

Local Government Association 'Coastal' Special Interest Group

Report - Coastal Economic Development

1.0 Background

At the Coastal SIG in February of this year, Members resolved that a paper concerning contemporary coastal economic development and regeneration issues be prepared for this meeting. The following report outlines some of these key issues and offers an insight into how coastal authorities are responding to the different pressures placed upon them.

It is hoped that this paper also provides some possible discussion topics and background information in advance of the September Coastal SIG Conference in Colchester, details of which are elsewhere on the Agenda. As part of the Conference programme, the SIG will have an opportunity to debate these issues further at a planned coastal economic development/regeneration workshop.

2.0 Challenges to the coastal economy

Throughout history centres of urbanisation and economic growth have emerged on the coast. However, more recently these coastal communities have experienced significant economic and social change. Areas that once boasted thriving and buoyant local economies are now suffering severe socio-economic decay.

Many coastal resorts are now characterised by an out-migration of business and a reduction in investor confidence resulting in a dilapidated built environment, high crime and unemployment/deprivation rates, low levels of local economic activity (-8% below the national average) and high levels of part-time employment (+25%). For some local authorities notably in parts of south east England, these problems have been compounded by other external pressures on resources (e.g. asylum seekers).

In an effort to address these issues, coastal centres have implemented localised regeneration packages to alleviate some of the problems, but have arguably failed to tackle the causal issues and thereby reverse the spiral of decline. The deep-rooted origins of these problems can be correlated to the demise in 'traditional' coastal economic activities. Some of these key structural economic characteristics include:

- **Ship-building** which has almost disappeared from the UK, largely because other areas of the world (e.g. Japan and South Korea) are able to construct shipping with lower material and labour costs;
- **Ports** remain a vital economic asset and are often the heart of many communities but are under pressure from a combination of factors. Ports operate in a fiercely competitive climate with immense growth in airfreight and the need to accommodate increasingly larger container ships. They are also likely to suffer commercially from the adverse effects of climate and coastal change and balancing their own commercial needs with local environmental concerns;
- **Fishing** due to the economies of large-scale production although the industry remains important (e.g. UK fleets landing £574 million catch in 2001 but we also

imported £1,432 million). The implementation of quota reductions and increasing competition for space and access to fishing grounds has placed further pressure upon the industry, evidently to the point where it faces an uncertain future;

- The production of **energy** in close proximity to the coast is no longer the key source of wealth in areas traditionally associated with this resource. Locations such as Copeland in Cumbria (nuclear energy) are now forced to diversify their economies in order to redress a long-standing dependency on a single industry;
- **Tourism** in many traditional seaside resorts has been in a cycle of decline for some time, largely due to a series of interrelated factors that include:
 - A failure to adapt to evolving lifestyle and leisure patterns in the domestic market;
 - A persistent lack of investment in infrastructure resulting in inadequate visitor access and under utilised accommodation stock;
 - An inability to improve the overall tourism product and respond to enhanced commercial competition;
 - A significant loss of income to a principally 'small' business based local economy means that the standards of local tourist facilities cannot be enhanced;
 - The lack of an effective, co-ordinated response from local agencies over time, together with difficulties in leveraging sufficient resources to remedy the gaps in funding.

Areas that have had success in meeting these challenges are predominantly those with sufficient critical mass and attraction to re-invent themselves through developing 'niche' markets, such as Brighton (cultural and creative industries) and Bournemouth (business and conference centre) for example. Also, major coastal conurbations have reconstructed former derelict commercial areas (e.g. London Docklands - Canary Wharf) and Belfast (Titanic Quarter), largely through considerable public/private/European funding.

Yet areas that have traditionally relied upon tourism (e.g. Scarborough, Margate, Morecambe, Sidmouth and Clacton) and locations that have experienced a period of post-industrial transition or other economic re-structuring have been unable to adapt and/or diversify. It is these coastal centres that have faced inexorable decline with continued high unemployment and socio-economic deprivation and consequently have relied on European structural and other funds (e.g. Objective 2 status) to regenerate their economies.

3.0 New opportunities for the coastal economy

Coastal centres across the country are pursuing various policy approaches at different levels in relation to economic development and regeneration. Many of these can be summarised under the following areas:

- Ensuring coastal economy issues 'engage' with wider strategic objectives;

- Building on traditional economic strengths;
- Capitalising on available funding opportunities;
- Developing the 'New' or 'knowledge based' economy;
- Harnessing physical assets.

3.1 Ensuring coastal economy issues 'engage' with wider strategic objectives

Perhaps a failure of recent public policy has been to encourage coastal areas to simply 'paper over the cracks' as opposed to meeting economic challenges directly. On a strategic level, this means that the needs of coastal areas have to engage more with lateral and broader thinking on forward and spatial planning issues.

At a local level, local authorities can raise the profile of coastal economic development issues in economic policy, locally via local strategic partnerships and sub-regionally via area strategic partnerships and economic partnerships.

The introduction of Regional Development Agencies has also helped to facilitate this process, where as 'drivers' of the regional economy, these bodies promote the advantages of more integrated strategies by reflecting key local priorities and objectives (including infrastructure) through their own regional economic strategy.

