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Evaluation of EU Funded Infrastructure: Phase Three

Summary

1. Research aims and methodology

- 1.1 This report provides the findings of Phase Three of the evaluation of EU funded infrastructure in Wales. The study includes all infrastructure that has been funded through the European Regional Development Fund (ERDF) during the 2000-06 and 2007-13 programme periods.
- 1.2 The Phase Three report had two main purposes:
 - To provide further understanding of how EU funded infrastructure in Wales is being used and the economic and social benefits being generated for users. This has been investigated through the use of a number of infrastructure user surveys, including rail passenger surveys and surveys of occupiers of EU funded sites and premises and research and innovation facilities.
 - To investigate whether, and if so how, new and improved infrastructure within the regions of Wales work together for the benefit of the region, in terms of the local economy, residents and businesses. This has been explored through case studies in four areas (Anglesey & Bangor, Blaenau Gwent, Port Talbot and Swansea). This included stakeholder consultations and telephone surveys of local residents and businesses.

2. Key findings of User Surveys

Rail passengers

- 2.1 Rail passenger surveys were undertaken on two lines which have received substantial ERDF investment; The Ebbw Valley Line which was reopened in 2008 with the support of EU funding, and the West Wales Line at Gowerton Station which received investment during the 2007-13 programme. The surveys were conducted with the use of self-completion questionnaires, issued and completed by adults on

peak train services. 787 questionnaires were completed in total (559 on the Ebbw Valley line and 228 at Gowerton).

- 2.2 Data on entries and exits at rail stations shows the improved infrastructure is well-used and the number of users has increased over time. In the case of the Ebbw Valley line, all of this can be attributed to the ERDF funded project since this allowed the line to reopen to passengers. In the case of Gowerton, the survey evidence shows a substantial proportion of this usage can be attributed to the ERDF funded improvements.
- 2.3 The investments have improved access to the jobs and leisure markets of Wales's two largest cities (Swansea and Cardiff). This benefits individuals but also businesses and employers in these cities by increasing their access to workers and customers (although it also implies leakage of expenditure from the areas along the Ebbw Valley line).
- 2.4 There is good evidence that both lines have led to people making more sustainable travel choices by decreasing their use of cars in favour of rail travel.
- 2.5 The investments have improved access to employment for a large proportion of people, including people living in deprived areas with few job opportunities such as Blaenau Gwent. The reopening of the Ebbw Valley line has been particularly important for improving young people's access to employment, with 39% agreeing that it would be more difficult for them to access their workplace.
- 2.6 The investments have significantly enhanced access to leisure opportunities and made it easier for people to visit friends and family. Leisure trips are the main reasons for usage on both of the lines which have received investment.

Occupiers of ERDF funded sites and premises

- 2.7 Occupiers of ERDF funded sites and premises were interviewed over the phone. These were identified through a mapping exercise, which identified the specific premises that had benefitted from grant investment and used business databases and telephone directories to identify the contact details for business occupiers. 333 businesses were contacted in total, with 47 interviews completed (a response rate of 14%)¹. The low sample size means the findings can only be interpreted as the views of a small number of businesses which may not be representative of all occupiers.
- 2.8 With this caveat in mind, the business survey findings indicate that:
 - ERDF investments in sites and premises have mostly benefitted small businesses who want to stay in the area where they currently operate.
 - The key motivation for a lot of businesses moving into these new premises is the need for more space or to enable future growth of the business. Other

¹The low response rate could be due to a number of factors, including: i) the surveys were undertaken in 2021 when businesses in Wales were still operating under Covid-19 restrictions and a large number of managers and employees were still working from home, and ii) a large number of contacts were unaware that their premises had benefitted from public investment and were therefore reluctant to participate in the survey.

important factors include the desire for more modern/better quality premises or to be in a better location.

