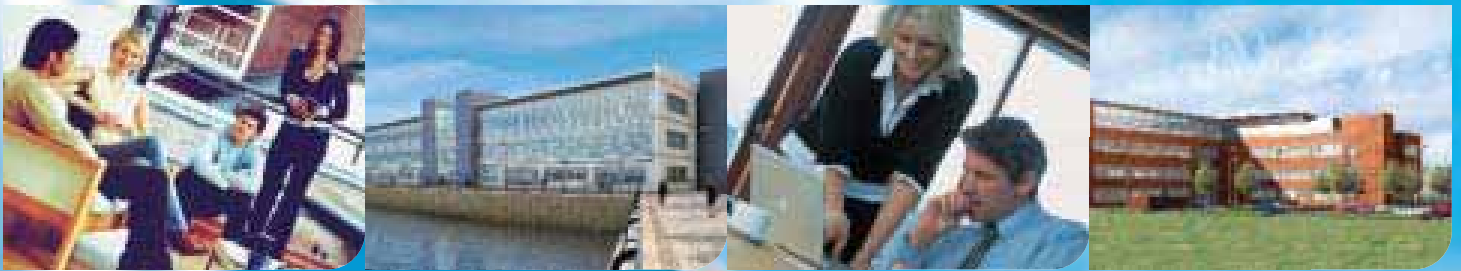




Government Relocation

The case for Tees Valley



Tees Valley
Regeneration

The Case for the Tees Valley

As a key decision maker in the Lyons Review process, you are going to receive many brochures telling you exactly why you should relocate public sector departments or offices out of London and into this region or that region. They will all tell you largely the same things - eager workforce, available property, great housing, ease of communications and so on. This Tees Valley brochure will tell you all of those things and more - but we intend to make life easy for you, so we'll start by giving you a few very good reasons why we leave the competition behind.

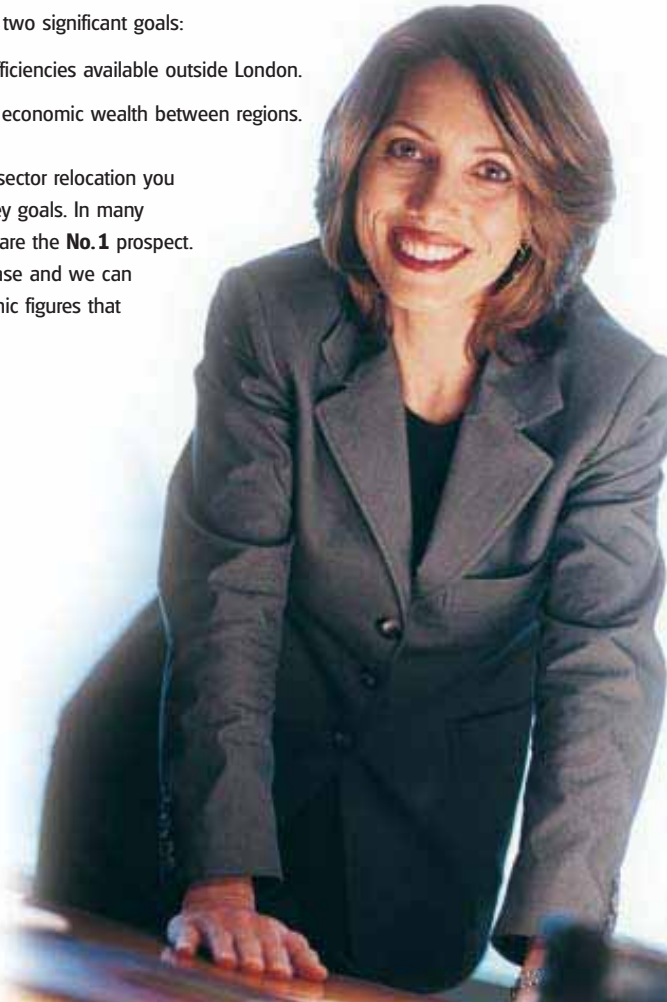
The Lyons Review set out the need to achieve two significant goals:

- realisation of the major cost savings and efficiencies available outside London.
- a reduction in the considerable disparity of economic wealth between regions.