In this respect, coastal economic development issues are no longer peripheral and instead are at the forefront of some regional strategies (e.g. South-West RDA Coastal and Market Towns Programme, South-East – Area Investment Frameworks).

For example, many coastal areas will require significant investment to re-vitalise their local economies. In East Kent, for instance, a major infrastructural enhancement (i.e. to extend the fast rail CTRL service into East Kent) is seen as the catalyst to economic revival by reducing the relative geographical peripherality of its coastal and other communities.

Via its East Kent Area Investment Framework, the area has sought to influence Central Government and the Strategic Rail Authority by presenting an integrated strategy that justifies and strengthens the case for these major resources from Central Government and to demonstrate how the improved infrastructure fits in with wider economic objectives.

Also regional spatial strategies (e.g. Regional Planning and Transport Policy) can serve to promote coastal economic issues of significance and/or areas of priority investment. This year PPG 20 (Coastal Planning) will be revised thus enabling local authorities to influence framework policy guidance affecting the coastal zone. But it is important that there are synergies between these strategies and plans so that they complement and support each other.

The Integrated Coastal Zone Management (ICZM) initiative is intended to be a comprehensive approach to recognising that economic, social and environmental pressures and opportunities in coastal areas are intrinsically linked. Therefore integrated solutions are sought in supporting regional and local action in the coastal zone. ICZM may also help to connect strategic issues that traverse the various responsibilities for coastal development across Government departments (e.g. DoT, ODPM, EA, DEFRA).

3.2 Building on traditional economic strengths

Coastal areas can utilise existing commercial strengths to capitalise on new market opportunities.

Strong ports remain essential in supporting economic vitality and some (e.g. Dover) may be harnessed to meet wider economic regeneration objectives. But a coastal location is essential for this economic activity therefore further development must be reconciled with nature conservation objectives. There are examples in continental Europe and signs in the Thames Gateway initiative that integrated solutions can sometimes be found based on positive cooperation and compromise between port operators and environmental groups.

The near future for the fishing industry will increasingly require fisherman to diversify and supplement existing incomes. This may partially be possible through removing part of the supply chain (e.g. processing/cutting fish at quayside instead, thereby reducing transport costs and securing product quality/price gains). Also, fishing interests are being more effectively co-ordinated (i.e. Fisheries Partnerships), which in turn may enable pro-active responses to problems and issues in the industry.

In relation to tourism, the modern visitor prefers short breaks, exotic locations, ease of access and high quality facilities. At the same time there is recognition that these changing visitor trends and behaviour can be exploited as new market opportunities (e.g. people taking more 2nd and 3rd holidays, people increasingly unwilling to fly abroad) thus appealing to a different market and helping to promote a coastal resort as an all year round holiday destination.

Coastal resorts also still retain a unique sense of romance/escapism, which can be harnessed through health/theme related breaks. Some areas can also capitalise upon a unique selling proposition such as Captain Cook (Whitby) and conferences (Brighton) – assets that possess a powerful resonance with the area and sets it aside from competitors. Additionally, possible future changes to gaming and licensing laws may allow coastal resorts to develop this industry. Therefore it may be a time of opportunity for smaller coastal areas to determine their economic future.

However, maximising these opportunities requires a local vision and governance that embraces the changing market and sets out effective planning, leadership and marketing. Most importantly, a holistic approach to the entire tourism experience is needed where co-ordination of resources and effort are key.

Using tourism as an economic regeneration tool have been emphasised by the English Tourism Council, through its document 'Sea Changes'. Coastal resorts that are already making progress on this front include Scarborough (Stepping Stones Initiative) and Blackpool (Tourism Accommodation Study).

3.3 Capitalising on available funding opportunities

At European level, there is some concern that 'Objective' status, which has supported the economic and social conversion of areas of the UK facing structural difficulties, may be under threat due to the accession of new EU member states. One resulting scenario

could see the alteration of future funding and support mechanisms from 2007 with a re-distribution of expenditure instead to new, poorer states. This would have a detrimental on coastal economies reliant on long-term structural support. In turn these changes could affect EU Regional policy funding budgets (e.g. INTERREG, Leader Plus, European Social Fund, COAST, 6th Framework for Research and Development).

A consultation exercise, to which many UK local authorities contributed their views, was conducted in early 2003 to trigger discussion on how future funding should be distributed. Two distinct approaches have been considered – territorial and thematic. The former in theory is more likely to target resources at coastal communities, on the basis that coastal peripherality is a permanent physical barrier to economic growth. The EU is due to present their draft reform proposals in November 2003.

In this country, there are several potential funding opportunities available to coastal areas although identifying their existence and co-ordinating bids is often problematic. With Single Regeneration Budget (SRB) funding ending in many areas, coastal resorts are being actively encouraged to apply for Lottery funding for projects that complement local attractions, generate leisure opportunities (e.g. festivals etc) and maximise coastal assets. Also, Capital Grants from the Millennium Commission can help refurbish and renew housing, which in turn can attract new and retain existing residents.

