment to the A465 project as a key element in the regeneration of the Heads of the Valleys area.
- 8.6 The business community should be afforded a higher degree of certainty with regard to the phasing of the A4645 Improvement with a view to minimizing the disruption arising from its construction. There should also be engagement with the business community on a regular basis in order to improve the information flow on the project.
- 8.7 The A465 Improvement is not expected to generate significant growth in property rentals, and investment projects will, for the foreseeable future, continue to be dependant on public sector interventions. The WDA should establish a medium term property development and investment strategy for the Heads of the Valleys corridor with a view to equipping the area with a range of high quality premises consistent with the creation of a modern and efficient business location.
- 8.8 There is a strong expectation that the A465 Improvement will expand the tourism 'offer' along the Heads of the Valleys to embrace the three key themes of mountains, culture and heritage. The investment should

be used as platform to prioritize resources towards those activities where there are beneficial linkages with the project, particularly with respect to the funding of the HERIAN Gateways and Hubs strategy. Additional sources of investment also need to be identified to improve the visitor centre network and the associated information and strategic signing infrastructure.

- 8.9 The poor quality of the physical and built environment along the Heads of the Valleys' corridor is viewed as a major disincentive to visitors and investors alike. There should be a multi-agency initiative, led by the WDA, to undertake an appraisal of the corridor with a view to establishing an Environmental Framework for the purpose of raising the quality threshold.
- 8.10 There is a general consensus that the potential economic benefits arising from the A465 investment, and related initiatives, will not be realized unless urgent and sustained action is taken to address the incidence of low skill levels and economic in-activity. Furthermore, competing on the basis of relatively low input costs is not an option for the Heads of the Valleys area if higher levels of prosperity are to be achieved.
- 8.11 There is an urgent need for the Welsh Assembly Government and ELWa to review the priority afforded to training and skills development in the Heads of the Valleys area with a view to removing what is probably the most significant barrier to the economic regeneration of the area.
- 8.12 The Welsh Assembly Government, local authorities and other relevant agencies should examine possible mechanisms for establishing a more coherent development framework for the Heads of the Valleys area. Such a framework would lead to greater degree of co-ordinated action, whilst also serving as a vehicle for informing decisions on resource prioritization by the Wales Assembly Government and others.
- 8.13 Amongst other matters, the Development Framework should address the role of Merthyr Tydfil as a potential economic driver for the sub-region, together with the need to broaden the" development offer "of the Heads of the Valleys area in terms of quality, choice and location. The framework should also examine the role of housing in the regeneration process as well as the opportunities for securing the re-location of additional Welsh Assembly Government and other functions to the Heads of the Valleys area.

Appendix 1

Study Methodology

1. In order to gain an indication of the likely impact of the A465 Improvement on business activity and investment decisions, a postal questionnaire survey of companies located along the corridor between Blaenavon and Hirwaun was undertaken during February and March. The survey was undertaken with the assistance of the '*Business Eye*' Teams in Torfaen CBC, Caerphilly CBC, Blaenau Gwent CBC, Merthyr Tydfil CBC and Rhondda Cynon Taff CBC.
2. The purpose of the survey was to identify the extent to which the A465 Improvement was expected to impact on individual businesses as well as the wider local economy. Respondents were also asked to comment on any other complementary developments or initiatives which would encourage them to undertake future investment in their company. Apart from requesting information on the nature of the business, the postcode and number of employees, the questionnaire was open-ended.
3. Approximately 250 questionnaires were sent out, of which 41 were returned. This represents a response rate of 16.4%. The majority of the responses (71%) were from the manufacturing sector, with services and distribution accounting for 27% and 2% respectively. In geographical terms, the highest response rates were achieved in the Blaenau Gwent and Rhondda Cynon Taff parts of the corridor. Responses from the Merthyr area, the upper Rhymney Valley and the Upper Eastern Valley in Torfaen were extremely low.
4. Unfortunately, limited resources did not allow for any follow up contact with companies which, undoubtedly, would have secured an improved response rate. However, a limited number of direct interviews were undertaken with individual companies as part of the wider consultation exercise for the research. The general low response rate can be attributed to a number of factors, including the following: postal questionnaires are usually less productive than other survey methods, particularly where the information being sought is largely of a subjective nature; smaller companies and branch plants, which are major features of the A465 corridor, may have limited '*management capacity*' to respond to requests for information; there is some anecdotal evidence which suggests that some companies are not as well informed as they might be with regard to the scale and timing of the A465 Improvement. In addition, the questionnaire, unlike the structured interview, did not provide the opportunity for respondents to be prompted into considering some of the wider implications of the scheme. Nevertheless, the information gathered from both sources gave a valuable insight into the perception of the scheme and its role in helping to regenerate the Heads of the Valleys corridor and the surrounding area.