By choosing Tees Valley as a centre for public sector relocation you will maximise achievement of both of those key goals. In many respects, we are not just a good prospect, we are the **No.1** prospect. We can offer impressive facts to support our case and we can quantify our offering with financial and economic figures that clearly demonstrate our superiority.

"We needed to expand but before we awarded any contracts we checked out the various areas and Tees Valley's friendly outgoing people won the day... we get great feedback from the people who work in the region. Giving great customer service is vital to us and our service levels have improved substantially since we came to 'live' here."

Sir Richard Branson,
Chairman, Virgin



The facts that support our claim

Here are some simple facts to whet your appetite. Supporting detail will be provided later in this brochure.

1 The cost of quality commercial property is lower in Tees Valley than in any other region of the UK. We're talking a quarter of London costs and considerably lower than even Liverpool or Newcastle.

Over the next few years the Tees Valley will have an ongoing supply of new office space that in terms of rental levels will afford savings of 69%, 104% and 404% versus Manchester, Edinburgh and London respectively. For a 500 job unit, this could save between £750,000 and £3.5 million each and every year.

2 Tees Valley has ready availability of high quality personnel and one of the lowest labour turnover figures of any region within the UK. At 7.8% it is half the North East regional average and a third of the national average, which can see 1 in 3 people leave an organisation each and every year.

3 Economic impact assessment work prepared in conjunction with PACEC and the University of Glasgow demonstrates that for every 500 jobs transferred to the Tees Valley the exchequer would benefit by £9 million annually. In addition a further 100 jobs would be created locally.

4 Any relocations to the Tees Valley would in themselves be a significant spur to further development and this would be part of the virtuous circle in which enhanced values (and confidence) generate more development. They would also further justify the extensive public sector investment in the regeneration of the Tees Valley.

5 The area enjoys first class transport communications - both internally and externally - and the Tees Valley commuter takes less than 22 minutes to get to work.

6 The average cost of housing in Tees Valley is £101,000. That's lower than the average in any other region. The national average is £175,000. In Greater London it's £280,000.

7 We can offer exceptional quality of life in an area of great natural beauty. What's more, all of this is available within a 2¼-hour train journey from London.

8 Tees Valley, in short, has the space (both in terms of sites and new premises), the will (a public sector committed to ongoing regeneration) and the people (up to 1.66 million within an hour's drive).

That's the very quick potted version of the Tees Valley proposition. Read on and you'll find a great deal more to convince you that there really is no contest.



The numbers that count

- Rent levels will afford savings of up to 404% compared with London.
- 7.8% labour turnover levels, 1/3 of the national average.
- £9 million annual saving for the exchequer (based on 500 jobs).
- 22 minutes average travel to work time.
- 2¼-hour journey from London.
- Population of 1.66 million within 1 hours drive.

Tees Valley

What and where?



The Tees Valley is the area of the North East of England covered by the five unitary authorities of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton.

The Tees Valley offers a potential workforce of up to 1.4 million within a 40 minute drive of specific centres, 910,000 within 30 minutes and 610,000 within 20 minutes. The area's population is relatively concentrated within urban environments but there is immediate access to extensive coast and countryside.

Historically, Tees Valley has been highly dependent on traditional industries such as shipbuilding, iron and steel production and chemicals. These sectors still exist and continue to thrive but employment patterns have changed dramatically. Today 76.4% of the workforce is employed in the service sector, compared to the UK average of 79.5%.

Public sector relocation to the Tees Valley would provide a massive boost to the regeneration of the area. Led by Tees Valley Regeneration, the UK's largest urban regeneration company, a number of government funded initiatives are currently being developed.