- A large proportion of businesses would have struggled to find alternative premises that meet all of their requirements (e.g., size, cost, location). This suggests ERDF funded sites and premises have played some role in meeting occupier needs and addressing gaps in the market.
- Moving into the new premises has delivered a number of benefits for occupier businesses, including higher growth, increased productivity and improved staff attraction/retention.

2.9 However, when asked to imagine a scenario where the premises were not available and the business had to take an alternative course of action, the estimated impacts on businesses are more muted, indicating at least some of the benefits to businesses would have happened anyway. Therefore, not all of the benefits can be considered additional.

3. How infrastructure is working together for the benefit of local areas

3.1 The four case studies in Swansea, Port Talbot, Blaenau Gwent, and Anglesey and Bangor have been used to investigate whether, and if so how, different types of infrastructure work together for the benefit of the local economy, residents and businesses. Cumulatively these areas have received £352m in ERDF funding for infrastructure over the two programmes (with a total investment value of £738m). This represents 44% of total ERDF investment in economic infrastructure.

Swansea

3.2 The Swansea case study finds good evidence that ERDF investments in Swansea have complemented each other, as well as other public and private investments. Key achievements have included:

- The regeneration of the former docks area (now known as SA1) from a derelict site in to one of the city's main office quarters. SA1 is now home to 27% of Swansea's jobs in financial and professional services, which have been one of the main drivers of growth in the city, and helped Swansea to close the performance gap with the UK average. SA1 is also the home of University of Wales Trinity Saint David's (UWTSD's) new Waterfront Campus, which is expected to be a key driver of growth in the future. ERDF investments played a critical role in the transformation of SA1 by improving access to the site, preparing a large part of the site for development and pump-priming investment in the office quarter.
- Improving the Maritime Quarter and its links with the city centre. ERDF investments, such as the National Waterfront Museum, were instrumental in boosting visitor numbers to the Maritime Quarter, which in turn has led to further investment in leisure facilities and the public realm in this part of the city. These also paved the way for further investments which have improved connectivity between the city centre and the Maritime Quarter.

- 3.3 Key to these successes has been Swansea City Council's long-term vision to capitalise on and celebrate its waterfront setting and, in doing so, transform the image of the city in the eyes of investors, workers and visitors. This vision has guided the council's approach to infrastructure investment for the last 25 years and ensured that the ERDF funding has been used strategically. This continues to this day, with the Copr Bay regeneration programme which is building on the successes of earlier ERDF investments by continuing to improve the city's links with the waterfront.
- 3.4 Although there remain a number of regeneration challenges facing Swansea (not least the vitality of the city centre), it is clear that ERDF investments have made an important contribution to achieving this vision and improving perceptions of the city.

Port Talbot

- 3.5 Almost all of the ERDF investments in Port Talbot have been guided by a long-term strategy to open up and regenerate brownfield sites, with the aim of diversifying the economy and improving access to employment. As such there are clear, complementary links between investments made in each of the last three ERDF programmes (2000-06, 2007-13 and 2014-20).
- 3.6 Key achievements to date have been the physical regeneration of:
- The former BP site, now Baglan Energy Park; a modern and attractive business park and one of Port Talbot's most attractive investment locations. A number of ERDF investments in new business premises have worked alongside site remediation and transport investments to make a vital contribution to the evolution of this site.
 - The former docklands, now Harbourside. This site is less advanced but the progress to date has been the product of complementary ERDF investment in new roads, public transport facilities and new business premises.
- 3.7 However, there has been only partial progress towards the ultimate goal of this investment (in this case growing and diversifying the local employment base). Private sector jobs growth at Baglan has been modest overall, and most of this dates back to the mid-2000s when the site attracted a number of large investments from manufacturers. Persistent viability challenges in Port Talbot mean there is a need for continued public funding for investment in new business premises to ensure the full potential of these sites is realised.
- 3.8 Nonetheless, there is evidence from the residents and business surveys that ERDF investments have improved Port Talbot as a place to live and work and delivered community benefits. A significant number of people believe the town has improved as a result of increased investment and regeneration, and the most noticeable and high impact improvements have been to infrastructure which has benefited from ERDF funding. This includes major roads and improved stations and interchanges.

