

Devolution and Regional Development in the United Kingdom

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INTRODUCTION

Since the 1970s, many different governments around the world have sought to transfer power to sub-state governments, meaning that devolution has become a key 'global trend' of recent decades (Rodriguez-Pose and Gill, 2003). The term devolution can be defined as a form of political decentralisation, involving a "transfer of power downwards to political authorities at immediate or local levels" (Agranoff, 2004, p.26). Devolution has introduced in response to pressures exerted on established states from both 'below' and 'above', referring to demands from regions within the state for more say over their own affairs and the effects of processes of globalisation and supra-national integration respectively (Keating, 1997; Tomaney, 2000). Arguments for devolution have variously stressed questions of identity in relation to the recognition of minority groups, governance in terms of creating more effective political institutions, and the economy by allowing regions to adapt to changes in the economic environment and to fulfil their economic potential (Rodriguez-Pose and Sandall, 2008).

Devolution can be seen as part of the broader territorial and functional restructuring of established nation-states since the late 1970s, involving, *inter alia*, a shift away from Keynesian economic policies, efforts to reduce welfare expenditure, the adoption of neoliberal notions of limited government, and the rise of supra-national institutions like the European Union (EU) (Goodwin et al., 2005; Jessop, 2002; Peck, 2001). This has led to a proliferation of scales and sites of governance, meaning that nation-states are no longer the undisputed locus of political power and authority (Jessop, 1999). The concept of multi-level governance been developed by political scientists to refer to the co-existence of different political levels, including the local, regional and supra-national alongside the national. In a European context particularly, the concept has provided a framework for several influential studies of functional policy networks which operate vertically, linking actors together across the different levels in a common framework of expectations (Dowding, 1995; Marks, 1996; Pierre and Stoker, 2000). Similarly, political geographers are concerned with the 'rescaling' of the state and 'the politics of scale' in terms of the production of different scales of governance such as the national, regional and European and the efforts of political

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actors to operate across these (Cox, 1998; Goodwin et al., 2005; Smith, 1996; Swyngedouw, 2000).

In practice, the 'global trend' of devolution has produced an assortment of institutional arrangements, according to the nature of the decentralisation process in question and its interaction with pre-existing state structures, administrative practices and political relations (Jeffery, 2002; Rodriguez-Pose and Gill, 2003). The United Kingdom (UK) represents a particularly interesting case of political decentralisation in view of the long-standing centralisation of political and economic power in London, the relatively late introduction of constitutional change in 1999-2000 and the particular form that devolution has taken (Keating, 2001). Indeed, for some commentators, devolution represents perhaps the most important change to the fabric of the British state for three hundred years (Gamble, 2006), although others are more sceptical, viewing the changes as largely cosmetic and illusory, disguising the continuing reality of centralised government (Nairn, 1997). The approach adopted by the UK government in the late 1990s was one of 'devolution on demand' with the constituent territories of the UK gaining different types of devolved institutions, according to perceived levels of support for change. Accordingly, an elected parliament was established in Scotland, elected assemblies in Wales and Northern Ireland, and an elected mayor and assembly in London which had been stripped of city-wide government by the abolition of the Greater London Council (GLC) in the 1980s (Figure 1). In the rest of England, where demand for change was generally lower, there was only limited administrative reform through the creation of Regional Development Agencies (RDAs) and unelected Regional Assemblies (these are now being abolished). This amounts to a system of asymmetrical devolution in which different territories have been granted different powers and institutional arrangements (see Hazell, 2000; Jeffery, 2007; Keating, 2001).

Caption: Devolution in the UK



One of key claims made by proponents of devolution is that it will strengthen the economies of devolved regions by providing more locally-tailored and efficient forms of political support and by enhancing processes of regional innovation and learning (Morgan, 2006; Rodriguez-Pose and Sandall, 2008). This claim is widely supported by 'new regionalist' thinking amongst policy-makers and researchers, based on the notion that regions have become more prominent as units of economic organisation and political action under late capitalism (Amin,

1999; Lovering, 1999; MacKinnon et al., 2002). Recently, however, the purported economic benefits of devolution have been subject to greater critical scrutiny with one comparative study suggesting that devolution actually tends to enhance regional disparities (Rodriguez-Pose and Gill, 2004), while another author failed to find any evidence of an 'economic dividend' of devolution in the UK (Morgan, 2006).

