

PART FOUR: GROWING THE LOCAL ECONOMY

4.1 Economic Context

This Urban Design Strategy is more than a critical contribution to the reshaping of the Heart of the City. It is a key feature of the broader programmes that are needed to focus on the success and viability of the whole City, its hinterland and the wider sub-region. The strategy is critical to realising the ambitions of the Regional Development Strategy (RDS) and the National Spatial Strategy (NSS) as they relate to Derry and the North West and must become a key component of any attempt to adjust to the economic and social changes of the next 20-30 years.

The Urban Design Strategy has the potential to develop the City's role as the centre of a 'travel to work' area, as a centre for modern and traditional manufacturing businesses, as a retailing and tourist centre for a wide region, including cross-border areas, and as an administrative centre for public and private services. In a Northern Ireland setting, the City offers the second largest urban settlement and the second largest labour catchment area. On the island of Ireland, Derry City is the fourth largest urban area.

The development concepts linked with the Heart of the City, and particularly those for the earmarked special development areas, have major implications for the entire North West region. For planning and economic development purposes, the North West includes the areas of Derry City, Limavady and Strabane. In terms of economic impact, account must also be taken of the catchment of all of east Donegal and, for some services and tourism, the relationships with all of County Donegal.

Anticipating the argument in later paragraphs, the scale of the development potential envisaged for the City centre areas is large but not too large for the foreseeable needs. In addition, that development potential is needed to provide facilities offering the higher standards of amenity and infrastructure that are, and will continue to be, critical in attracting investors.

The Heart of the City Strategy offers an indication of the proportion of new development that can, and should, take place on 'brown field sites'.

4.2 Unique location - Common Problems.

Derry City faces problems and opportunities that are common to many medium sized cities in Western Europe. A number of UK comparator cities are identified below. These cities have experienced the problems associated with an industrial inheritance that became, over time, a liability and threat to economic prosperity, the environment and social wellbeing. Nonetheless they have embraced the opportunities to

structurally adjust their economies to the demands of the 21st century. In particular, cities such as Durham, Chester, Ipswich and York have developed education, retail, tourism and leisure offers which make them highly attractive to visitors and which also provide the basis for attracting higher value added high technology business. Furthermore, cities such as Portsmouth, Gateshead, Plymouth and Cardiff have exploited their maritime history, transport infrastructure and sub-regional status to regenerate run-down and derelict areas through economic diversification and social inclusion. The potential exists for Derry City to tackle the problems associated with urban regeneration and the need for economic diversification and change in a manner that draws from the experience and best practice of comparable cities.

Location	Population
Durham	87,000
Chester	120,000
Ipswich	120,000
York	181,000
Portsmouth	186,000
Gateshead	190,000
Plymouth	240,000
Cardiff	300,000

Derry has many features and needs that are common to other cities. However, in a Northern Ireland context it has suffered from a spatial imbalance in economic development. That imbalance coupled with an infrastructural deficit has acted as a major constraint on the economy and for decades the City has experienced rates of long term unemployment that have remained stubbornly higher than would have been expected. The perception of inadequate efforts to tackle those issues must now be removed.

4.3 Regional City for the North West

The Northern Ireland Regional Development Strategy (RDS), approved by the NI Assembly in 2001, sets the broad parameters for the role and scale of the City and its hinterland in the period to 2025. Some of the central themes have a particular resonance, including the emphasis on investing in selected urban hubs, improving the integration of transport services, and acknowledging the role of regional ‘gateways’ for employment and key infrastructure services.

The National Spatial Strategy is a 20-year planning framework for all parts of Ireland adopted by the ROI Government. It aims to achieve a better balance of social, economic and physical development between regions. It seeks to unlock potential for progress, growth and development in a more balanced way across Ireland, supported by more effective planning. Within the NSS the Letterkenny/Derry axis is recognised as a ‘linked gateway’ presenting opportunities for large-scale co-operation.

The rationale for a strategic approach to spatial planning applied to a large urban area, such as Derry City, is that it can co-ordinate a number of actions linked to critical developments. These include:

- n spatial guidance for land use management
- n the spatial allocation of public sector activities to reduce spatial inequalities;
- n guidance for public sector investment in infrastructure and services;
- n indicative guidance for private sector investment;
- n greater coherence in public and private sector development;
- n better rationalisation in resource allocations across space and within government policies and programmes;
- n consistency in decision making within and across sectors;

The delivery of these outputs will however require effective linkages between strategic and local planning and the active participation of multiple stakeholders where the key facilitating element must be the application of well developed planning principles. However for the first time spatial strategies adopted as policy in both jurisdictions on the island now recognise the NW region as a discrete social and economic entity with a critical mass population of some 300,000.

