



Movement Matters is a series of thought leadership events, presented by Steer, exploring new ideas about places, people and economies and providing a burst of fresh thinking.

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# Post-event summary

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## MANCHESTER BEIJING CONNECTIVITY

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**11 October, 2017**

4:00pm-6:00pm

Manchester Art Gallery

Mosley Street

Manchester, M2 3JL

**International connectivity, and the trade, investment and innovation it enables, is key to the economic performance of cities and their regions. The greater the global connectivity between cities, the stronger the potential for enhanced wealth creation and economic growth in them. This international connectivity must, however, be combined with right enablers of economic growth locally (skills, innovation systems, functional land and the property markets) and a quality local transport infrastructure.**

We brought together an expert panel with different perspectives of the industry to facilitate a discussion on how the recently introduced direct Manchester-Beijing flight route is acting as a catalyst for growth and resilience in a global connectivity context. The session explored the impacts of this new service for Greater Manchester and the Northern Powerhouse in general, and how to maximise these impacts over future years. This discussion was followed by a Q&A with the audience.

The session began with an introduction from **Mark Matthews, Associate, Steer Economic Development**, who chaired the event on behalf of Marian Sudbury (Director Global Operations, Northern Powerhouse – Exports and Investment, Department for International Trade). Mark first set the scene of the Manchester/Beijing connectivity story, with the launch of direct flights between the two cities in June 2016. He highlighted the importance of these direct flights as the global economy is, to a large extent, a network of major cities and their supporting hinterlands. Manchester has an important role as one of the 600 global cities which are driving the bulk of global GDP growth. Mark then introduced the panel.

First to speak was **Adam Jupp, Head of External Affairs, Manchester Airports Group**, offering his perspective on the development of the Manchester-China relationship since former Chancellor George Osborne launched the Manchester China Forum in April 2013. In his presentation:

- Adam pointed out that the future growth ambition for Manchester Airport is reliant on access to the world's most important markets. Adam spoke of how securing the direct Manchester-Beijing flight was indicative of the long-term ambitions to develop and grow the relationship, and should be reflected in the policy environment.
- He reflected on the importance of the 2015 visit of Chinese President Xi Jinping, whose decision to visit Manchester on his official state visit has had a positive impact for the city. He noted how the visit had helped to reinforce the strength of the Northern Powerhouse 'brand' and had been bolstered by the



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- announcement of the launch of direct flights;
- He spoke on how the success of the flight in its first year shows how the Northern catchment can 'support and sustain such a route', complementary to, and not in competition with, Heathrow.

**Fiona Tuck, Associate, Steer Economic Development**, presented next. Fiona has been working with the Manchester China Forum and Manchester Airports Group on Steer Economic Development's emerging report, which assesses the wider economic impacts of direct flights between the two cities one year from its launch. In her presentation:

- Fiona explained the new approach developed by Steer Economic Development to assess the impacts of the new flight by looking at the benefits conferred to different parts of Manchester's economic 'system'. This approach differed to the usual direct/indirect/induced model often taken to understand transport impacts.
- She spoke of how combining a traditional quantitative approach with a more qualitative impact assessment had proved to be developmental and innovative. She spoke of how in their first year, the direct flights had been a significant success, carrying more than 90,000 passengers between the two cities and contributing to the 21% uplift in total UK-China passenger air journeys. More widely, increases in Chinese foreign direct investment (FDI) and property enquiries in Manchester had been noted, the Chinese student population was growing steadily, and key R&D partnerships between regional and Chinese institutions had been founded.
- She reflected on how a new way of thinking about the wider impact of direct connectivity would require some recalibration, building on lessons learned from this study. This could include better understanding of how effects within the economic system - such as people, skills and culture - would virtuously influence other domains, such as business, R&D and innovation.

Next, **Richard Cotton, Head of Student Recruitment, University of Manchester** discussed the importance of the China link to the University, and its ability to attract high numbers of both students and staff from China to its campuses. In his presentation:

- Richard put the relationship between Manchester and China into context from an academic perspective. He noted how Chinese people represent the highest proportions of both international students and staff at the University, far higher than any other country. The University of Manchester is currently involved in research partnerships and projects across the globe, with a strong emphasis on China due to its world-class research and innovation activity.
- He noted that international involvement is a significant determinant of the Academic Ranking of World Universities' (ARWU) assessment system and that the University of Manchester has enjoyed a sharp rise in its ranking from 78th in 2004 to 38th in 2017.

**Peter Chi, Finance Director, BCEGI Construction (UK) Ltd.**, spoke next about the impact of direct flights on the property market. BCEGI, a Chinese state-owned entity, is currently investing directly in the Northern Powerhouse through activities at Airport City in Manchester and Middlewood Locks in Salford. In his presentation:

- Peter highlighted the benefits that the new direct flights are having on hotel accommodation, private rental and residential sales markets. Peter highlighted the high rental yields achievable in Manchester compared to China, which averages around 3%, and the rest of the UK, which averages around 5%, and how this is an important attraction for Chinese investors.
- He discussed the more intangible element of enhanced connectivity in increased brand recognition for the North of England. He noted how Manchester was becoming a big player for Chinese investors and tourists who were now thinking of the city as a first stop in the UK, offering more convenient access and favourable prices than London.
- He noted that he had yet to see a rise in interest in commercial space from Chinese businesses, but that he expected this to be part of a longer-term change.

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In summing up the presentations, **Rhys Whalley, Executive Director, Manchester China Forum** spoke of how Manchester was proving itself to be a city of collaboration thanks to the combined efforts of the public and private sectors. He highlighted key successes which have contributed to the strengthening relationship between Manchester and China, of which securing direct flights between Manchester and China is one. Rhys explained how China would continue to be a huge opportunity for the UK and the Northern Powerhouse. Having secured transport links between Manchester and Beijing and Hong Kong, Manchester China Forum seek further links with other cities in China, including Shanghai and Guangzhou.

Subsequent discussions on the presentations focused on the lessons to be learned from each other, how to widen the breadth of the relationship by means such as retention of graduates and securing further Chinese investment, and what measures could be taken to develop further the relationship between China and the Northern Powerhouse.

The panel was asked about the importance of graduate retention of Chinese students for Manchester, and discussed how graduate retention could be improved if immigration policy supported it. Meanwhile, the current appeal of the Chinese economy and comparative pay for graduates returning home to China after graduation presented a further challenge for retaining talent. The benefits of maintaining a strong alumni network was raised as an important factor in maintaining links with Chinese students.

The panel was then asked about the broadness of the relationship between Manchester and China, given the strong impact that the arrival of Chinese cycle hire firm Mobike had had on the city when it launched earlier this year. Rhys acknowledged that Chinese firms were currently leading the way on innovation in areas such as smart ticketing and mobile payments, and how securing the Mobike deal was indicative of the shift in the Manchester-China relationship.

When asked about his wish list for further air services to China, Adam's view was two-fold: stimulating connectivity would require first the right surface access – 'good connectivity starts on the ground' – then a consideration of how aviation tax policy could stimulate growing long-haul direct links between airports.

### **Key themes**

As the debate concluded, Mark Matthews highlighted two themes emerging from both the panel presentations and the subsequent discussion:

1. How regional flight connectivity could support economic development in combination with the full 'intellectual bandwidth' of economic development activity, from university collaboration, R&D and innovation, to property and infrastructure investment; and
2. the clear need for coherence in 'joining the dots' in shaping economic geographies, and how the current policy environment was not supporting these activities.