

Ideopolis: Knowledge City Region

Newcastle Case Study



***“Have you ever been to Newcastle?
What a thriving, vibrant place it is at the moment.”***

John Prescott, Deputy Prime Minister



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Executive Summary

Newcastle and Gateshead are increasingly working together to create a 'knowledge city-region'. Strong engagement from the universities in developing the Science City strategy, together with the potential for a highly distinctive 'knowledge city' offer for workers and investors, means that Newcastle is on its way to becoming a knowledge city. However, the city-region needs to ensure it develops strong expertise in a small number of priority sectors to build on the 'diverse specialisation' of the economic base.

Ideopolis driver analysis: strengths, challenges and opportunities

- **Physical knowledge city:** Newcastle-Gateshead has a strong quality of life offering and has benefited immensely from physical regeneration, especially the 'iconic' Angel of the North, Sage Gateshead and the BALTIC.
- **Building on what's there:** Following the decline of traditional industry, Newcastle has had successes in building on other assets, including the public sector and higher education. The challenge is to ensure that the city is proactive in using its assets to attract funding and inward investment.
- **Diverse specialisation:** The city retains a strong manufacturing base, and there is continuing reliance on 'individual sectors', but diversity is beginning to increase.
- **High skill organisations:** Skill levels in Newcastle are above the national average, however the wider region is lagging behind. Newcastle-Gateshead needs to focus on attracting high-skill organisations to retain talent.
- **Vibrant education sector:** The education sector in Newcastle is critical to the city's development and future economic success and the city needs a *"better infrastructure to exploit university knowledge into jobs and companies"*.
- **Distinctive knowledge city offer:** Newcastle-Gateshead is being transformed, with creative and cultural industries at the heart of regeneration. The city's self-image remains strong but external perceptions of the city region need to be updated.
- **Leveraging strong connectivity:** Newcastle has a good airport but, like many other cities, suffers from a rail network in need of upgrading to meet the needs of the city. Internally, transport links are strong, and the city is thinking ahead about the infrastructural consequences of further growth.
- **Leadership around a knowledge city vision:** Partnership working between Newcastle and Gateshead is working well, but there is a need for stronger governance at a city-region level.
- **Investing in communities:** Communities in Newcastle-Gateshead are polarised: *"social regeneration is the slowest at the moment"*. And this represents a significant challenge to future growth.

Policy recommendations

- Encourage **private sector** investment
- Integration at **city-region** level: there is an urgent need for Government to support Newcastle-Gateshead to work at a city-region level.

Lessons for other cities

- Culture-led regeneration
- Recognition that local authorities need to join forces for future success
- Leveraging strong higher education sector.

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1. Introduction

Newcastle-upon-Tyne (usually known as Newcastle) and Gateshead are increasingly working together to create a 'knowledge city-region'. The strong engagement from the universities in developing the Science City strategy, together with the potential for a highly distinctive 'knowledge city' offer for workers and investors, means that Newcastle is on its way to increasing its knowledge intensity and becoming a knowledge city. This case study focuses primarily on the unitary authority of Newcastle but also discusses Gateshead as much as possible because of the way that the two local authorities are working together on the knowledge city offer. Where Gateshead is included in the discussion it will be made explicit.

About the city-region

The city-region is usually described as the Tyne and Wear City Region and is based on the travel to work area for Newcastle and the Tyne and Wear conurbation. Five local authority districts are at its heart – Newcastle, Gateshead, Sunderland, North Tyneside and South Tyneside. However, CURDS defines the Newcastle city region more broadly as including the five core local authorities and: Chester-le-Street, Durham, Derwentside, Tynedale, Castle Morpeth, Blyth Valley, Wansbeck and Alnwick.

Defining Ideopolis

The Ideopolis is the vision of a sustainable knowledge intensive city that drives growth in the wider city-region. It gives cities a framework for developing knowledge-intensive industries that will be economically successful and improve quality of life.

About the Ideopolis project

The Work Foundation conducted a year-long research project looking at the concept of the Ideopolis – a sustainable knowledge city that drives growth in the wider city-region. Based on literature reviews, data analysis and UK and international case studies, the research highlights nine drivers of an Ideopolis. This case study forms part of the evidence base for the project. It uses the Ideopolis framework and nine drivers to assess to what extent the city is an Ideopolis and what challenges the city faces in the future if it is to be economically successful and sustainable in a knowledge economy..

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About this case study

Presenting findings from interviews with a range of stakeholders as well as literature review work, this case study analyses Newcastle using the Ideopolis framework to assess where the city is on the 'Ideopolis trajectory'. It is organised into the following sections:

- Brief history of Newcastle
- Newcastle now
- Newcastle: knowledge city?
- Ideopolis driver analysis: strengths, challenges & opportunities
- Conclusions
- Policy recommendations
- Lessons learned from Newcastle

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2. Brief History of Newcastle

Coals to Newcastle...