In the remainder of this paper, I examine the relationship between devolution and regional economic development in the UK. The next section highlights the key institutional features of UK devolution and outlines the political debates surrounding it. I then turn to consider regional disparities and regional policy in the UK in the context of devolution, echoing the conclusion that there is no clear evidence of an 'economic dividend'. This is followed by an examination of a particular policy measure adopted by some of the UK devolved administrations, air Route Development Funds, which was justified on regional development grounds and illustrates some of the dynamics of multilevel governance. A brief concluding section summarises the main points of the paper and assesses their implications.

DEVOLUTION AND MULTI-LEVEL GOVERNANCE IN THE UK

The global trend of political decentralisation over the past three decades represents a partial reversal of the integrationist, state nationalist projects that were dominant throughout the 400 year or so period leading up to the Second World War (Rodriguez-Pose and Sandall, 2008, p.54). From this perspective, the upsurge of regional 'neo-nationalism' that occurred in parts of Europe and North America in the late 1960s and early 1970s took many analysts by surprise, confounding the widespread assumption among social scientists that territorial allegiances had been eroded by modernisation in favour of functional and class-based cleavages (Keating, 1998; McCrone, 1998; Rokkan and Urwin, 1982). The associated regionalist discourses of decentralisation have gained widespread traction in a context of relative peace, at least in much of the developed world, thus removing some of the force of the integrationist, nation-building projects of previous decades and creating space for the expression of regional identities (Rodriguez-Pose and Sandall, 2008, p.67). At the same time, globalisation and the new regionalism is associated with a reordering of economic and political spaces, encouraging the growth of multiple identities, including different territorial allegiances (ibid). The associated abandonment of the Keynesian goal of spatial equity in favour of the neoliberal concept of competitiveness has also fuelled decentralisation discourses in terms of the need for regions to gain the political powers necessary to compete successfully in an increasingly global economy (see Lovering, 1999).

Rather than operating as a unitary state which strives to create a single national culture through processes of administrative standardisation, the UK can be described as a 'union state' (Mitchell, 2004). Rokkan and Urwin's (1982, p.11) influential definition describes this type of state as:

not the result of straightforward dynastic conquest. Incorporation of at least parts of its territory has been achieved through personal dynastic union, for example by treaty, marriage or inheritance. Integration is less than perfect. While administrative standardisation prevails over much of the territory, the consequences of personal union entail the survival in some areas of pre-union rights and institutional infrastructures which preserve some degree of regional autonomy and act as agencies of indigenous elite recruitment.

Scotland provides the clearest example of this, retaining control over its own established church and education and legal systems after the Act of Union with England Wales in 1707 (Paterson, 1994). In the 1960s, the territorial organisation of the state became a major political issue as support for regional nationalism rose dramatically in both Scotland and Wales with the Scottish National Party (SNP) emerging from obscurity to gain 30 per cent of the popular vote in Scotland in the October 1974 general election (Tomaney, 2000). In response, Tom Nairn (1977) famously asserted that the demands of peripheral neo-nationalism in Scotland and Wales would ultimately lead to 'the break-up of Britain', which he regarded as an archaic pre-modern state. While Welsh nationalism was primarily concerned with cultural issues concerned with the protection of the Welsh language, Scottish nationalism assumed a more economic character, arguing that Scotland could better meet its economic needs by breaking away from the rest of the UK, an argument that received a substantial boost from the discovery of oil in the North Sea off the Scottish coast in the late 1960s, prompting the popular SNP slogan, 'It's Scotland's oil' (Harvie and Jones, 2000)!