Appendix 2

Programming of the A465 Improvement

- 1 The A465 between Hirwaun and Abergavenny is currently a three lane single carriageway, and the proposal is to construct a dual carriageway over a length of approximately 40 kms. The preferred line of the scheme was announced by the then Welsh Office in 1995, which was followed by a Public Inquiry in 1998. In overall terms, the scheme was described as offering good value for money having a positive Net Present Value of £55.3M for the weighted traffic growth scenario. The main benefits of the scheme were attributed to the reductions in travel times and costs resulting from lower congestion levels, which under the de-minimum situation were expected to exceed the "*congestion reference flow*" (the CRF is an estimate of the Annual Average Daily Traffic flow at which the carriageway is likely to be 'congested' in the peak periods of an average day) by 2006 on the sections east of Dowlais Top. The scheme was also expected to result in savings of between 637 and 785 accidents over the 30 years evaluation period. It is interesting to note that at the time of the public inquiry, traffic forecasts were produced on the basis of the scheme opening in 2006.
- 2 The current status of the project is set out in the Transport Framework for Wales and the associated Forward Trunk Road Programme. The content of the latter is derived from the four strategic corridor priorities set out in the Transport Framework, which comprise the: North-South Corridor; East-West Corridor in the South; East-West Corridor in the North; and the East-West Corridor in Mid Wales. The A465 forms part of the East-West Corridor in South Wales, which includes the M4 and M48 motorways, the A449, A40, A465, A48, A477 and A4076 Trunk Roads. The corridor is described as the main economic artery for the whole of South Wales. Sections of the corridor also form part of the E30 long distance European route and Trans European Road Network, which in turn constitutes part of the land bridge linking the Republic of Ireland with the rest of the European Union.
- 3 Within the East-West corridor, the strategic significance of the A465 Improvement is twofold. Firstly, the 40 km dualling between Hirwaun and Abergavenny will result in a continuous dual carriageway link from St. Clears in the West to the Midlands and the north. Secondly, the Improvement is expected to contribute towards the relief of congestion along the M4, although the amount of diverted traffic is forecast to be very modest (less than 2%). There is no explicit mention of the A465 as a potential economic driver, although there are references to the economic benefits of improving access to West Wales with the upgrading of the A40 west of St. Clears.
- 4 In the context of the above, the current status of the A465 Improvement is described by the Welsh Assembly Government in the following terms:

ROUTE SECTION	STATUS
Section 1 - Abergavenny to Gilwern Estimated Cost £25.4m	Phase 1: Programmed to start before March 2005
Section 2 – Gilwern to Brynmawr Estimated Cost £76m	Phase 2: Requires more technical work but could be ready to commence by March 2008
Section 3 – Brynmawr to Tredegar Estimated Cost £43.2m	Phase 2: Requires more technical work but could be ready to commence by March 2008
Section 4 – Tredegar to Dowlais Top Estimated Cost £41.9m	Under Construction
Section 5 – Dowlais Top to Junction with A470 Estimated Cost £55m	“On hold – problem identified but no ranking applied”
Section 6/7 – A470 to Hirwaun Estimated Cost £55M	“On hold – problem identified but no ranking applied”

Appendix 3

List of Organizations Interviewed

Alfred Teves UK Ltd
Ashtenne Ltd
Blaenau Gwent County Borough Council
Brecon Beacons National Park
Caerphilly County Borough Council
Capital Region Tourism
ELWa South East Wales
HERIAN
Welsh Development Agency
Merthyr County Borough Council
Rhondda Cynon Taff County Borough Council
Torfaen County Borough Council
Wales Assembly Government (Transport, Economic Development & Spatial Planning Unit)
Wales Tourist Board
Job Centre Plus
Monmouthshire County Council
South East Wales Economic Forum
Merthyr Council for Voluntary Action
PricewaterhouseCoopers
Zorba Foods
Hobo Back Packers, Tredegar
Redrow Homes(South Wales) Ltd
Persimmon Homes Ltd

Appendix 4

List of Respondents to Consultations

Benfield ATT
Cynon Valley History Society
CwmNi
Gurnos, Galon Uchaf and Penydarren Partnership Board
Llanhilleth Partnership Board
Nantyglo Patnrnership Board
Road Haulage Association Ltd
Six Bells Partnership Board
Treharris Partnership Board
Vaynor Community Forum

Appendix 5

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