Built on the site of a Roman military station, Newcastle became a coal-shipping port in the 13th century and was the main centre in England for coal-exports after the 16th century. Gateshead, whose history is closely intertwined with Newcastle – although it has always maintained a separate identity - had a number of power struggles with Newcastle during this time over control of this increasingly valuable coal industry. By the nineteenth century Newcastle and Gateshead's prosperity was built on the inter-related industries of coal mining, shipbuilding and heavy engineering, with Newcastle regarded as a "powerhouse" of innovation for the Industrial Revolution" and as "a regional capital and the second town of the Kingdom"¹. Between the nineteenth century and First World War, Gateshead was also "transformed from a small riverside market town into a sprawling industrial borough"².

However, heavy industries in Newcastle and Gateshead declined dramatically in the second half of the twentieth century, with approximately 100 North East coalmines closing between 1950 and 1970.³ The decline of the inter-related industries on which the region was so dependent left a legacy of unemployment with which Newcastle, Gateshead and the surrounding region has been struggling for decades – and which continues to be visible in deprived communities near the city centre.

Creating a new story for Newcastle

In recent decades, a number of catalysts – partnerships, events and physical regeneration - have been identified as kick-starting Newcastle's regeneration. The Tyne & Wear Development Corporation, set up in 1987, was identified by a number of interviewees as critical "*because it kick started the physical regeneration and raised the confidence of the place and cut through some of the Gordian knot of local politics*"⁴. A review of the Corporation's approach by the Joseph Rowntree Foundation was also positive, arguing that whilst it could have worked more closely with local partners, a number of projects around training, recruitment, social housing and access were successful and had an impact on the local communities⁵.

Newcastle and Gateshead are also regarded as good at "*creating and manufacturing a number of symbolic events and moments that have engaged with the public, not just the chattering classes*"⁶. For example, the Garden Festival in Gateshead in 1990 was seen as important, whilst the Angel of the North is seen as marking a tangible shift in the city's pride in itself: "*the Angel of the North went up and the whole city stopped and went to look*"⁷.

The decision for Newcastle and Gateshead to work together on the cultural regeneration agenda and try to win the Capital of Culture bid is also regarded as a critical moment in the city's recent history and its regeneration. The

¹ See <http://www.newcastle.gov.uk/hods.nsf/a/histncl>

² See <http://www.newcastle.gov.uk/hods.nsf/a/histgat>

³ See <http://www.thenortheast.fsnet.co.uk/CoalMiningandRailways.htm>

⁴ Ideopolis interviewee

⁵ Russell, H. (1998) A Place for the Community? Tyne and Wear Development Corporation's approach to regeneration: The Policy Press in association with the Joseph Rowntree

⁶ Ideopolis interviewee

⁷ Ideopolis interviewee

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consequences – the creation of the Newcastle Gateshead Initiative, partnership building, joint ventures – are seen as helping to transform the city and city-region.

Overall, Newcastle's recent history is seen to be about *"building social capital and telling a story... cities need stories and we've got one that goes from Roman times, medieval times, Georgian times and now recent times"*⁸. As another interviewee commented: *"People can point at things that have worked and they understand that they make a difference"*. It is hoped that the opening of the first building on the Science City site will be another 'moment' in the city's story and another building block for its confidence in itself.

3. Newcastle Now

The decline of Newcastle's traditional industries left the city with significant challenges around re-structuring the industrial base, challenges to which the city is rising. It is increasing the diversity of the economy and making good use of opportunities such as 'Science City' to invest in developing the city centre and opportunities for knowledge transfer. The strength of its education institutions are vital to its economy, whilst proud residents argue that the city and its surrounding area offer "unparalleled" beauty and quality of life. The city is becoming more and more successful, but still has more to do on diversifying its economic base, attracting large businesses and communicating its 'distinctive offer' to potential investors and workers. Using the Ideopolis framework, this section of the case study will focus on what the drivers for Newcastle's success have been and where challenges remain.

Table 1 (on the next page) shows top-line statistics to compare Newcastle and Gateshead to the North East and the rest of the UK on some key labour market characteristics. It demonstrates that economic activity is below the national average, but that Newcastle in particular has a workforce with slightly above average skills. However, Newcastle has a slightly below UK average percentage of senior manager, professional or associate professional roles, with 39.9% compared to a UK average of 41.5%.