Peripheral nationalism posed a considerable threat to the interest of the two major UK-wide political parties: the Conservatives and Labour. It was the then Conservative leader, Edward Heath's, surprise conversion to the merits of political decentralisation in 1968, when he announced that the Conservatives would support a directly-elected Scottish assembly, that really initiated the 'top-down' debate about devolution among the UK political parties. Subsequently, the term devolution has tended to be emphasised by the top-down discourses of modernisation and reform associated with the state-wide political parties, officials and media while nationalist and regionalist movements and campaigners have favoured the more emotive and identity-laden notion of 'home rule', evoking a sense of regional autonomy and control. The 'national question' was particularly troubling for the Labour Party since its ability to form UK-wide governments at Westminster was crucially dependent on it retaining seats in industrial working-class communities in Central Scotland and South Wales that were being targeted by nationalists (Marr, 1992). After a protracted debate, the Labour government of

1974-1979 announced its support for devolution, introducing legislation for the establishment of elected assemblies in Scotland and Wales in 1977. These proposals proved highly controversial, with prominent Labour politicians in Scotland and Wales opposing their own government's policy and ultimately failed to gain sufficient support from the public in referendums held in March 1979 (Harvie and Jones, 2000).²

Under Margaret Thatcher, the neo-liberal Conservative governments of the 1980s were strongly opposed to devolution for Scotland and Wales, arguing that this would simply add an extra layer of government and bureaucracy. By the late 1980s, however, the political unpopularity of the Conservatives in Scotland and Wales was fostering renewed support for devolution. This provoked the emergence of a distinct 'civil politics' (Marr, 1992) through the formation of a territorial coalition as opposition parties (excluding the SNP), trade unions, local authorities, the Churches, women's groups and others came together to form the Scottish Constitutional Convention in 1989 (MacLeod, 1998).³ The Labour Party reaffirmed its support for elected assemblies for Scotland and Wales in the late 1980s and early 1990s, with the Party's leader between 1992 and 1994, John Smith, describing devolution as "the settled will of the Scottish people" (Devine 1999, p.615). Yet, 'new' Labour under Tony Blair remained cautious about devolution, lest it be accused of favouring 'big government' or running ahead of public opinion with support for devolution largely confined to the 'Celtic fringe' of Scotland, Wales and Northern Ireland (Morgan and Mungham, 2001). For instance, its plans for regional government in England were clearly watered down in the run-up to the 1997 General Election, and Scottish devolution was subjected to a two-question referendum (Tomaney, 2000). It is the combination of geographically uneven levels of support for devolution and the Labour government's cautious, piecemeal approach after 1997 that has resulted in highly asymmetrical arrangements (Morgan and Mungham, 2001). The Scottish Parliament was granted full legislative powers and the financial power to vary income tax by up to 3 pence in pound whilst the Welsh Assembly was established as a smaller and weaker body, lacking primary legislative power. The Northern Ireland Assembly also has primary legislative powers, potentially covering a wider range of policy areas than Scotland given the proposal to transfer certain 'reserved' powers at some unspecified point in the future (Keating, 2002).