There is no doubt that the current, and future, property options in the Tees Valley lend themselves ideally to the opportunities presented by the Lyons Review.

King Sturge

First class communications - internal and external

External

The Tees Valley is at the centre of the UK.

- Darlington's Railway Station is part of the main East Coast rail network and provides rapid connections southwards to London and northwards to Glasgow and Edinburgh in a little over two hours.
- Durham Tees Valley Airport offers four daily flights to London Heathrow and regular links to a rapidly growing portfolio of European destinations. Private and public sector investment of over £20 million is expected to double passenger numbers over the next year.
- The A1, A19 and A66 Trunk Roads provide fast and efficient north-south and east-west connections. Average journey times are 4 hours to London, 2½ hours to Manchester, 3 hours to Edinburgh, 1½ hours to York and less than 1 hour to Newcastle.

Internal

- A recent Government Survey demonstrated that traffic moves faster in the Tees Valley than in almost any other urban area in the UK. This affords high levels of workforce mobility between the major centres. Indeed, the linkages across the Tees Valley are the envy of other areas.
- Tees Valley commuters enjoy a significant advantage over their counterparts in other major conurbations. A recent survey of individuals employed within the Economic Development Departments of the Tees Valley local authorities showed that for employees with an average salary of £20,000, the average journey from home to office takes 22 minutes and covers 10 miles.



Proposed new terminal at Durham Tees Valley Airport.

Travel times

Road - Car journey times from Central Tees Valley

Sunderland	30 minutes
Newcastle	40 minutes
Leeds	1 hour
York	1½ hours
Manchester	2½ hours
Edinburgh	3 hours
London	4 hours

Rail - Train journey times from Central Tees Valley

Newcastle	30 minutes
York	30 minutes
Leeds	1 hour
Edinburgh	2 hours
Manchester	2¼ hours
London	2½ hours

I used to spend around 4 hours a day commuting and now I get to work in about 20 minutes. I have more time, I'm less tired and have a better work-life balance.

Chris Foster,
DFeS

The People

Ready, willing and able

The catchment area for the Tees Valley workforce naturally extends beyond our boundaries. Recent studies show that the total working age population within 30 miles of specific centres within the Tees Valley is up to 1.4 million. Within 20 miles it is up to 685,000, and within 10 miles up to 370,000.



In terms of travel time, depending on the centre, the catchment is between 270,000 and 910,000 for a 30 minute journey and between 1.54 million and 2.34 million for a one hour journey.

The workforce resident within the Tees Valley comprises over 250,000 people, with an increasing proportion (76%) employed within the service sector. In Middlesbrough that figure rises to 87%.

We could tell you ourselves about the loyalty, trainability and flexibility of our people. They have after all been a key factor in our recent successes in attracting over 110 inward investment projects in the last 5 years. But we believe the facts have more power when they are stated by the incoming companies who have experienced the power of our people. So we'll let them do the job for us.

We'll simply quote again the labour turnover rate for the Tees Valley area. Across all sectors it's 78% - half of the regional average and a third of the national average. In the call centre sector it's around 13% - again considerably lower than the national average. Work it out for yourself. Lower labour turnover means better employee relations and lower costs for replacing and retraining staff. Yet more savings offered by the Tees Valley.

There's something special about people in this area - something really refreshing and exciting - they have the skills and personality we're looking for... Before we set up here I'd never been to the area before. Now I love to come here.

Martin Long,
Chairman, Churchill Insurance

I would take Tees Valley over any location in the world. The people of Tees Valley are the finest, the most committed. They have been loyal to me and I will be loyal to them.