The objectives of the RDS are specifically related to the City in policy statement ECON 1.2 (RDSp.137). i.e. " To promote a balanced spread of economic development opportunities across the region focused on the Belfast Metropolitan Area, Londonderry, Craigavon and the urban hubs or clusters as the main centres for employment and services." This statement is supplemented by reference to the prospective decentralisation of public sector employment. The thrust for a greater degree of decentralisation of public sector employment has been endorsed by the Northern Ireland Executive and is also part of the approach to the National Development Plan adopted by the ROI Government.

The RDS also offers planning support for measures of urban renaissance. ECON 1.3 (RDSp.138) includes the promotion of town centres as the major locations and first choice for the expansion of service employment as well as the provision of mixed- use developments to facilitate the start-up and functioning of small and medium sized enterprises.

In contrast to earlier regional development strategies, dating back to the 1970's, the RDS points to the development of the City on a scale proportionate to the rest of Northern Ireland. In some respects, there has been a catch-up in public infrastructure and services. Nevertheless, the RDS acknowledges that the City continues to face a series of difficult and complex development needs. The infrastructure deficit across NI is put at some £6billion over the coming decade. Having fared poorly in last year's initial injection of capital for infrastructure projects Derry will need to argue forcefully for its adequate share of resources if the current shortcomings in infrastructure are to be overcome.

The City is the second largest in Northern Ireland. It also enjoys a river crossing centre and, away from the built up area, is surrounded by open country. Indeed, one of the potential dangers is that, without clear planning policies and their enforcement, the City might become a victim of urban sprawl. As measures to promote urban renaissance evolve there is merit in seeking to preserve the urban vitality of the City and the advantages of its present compact structure both to reinforce the vision of a modern city and also to avoid the detrimental consequences of excessive commuting into and out of the city.

The City benefits from the industrial facilities on the north-eastern side of the urban area, and acknowledges the advantages of the transport links to the port and the main arterial roads. However the logic of the Heart of the City proposals is that commercial, retailing, financial and personal service businesses should be attracted to the City centre and any wider dispersed and diversified development at locations such as Campsie should be discouraged.

The RDS sets key objectives and offers some indication of the scale of the main socio-economic features. The strategic planning objectives are:

- n To develop a strong North West centred on Londonderry
- n To strengthen the role of Londonderry as the regional city and hub for the North West

The former objective includes, explicitly, the ambition to strengthen the economy of the North West. The latter includes the continued regeneration of the City, the promotion of an attractive and historic city, and strengthening the position of the City as the transport hub of the North West.

The vision in the RDS linked to a stronger economy envisages the City as:

- n A key strategic employment location for the North West and a focus for the North West development corridor into Donegal and supportive of the development of Limavady and Strabane
- n A centre for the upgrading of strategic transport links, including the port and airport
- n Enjoying a diversity of energy infrastructure as, or when, the natural gas network is extended
- n An area for the promotion of investment in world class manufacturing, high technology and knowledge based industries by inward investors and local enterprise
- n A centre for development of the creative business sector
- n Providing education, innovation, research and skills training through the University of Ulster and the North West Institute
- n The location of a Science Park out-of- centre at Magee.

Each of these developments would be influential in assessing the role of, and demand for, space in the earmarked development areas near to the City centre.

Emerging from the processes that underpinned the RDS, are estimates of population growth and house building needs. Since the RDS is essentially a physical plan to guide land use approvals it must also anticipate the scale of demands for space linked to the complete range of socio-economic consequences of faster development.

The population influenced by the attractions and services of Derry City that live within this area is some 300,000. The population of Derry City Council area is over 100,000 and may grow by 10,000 in the next 15 years. If the economy of the City region improves significantly, this population estimate may need to be revised upwards. In addition, as a tourist region, there are potentially several thousand 'temporary residents' during the tourist season.

If the economic base for the City area is sustained and expanded, as is the ambition stemming from the Urban Design Strategy, then the increase in population numbers might be larger than the existing forecasts as more of the rising younger generation take employment opportunities in this region. There is also the potential for skilled people currently working elsewhere to return if the City becomes suitably attractive and acquires the necessary infrastructure

As a labour market 'travel to work' area, there are potentially some 40-45,000 people either in employment or who might become employed if opportunities were on offer.

Within the North West region, the RDS has set indicative targets for provision of 19,300 new houses by 2015. Of these some 12,700 are likely to be within the Derry City Council boundaries.

There will be pressure from developers for much of this development to take place on 'green field' sites but the Heart of the City Strategy has a role to play in enhancing the attraction of the inner urban areas. The Draft Planning Policy Statement (PPS 12) on Housing in Settlements emphasises the critical need for more housing development to be in 'brownfield sites.' This Urban Design Strategy offers a vehicle to meet that ambition.

In greater detail, the Heart of the City Strategy is compatible with other aspects of the Planning Policy:

- SPG-HOU 4: To promote a drive to provide more housing within existing urban areas
- SPG -HOU 5: To encourage an increase in the density of urban housing
- SPG-HOU 6: To encourage the development of balanced local communities

The (re-)development of the Fort George site and that of Ebrington Barracks both should qualify as 'brown field' developments.