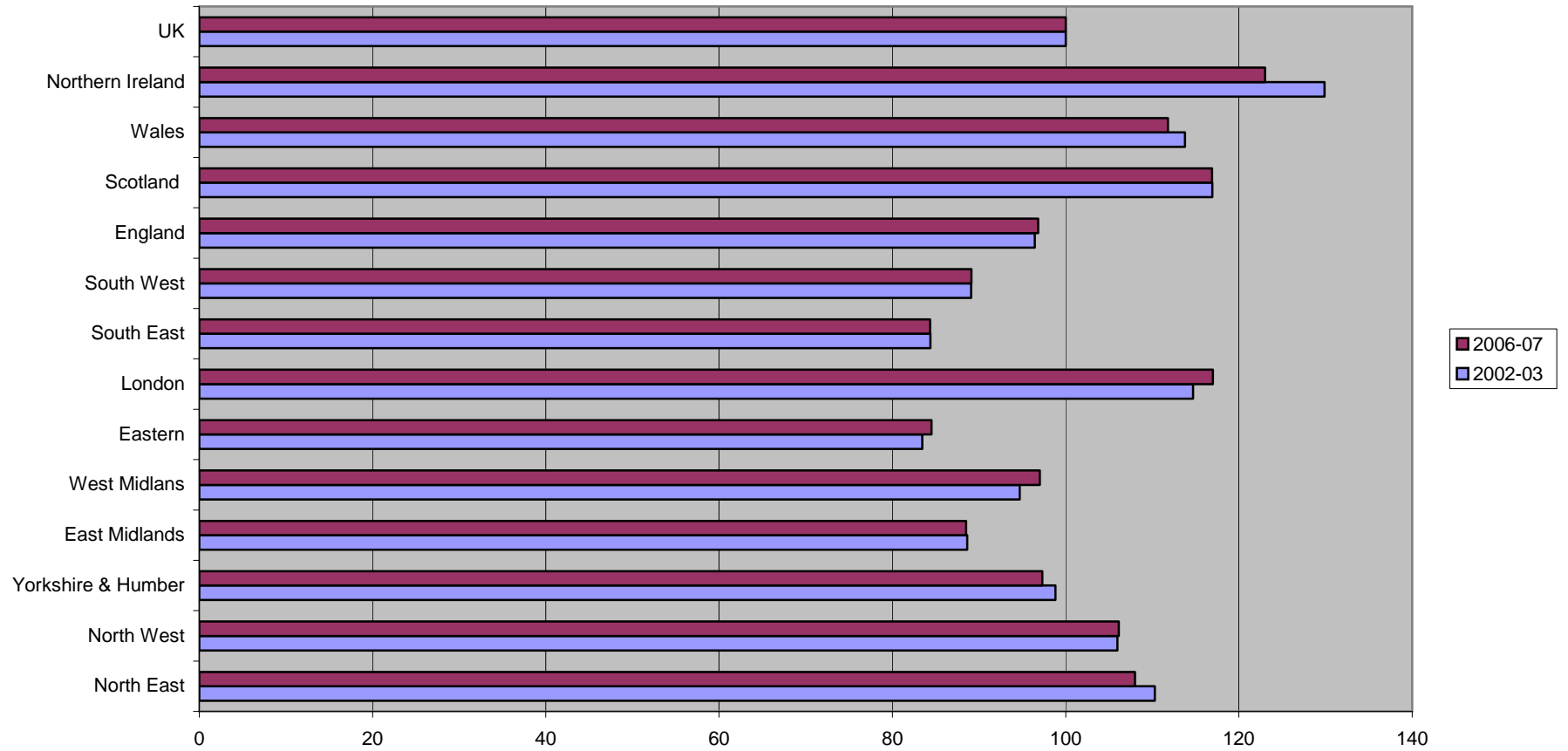
One of the defining characteristics of UK devolution is the fact that the devolved administrations lack substantial revenue raising powers of their own in contrast to the systems of fiscal autonomy and transfer found in many other

² A majority of those who voted in Scotland were in favour, but this was not deemed adequate due to a parliamentary amendment, introduced by a Labour backbencher, which required 40 per cent of the entire electorate to support the proposals. 51.6 per cent voted in favour on a 64 per cent turnout, amounting to 32.9 per cent of the electorate. In Wales, only 20 per cent voted in favour with 80 per cent against.

³ The role of the Convention was to formulate proposals for the establishment for an elected Parliament. These were eventually published in November 1995, feeding into the Labour Government's White Paper in July 1997.