Jon Huntsman,
President, Huntsman Corporation

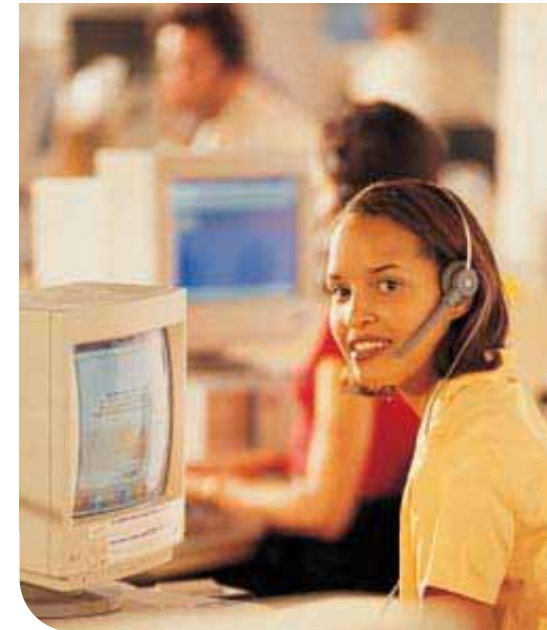
Contact centres in the Tees Valley

In 2004 an independent survey was commissioned by Tees Valley Regeneration in order to provide quantitative and qualitative information relating to the local contact centre industry.

The main findings of the survey, published in 2004, were:

Key findings

- Perceptions of Tees Valley as a location for contact centres are very positive. Highest ratings achieved were for staff flexibility, availability of suitable buildings, Tees Valley accent, general attitude of agents and labour availability.
- None of the operators reported difficulties in recruiting contact centre agents.
- Turnover rates are on average 13% - significantly lower than the national norm. Half of all companies reported turnover rates of less than 10%.
- Most agents were found to perform well and were highly regarded in terms of flexibility, particularly in terms of changing working patterns.
- Agents' starting salaries are on average £12,666 p.a.
- Tees Valley compares very well with the national picture in terms of technology, with all companies making use of the latest contact centre technology.
- The proportion of centres using agencies for staff recruitment has reduced considerably. Direct recruitment is the principal recruitment channel.
- Tees Valley contact centres continue to make significant investments in staff training.



Abbey National are very happy with the standard of staff that we have recruited... we have had overwhelming responses to our adverts and the calibre of candidates applying is high. We have not experienced any problems in meeting our requirements.

Amanda Rocks,
Telephone Team Manager, Abbey National

The Places - Commercial & Residential

Superb choice, at the UK's lowest prices



New office building at Wyrnyard.

Whether you are looking for a site for development or ready-made commercial premises, Tees Valley has the choice you need - but at prices that beat every other region of the UK for value.

In this respect we provide an outstanding opportunity to maximise cost savings through public sector relocation. For example, a new 50,000 sq ft office development in a prime location in the Tees Valley would have a headline rent of £15 per sq ft. Gross accommodation costs (rent + service charge + rates) would amount to £22.25 per sq ft - an annual cost of £1.11 million. The table below compares this cost with other UK locations.

Location	Rent*	Service*	Rates*	Total*	50,000sq ft p.a.	Cost - Tees Valley	% Extra Cost
Central London	65.00	7.50	17.50	90.00	4,500,000	3,387,500	404
Edinburgh	27.50	5.00	13.00	45.50	2,275,000	1,162,500	104
Birmingham	27.50	4.50	9.00	41.00	2,050,000	937,500	84
Reading	24.00	5.00	9.00	38.00	1,900,000	787,500	71
Manchester	27.50	5.00	5.00	37.50	1,875,000	762,500	69
Slough	23.00	5.00	9.00	37.00	1,850,000	737,500	66
Glasgow	23.00	4.50	9.00	36.50	1,825,000	712,500	64
Leeds	23.00	4.50	9.00	36.50	1,825,000	712,500	64
Watford	23.00	5.00	8.00	36.00	1,800,000	687,500	62
Bristol	23.00	4.50	8.00	35.50	1,775,000	662,500	60
Southampton	21.00	5.00	8.00	34.00	1,700,000	587,500	53
Croydon	20.00	5.00	7.50	32.50	1,625,000	512,500	46
Cardiff	18.50	3.50	6.00	28.00	1,400,000	287,500	26
Newcastle	19.50	3.50	4.50	27.50	1,375,000	262,500	24
Liverpool	16.00	3.50	5.00	24.50	1,225,000	112,500	10
Tees Valley	15.00	3.25	4.00	22.25	1,112,500	-	-