⁸ Ideopolis interviewee

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Table 1 – Newcastle and labour market (all statistics from NOMIS)

	Newcastle	Gateshead	North East	GB
General (Source: Midyear Population Estimates, 2004 and Annual population survey, April 2004 - March 2005)				
Population	269,500	191,300	2,545,100	58,124,600
Working age population	174,200	116,900	1,570,327	36,037,300
Economically active	72.1%	75.6%	74.8%	78.3%
Economically inactive (all)	27.9%	24.4%	25.2%	21.7%
Skills (Source: Local Area Labour Force Survey (March 2003 - February 2004)				
NVQ4 and above	27.9%	21.6%	20.7%	25.2%
NVQ3 and above	46.5%	38.0%	38.9%	43.1%
NVQ2 and above	62.1%	58.4%	75.4%	61.5%
NVQ1 and above	75.3%	76.9%	75.4%	76.0%
Other qualifications	6.6%	5.6%	6.5%	8.8%
No qualifications	18.0%	17.5%	18.0%	15.1%
Occupations (Annual population survey, April 2004 - March 2005)				
Manager and senior officials	11.0%	11.1%	11.6%	14.9%
Professional	15.7%	11.6%	10.3%	12.6%
Associate professional and technical	13.2%	12.3%	12.6%	14.0%
Admin and secretarial	13.5%	13.5%	13.0%	12.6%
Skilled trades	9.2%	11.4%	11.9%	11.2%
Personal services	6.2%	6.7%	8.0%	7.7%
Sales and customer service	10.4%	10.4%	9.7%	7.8%
Process plant and machine	5.8%	10.4%	9.1%	7.5%
Elementary	14.1%	12.4%	12.5%	11.5%
Businesses (Source: VAT registrations / de-registrations by industry, 2004)				
VAT registrations	10.3%		9.4%	181,410
VAT de-registrations	9.6		8.9%	179,375
Stock (at end of year)				1,819,855

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4. Newcastle & Gateshead: Knowledge City?

Measures of Knowledge Intensity

One of the key outputs of the Ideopolis project is a contribution to discussions around how to measure knowledge intensity. Knowledge intensity is too often restricted to the OECD definition of knowledge intensive businesses. The Ideopolis project argues that knowledge intensity should be assessed based on knowledge-intensive occupations and knowledge intensive industries (which should include education and health, as well as all creative and cultural industries). We have developed four measures of assessing knowledge intensity for cities; see Ideopolis report for detailed discussion (this can be downloaded from www.theworkfoundation.com)

As the table below shows, Newcastle scores well on knowledge intensity compared to other, similar cities, although it does better as Newcastle than as Newcastle - Gateshead. When just Newcastle is considered, the city is third out of the cities listed in terms of the

percentage of knowledge occupations (column A), the percentage of knowledge occupations in knowledge industries (column B) and the percentage of employment in knowledge based businesses (column D).

Table 2 – Knowledge intensity in larger cities⁹

City	A	B	C	D
	Employed in Knowledge Occupations (Residence Based, 2001)	Employed in Knowledge Occupations in Knowledge Industries (Residence Based, 2001)	Businesses that are Knowledge Based (Workplace Based, 2001)	Employment in Businesses that are Knowledge Based (Workplace Based, 2001)
	%	%	%	%
Edinburgh	49	36	38	53
Bristol	41	28	40	47
Leeds	38	24	31	41
Glasgow	38	25	31	48
Manchester	38	26	37	52
Sheffield	37	24	28	40
Birmingham	36	23	30	42
Newcastle*	35 (39)	23 (27)	31 (33)	45 (50)
Bradford	35	21	25	37
Liverpool	35	24	32	48

*Figure given is Newcastle-Gateshead, Newcastle alone in brackets

Source: Annual Business Inquiry

Method: The Work Foundation Definition Knowledge Intensity, District/Unitary Local Authority units

⁹ Local authorities with populations greater than 350,000.

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Table 3 below compares knowledge intensity in 'central' cities (that is, the core of the city region) and the wider city region. As with most of the

other cities we looked at, the 'central' local authority is more knowledge intensive than the city region.

Table 3 – Knowledge intensity in central cities and city regions

Central City of City region	A		B		C		D	
	Employed in Knowledge Occupations (Residence Based, 2001)		Employed in Knowledge Occupations in Knowledge Industries (Residence Based, 2001)		Businesses that are Knowledge Based (Workplace Based, 2001)		Employment in Businesses that are Knowledge Based (Workplace Based, 2001)	
	%		%		%		%	
	City Region	City	City Region	City	City Region	City	City Region	City
Bristol	41	41	26	28	35	40	41	47
Edinburgh	39	49	26	36	30	38	42	53
Manchester	38	38	22	26	30	37	37	52
Leeds	37	38	22	24	28	31	37	41
Glasgow	37	38	24	25	28	31	40	48
Liverpool	36	35	22	24	33	32	39	48
Birmingham	35	38	20	23	27	30	34	42
Newcastle*	35	35 (39)	22	23 (27)	27	31 (33)	39	42 (50)
Sheffield	32	37	19	24	25	28	35	40

*Figure given is Newcastle-Gateshead, Newcastle alone in brackets

Source: Annual Business Inquiry, 2001 Census

Method: The Work Foundation Definition Knowledge Intensity, District/Unitary Local Authority units

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Newcastle performs well against our measures of knowledge intensity and it is clear that Newcastle Gateshead is more knowledge intensive than the city region as a whole, and Newcastle alone is more knowledge intensive still. Table 4 below demonstrates too that Newcastle's knowledge based businesses

are growing at a rate above the UK average: Newcastle saw an 11% increase in its knowledge based business stock between 1998 and 2004. Of all case study cities, Sheffield saw the most significant growth (20%) and Watford the least (0%). For Newcastle it is an encouraging sign that knowledge intensity is growing, thus fulfilling the vision for the city.

