

# Everyone better off

## Supplementary Submission to Cardiff Capital Region Commission on Growth and Competitiveness

### Bevan Foundation

Thank you for the opportunity to attend the hearing on 16<sup>th</sup> September 2016 and to submit supplementary information. This note covers two issues discussed during the hearing.

### Connectivity

At the hearing there was some discussion about the extent to which connectivity – and in particular the Metro – would solve the problems of the south Wales valleys.

The Metro is clearly an extremely important investment which has the potential to transform train travel within the city region. With the journey from the Merthyr Tydfil to Cardiff city centre – a distance of 24 miles – taking more than an hour by train on the oldest rolling stock in the UK, current services are not fit for purpose. Investment that cuts journey times, increases frequency and improves journey quality will improve the experience for existing and, hopefully, new passengers.

We are much less convinced that the Metro will transform the wider economy for the following reasons:

1. Even with reduced journey times, the travel times from the Heads of the Valleys area to Cardiff are still considerable – e.g. 45 minutes station-to-station for the Merthyr – Cardiff trip. The journey times for communities that are off the rail line, such as Tredegar or Brynmawr, are likely to continue to be much longer. Once additional time from home to workplace is taken into account, even with the Metro most valleys to Cardiff trips will comfortably exceed the average British commute of 10 miles and 28 minutes.<sup>1</sup>
2. Longer trips to work are strongly associated with higher socio-economic status i.e. people in higher socio-economic groups travel furthest. Higher socio-economic groups are also much more likely to use the train than low income groups - in England the most well-off travellers are four times more likely to use rail than the least well-off.<sup>2</sup> In the south Wales valleys the people who are most likely to be unemployed or economically inactive are those with few qualifications and/or who previously held semi- or unskilled work. In other words, the people who most need new job opportunities are the least likely to use the Metro to get to them. Women and part-time workers are also less

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<sup>1</sup> Department for Transport (2015), **National Travel Survey** tables 0405 and 0406

<sup>2</sup> Department for Transport (2015), **National Travel Survey England**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/457752/nts2014-01.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457752/nts2014-01.pdf)

likely to make long journeys to work than others.

3. It may be that the Metro combined with local labour market conditions mean that the south Wales valleys buck national trends, although it is unlikely. In our view a strategy for growth that is based on the expectation of extensive, long-distance commuting by the least well-off at best may not succeed and at worst could entrench and exacerbate inequalities.
4. Passive commuting (i.e. by bus, rail and car) is associated with negative health effects, increased stress, higher blood pressure and BMI, and reduced time available for health-promoting activities such as cooking, exercising and sleeping. The longer the commute, the worse the effects.<sup>3</sup> The south Wales valleys already have a high burden of ill-health and we can see no merit in adding to it by building long commutes into the region's growth plan.
5. Many of the most disadvantaged areas in the south Wales valleys are those that are some distance from rail/Metro stations. It is not enough to extend Metro services to towns such as Maerdy, Tredegar and Brynmawr – unless there are onward services that reach into the heart of residential areas the benefit will not be felt by disadvantaged communities.
6. At present, bus services are orientated to the leisure/shopping market (not least because of concessionary fares) which is reflected in the timings of the first and last services and their principal destinations. For example, in Merthyr Tydfil almost all local commercial services end by 6 p.m. with only a handful of infrequent, poor quality subsidised services operating into the evening. The timings of services make it impossible for a Merthyr Tydfil resident requiring an onward bus to their home to hold a job in Cardiff which finishes at 5 p.m., unless he or she arranges a lift or pays for a taxi.
7. The cost of travel is also an important consideration. At present a return train trip from the Heads of the Valleys area to Cardiff costs £7.90, equivalent to more than an hour's pay at the National Living Wage and more than two hours' pay for an apprentice. It is the equivalent of someone on a salary of £30,000 a year paying £16.48 per return trip. For employees working short hours, as many do in service industries, the fares make even less economic sense.
8. We question whether Cardiff has the capacity to provide sufficient jobs to address the lack of employment in the valleys. The Industrial Communities Alliance estimated that even if Cardiff were able to generate 30,000 new jobs and if half of these jobs were filled by people living in the seven valleys local

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<sup>3</sup> Royal Society for Public Health (2016), Health in a Hurry.

authorities – both heroic assumptions – Cardiff would provide only around one-third of the jobs required to bring the valleys up to the GB average employment rate.<sup>4</sup> It would be a contribution, of course, but insufficient to transform the fortunes of valleys communities.