*£ per week per sq ft

The savings clearly vary from location to location but, over a 10 year lease period, a Tees Valley location would save £76 million compared to Manchester, or nearly £34 million compared to London.

At the time of writing, the Tees Valley has over 200,000 sq ft of immediately available prime office space. We anticipate that speculatively built space will continue to be added in

the coming years and there is also capacity to build bespoke requirements at a number of sites where developers are already engaged.

Contact us on 01642 632000 for the most up to date information on property availability.

Unbeatable value in housing too

Should your plans involve the relocation of a significant number of personnel, then house prices in the Tees Valley will provide a significant benefit for your employees.

- The average house price in Tees Valley is £101,000, less than half of the national average of £175,000 and a third of the Greater London average of £280,000.
- The gulf between average prices in Tees Valley and Greater London of all types of detached and semi-detached houses has widened considerably in recent years.
- For the average cost of a terraced house in Greater London, you can buy a detached house in Tees Valley and have £100,000 to spare.
- Average prices in Tees Valley are lower than those for any other region in England.



Picture supplied by Bellway Homes from the Bishop Cuthbert development in Hartlepool

Average price of Houses (£,000) by Type - First Quarter 2003

Location	Detached	Semi-Detached	Terraced	Flat/Maisonette	Average
Tees Valley	182	110	59	83	101
Greater London	580	310	287	239	280
England & Wales	262	159	135	167	175

A significant government letting within the Tees Valley would without question provide an added stimulus and vitality to the market

Tim Evans,
Knight Frank

The Economics

The Tees Valley's credentials re-examined

The King Sturge background report for Sir Michael Lyons tested the ability of the UK regions to host 20,000 jobs relocated from London and the South East.

In doing so, it highlighted Tees Valley (Middlesbrough and Stockton-on-Tees) as preferred 'first quartile' site for the following main types of central government activity:

- Information Support Contact Centres
- Interactive Contact Centres
- Back Office Processes

Despite many successful regeneration initiatives, the Tees Valley still has a higher than average unemployment rate. The unemployment rate is higher than the North East average, which is itself much higher than the national average.

What's more, unemployment is particularly high in those aged under 25 years - however, this underlines the ready availability of young, willing workers in the Tees Valley.

Using the Index of Multiple Deprivation, around 50% of the wards in the Tees Valley fall within the quarter most deprived in England, and the Tees Valley is therefore a prime example of the need for a reduction in regional disparity.

Clearly there remains a significant disparity between the North and the South, which is recognised in the emerging policy context of the Northern Way. Indeed in this new policy context the Tees Valley is recognised as a new city region.

The knock-on effects - bigger and better economic results all round

In conjunction with PACEC and the University of Glasgow, we prepared an analysis of potential economic benefits generated by the relocation of public sector activities from Central London. We applied PACEC's economic model to two different hypothetical scenarios.

For both scenarios we made the following assumptions:

- The relocating project is currently located in London, currently employs 550 people and through relocation will achieve productivity gains and efficiencies so that in the Tees Valley it will employ 500 people.
- The average salary for administrative staff is £20,280 in London and £16,900 in Tees Valley.
- Average salaries for senior/mobile grades are £38,000 in London and £34,000 in Tees Valley.
- High unemployment in Tees Valley would mean no labour market displacement - workers getting jobs in Tees Valley would not leave unfulfilled vacancies elsewhere. In London, many, but not all, of those who lose their job would find alternative employment by filling unfilled vacancies.