devolved and federal states (Jeffery, 2007; Mitchell, 2004; Schmuecker and Adams, 2005). The principal mechanism for financing the devolved administrations in the UK is an annual block grant from HM Treasury, giving the devolved administrations almost total freedom to allocate funds to the different policy areas as they see fit (Adams and Schmuecker, 2005). The level of these grants is currently a function of the so-called 'Barnett Formula', named after the former (Labour) Chief Secretary to the Treasury, Lord Barnett, who established it in 1978. The Barnett formula grants Scotland, Wales and Northern Ireland a population-based share of *increases* in public expenditure awarded to England (Bell and Christie, 2001). In theory, this formula should result in gradual convergence over time, but this has not happened with public spending per head remaining higher in the devolved territories of London, Scotland, Northern Ireland and Wales (Figure 2). In addition to the higher costs of delivering services in more rural jurisdictions and the concentration of national administrative and cultural functions in London, this would seem to reflect the additional political weight of Scotland, Wales and Northern Ireland in the union prior to legislative devolution with territorial Secretaries of State who were able to argue for additional spending. Devolution has helped to politicise the geographically uneven distribution of public expenditure, which seems to bear little relation to need. For example, per capita public expenditure was 9 per cent higher in Scotland than the neighbouring region of North East England in 2006-2007 but gross disposable income per head in the latter region was 9 per cent lower (HM Treasury, 2008; Office for National Statistics, 2008). Accordingly, the Labour government has faced pressure from representatives of Northern English regions for a reallocation of public expenditure according to needs (Morgan, 2001, 2006), something which it has resisted thus far, fearing the resultant political controversy.

Identifiable public expenditure, UK=100



Source: HM Treasury, 2008

Despite its far-reaching implications for the constitutional fabric of the UK, devolution was introduced relatively smoothly, notwithstanding the best efforts of the Labour Party leadership in London to control leadership elections in Wales and London in 1999-2000 (Morgan and Mungham, 2001). This reflects three main factors. First, legislative devolution built on existing administrative arrangements in the form of territorial departments for Scotland, Wales and Northern Ireland which were already responsible for the delivery of large areas of public policy – including health, education, economic development and transport – and in so doing adapted UK-wide policies to suit local conditions (Mitchell, 2003). This legacy of pre-existing institutions and practices made devolution easy to introduce (Jeffery, 2005); in effect, democratic structures were grafted onto existing administrative arrangements, changing territorial administration into territorial politics (Jeffery, 2007). Second, common Labour government in Westminster, Scotland and Wales (in coalition with the Liberal Democrats in Scotland 1999-2007 and in Wales 2000-2003) acted as a force for stability in terms of the pressure to conform to the approach of the UK government and to avoid damaging ‘splits’ in policy (Laffin and Shaw, 2007). These political links have shaped the evolution of inter-governmental relations under devolution, which operate in an informal and ad hoc fashion with an absence of explicit mechanisms to ensure coordination (Agranoff, 2004; Trench, 2005).⁴ Third, devolution coincided with a period of substantial increases in public expenditure after 2000, reflecting the policy of the UK government at Westminster to invest heavily in health and education, resulting in large budget increases for the devolved administrations through the Barnett formula (Table 1). Interestingly, these have now changed, creating a new territorial politics of devolution characterised by increased tensions between devolved and central government. Devolved elections in 2007 saw the entry of nationalist parties into government in Scotland, Wales and Northern Ireland, and London gained a conservative mayor in 2008, while deteriorating economic conditions have led to much tighter financial settlements for the devolved administrations.