The Heart of the City Strategy therefore supports the Regional Development Strategy in maximising the use of the available areas to

offer opportunities for stronger economic development and also to enhance the positive social impact for the residents of the City.

4.4 Economic structure

The economic development of the whole city depends critically on the maintenance and expansion of the level of business activity and public sector services in the years ahead. The City has a long history of high rates of unemployment partially reduced by significant levels of emigration. The Urban Design Strategy is consistent with, and supportive of, a stronger local economy. It fits well with the Policy Framework for Public Private Partnerships (PPPs) aimed at creating partnerships between the public, private and community sectors to deliver quality public infrastructure and services.

Outlining an economic model of the future employment growth and structure of the economy of the region with any certainty would, of course, be a hazardous project. Nevertheless, the estimates which follow illustrate the broad economic trends that may be expected to influence developments in the next decade and further ahead. The critical issue is to test whether these trends are consistent with the provisions that are envisaged in the overall strategy for the development of the City.

Some assessments can be made of the possible trends. The City has seen the decline of the long established clothing industry businesses. The table below shows the changes in manufacturing jobs for NI as a whole between 1992 and 2002. Clearly there has been a massive downturn in the textiles sector and given its heavy reliance on this sector the NW has suffered disproportionately. Across all employment sectors around 6000 jobs have been lost locally over the past five years.

Manufacturing Subsection	Dec-92	Dec-98	Dec-02	Change 1992-1998	Change 1998-2002
DA Food Products; Beverages & Tobacco	20,310	20,140	18,910	-170	-1,230
DB Textiles & Textile Products	24,170	20,710	11,370	-3,460	-9,340
DC Leather & Leather Products	590	400	260	-190	-150
DD Wood & Wood Products	2,700	3,050	2,700	350	-350
DE Pulp & Paper; Publishing & Printing	5,970	6,620	6,050	650	-570
DF Coke, Petrol. Prods & Nuc. Fuel	60	50	70	-10	10
DG Chem. Products & Man-Made Fibres	3,560	3,590	3,380	30	-210
DH Rubber & Plastic Products	5,210	7,130	6,820	1,920	-320
DI Other Non-Metallic Mineral Products	3,790	4,860	5,610	1,070	750
DJ Basic Metals & Fab. Metal Prods	4,710	6,080	6,680	1,370	600
DK Machinery & Equipment, (NEC)	6,730	7,010	6,380	280	-630
DL Electrical & Optical Equipment	7,150	11,430	10,380	4,280	-1,050
DM Transport Equipment	12,290	12,160	12,310	-130	150
DN Manufacturing (NEC)	2,610	4,020	4,300	1,410	280
D All Manufacturing	99,860	107,270	95,230	7,420	-12,040

Source: DETI Labour Market Statistics

Even modern high tech sectors have faced difficulties. DuPont operates a very capital intensive plant but the numbers employed have tended to fall.

The stronger elements of the local economic base seem to lie in more modern and more highly skilled processes. Seagate, Perfecseal and Stream are three good examples. Of course, every plant or business is vulnerable to change as market conditions change. The most vulnerable plants are those where output can potentially be sourced from low cost locations and those that call only for unskilled or semi-skilled employees. Structural weaknesses in the local economy include a reliance on vulnerable sectors such as clothing and textiles. In addition however high numbers of small businesses operate in the service sector. These are typically low value service areas characterised by low pay, part time working and limited potential for growth. It is essential, therefore, that the base is laid for the creation of higher value jobs in the city.

These considerations point to the contributory role of higher and further education in building the platform for future growth. The objective should be to focus on technologies where demand is growing and preferably create links to areas where there is an initial base of local knowledge and expertise. Where there are skills in a local university, consideration should be given to what might nurture them and what might be a spin off from them.

A stronger source of investment may come from the synergy of improved co-operation between InvestNI and the IDA following the designation within the NSS of the Letterkenny- Derry axis as a linked gateway driving social and economic development in the NW. Joint visits arranged by the organisations are now more common but this approach needs to be built on to deliver measurable improvement. This would help advance Invest NI's stated desire to energise the effort to attract inward investment to specific localities (Invest NI Corporate Plan 2002-2005)

An additional source of extra employment will come from the expansion of public services. Even without direct transfer of public sector administration from the Belfast region, expansion in those services that are already in the North West will boost the numbers employed.

Official policy is that there may be further transfers of public service administration to the City. The recent transfer of a Pensions administration function of the Social Security Agency from Belfast illustrates the potential for this type of decision. More recently (March 2003), following a specific analysis of the present distribution of civil service activity, Derry City Council has sought from the Northern Ireland administration a more ambitious policy on the relocation of public sector activities and linked employment.

The most uncertain element of the process of sectoral change in the local economy is the level of output, investment and employment in manufacturing plants. This further sub-divides into the actions of existing plants and the prospects of attracting new investments.