- The office has a small amount of purchasing, which we have estimated as £4,000 per employee. This would be largely services such as property maintenance, entertainment, cleaning and other local services. Just over 50% of these purchases will be made in Tees Valley.
- Estimates of impact on government expenditure and revenue do not take into account any capital expenditure associated with relocation, or other operating costs or savings, with the exception of wage costs.

The key findings of the research are given on the opposite page. A more detailed account of the research findings is available on request.

Scenario 1

No staff move from London to Tees Valley and all staff are recruited from Tees Valley.

Impact on Employment			
	Tees Valley	Rest of UK	Total
Direct Jobs	500	-550	-50
Induced/Indirect Effects	97	269	366
Total Unemployment	597	-281	316

London loses 550 jobs but 269 people find new employment.

With 597 jobs gained in Tees Valley and 281 lost elsewhere, UK employment rises by 316.

Tees Valley unemployment falls by 360 and overall UK unemployment by 190.

Impact on Government Finance			
	Expenditure (£m)	Revenue (£m)	Net (£m)
Direct Effects	-3.0	-1.1	2.0
Total Effects	-4.2	1.1	5.3

Government expenditure falls by £3.0m because there are fewer civil servants and salaries are lower.

In the short term government income falls because of lower tax income, but ultimately the net gain is £5.3m.

Overall conclusion

The study revealed that for every 500 jobs transferred to the Tees Valley:

- an additional 95-125 local jobs would be created.
- the Government's overall financial position would improve by between £5.3 million and £5.7 million each year - and this is excluding the savings on reduced property costs.
- including the property savings increases the total saving to c£9 million.
- overall UK unemployment would fall by up to 190.

Moreover, the relative impact of these hypothetical scenarios would be less if any location other than Tees Valley were to be chosen.

Scenario 2

125 jobs are at senior grade and these will all be relocated to Tees Valley. These people will bring with them an additional 80 family members. 375 administrative grade jobs will be filled from the Tees Valley.

Impact on Employment			
	Tees Valley	Rest of UK	Total
Direct Jobs	500	-550	-50
Induced/Indirect Effects	123	243	366
Total Unemployment	623	-307	316

The employment impact on the UK economy is the same as in Scenario 1, but the impact on the Tees Valley is greater because of people moving in with the jobs. The 500 direct jobs now generate an additional 123 jobs.

The effect on unemployment and economic activity in Tees Valley is somewhat less with this scenario.

Impact on Government Finance			
	Expenditure (£m)	Revenue (£m)	Net (£m)
Direct Effects	-3.6	-1.2	2.4
Total Effects	-4.8	0.9	5.7

Over and above the direct savings from lower operating costs, a further £1.2m is saved through lower unemployment benefits. Government revenue also rises by £0.9m, giving an overall financial improvement of £5.7m.

Tees Valley is almost certainly one of the best places in the UK to deliver the sort of sustainable economic impacts that the treasury surely expects from Civil Service re-locations.

Professor Ron Botham,
Professor of Entrepreneurship and Regional Development,
The University of Glasgow

The Way of Life

Quite simply, a better way



For any personnel involved in relocation, the Tees Valley offers a more rural, less frenetic, but still lively way of life. All of the urban centres are within 20 minutes of spectacular coastal and countryside attractions.

A significant part of the North Yorkshire Moors National Park lies within the Tees Valley, and five national parks are within a 90-minute drive.

The principal towns of the Tees Valley offer extensive retail, leisure and cultural facilities, including three theatres, a vibrant nightlife and a variety of first class restaurants which are earning the area a growing and justified reputation for fine food. Tees Valley also hosts a number of internationally renowned festivals such as Stockton Riverside Festival and Middlesbrough 'Music Live', together with a variety of sporting events, many centred around the impressive waterfront infrastructure of the River Tees.