Table 4 – Growth in percentage of businesses that are knowledge based for the case study cities

	1998 Businesses that are Knowledge Based (Workplace Based) %	2004 Businesses that are Knowledge Based (Workplace Based) %	Growth 1998 - 2004 %
UK Average	30	33	9
Birmingham	28	32	13
Brighton and Hove	36	42	15
Bristol	35	39	12
Cambridge	42	46	10
Edinburgh, City of	37	40	8
Glasgow City	31	34	10
Manchester	33	38	13
Newcastle-upon-Tyne	32	35	11
Sheffield	26	31	20
Watford	34	34	0

Source: Annual Business Inquiry

Method: The Work Foundation Definition Knowledge Intensity, District/Unitary Local Authority units

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5. Ideopolis driver analysis: strengths, challenges and opportunities

Ideopolis drivers

This next section of this case study will analyse Newcastle according to the nine drivers of the Ideopolis¹⁰ which have been identified through our literature review, data modelling and case study research. It will consider the following questions: what are the factors that have supported Newcastle's success? And what are the remaining challenges that the city faces, as well as the opportunities that will support Newcastle-Gateshead in realising and sustaining the Ideopolis vision?

5.1 Physical Knowledge City

"Newcastle is a compact city, it doesn't have major congestion problems, has a liveable scale and it is also a village – which is a strength and a weakness – in comparison to many other big cities."

Newcastle and Gateshead's geographical position is also regarded as one of its main advantages in terms of quality of life. It is seen as *"having all the assets and attractions of a significant urban area but all the advantages of easy access to astonishing natural assets – national parks, coastlines, world heritages sites, there's almost no other city in England that can boast that"*¹¹. Its 'village' feel is cited by many interviewees as one of the most attractive aspects of living in Newcastle too: *"It is possible to do things, build a research group and relationships, that aren't possible in London."*

These geographical quality of life advantages have been enhanced over the last thirty years by physical regeneration of the city centre and investment in 'icons' like the Angel of the North, the Sage Gateshead and the BALTIC. Interviewees praised the way in which the river has been made part of the city centre – *"the quayside is wonderful"*¹² and the development of leisure and cultural facilities. The replacement some of the less attractive 50s and 70s

buildings in the city centre is praised, as is the development of both office and residential accommodation: *"housing prices are hard for those just getting on the ladder but there are lots of developments for those who work in the centre."*

Science City is regarded as the next step in the physical regeneration of the city. Building on the announcement in the Pre-Budget Report 2004, the city is investing in creating a 'science campus' in the centre of the city, creating a space where the university and businesses can work together to share knowledge. All interviewees were very enthused by its potential to further transform the city, not just physically but in economic terms.

There is recognition too that not only does the impact of physical regeneration take time to come through – *"it takes twenty years"*¹³ – but that Newcastle's physical regeneration would not have been possible without substantial investment from the public sector. The Lottery, Science City money and other funding is seen as a critical element of the rejuvenation of the city. Yet, as the first quote in this section suggests, Newcastle's 'village' feel and its proximity to this natural beauty is also one of its challenges. The city is not very physically close to Manchester and Leeds, making it less likely that businesses

¹⁰ For a full account of the Ideopolis drivers, please read the full report which can be downloaded from www.theworkfoundation.com

¹¹ Ideopolis interviewee

¹² Ideopolis interviewee

¹³ Ideopolis interviewee

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might locate there and be able to travel easily to the other cities. The city is small and has a large green belt, making it challenging for it to provide the office accommodation that knowledge businesses want. For example, many business parks have to be built on old engineering plants, re-using the land.

Interviewees suggested that the city needs to address this issue by being more strategic about the accommodation needs of both knowledge workers and knowledge businesses: *“Providing physical space for business expansion in a small city is difficult and it [has] had a relatively unplanned approach, we need to do more on this in a strategic way”*. ‘Critical adjacencies’ are identified as an important element of this planning: providing office and residential accommodation in the city centre and outside that allows businesses and knowledge workers to be near whatever is their priority, whether the airport, the university, the motorway, similar businesses, a nice environment or culture and leisure facilities.

There are also concerns that the current planning system was a barrier to better partnership working with nearby local authorities, rather than an enabler of planning together to provide for the physical needs of the knowledge economy. Recognising that there is *“still more to do on the physical rejuvenation of the city”*, particularly in deprived communities, interviewees were keen to be able to work more effectively at a city-region level to do some of the planning required.

5.2 Building on what’s there

Given the decline of traditional industries in Newcastle and Gateshead, the argument that the city should build on ‘what’s there’ may sound empty. Yet, whilst it is not underestimated how hard it is to replace these economies or the continuing difficulties it causes for many deprived communities, the city has successfully sought to build on the other things there – particularly the public sector and the higher education sector.