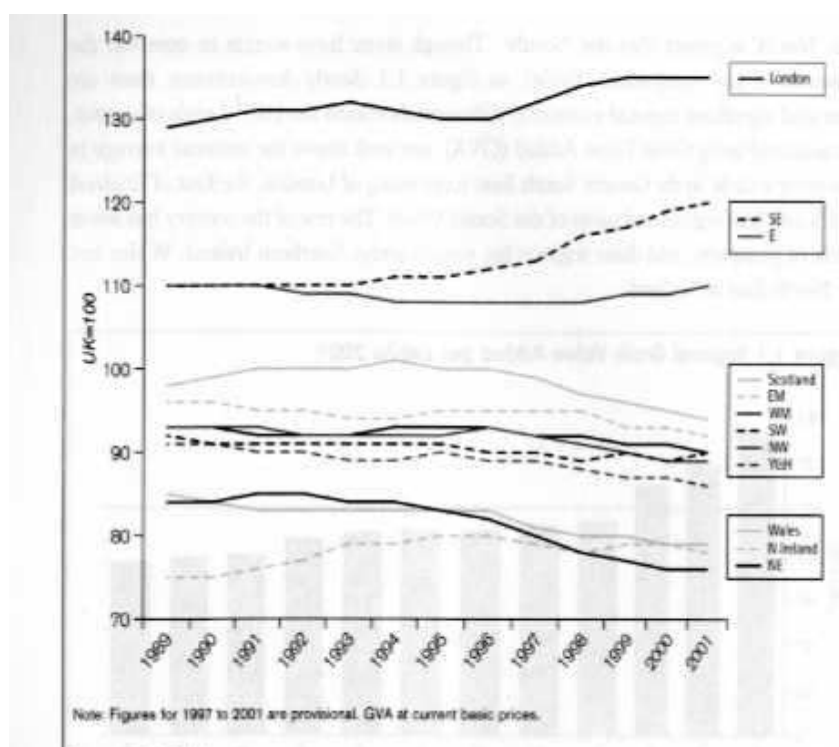
REGIONAL POLICY AND DEVOLUTION

Concerns about a North-South divide in levels of wealth and prosperity in Britain have been periodically expressed since the 1930s (Massey, 2001). In the 1980s, the combined impact of the neo-liberal reforms of the Thatcher government and wider processes of deindustrialisation seemed to have resulted in

⁴ Local authorities, of which there are 32 in Scotland, 22 in Wales, 26 in N. Ireland and 32 ‘boroughs’ in London, represent a third level of governance in the devolved territories. They are responsible for the delivery of local services such as schools, social work, roads, housing and refuse collection but remain dependent on devolved or central government for around 75-80 per cent of their funding

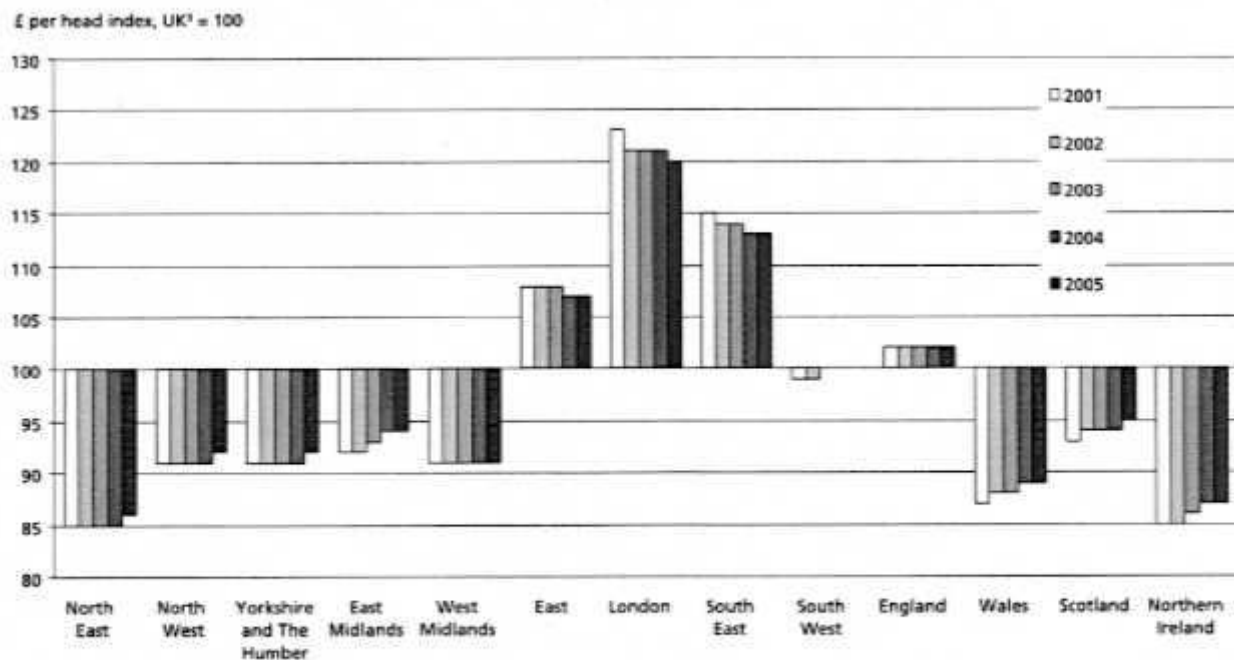
the emergence of 'two nations': a prosperous and dynamic South in which most of the growth industries were located and a stagnant and impoverished North, scarred by industrial dereliction, poverty and unemployment (Martin, 1988). The late 1990s saw evidence emerge that the divide had widened under New Labour (Massey, 2001) after narrowing in the recession of the early 1990s (Figure 3), creating political problems for a government, which drew many of its Ministers and Members of Parliament (MPs) from the North. Broadly, three groups of regions can be identified: the prosperous regions of South East England; an intermediate group where prosperity is significantly lower; and the three lagging regions of Wales, Northern Ireland and North East England (Figure 4). While financial and business services, predominantly concentrated in South East England, experienced considerable growth between 1997 and 2005, over a million manufacturing jobs were lost over the same period, many of them in the North (Office for National Statistics, 2006).