A continued expansion in businesses and public services can be more confidently predicted. The UK government remains committed to increases in public expenditure on health, education and other public services. This will mean increasing levels of public expenditure in the coming years and the NI public sector can, therefore, be expected to grow. Where the businesses emerge as part of the private sector, then retailing, personal services, leisure and tourist services may be conspicuous expansions. Most of these will have a City centre bias. In addition, the construction industry will need to cope with a higher workload.

The following table depicts recent trends in the broad sectors in NI and highlights that growth has taken place within services rather than manufacturing activities.

	1999	2002	% change 99-02
Manufacturing	105,810	95,230	- 10.0 %
Construction	33,100	34,780	+ 5.1 %
Services	470,417	516,470	+ 9.8 %
Other*	20,801	19,300	- 7.2 %
All Industries	630,128	665,780	+ 5.7 %

***Includes Agri, Mining Quarrying, Electricity, Gas and Water supply**
Source: DETI Labour Market Statistics

Public service demands are less likely to be concentrated on central locations although convenience for travel to work will be a factor.

These trends point to the potential demand for employment space in the redevelopment areas at the Heart of the City.

Purely to illustrate the orders of magnitude for a successful period of economic development over the next 15 years, on present evidence, the structural changes in employment that might represent the outcome of market pressures and public policies might be:

n Existing relatively low cost manufacturing	- 1,000
n Inward investment, knowledge based, manuf.	+ 2,000
n Local enterprises in manufacturing	+ 500
n Construction	+ 500
n Retailing (and wholesaling)	+ 1,000
n Tourism and local leisure activities	+ 2,000
n Personal and business services	+ 500
n Health, social services and education	+ 1,000
n Other: energy, transport	+ 500
Net increase	7,000

In an earlier study for Derry City Council on the 'Jobs Gap', PwC offered estimates of jobs needed over a five year period to reduce the unemployment rate to the Northern Ireland average and suggested a need for 8,300 new employment opportunities.

Two conclusions emerge from these separate studies. First, they both show a similar pattern of employment change in the different sectors. Second, neither study suggests that the 'Jobs Gap' for Derry City will reduce easily without very considerable efforts by all the relevant agencies.

The figures used in this study do not represent a forecast or a target. They represent a distribution of employment opportunities if the HOC strategy is implemented reasonably successfully. In scale, the figures are possibly on the low side. To make an impact on the relative disadvantage in employment available in the City area the ambition must be for a higher total. However, the net total is proportionately consistent with the illustrative figures used in the RDS for the whole of Northern Ireland. One thing is certain: reality will be different.

The purpose of these figures is to gain an insight into the possible sectoral and spatial distribution of the outcomes. For the further development of the Urban Design Strategy, a working assumption that the design plans for the Heart of the City might accommodate 3,000 of these work places is suggested. This reflects a self-sustaining development scenario for the six key sites in the Strategy. The mix of housing and employment uses will provide a balance of jobs and homes with the number of employment opportunities (in office, commercial, retail, leisure, tourism and education sectors) matching the potential number of economically active people in the housing units of the schemes. A worked exemplar of the land use content of this scenario is set out below.

Site	Site Size (ha)	Plot Ratio	Physical Development (sqm)	Housing Units(no.)	Employment Uses(sqm)	Jobs (no.)
Fort George	6	2	120,000	680	18,000	600
Ebrington Barracks	10	1.5	150,000	300	75,000	1,300
Queens Quay	2	2.5	50,000	290	7,500	250
Waterside	3	2	60,000	340	9,000	300
Cityside	3	2	60,000	340	9,000	300
Penny Burn	3	1	30,000	170	4,500	150
TOTAL	27	1.7	470,000	2,100	123,000	2,900

The Strategy provides the design parameters, in terms of building form and massing, for almost 500,000 sqm of development to take place over the long term. The self-sustaining development scenario provides for 2,100 housing units and employment opportunities for nearly 3,000 people within commercial, retail, tourism and educational activities. However, there is the flexibility in the Design Strategy to respond to the demand for higher levels of employment space within the six key sites. An alternative land use scenario has been designed to reflect the potential for nearly 7,000 jobs to be accommodated in the Heart of the City. This scenario has a lower level of housing provision than the self-sustaining development scenario but higher levels of office, commercial, retail, leisure and educational activities as set out below.

Site	Site Size (ha)	Plot Ratio	Physical Development (sqm)	Housing Units(no.)	Employment Uses(sqm)	Jobs (no.)
Fort George	6	2	120,000	470	48,000	1,600
Ebrington Barracks	10	1.5	150,000	170	105,000	2,450
Queens Quay	2	2.5	50,000	130	30,000	1,000
Waterside	3	2	60,000	250	20,400	680
Cityside	3	2	60,000	250	20,400	680
Penny Burn	3	1	30,000	130	10,200	340
TOTAL	27	1.7	470,000	1,400	234,000	6,750

The main uncertainty in any anticipation of the future pattern and scale of commercial investment is the ability to complete agreements with inward investors to locate in any given part of Northern Ireland. The initiative for securing large- scale investment lies with Invest NI. The Strategic Investment Board (SIB) for its part will be responsible for advising on the use of PPPs in the context of the overall investment strategy for the public sector.