Higher education is big business in Newcastle, with one interviewee commenting that, *“Newcastle and Northumbria earn more in real terms than shipyards ever did”*. Including those attending the further education college, Newcastle College, around one in seven people in the city are students¹⁴, creating an enormous economic effect (discussed in more detail in the education section below).

Successful organisations such as the Centre for Life have also been set up by ‘building on what’s there’. Funding was attracted to build it and then key partners were engaged, including the university genetics department and the local NHS, which is an important sector in the city-region. The Centre is building on all of this to carve out a national and international profile for itself in science and stem cell research.

These examples do highlight, however, that whilst Newcastle needs to build on its existing assets – and is already doing so – there is also a need to ensure that the city is proactive in using its assets to attract funding and inward investment. This is discussed in more detail in the section below.

¹⁴ Northumbria brochure

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5.3 Diverse specialisation

Newcastle's history of dependence on inter-related sectors remains at the forefront of interviewees' minds. There is a shared view that the city needs to ensure it becomes a 'knowledge city' and that it has expertise in more than one industry area. Whilst the city retains a strong manufacturing base and there is continuing reliance on 'individual sectors'¹⁵, diversity is beginning to increase. One North East has identified fourteen clusters in the region, encompassing around 6900 firms and employing over 32,000 people.¹⁶ Some of the key sectors or clusters in the city based on our analysis can be seen on the next page.

There is recognition too in Newcastle of the importance of developing specialisms. Areas of excellence have been identified within the city-region and recently reduced from the original five (processing industries, renewable energy, life sciences, digital media and nano-technology) to three pillars: healthcare and life sciences, energy and environment, and process innovation / technologies. The "entrepreneurial tradition of work in the public interest... as exemplified by Northern Rock" is also identified by an interviewee as making Newcastle distinctive and attractive to those individuals who think about "social and community issues as well as business efficiency and effectiveness".

This means that Newcastle has a distinctive relationship between the economic and the social, and causing graduates to want to stay.

However, the city continues to face challenges around its economy. First, there are seen to be too few major companies: "Nissan, Sage, Northern Rock, Greggs, Proctor and Gamble, Wilton Chemicals... it's a reasonable base to build on... but we need more." Science City is seen as an opportunity to address this through attracting international investment in a particular specialism.

There is also a second, related concern that the region has not yet 'cracked' getting companies to stay there: "a lot of FDI [Foreign Direct Investment] has come and gone... We're seeing mobile investment as opposed to growing an indigenous business base... the region hasn't been sticky enough." There are some examples, however, of very successful strategies to retain organisations: Atmel, a global company has university researchers working very closely with them and has invested in university labs, so are substantially benefiting from their physical proximity to the university. Interviewees suggested that more strategies like this would help ensure that the region is 'sticky' for businesses.

¹⁵ Moving Forward the Northern Way, Growth Strategy Report, September 2004, p.12

¹⁶ These are: automotive, base chemicals, bioscience and nano-technology, clothing and textiles, culture, defence and precision engineering, digital, electronics, environment industries, food and drink, offshore, pharmaceutical and specialities and tourism. See Newcastle and the North East: A City-Region of the Future, June 2003, p.2520 Better Cities, New Challenges, A Review of Cities, Scottish Executive 2002 p55

¹⁷ Ideopolis interviewee

¹⁸ Ideopolis interviewee

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“A Medical Cluster”¹⁹

The co-location of pharmaceutical companies, the Centre for Life, the university and a strong NHS is argued to be supporting an emerging ‘medical cluster’: 14.4% of Newcastle’s industrial base is in health and social work.²⁰

Automotive & Engineering Industries

The Nissan factory is the fastest growing vehicle manufacturer in the UK and the Newcastle city region has benefited from £2 billion of direct investment from Nissan, plus around £300 million in related activities.²¹ The Northern Way suggests that there is a “comprehensive automotive cluster infrastructure with effective and efficient networks, workforce knowledge, best practice and expertise.” There is potential to develop this into a ‘critical mass’ to attract investment from other manufacturing sectors. The North East also has some specialisms in technical engineering consultancy that could be further developed.²²

Creative & Cultural Industries

The creative industries sector has been catalysed by the BALTIC and Sage Gateshead and is flourishing. The work by Project North East, which supports SMEs to develop, on converting accommodation into office space and installing broadband in ‘Pink Lane’, a former red light district, has led to over seventy new media businesses being set up there in what is known as a ‘corridor’ from the university to the other creative areas across the river.²³ Research reviewing how these businesses have developed suggests it is primarily through informal networks, built on the mainly “indigenous” companies that have developed there (i.e. built by local people).²⁴

Contact Centres

The Newcastle Gateshead region has embraced growth in the contact centre sector and is benefiting from the perception of the ‘Geordie’ accent as a “warmer, caring, wrap-your-arms-around you sort of accent”²⁵.