In some locations the Regional Development Agency (RDA) has been instrumental in facilitating, funding and supporting major 'iconic' regeneration projects. In the southwest, this notably has included the Eden Project, which has helped to encourage more visitors to Cornwall. Regenerating coastal areas is key to developing the regional economy and therefore, SWRDA has built on this success with the National Maritime Museum (Falmouth), National Marine Aquarium (Plymouth) and numerous coastal trails etc.

RDA's also operate other funding packages relevant to coastal areas including Market / Coastal Town Initiatives and Cluster Fund (helps development of particular industries). Additionally, coastal centres like Scarborough and Grimsby are earmarked under the 'Urban Renaissance Initiative' of Yorkshire Forward for creating long term environmental, social and economic strategies.

3.4 Developing the 'New' or 'Knowledge based' economy

Investing in a commercial environment conducive to knowledge-based firms (e.g. creative, hi-tech companies) can generate better-paid local job opportunities and retain / attract a broad range of skilled people.

Business clustering and Enterprise Hubs – as in Brighton and the Isle of Wight can help promote an area's intellectual capital and innovation capacity thereby enhancing its investment potential. This is reliant upon cementing close links between local business and the source of intellectual raw material - higher education.

Also 'broadband' technology has the potential to transform the economic competitiveness and ICT connectivity of coastal economies. It constitutes a valuable asset to locations seeking to engineer the expansion of local 'niche' markets and diversify their economies. However, some areas ineligible to subsidisation will need to use joined up sub-regional lobbying complemented by firm business support to make this a feasible commercial venture to broadband service providers.

Finally, coastal areas can also offer the high quality of life to inward investors that urban areas just cannot compete with. If the commercial conditions are right, knowledge-based firms and cultural and creative industries, which have become increasingly footloose in recent years, might consider a pleasant environment an asset in nurturing creativity and innovation. To some degree this may have occurred in the case of Brighton, which has attracted considerable inward investment in recent years.

3.5 Harnessing physical assets

Aside from tourism, the physical attributes of coastal areas offer other economic opportunities.

Offshore wind farms theoretically could play a role in unlocking the future sustainable economic potential of coastal areas. They could generate a series of economy related benefits:

- Potentially a commercially viable proposition compared to other fuels, but initial capital costs are high;
- It is a "high-tech" labour intensive industry especially in the consulting, developing and manufacturing stages (e.g. 75MW installation could create an estimated 245 jobs);
- Secondary economic benefits (e.g. employment sustained through component supply chain, construction and later continuing enhancements and maintenance);
- Local community can invest in wind farm via local area investment companies.

However, offshore wind farms have indeterminate environmental impacts and the obvious visual intrusion of turbines may be an impediment to wider usage.

A major under utilised attribute of the built infrastructure in coastal centres is the historic environment. In many coastal resorts across the country, attractive historic buildings are frequently vacant or used for a purpose that neither illustrates its aesthetic quality nor realises its potential as a commercial and social asset. As such the full local built environment cannot be fully appreciated by coastal visitors.

Capitalising upon these historic townscapes can make a significant contribution to conserving and regenerating the coastal economy, but is often overlooked. It can both enhance the quality of life for residents and improve the social fabric of an area. Whereas commercially, there is steady demand from office occupiers for historic buildings, which can provide favourable working conditions for staff and are attractive to clients and customers. There is also normally some financial assistance available from local authorities for enhancing and conserving historic premises.

4.0 The Coastal SIG – how should it continue to help facilitate and promote these economic opportunities?

- Encourage wide discussion on coastal economic development issues between local authorities, harnessing experience of economic development practitioners and stakeholders where appropriate. For example, the September Conference will use Colchester as a case study and provide an opportunity to participate in a workshop.

- ❑ Influence ICZM process to promote recognition of the different pressures faced by coastal zones and ensuring the 'national stocktaking' exercise balances economic development and environmental issues.
- ❑ Ensure the SIG's 'On the Edge' Strategy and wider strategic spatial and economic plans reflect the importance of coastal economic development and regeneration issues, together with highlighting imaginative and innovative approaches to tackling them and the key policy actors involved.
- ❑ Disseminate 'best practice' in coastal town regeneration initiatives using examples from the UK and abroad (e.g. formation of 'economic development alliances' between coastal communities in the United States and Canada), where appropriate.
- ❑ Encourage economic intelligence sharing between local authorities concerning the economic performance of coastal centres.
- ❑ Encourage coastal studies and research to consider wider economic impacts as appropriate (e.g. damage to infrastructure of coastal erosion - local productivity losses, economic leakage and discouragement to investment).

5.0 Conclusion

The coastal economy continues to face a series of diverse challenges and pressures. However, new opportunities are available to address the more structural and deep-rooted issues, as opposed to merely reducing their socio-economic consequences.

Contemporary approaches consist of a combination of capitalising and diversifying upon existing commercial strengths and harnessing innovative technologies, all integrated by a sound underpinning strategic framework.

The Coastal SIG has a continued important role to play in working for local authorities to improve the economic and social well being of coastal communities.

6.0 Recommendation

For Members to consider and endorse the Coastal SIG's continued activities in seeking to influence and address issues associated with Coastal Economic Development.

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