Blaenau Gwent

- 3.9 ERDF investments in Blaenau Gwent have been focused on the regeneration of Ebbw Vale and particularly the site of the former steelworks, now a mixed use

community space (The Works) including a new leisure centre, hospital, school and train station. While all of these improvements have been welcomed by residents, this has not been sufficient to overcome perceptions that the area has got worse over time. Key to this is the lack of new employment opportunities in the town; Blaenau Gwent is the only case study area to have experienced a fall in employment over the past 20 years. Therefore, while infrastructure investments have delivered a number of placemaking and social benefits, they have not yet facilitated the economic regeneration of Blaenau Gwent, which is arguably the key priority for the area.

- 3.10 The priority now for Blaenau Gwent is ensuring that the area fully capitalises on the improved road connectivity offered by the ERDF funded Heads of the Valleys road investment. This includes the development of the Rhyd-y-Blew site and other employment areas that offer the potential to attract new investment and jobs to the area.

Anglesey and Bangor

- 3.11 The case study for Anglesey and Bangor finds limited evidence that EU funded investments have worked together (and alongside other infrastructure investment) to generate positive outcomes for the local area and its economy. This reflects the much lower scale of investment compared to other areas, and the fact that investments have been more widely dispersed and (with the exception of Holyhead) not part of an integrated place based strategy.
- 3.12 The investments in Holyhead were guided by a common objective to maximise the value of the port by increasing the number of visits to, and expenditure in, the town and attracting more port related investment to Parc Cybi, and in doing so to create new jobs in the town. There is limited evidence that this has been successful so far, although this needs to be viewed in the context of the modest scale of investment and the significant challenges faced by Holyhead town centre over the last twenty years. This includes the closure of several national chains and increased competition from out of town retail parks, which have undermined the vitality and vibrancy of the town and made it harder to attract visitors.

Lessons Learned

- 3.13 Key lessons that have emerged from the case studies are as follows:
- Infrastructure should **build on existing strengths**. Investment in SA1 has been successful mainly because it capitalises on Swansea's existing strengths in financial and professional services and higher education but also its waterfront setting. Similarly, infrastructure investments in the Maritime Quarter have built on existing assets and enhanced the vitality of this area.
 - Strategies should be supported by a **pipeline of infrastructure projects** and should **follow a logical sequence**. Large scale, transformational transport infrastructure such as the Heads of the Valleys and the Peripheral Distributor Road in Port Talbot should be the cornerstone of strategies, but these need to be followed up by other investments which fully capitalise on this infrastructure (particularly sites and premises). Although this is now

happening at the Rhyd-y-Blew site in Ebbw Vale, local stakeholders reported some frustration at the amount of time it has taken.

- **Local and regional government need to play a central role** in infrastructure planning. These organisations are best placed to identify the key challenges and opportunities facing the local area, and to develop long term, joined up infrastructure strategies to support local growth. This also needs to ensure there is accountability to local businesses and residents for how funding is spent.
- National and local government need to **recognise the long-term nature of the regeneration process** in areas undergoing structural change, and the need for sustained public investment over long periods of time. It is important to be realistic about what can be achieved in the short term and to measure/recognise small and incremental progress towards the long-term vision.
- As well as being long term, the strategy also needs to be **flexible and adaptable**, recognising that major events, policy and technological/economic change will bring new challenges. Examples in this study include changing shopping patterns, which have stalled progress on town centre regeneration schemes which rely on retail investment.
- Investments in sites and premises should be supported by **clear evidence of market demand**, not just strategic need. There are a number of examples of strategic sites which remain undeveloped because market demand was weak, including Parc Cybi in Holyhead and Parc-Bryn-Cegin in Bangor.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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