Business Management Software

Sage plc is the leading company in this area. Only twenty-five years old, it was spun out of Newcastle University and is now a FTSE 100 company that provides business management software for SMEs throughout the UK and world. It is based in a specially developed business park outside the city centre.

Tourism

More work is being done now to promote Newcastle as an attractive place for a ‘city break’, with the hope that this will further develop the economy.

¹⁹ Interviewee comment

²⁰ Annual Business Inquiry 2004

²¹ Moving Forward the Northern Way, Growth Strategy Report

²² Moving Forward the Northern Way, Growth Strategy Report

²³ Conway, C. (2005) An Investigation into the Learning Dynamics Involved with the Creative Industries Sector in the Newcastle City Region

²⁴ Conway, C. (2005) *ibid*

²⁵ <http://www.financetech.com/news/showArticle.jhtml?articleID=18402776>

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Third, the SME sector is recognised as a priority. The quality of life that Newcastle offers is here seen as a weakness because it makes people content with so-called 'lifestyle businesses'. Business support is also criticised, as in every city, as being too dispersed and complex. One interviewee argued that there was a need for Newcastle to "do the New England trick: [have a] mixture of business formation through spin-outs, attracting mobile entrepreneurs through quality of life, particularly through alumni." Science City is seen as key here because of the physical proximity to the university and the opportunity to develop much stronger networks than currently exist between businesses and researchers.²⁶

Finally, Newcastle is seen to need a 'critical mass' in niche sectors. There is concern that the term 'cluster' has been over-used in regional strategies²⁷, meaning that the region is focusing on too many 'priority' sectors. There is also concern that the strengths of the universities and of regional firms are "not particularly well matched"²⁸ and that there has not been sufficient involvement of universities in developing the economic strategies for the region.²⁹ Interviewees argued that there was a need to focus investment more on some of the existing strengths of Newcastle and the surrounding area, particularly on university strengths. There was a recognition too that 'critical masses' could not only be developed in public sector funded areas, but needed to be based on private sector investment too.

5.4 High skill organisations

The quality of life in Newcastle is cited as being a contributory factor to so many small businesses remaining 'lifestyle businesses', rather than being focused on growth. There was praise for Nstar, a venture capital firm that invested in 'proof of concept' for some small firms and gave small businesses enough oversight to test ideas, but a feeling that more of this investment and incubation was needed. Science City is seen as a good opportunity to do this, and interviewees identified a need for more close working with SMEs to encourage them to employ more highly skilled workers and re-think their business models. Higher innovation should be a priority for the city.

5.5 Vibrant Education Sector

"Universities are the centres of the region's economy"³⁰

The education sector in Newcastle is critical to the city's development and its economic success. As one interviewee commented, *"If you add Northumbria and Newcastle income, that's about 0.5 billion. Add up what people spend and it has a massive economic impact...even if the students do cause trouble sometimes."*

The city centre campus, unusual in the UK, is identified as vital because it enables physical proximity between researchers and businesses: *"it creates a space with undergraduates, postgraduates, commercial space, shops, leisure and transport...it is adjacent to everything"³¹.* The ambitious Science City project, involving

²⁶ See Realising the Potential of the North East's Research Base (2001) for a discussion of the importance of proximity for innovation

²⁷ Regional Economic Strategy Evaluation Study (June 2003) SQW: p.25

²⁸ Realising the Potential of the North East's Research Base (2001)

²⁹ Based on comments from Ideopolis interviews

³⁰ Ideopolis interviewee

³¹ Ideopolis interviewee

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close working between the university, ONE North East, the NHS, the private sector and the City, is seen as a real opportunity to develop “a new type of university in the UK for business and regional development”, where “business, academic activities and the development of the region are inextricably linked to mutual benefit”³².

The universities not only benefit the city through knowledge transfer and shaping the city centre, but also by attracting a wide range of people to study there. A couple of interviewees suggested that this created “a diaspora”, a group of people with a real emotional link to the region who would want to return there, if the right jobs were available. The universities are also actively seeking to broaden their funding base, reducing their reliance on HEFCE funding and raising money from overseas students (particularly from China) and student fees.

Despite the myriad advantages the universities bring to Newcastle in terms of a knowledge economy – both in supply of knowledge and students, and demand created by students – there are some challenges the city needs to address. A couple of interviewees expressed concern that there was not enough recognition from some city and region bodies that the universities have a role beyond the region. They were also concerned that the universities were sometimes consulted after economic strategies had been devised rather than before. There was also a strong argument that universities have the potential to cross local authority boundaries and help join up knowledge and create innovation, and that this should be exploited more effectively within the region to ensure that university knowledge leads into jobs and companies.