In 2002-3, the level of inward investment into Northern Ireland has been unusually low. External investment flows have also been lower in the Republic of Ireland. However, the conceptual framework of this strategy must be seen in the context of longer term trends. By the standards of the 1990's and making an allowance for a Peace Dividend, the scale of investment envisaged in these illustrative calculations is modest, rather than over optimistic.

Perhaps the biggest change in the past 25 years has been the increased confidence in the economic performance of the City as a base for new enterprise. Of course there have been closures and redundancies. That is the nature of industrial change and is particularly evident early in 2003. Nevertheless, the combinations of an improved physical infrastructure, an enhanced role for the University of Ulster and the NWIFHE, the availability of more people with better educational and vocational skills and the moves to political stability have given the City a much enhanced international profile for businesses.

For the future, the Heart of the City development strategy will wish to build on these gains and make explicit provision for inward investment and more locally generated business investment.

Two caveats may be important. First, although manufacturing employment may only be a smaller proportion of the increases in employment, provision and planning for its location is more critical. The nature of more advanced knowledge based projects is that location, particularly in relation to potential employees, can be significant. Proximity to the city centre and a University campus are presentational advantages. Second, the quality of preparatory infrastructure investment must itself be world-class. Basic advance factories in the environment of an inner city that needs regeneration are not the basis for 21st.century business.

One of the underestimated features of the changing employment structures is likely to be the demands created by the leisure and tourism businesses. In a peaceful environment that encourages visitors, the potential number of visitors during the tourist season can be expected to be very much higher than anything experienced to date.

Current visitor numbers to the city include 100,000 visiting the city walls per year (NITB), 40,000 on Halloween night (DCC). In total, holiday makers (including those staying with family and friends) spent 550,000 nights in Derry in 2000 (NITB)

Direct tourist activity in Derry City has in recent years been about 5% to 5.5% of the Northern Ireland total. Hotel accommodation has risen to 7% of the total.

The ambition in Derry City Council's economic development policy analysis is that these proportions should rise to between 7% and 9% of the regional totals by 2006. These seem realistic objectives for the changed social and political environment and could mean an extra £12m.pa in tourist spending and 60,000 more visitors. Changes with this potential will need to enter the planning framework.

Derry City Council's draft Cultural Strategy seeks to promote Derry as the Cultural City. It is important that this strategy is finalised without delay. If the right product is put in place and expanded facilities are available, visitor numbers should more than double in the next decade and might conceivably treble.

The City offers all the attractions of a walled city, an historic city, a centre of cultural activity and also a conference centre. Provision to meet demand on the scale of Galway, Kilkenny or Chester might be anticipated. This should include provision of facilities for visitors and for the traffic that this will generate. A partial, and short-term, solution might come from a wider and more extended use of the existing car parking facilities, particularly by arranging that they remain open into the late evenings for casual leisure and tourist visitors.

If a distinction is made (as it should be) between tourist business and local leisure activities, this would acknowledge that some of the facilities also sought by tourists will generate viable business from the demands of local people. The two processes will be interdependent.

4.5 Anticipating future demands

Moving from the potential structure of the City economy to the needs that that structure would create. Four generic issues are important. First, are the right people likely to be available? Second, is the infrastructure likely to be in place? Third, is adequate supportive funding foreseen? Fourth, have the spatial demands been anticipated adequately.

To summarise the evidence: yes, the right people with the required skills are likely to be available as education plans are enhanced. Yes, the

infrastructure has been enhanced to some extent in recent years and the Urban Design Strategy makes proposals for its further improvement. Funding questions are more problematic (see below). On spatial demands, that is where the Urban Design Strategy and this economic assessment come together. The Urban Design Strategy is critical to setting the framework for major changes and the exploitation of new opportunities.

4.5.1 People

The demographic features of the City offer certain strengths. The population of the City is, relative to the rest of Northern Ireland and relative to many other west European cities, young. The weakness of past generations has been that a youthful population structure has been faced with inadequate local opportunities and large numbers migrated to other places.

For a City experiencing a large amount of economic change, one of the advantages is that a younger population offers greater flexibility to fill new opportunities.

The downside of this feature is that the educational and training standards and facilities needed to meet the demands of the 21st century have previously been lacking. In the past, the proportion of people with low educational qualifications in Northern Ireland has been unacceptably high (in comparison with GB) and, unfortunately, the proportion in the City has been higher again. The NI Labour Force Local Area Database, 2001 shows that this continues to be the case. Currently 43.69% of the working age population has no qualifications, against a NI average 41.64% while 15.55% has 5+ GCSE A-C, against a NI average of 16.36% (Census 2001) These figures illustrate the scale of the change that is needed in the City.