The working population of the Tees Valley enjoy a higher than average standard of living due to lower housing costs and the resultant higher level of disposable income. This creates a self-perpetuating demand for ever-higher levels of local amenities.

On the educational front, Tees Valley schools in both the public and private sectors have produced top ranking results and have featured prominently in national league tables.

In short, the unbeatable financial savings that Tees Valley offers come complete with a better way of life included. Take a closer look at Tees Valley, take a fresh perspective and we believe you will acknowledge that in every respect there is no contest.



What the relocators say

I relocated to Darlington from London in August 2001 along with my wife and my daughter, who was then three years old. We had visited the town several times before as my sister-in-law and her family had relocated here in 2000. We therefore knew a lot about the area already.

We knew that the nursery, primary and secondary schools were far better than their London equivalents. We knew that commuting was minimal. My journey to work now takes around 30 minutes whereas in London I spent 2½ hours a day travelling. We also knew that we could afford much better housing in Darlington.

Since we've been here we've found out a lot more about the area's amenities and attractions. Favourite places of ours include the Civic Theatre and Arts Centre, which have a good range of shows and plays, and the Dolphin Centre, where we love to swim.

Thanks to the Department's specialist relocation contractor, Cendant, everything went very smoothly with our relocation. They helped us access all the services we needed, such as solicitors, surveyors, removal companies.

Robert Pilling,
Department of Educational Services

Since relocating to the Tees Valley from London in July 2001, my wife and I have enjoyed a slower pace of life and gained much more quality of life. I used to spend around 4 hours a day commuting and now I get to work in about 20 minutes. I have more time, I am less tired and have a better work-life balance.

The location is excellent, with easy access to wider attractions such as Newcastle and the Yorkshire moors, and the cost of living is much lower than in London, particularly where housing costs are concerned.

We've been here for three years now and we consider it to be home. The people are friendly and hospitable, the air is cleaner and life is better all round. My wife is expecting her first baby in September and we are proud that he or she will be born a Northerner.

Chris Foster,
Department of Educational Services



The Tees Valley

offering in a nutshell

- The cost of quality commercial property is lower in Tees Valley than in any other region of the UK.
- Over the next few years the Tees Valley will have an ongoing supply of new office space that in terms of rental levels will afford savings of up to £3.5 million each and every year.
- Tees Valley has ready availability of high quality personnel and one of the lowest labour turnover figures of any region within the UK.
- Economic impact assessment work demonstrates that for every 500 jobs transferred to the Tees Valley the exchequer would benefit by c£9 million annually.
- Any relocations to the Tees Valley would in themselves be a significant spur to further development and this would generate more development.
- The area enjoys first class transport communications - both internally and externally
- The average cost of housing in Tees Valley is £101,000. That's lower than the average in any other region.
- We can offer exceptional quality of life in an area of great natural beauty.
- Tees Valley, in short, has the space (both in terms of sites and new premises), the will (a public sector committed to ongoing regeneration) and the people (up to 1.66 million within an hour's drive).
- A track record of success in attracting and retaining new businesses
- All the help you could ever want, courtesy of Tees Valley Regeneration.

Tees Valley Regeneration - driving the process of change

Tees Valley Regeneration was formed in 2002 as one of fourteen urban regeneration companies promoted by the government and established by local partners to champion and stimulate investment. We have a remit to lead a £1.5 billion investment programme in land, property and infrastructure, which makes us the UK's largest urban regeneration company.



We are now building on earlier work by the Tees Valley Development Company and acting as a single driver and catalyst for the whole Tees Valley.

Our seamless blend of property, regeneration and promotion skills is unique. We maintain comprehensive information on every aspect of our area and offer a complete package of support to facilitate inward investment in the Tees Valley.

For more information on Tees Valley, contact:

Neil Etherington

Strategic Investment and Marketing Director

Tees Valley Regeneration

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no contest

Tees Valley
Regeneration



Tees Valley Regeneration

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