5.6 Distinctive knowledge city offer

“Everything you would ever want to have, you’d find in Newcastle. Shopping – there’s top shops – culture, music venue, theatre. There are 152 licensed establishments for the younger population – and within 15 minutes in any direction, you’re in the country”³³

Interviewees were passionate about the distinctive quality of life ‘offer’ in Newcastle: its combination of small ‘village-like’ city and beautiful countryside. The development of the BALTIC and Sage Gateshead is seen as a triumph, as is the Angel of the North. The people are also regarded as one of the area’s assets: not only is the accent regarded as “warm” but the people are seen as the “most friendly people in the world”³⁴.

The area’s confidence in its own distinctiveness and value has also shot up since the redevelopment of the city centre and the joint working between Newcastle and Gateshead on the City of Culture bid. One interviewee described it as follows: *“There’s more and more of a ‘can do’ atmosphere, the attitude of people is that things can happen and 20 years ago that wasn’t true.”* Instead of regarding the loss of the City of Culture bid as a setback, interviewees said that the city was determined to go ahead anyway. The rise in tourism, expanding universities and different ‘feel’ of the town are all seen as contributing factors to this new self-confidence.

Yet most interviewees also recognised that despite heartfelt pride in Newcastle and its growing confidence, more could be done to ensure that others knew about its distinctive knowledge city offer. Again and again the phrases “hidden gem” and “best kept secret in the country” came up. Whilst clearly there are

³² Science City draft paper

³³ Ideopolis interviewee

³⁴ Ideopolis interviewee

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consequences of publicising the quality of life in the area – for example, it may become more crowded and house prices could rise – it seems clear that it is an important part of ensuring the city maximises its potential as a knowledge city. This means addressing its national and international image, getting away from *“flat caps and whippets”* or *“just being a party city or a football city”* and ensuring people realise that city has *“all the assets and attractions of a significant urban area but all the advantages of easy access to astonishing natural assets”*.

Many interviewees acknowledged that more needed to be done, building on ONE North East’s current publicity campaign, to both build a distinctive ‘knowledge city’ offer, with the accommodation that knowledge businesses and workers require, and to tell more people about the offer the city already has. There was also a sense that the city could build on public investment or events like the Tall Ships race, and that Science City provided an ideal opportunity to do this and affect the ‘distinctive knowledge offer’ of the city.

5.7 Leveraging strong connectivity

Newcastle is regarded by many interviewees as having *“excellent communications, train line, airport...the East Coast Mainline works pretty well, it is just three hours to London... the public transport, the Metro, is excellent”*. However, most interviewees also regarded transport as a potential barrier to growth and a challenge that needed to be dealt with. There were comments that the roads nearby have too few motorway lanes, and that trains to London could be more frequent. There were concerns that not enough people were using public transport because the car is too convenient and that *“peak time congestion will worsen...eventually the city will be grid-locked”*. It was also thought that the links between

Newcastle and other nearby cities could be improved.

All interviewees concurred that the best way to manage the connectivity challenges was by having powers to make decisions at a city-region level.

5.8 Leadership around a knowledge city vision

Newcastle is developing a vision of a knowledge city, working with universities, local authorities and ONE North East, and has a number of leaders in different places who are very committed to Newcastle and its future success. The city also has a history of leadership, including previous Leaders of Newcastle Council, as well as union leaders who worked closely with employers to improve employee rights, rather than simply resisting them.

However, as with every other large city we spoke to, interviewees in Newcastle argued that the city needs to be supported to work at the city-region level *“because the RDA is too big and the local authority is too small.”* It was recognised that this would cause tensions, *“there is resistance to Newcastle being the leader”*, but it was seen as vital: *“To develop a knowledge base, it has to be in a coherent area where there are linkages.”*

Prioritising was also seen as vital for the city and city-region, with many commenting that although the RDA is called ‘ONE North East’, the region is actually diverse and spending and planning needs to reflect this. One interviewee commented *“The RDA has the region to cover and it is tossed from pillar to post because of politics and targets...there is too much ‘jam-spreading’ instead of having a model of how regions grow, and then focusing on the city-regions that can grow fastest.”*

Although there are a number of partnerships in the region, there are concerns that there

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should not be too many because *“capacity can be leached away by so many people that have to be at the table”* and that there needs to be some clearer *“authority so decisions can be taken.”* To engage more efficiently with the private sector, clarity about who takes decisions and to get involved is seen as important.

Finally, universities are seen as having the potential to take a larger role in the regeneration of the city-region and wider region because *“they are not so heavily burdened by targets... university is involved with almost every part of government but not accountable to most of them... they can help join up regeneration across different domains of public policy and have more spatial flexibility”*. An example is the way that Newcastle University is working with unemployed miners in county Durham on geothermal energy, despite the fact this is not directly in the city.

5.9 Investing in the community

As in every other city, there are a number of people benefiting greatly from the knowledge economy in Newcastle, and others still doing badly, and the two sit very physically close to one another. Interviewees regarded investment in education as the biggest priority, as well as further investment in social regeneration in the deprived communities near the city centre. Interviewees recognised that the city was trying to address these issues, but argued that education in particular required further work, which required national, regional, city-region and local intervention.