Nevertheless, the educational and training institutions that now exist have the potential to improve the position. There is however also a need for the extension of higher and vocational provision both to meet the changing requirements of the economy and to offer incoming investment a prospect of a suitably skilled labour force. This is beginning to be addressed through initiatives such as the new NWIFHE centres of excellence that are intended to offer a basis for professional development in emerging technologies.

4.5.2 Infrastructure needs

The City's infrastructure deficit ranges across the spectrum of roads, rail, port, airport, energy, broadband communications, water and sewerage. Infrastructure needs and the communications links required within the city and with other areas must be tackled. While there has been a justified focus on the inadequacy of road and other transport infrastructure, the failure to provide advanced telecommunication links is just as serious. Without advanced connectivity investment opportunities will be lost and consumers will be denied a full range of services.

If the City is to grow, regenerate the older inner city areas, and offer enhanced amenities to the people who live and work there, then further infrastructure investments are needed.

A key element of the Urban Design Strategy is the provision of a new cross-river bridge from King St to Water St. Experience elsewhere suggests the construction of a new bridge will enable development in the Heart of the City generally and specifically facilitate re-use and redevelopment of Ebrington Barracks. The new bridge will fulfil a key objective of the RDS by improving accessibility to the central area of the city for public transport, walking and cycling. It will also result in extended travel to work and customer catchment areas. Businesses will gain from improved choice in the labour market, from reduction in inefficiencies caused by travel to work difficulties, and from ready access to a large customer market. The labour force (those in or seeking work) gains from extended job choice/employment opportunities. In addition, new bridge investment will provide a signal of the investment bodies' confidence in the area and their commitment, in funding the scheme, to securing adequate return on investment. In turn this will enhance the confidence of businesses, residents and property investors in the City so that investment risk is reduced.

The energy supply position will be enhanced with the availability of natural gas and the bringing on-stream of the new electricity generation station. The North West Natural Gas pipeline from Belfast to Coolkeeragh is due to be built by 2004. A 400mw gas fired power station is to be operational at Coolkeeragh in 2004. Cross-border connections will be strengthened. The logic of the increasing all island and EU economic co-operation context is that of enhanced spatial co-operation North and South. The public transport services should benefit from investment in new vehicles but investment in road improvements and traffic management will be needed.

The University of Ulster and the NWIFHE need extra capacity and that calls for physical investment plans. Magee campus is the fastest growing within the UU, student numbers are expected to grow quickly and reach 5,500 by 2010. The NWIFHE is the second largest FE college in NI but merits further expansion in numbers and range of vocational provision. Using Galway and Limerick as comparators, the scale of the potential demand for an increase in these facilities is much larger than seems to be appreciated within the current planning of the Department of Employment and Learning.

If Third Level education were provided within Derry City on the scale of Limerick or Galway, then the number of student places needed could rise to 12,000. This represents an expansion of more than 70% and would develop the city's third level educational institutions in a manner consistent with the needs of the North West region.

Inner city regeneration schemes will call for major public sector infrastructure support. The building programme for Social Housing will also add to the infrastructure demands.

4.5.3 Funding

If there was no agency or authority with a responsibility to anticipate the changing demands of a successful economic development strategy, and the implications for people, space and infrastructure, then the development would not happen. This is simply an acknowledgement that there are complex roles for Government, local agencies and the City administration.

Market forces, unfettered, would not secure the changes and development envisaged in the Urban Design Strategy nor would they meet the changing economic needs. Success, therefore, requires co-ordinated and integrated planning.

Using the powers set out in the Strategic Investment and Regeneration of Sites Order an Urban Regeneration Company (URC) has now been established to develop the Ebrington site within the context of the Heart of the City strategy. This offers an institutional initiative that can be the catalyst for faster development. It is recognised however that the regeneration benefits from Ebrington can only be maximised in the context of a wider regeneration agenda for the City Council area. It is, therefore, the intention that the URC should take a lead in building an agreed way forward drawing together the differing resources and expertise of the public and private sectors.

With the present institutional arrangements, funding questions must be developed as an aspect of implementation and then directed to the functional authority for support. For example, any expansion of the University of Ulster at Magee (or Ebrington) would be a decision for the capital budget derived from the Department of Employment and Learning. This illustration obviously carries over into other functions and departments.

Similarly, with the rapidly expanding capital programme of the public sector under the RRI initiative, bids might be made for extra spending but would be considered by function, rather than by location (although Departments would argue that they take location into account).

The positive feature of the present situation is that extra investment funding, for (and from) the public sector is available on a scale higher than envisaged even a year ago. The cautionary feature is that it is administered on an all-Northern Ireland basis. The Strategic Investment Board will advise Government on a public investment strategy for NI but is likely to examine priorities by function before taking account of location.