GVA per capita, 1989-2001



Source: Adams, Robinson and Vigor, 2003, p.2.

Gross disposable income per head



Source: Office for National Statistics, 2008.

Regional policy has acquired a new prominence in the UK since 1997, reflecting the fact that Labour continues to draw most of its MPs from the post-industrial 'periphery' of Northern England, Scotland and South Wales. The 'new' regional policy adopted by Labour understood regional under-performance in terms of a failure to provide a suitable business environment for firms. The suggestion is that firms and workers in these regions are not sufficiently productive or efficient. Five regional 'drivers' of productivity were identified in government publications: skills, investment, innovation, enterprise and competition (HM Treasury, 2001). The way to improve regional economic performance is to address these drivers of productivity, often framed in terms of competitiveness, defined as the capacity of the regional economy to compete more effectively in an increasingly globalised world. In addition to the devolved administrations in Scotland, Wales and Northern Ireland, the main agents responsible for the implementation of this approach are the RDAs, which were established in the eight standard English regions outside London in 1999 (Jones, 2001). The RDAs were given five specific tasks: economic development and regeneration; business support, investment and competitiveness; skills and education; employment promotion; and sustainable development (Department of Environment, Transport and the Regions (DETR), 1997).

As Stephen Fothergill (2005) observed, three key features distinguish this new style regional policy from earlier approaches. First, it is very much focused on

indigenous development, in terms of improving conditions within regions, in contrast to the 'old' regional policy of the 1960s and 1970s, which employed financial incentives to induce companies to locate large-scale investments in lagging regions, reinforcing a broader shift that began in the 1980s. Second, it emphasises the need to improve the operation of markets, identifying 'market failure' as a key cause of under-performance, reflecting orthodox economic thinking. Third, the responsibility for devising and implementing policy has moved from the centre to the regions themselves, reflecting the logic of devolution and a wider emphasis on 'local solutions to local problems' (Amin et al., 2003). There are several problems with this new approach to regional policy, including its neglect of the relationships between regions; a narrow preoccupation with productivity and 'competitiveness'; its predisposition towards market-based solutions; and a failure to take account of the sectoral and structural composition of regional economies (Fothergill, 2005). Crucially, the 'new' regional policy treats 'unequal regions equally' by following the same competitiveness-based approach in all regions, irrespective of their level of prosperity, in contrast to the old regional policy which targeted resources on the least favoured regions (Morgan, 2002). Contrary to the proclamations of government ministers, this means that the 'new' approach cannot be expected to reduce regional disparities, with the most prosperous regions likely to benefit the most, operating more as a regionally-delivered national growth strategy.