### **Trickle Down**

9. Our original written evidence recommended that priority be given to increasing the number of employees in Cardiff Capital Region who are paid the voluntary Living Wage. In the hearing we explained why we considered focusing on raising the incomes of the least well-off rather than creating higher paid jobs to be important.
10. Roughly a quarter of employees in Cardiff Capital Region are not paid enough for a basic but acceptable standard of living, even after they have claimed any in-work benefits to which they may be entitled i.e. £8.25 an hour. Low pay is a key factor (along with short working hours and the work status of other household members) in low household incomes. Some of the sectors that are forecast to grow in Wales (and which already have a strong presence in Cardiff Capital Region) are already characterised by a high proportion of employees earning below the voluntary Living Wage rate (e.g. food and accommodation services, retail and social care).
11. Low incomes depress consumer demand for everything from leisure and entertainment services to food and household goods. While any increase in consumer spending will have a multiplier effect, people who are low-paid are more likely than those who are better-off to spend additional income on local goods and services.<sup>5</sup> In other words, the same increase in aggregate incomes in the Capital Region will have a greater economic impact if the gains are at the lower end of the income distribution.
12. It is sometimes suggested that increasing the incomes of high earners benefits low-waged workers because the gains ‘trickle down’ via various mechanisms including increased demand for goods and services. Even if this were proven, there remains a risk that there would be no change in the earnings of workers in the sectors stimulated by the additional purchasing power. Indeed, it is feasible that poverty in a city region would actually *increase* as a result of ‘trickle down’ creating more jobs in low-paid sectors. This is not fanciful – some of the biggest job increases in Cardiff have been in

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<sup>4</sup> Industrial Communities Alliance (2015) **Growth beyond the big cities - the role of Britain’s industrial towns in delivering jobs and prosperity**

<sup>5</sup> For example the Office for Budget Responsibility estimates the multiplier effect of increases in benefit spending (which mostly goes to low income households) to be twice that of the cuts in personal taxes and National Insurance (which mostly goes to median and high income households).

precisely these economic activities.

13. I stress that we are not arguing against the creation of higher-paid jobs. What we are calling for are ways of ensuring that low-paid workers enjoy a fair share of any growth, with the voluntary Living Wage being one such approach.

### **An alternative approach**

14. The Cardiff Capital Region and the Metro are a unique opportunity to re-balance the region's economy and employment. We consider that the region should be developed for the benefit of all people and places. It is yet to be proven that one of Wales' largest public infrastructure investments will deliver benefits across the region by focusing on Cardiff alone, which is already one of the most prosperous areas in Wales and which has barely a third of the city region's population. Instead, there needs to be an explicit strategy to encourage growth across the region.
15. Our preferred approach is therefore threefold. First, incentives should be given to stimulate growth across the valleys generally through designation of a region-wide enterprise zone in which tax breaks are linked to clear, local employment gains. This should replace the existing Enterprise Zones in the area.
16. Second, a limited number of growth nodes – perhaps New Towns – that are centred on valleys towns where there is good local connectivity should be designed. There are areas within the city region, such as Merthyr Tydfil, which are close to having critical mass in terms of anchor institutions, population, are at strategic transport intersections and are already attracting private sector investor interest. Designation as a growth area coupled with incentives for further investment and substantial improvements in **local** connectivity could act as a significant catalyst for these areas.
17. Third, there needs to be an imaginative approach to the Metro's development. The Metro should be used to stimulate investment outside of Cardiff, for example to support the location (or re-location) of major public sector organisations in the valleys, whether part of the National Museum of Wales or a university medical school to name just two, and it should challenge stereotypes of south Wales communities through good urban design and marketing.

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