In a well-ordered system, these institutional arrangements should not detract from the strength of the case for public sector funding as parts of a coherent approach. There would, possibly, be a logic to preparing an outline capital programme with illustrative figures to stimulate the debate and response from Ministers and other agencies.

Government will undoubtedly expect to see some elements of the capital

programme delivered within the policy framework determined for the use of Public Private Partnerships in the procurement of public infrastructure that contributes to meeting NI's overall social and economic objectives. The development programmes consequent on the implementation of the Heart of the City strategy might have been expected to qualify for consideration under the EU Peace programme for Northern Ireland or under the EU Building a Sustainable Economy programme. These programmes are now reaching the end of their agreed lifespan. Commitments have already been made. Whilst DFP should be tested on the prospect of ERDF assistance, this may be unlikely to be available.

Some of the proposed developments, particularly where the responsible agency(ies) are from the voluntary or community sector, may be able to submit bids to the Good Causes agencies for the National Lottery. Whilst this is potentially useful, in the scale of the funding needed, these sources would be relatively small. It should be noted that under the policy framework for PPPs there is a role for the voluntary and community sector. The definition of PPPs in relation to this policy framework is:

“ A medium- to long-term relationship between the public and private sector, including the voluntary and community sector that involves the sharing of risks and rewards and the utilisation of multi-sector skills, expertise and finance, to deliver desired policy outcomes that are in the public interest..”

The New Opportunities Fund, Green Spaces and Sustainable Communities programme, may also provide a potential source of funding for the study area. The fund is aimed at projects which will improve the quality of life for individuals and communities; promote social inclusion; encourage community involvement; and complement and enhance relevant national, regional and local strategies. Programmes could potentially be targeted to finance a series of projects.

Further funding might be found, in smaller amounts, from:

- n **Developer Contributions** - Developer contributions may be an important source of funding in terms of infrastructure provision and community benefits. There is also potential for developer contributions to be “pooled” in order to fund comprehensive improvements.
- n **Voluntary Organisations and Charitable Trusts** - There are many active community organisations in the study area and fundraising activities have been an effective source of funding for community based projects in the past. There is potential to further develop this potential source of funding.
- n **Sponsorship** - Sponsorship provides an important potential source of funding and an effective means of engaging local businesses in the Strategy and in particular, in events focussing on the river. At present, the number of public events which take place on or by the river

which could attract sponsorship is relatively limited.

The elements of the capital programme that fall easily into functional categories can more readily be identified. The less precise, but no less necessary, element is the contribution that the public sector might make to (what might be generically termed) urban regeneration. Urban regeneration support/grants would seem to be an essential complement to the strategies.

Urban regeneration grants can be applied using the basic principles that have been used elsewhere, although in application there always remains a discretionary series of judgements. The basic question where grants to private sector owners are made is one of what is needed to make something happen: an offset to the failure of market forces to make the necessary investment. These are not new issues. The real policy questions relate to the extent and need for their application to bring the strategies to fulfilment.

For the key sites in the Heart of the City study, the role of the public sector will need to be defined and development contracts agreed. On the principles used in Laganside, the key sites might expect that public funds would create the basic infrastructure of sites ready for development with a degree of enhanced amenity to attract investors.

4.5.4 Market demand

Mixed use development is proposed on all three of the key development sites and the larger opportunity sites. The balance of land uses on different sites varies however, for example at Fort George outside the Commercial Core the balance is weighed towards residential. The current market conditions for the main land uses can be summarised as follows:

Housing. Residential development will form an important component of the mixed use new waterfront developments proposed, as well as assisting with the regeneration of existing urban areas such as the Inner Waterside and the Pedestrian Zone through Living Over the Shop (LOTS) initiatives. The apartment market has recently witnessed a slow down in the city and in order to prevent further excess supply, it is recommended that the release of residential sites be phased, with priority given to the redevelopment of the three key brown field development sites. Within each of these sites there should be mix of house types and forms of tenure and an appropriate provision for affordable housing. The Fort George site in particular is considered appropriate for a mixed density development of detached/large townhouse development with apartments on the waterfront. The site is located close to Culmore Road, considered by many to be one of the premier residential areas in the Cityside.

Offices. The demand for offices/business units in the city is currently slow, however, an impetus for increased office demand could come from decentralisation of public sector jobs from Belfast. The decision on this may be imminent and is critical to the demand for offices in the Heart of

the City, as returns on office developments, outside Belfast City Centre, tend to be marginal. The support of Invest NI in securing private sector investment in new office developments may be needed on a scale that offsets the difference between the returns from the market and the capital costs of the projects. The Urban Design Strategy has been developed in a manner that offers flexibility and choice in the development of commercial office space which will enable the implementers to respond to the demands of the office market over the next 20 years.

Retail. A balanced retail element within a phased mixed use development will be important, particularly within the designated Commercial Core. It should add to the viability and therefore fundability of a scheme and act as a catalyst to the implementation of other elements. There is strong demand from major foodstores such as Tesco and Sainsbury, as well as retailers such as Lidl, Aldi and Debenhams who are currently taking space in Phase 2 of Foyle side.

