

FRASER OF ALLANDER COMMENTARY, JUNE 2013: GLASGOW – SPECIAL ISSUE

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Introduction and Background

It is timely that the **Fraser of Allander Commentary** turns its analytical attention to Glasgow, Scotland's largest city and the centre of Scotland's only true metropolitan economy. As the **Scottish Government** and the UK Government's **Technology Strategy Board (TSB)** recognise, cities and city-regions are increasingly the drivers of economic recovery and growth. This is also increasingly true for many of the world's largest and most dynamic companies – Siemens, GE, Mitsubishi, CISCO, IBM, ARUP etc. – who recognise that cities are driving demand for new smart infrastructure and technologies. That Glasgow has been chosen by the TSB (from over 50 UK cities) to be the UK exemplar to test, develop and deploy SMART city technologies, is testament to the fact that Glasgow is well-positioned – institutionally, academically and economically – to take advantage of an upturn in global demand. Not only is there increasing demand for smart solutions to urban living we can - and must - use this to attract new researched and high value work to develop and extend the city's export base. Such a development is a world away from the deep structural economic changes that buffeted this great city and its citizens from the early 1980's. This sea change in the city's economic experience is evidence, I would argue, that Glasgow is well into its 'second wave' of post-1980's economic development (the first was the McKinsey / Glasgow Action focus on financial services, software and tourism). This 'second wave' recognises and builds on the first while refocusing on Glasgow's – and its wider city region's - historic role and contemporary reality as Scotland's engineering and technological heartland, and as a base for newer industries in the life sciences, creative media and low carbon / renewable technologies.

It is clear than any city, not least Glasgow, will have to both embrace a low carbon future, as well as develop industrial and business success in the development and application of low carbon technologies, innovation and business practices. It is in the latter area that Glasgow, with its engineering heritage, businesses and universities and colleges, needs to focus its efforts to create a new Industrial Revolution. We know from the literature on city growth that it is the *application* of innovation and its widespread use across all sectors of the economy – including digital and web-based technologies – that are critically important to underpin long-term growth and development.

The development of Glasgow, post the 2008 financial crash and subsequent deep recession – what in the US is termed, the 'Great Recession' – has been a journey to rediscover and renew Glasgow economic, civic and business roots. The establishment of the **Glasgow Economic Commission** in 2010, by the Leader of the City Council and the Glasgow Economic Partnership was a bold attempt to draw on the experience and expertise of the city's private sector leaders to help focus public efforts to support and drive growth and employment. Similarly, the subsequent establishment of the **Glasgow Economic Leadership Board** brought together leading business figures – from engineering, finance, energy, life sciences, food & drink and retail - with the Leader (and CEO) of the City Council and senior leaders from Scottish Enterprise and, of course, academia. In essence, the aim of Glasgow Economic Leadership is to

recreate the sense of purposeful engagement of the city's civic, business and academic communities behind a single purpose: to grow and develop the Glasgow economy, attract investment and jobs and increase Glasgow's contribution to Scotland's growth and development.

To do this, the Leadership Board, following on from the advice and analysis of the Glasgow Economic Commission, established **industry-led, key sector work streams - Low Carbon Industries; Engineering, Design & Manufacturing; Life Sciences; Financial & Business Services; Tourism & Events; and, Higher & Further Education** - a sector which make a very significant contribution to the city's economic, social and cultural life.