6. Conclusions

On the basis of the driver analysis and the assessment of Newcastle’s knowledge intensity, Newcastle is not yet an Ideopolis. The city has made great strides towards becoming an Ideopolis, experiencing a great deal of positive change. However, the Newcastle-Gateshead region is still recovering from post-industrial decline and has some barriers to overcome before realising its potential as an Ideopolis: Knowledge City-Region.

The future of Newcastle is regarded as bright, with ‘knowledge’ at the heart of most people’s ideas of the city. Some said that it would primarily be a *“university city”*, benefiting from the research and the students that further and higher education bring.

Science City in particular is having a positive impact on those we interviewed. It is seen as a uniting initiative that is *“not just about science but also about education, raising aspirations, getting a better public understanding of science... it is a rallying call”*. There are some concerns, though, that there are enough government resources to make it happen in a way that enables Newcastle to *“do what MIT did”* and really benefit from the proximity of research and business.

The physical regeneration of the city looks set to continue, with more housing in the inner city, the building of Science City, and businesses clustered around the regional priorities. Yet there are some concerns about the challenge of connectivity in the future. All interviewees also agreed that the biggest challenge for the future is ensuring that the education system improves and creates a good supply of skilled labour for the city, helping to overcome issues of polarisation.

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7. Policy Recommendations for Newcastle

Interviewees identified a number of policy recommendations relevant to the creation of a 'knowledge city' in Newcastle:

Physical knowledge city

- Investing in office and residential accommodation for the knowledge economy – which means making it easier for cities to make housing and planning decisions at a city-region level.

Building on what's there

- Building economic strategies around existing strengths of the region and seeking to embed companies there by providing a 'distinctive' offer to them, for example proximity to the university's researchers.

Diverse specialisation

- Ensuring that the investment in 'quality of life', such as cultural industries, is economically sustainable, and that there is emphasis on creating a solid economic base for the region. Our research suggests that quality of life alone will not be enough to attract knowledge workers and businesses.
- An attractive and creative environment is critical, but culture-led regeneration and the public sector can only take growth so far, meaning that this has to be integrated with economic policy that includes specialisation.

Vibrant education sector

- There should be a clear recognition that HE institutions have a pivotal role in the growth of knowledge cities and that their funding should reflect this.

- Research and development conducted by and with HE institutions needs to be undertaken with a 'business' mentality: the city should learn from best practice elsewhere and use the proximity that will be created by Science City to attract venture capital that supports 'proof of concept' and knowledge transfer.

Distinctive knowledge city offer

- The city needs to ensure it develops a clear sense of how it is a distinctive knowledge city – a good place for businesses and people – and then to publicise it effectively.

Leveraging strong connectivity

- The city should have powers to plan and manage transport at a city-region level

Leadership around a knowledge city vision

- Funding streams and powers around transport, housing, education and regeneration should be incorporated at a city-region level – with more certainty about funding over a longer period of time.
- Universities can help to join up the centre in civic society and the RDA and local authorities should work closely with HEIs to maximise their potential to join up policies.
- Partnerships need a clear sense of purpose and to ensure there is not 'partnership overload' on the same people.

Investing in communities

- The city needs to invest in its education system to avoid an increase in disparities.

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8. Lessons Learned from Newcastle

There are many lessons that other cities can learn from Newcastle's experience. These include:

Building the physical knowledge city

- The investment in physical regeneration led to the city re-conceptualising itself as a successful knowledge city – and has changed the city's image;

Building on what's there

- The city has been successful in building on existing assets, such as university research (e.g. creation of Centre for Life), manufacturing (attraction and retention of Nissan) and the reputation of the Geordie accent (contact centres).

Vibrant education sector

- The higher education institutions in the city have been a considerable force for economic growth and Science City offers a compelling opportunity for more to be done to build on the 'city centre campus' and the potential for proximity generating innovation.

Distinctive knowledge city offer

- Culture-led regeneration in Newcastle has made the city distinctive with icons like the Angel of the North – the key is to build on these and the city's historic assets of proximity to natural beauty to make a compelling offer to knowledge businesses and workers;

Leadership

- There is widespread consensus that more needs to be done at a city-region level if Newcastle and the North-East is to realise its potential;

Appendix A: Interviewees

This case study presents findings from a literature review and stakeholder interviews with the following people:

- Alastair Balls, Director, Centre for Life
- Jonathan Clark, Quiet Life for Creative
- Lynne Davis, One North East
- Simon Dove, One North East
- Kel Fidler, VC Northumbria University
- Professor John Goddard, Newcastle University
- Eddie Halstead, One North East
- Herbert Kim, CEO, Codeworks
- Stuart Lynn, Head of Research and Development, Sage PLC
- Neil Murphy, Newcastle Council
- Douglas Robertson, University of Newcastle
- Paul Rubinstein, Newcastle Council
- John Shipley, Councillor, Newcastle City Council