Leisure. The leisure sector has recently witnessed a significant growth in Northern Ireland with a number of major companies such as LA Fitness and David Lloyd looking for sites throughout the province for leisure/fitness complexes. Nearly 2 kilometres of new waterfront development is identified in the strategic framework. At focal points of activity, restaurants and bars are recommended on the ground floor of waterfront schemes. A key node for leisure activity will be the waterfront between Queen's Quay and Harbour Square. It is recommended that leisure related development be concentrated in this zone where it will reinforce the existing leisure activity in Strand Road and the two new hotel developments. The two new hotels currently provide sufficient bedspace but would be inadequate to meet the Northern Ireland's Tourist Board Corporate Plan growth targets of 7% visitor number growth in the short to medium term. In the medium term the potential exists to create a new hotel on the Waterside above the relocated railway station and next to the new bridge. This site close to Ebrington Barracks enjoys panoramic views of the river and the Walled City.

4.6 Phasing

The Heart of the City Strategy proposes a broad and rich menu of development, enhancement and conservation possibilities. The aim is to ensure that the strategic framework is well integrated but still retaining flexibility to ensure that, for example, the non-delivery of one project does not preclude the development of another. In order to achieve the urban transformation envisaged, phasing of development is essential. The vision spans two decades, a long time to satisfy peoples' aspirations but realistic in terms of available funding and the issues of implementation. This has been translated into three development phases:

- n Short term, 1 to 5 years
- n Medium term, 5 to 10 years
- n Long term, 10 to 15 years.

The short term proposals include relatively easily achievable projects characterised by:

- n Traffic management
- n Streetscene enhancement
- n New public spaces
- n Gateways
- n Commercial and residential improvements
- n Waterfront projects
- n Landscape enhancement of parks
- n Townscape Heritage projects

Clearly during the first five-year phase, the development of the three key sites will be initiated as well as that on the many potential opportunity sites identified. These initiatives will be partly in the hands of the private sector and less easy, therefore, to predict their timing.

The medium term proposals, for years five to ten, include more radical and far reaching projects including:

- n Major public transport developments
- n New public transport interchange
- n An all-purpose river bridge
- n Major riverside developments on east bank
- n An east bank riverside path
- n Relocation of railway station
- n Road narrowing and traffic management
- n Major public realm opportunities.

Some of these proposals depend on major changes to movement patterns such as the new bridge or the relocation of the railway station, but these measures unlock much potential. The long term proposals are largely aimed at the better integration and use of the two sides of the river including:

- n Cable car from Harbour Sq to St Columb's Park
- n A major attraction in St Columb's Park
- n An orbital public tram network.
- n Circular hop on/off bus service using new bridge

Almost all of the movement proposals will require detailed analysis and investigation. They are also likely to be subject to statutory processes to enable their implementation if considered viable and acceptable after detailed analysis and consultation. It is important that the demands of these processes, and the time scales required, are recognised in the development of any strategy implementation plan.

4.7 Conclusions and Next Steps

As a key proposal emerging from the City Vision 2020 First Plan for Progress the Heart of the City strategy has been brought to this point through a partnership approach led by DSD's North West Development Office

That approach reflects a firm understanding that urban regeneration must be planned and developed within a context that has the approval and confidence of local people. Nor is urban regeneration an issue for just one organisation. It must involve those involved in city management and potential investors. Success will be gauged by how well social, economic and environmental benefits are delivered for all citizens.

The URC now provides a vehicle for:

- n further partnership in developing a strategic regeneration programme for the City Council area,
- n leveraging in additional private sector investment to support this regeneration and stimulate the local economy; and
- n contributing to the wider social regeneration of the area.

The URC's immediate priority will be to ensure a smooth handover of the Ebrington site in December 2003. However it must also plan for its effective development in the context of a wider regeneration programme that ensures appropriate targeting of investment and phasing of development opportunities.

The URC will, therefore, need to engage quickly with key public and private interests in the Derry City Council area to secure agreement as to how a wider vision for regeneration can be created and how the different public agencies can develop a co-ordinated agenda.

City Vision 2020 proposed the Heart of the City masterplan as a catalyst for renewed regeneration and the creation of an aesthetically attractive city. It identified the next stage in that process as the production of a city-wide urban design plan based on the Heart of the City model. This will now be awaited as the first product of the URC as it takes the process forward from this point.

Derry has the potential and the opportunity to build a successful economy offering its citizens a quality of life to match that progress. However the economic analysis within this document leaves no illusions as to the scale of the task ahead. Around 6000 jobs have been lost locally in the past five years. Put starkly, if the Heart of the City strategy is not successfully positioned as a key vehicle for the implementation of the RDS and NSS and then built upon, Derry and the wider North West Region will face very serious economic problems.