Each work stream was set a simple task: to identify (within a six month period) an Action Plan to help drive investment and jobs and contribute to the overall development of the city economy. Each drew on its own experience and knowledge - from business, public agencies and academia - to agree and then present their proposals to the Economic Leadership Board in June 2012. These Action Plans were grounded in fact and experience, and focused on Glasgow working to meet new global demands. Each Action Plan was set in a wider Scottish perspective and sought to identify the distinctive contribution that Glasgow could make to Scotland's success. In Life Sciences, for example, the work stream focused on Glasgow's pre-eminent role in Scotland for **Stratified Medicine** (or as it's termed in the US, 'personalised medicine'); on **MedTech** (medical and health technologies) where the city lies at the centre of Scotland's largest concentration of MedTech companies; and on **global pharma manufacturing** with Scotland's largest centre based at GSK in Irvine. Similarly in Tourism, the work stream sought to further enhance the economic contribution that Glasgow plays as Scotland's centre for **Business Tourism**, its increasing focus on attracting **Major Events**, such as the Commonwealth Games in 2014, other major sporting (eg the city's bid to host the 2018 Youth Olympics) and cultural events; and, the strategic and global exploitation of Glasgow's unique **Mackintosh** legacy. In Low Carbon Energy - and as recognised separately by the *Economist* - the focus has been on capitalising on the world class research base at Strathclyde University together with the creation of an integrated corporate community to build strong supply chain opportunities and enhanced uses of technological innovation.

This issue of the **Fraser of Allander Commentary** includes a business perspective on Glasgow as a business and corporate centre by **PwC**. Glasgow is home to the headquarters of major companies, most notably the publically-listed, FTSE 100, Weir Group plc and Aggreko plc, plus Scottish Power, Clydesdale Bank, the privately-owned Edrington Group and a significant number of smaller, high-growth, technology companies such as Castle Precision Engineering, Linn Products, Graham Technology and Sgurr Energy to name but a few. These companies - and more - link Glasgow firmly to international markets and they utilise and develop Glasgow enviable skills and graduate base as well as attracting global talent to the city. An increasing number work in partnership with the city's universities and colleges to develop not only the skills and innovation they need to succeed but in partnerships help take research into new industries and products. Importantly they help anchor investment and talent in the city - and in Scotland.

Glasgow's ambitions to develop a low carbon economy and test and demonstrate the application of SMART city technologies is outlined by **Dr Richard Bellingham** of the **Strathclyde International Public Policy Institute's (SIPPI) Institute for Future Cities** and a leading expert in Energy and SMART Cities analyses. Dr Bellingham outlines the work to date and how we must use these to help drive a new 'smart' industrial revolution in the Glasgow and the wider city region economy.

Dr Kristinn Hermannsson (research associate at the Fraser of Allander) analyses the economic impact of universities / HEIs in Glasgow. This work is UK-leading and reflects the expertise of the Fraser of Allander Institute in applied economics. Suffice to say, it is our students that are working out in the economy, make the largest economic impact on productivity and wealth - something we should never forget.

Grant Allan, Research Fellow at the Fraser of Allander and its Lead Forecaster, uses the latest economic data to analyse Glasgow's 10-year economic performance and compares it to that of Scotland's cities to draw out its strengths - such as the city's strong skills profile with graduate numbers that compare favourably with major UK cities; and, of course, the city's continuing challenges.

It is worth noting that Glasgow's business leaders told the **Glasgow Economic Commission** that they compare Glasgow - what it offers and how it is developing - not with Scotland's other cities, but to the

UK's larger cities: Manchester, Birmingham and Leeds as well as major European cities. This outward-looking economic perspective reflects Glasgow's long trading tradition which saw it develop explosively from an important medieval ecclesiastical and academic centre to a great trading city, based first on the North Atlantic trade and then with the industrial revolution as a world leader in shipbuilding and engineering. It is an intriguing thought as to whether Glasgow, post-2008 and into the early years of the 21st century, is returning to its economic roots as a global trading city – trading on its skills and talent, innovation, technologies and business acumen. This is a vision that Glasgow's Victorian business and civic leaders, who oversaw this great city's growth over a century ago, would recognise and strongly endorse.

This is an exciting time for Glasgow. The **Fraser of Allander Commentary** provides an opportunity to analyse where we are and some of the issues we face. However, it is for **Glasgow Economic Leadership** and all its partners in business, public agencies and academia to converge through collaboration in order to invest in where we want to be and what city we want to create for the benefit of all our citizens, longstanding or new. To let Glasgow flourish.

Professor Sir Jim McDonald
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