The first main task of the RDAs was to develop economic strategies for their regions. While this offered some scope for divergence, the realities of central government control ensured that the similarities between the regional strategies outweigh the differences, requiring consistency with the UK government's knowledge-based economy strategy (Raco, 2002). At the same time, Scotland and Wales did not stand still, with Scotland continuing to lead the way in the development of innovative policies (Gillespie and Benneworth, 2002). Through its *Smart, Successful Scotland* approach, the Scottish Government (2001) developed a 'science and skills' strategy that stressed the need to commercialise the scientific research base, strengthen global connectivity and encourage a culture of lifelong learning. With the formation of the new SNP Government in 2007, *Smart, Successful Scotland* gave way to the Scottish Government Economic Strategy which emphasises the lessons to be learned from adjacent small, independent states such as Norway, Denmark, Ireland and Iceland – the so-called 'arc of prosperity' (Scottish Government, 2007). In addition to forming new departments and committees to oversee economic development, the Welsh Assembly Government incorporated the functions of the WDA, Education and Learning Wales (ELWa) and the Welsh Tourist Board (WTB) into the Assembly through the so-called 'bonfire of the quangos' in 2006 (Goodwin et al., 2005). Its approach to economic development has emphasised the need to close the GDP gap with the rest of the UK and to tackle the problems of disadvantaged areas, mainly through the EU-funded Objective 1 programme for West Wales and the Valleys (Adams and

Robinson, 2005). In Northern Ireland, the major reform has been the establishment of a single economic development agency, Invest Northern Ireland (INI) (Goodwin et al., 2002).

In structural terms, devolution has perhaps encouraged some convergence in the governance of economic development, through the formation of new departments and committees and the establishment of RDAs in the English regions (Gillespie and Benneworth, 2002). On a strategic level, development agencies are talking a similar language of knowledge, innovation and competitiveness across the UK (Adams and Robinson, 2005), but Scotland seems to have the most advanced policies for building a knowledge-based economy. Based on a study of economic development policy, Cooke and Clifton (2005) identify three varieties of devolution in the UK. The visionary approach embraced in Scotland through the development of innovative knowledge-based initiatives contrasts with the precautionary approach adopted in Wales, concentrating on target setting and institutional reform, and the constrained nature of devolution in Northern Ireland where the suspension of the Assembly and the perpetuation of direct rule between 2002 and 2007 limited the scope for the introduction of new policy measures.

Proponents of devolution have commonly argued that one of its main tangible benefits will be improved economic performance (Rodriguez-Pose and Gill, 2004; Hudson, 2005) and many sceptics view the capacity of the devolved administrations to deliver in this area as a key test of devolution. This is particularly the case in Wales where the purported benefits of devolution were highly prominent in the campaign for the establishment of an Assembly (Morgan, 2001) and the English regions.⁵ In practice, however, the so-called 'economic dividend' has proved rather elusive, something which Morgan (2006, p.200) terms the 'dirty little secret' of devolution'. It is, of course, important to acknowledge the difficulty of isolating a devolution effect from the myriad other influences that shape economic performance and that it is still relatively early in the lives of the devolved institutions. Furthermore, the economic powers of the devolved administrations remain limited, with macroeconomic policy reserved to Westminster. Nevertheless, although the devolved administrations have been highly active in launching a range of economic strategies and initiatives, there is no evidence that these have been translated into improved economic performance compared to the non-devolved territories of the UK (ibid). Accordingly, devolution is unlikely to result in a narrowing of the gap between lagging devolved regions such as Wales and North East England and more prosperous non-devolved regions in the South and Midlands of England. This lack of an 'economic dividend' is consistent with the international evidence uncovered by Rodriguez-Pose and Gill (2004) who argue, on the basis of a six-county study, that devolution actually tends to encourage increased regional inequality by eroding the central redistributive mechanisms that mediate the impact of the spatial economic forces promoting regional divergence.

⁵ By contrast, devolution was about the constitutional rights of a historic nation in Scotland, and it emerged out of the 'peace process' between the unionist and republican communities in Northern Ireland.

Similarly, in their review of Spanish devolution, Giordano and Roller (2004) observe that the wealthier regions have benefited most from devolution, widening and complicating the pattern of territorial inequality. Over the longer-term then, devolution and the new model of regional policy seem likely to exacerbate the existing pattern of regional inequalities in the UK, reinforcing the North-South divide.

DEVOLUTION AND ROUTE DEVELOPMENT FUNDS

One interesting measure for promoting regional economic development which has been adopted by the devolved administrations in Scotland, Wales and Northern Ireland is air Route Development Funds (RDFs). Aviation is perhaps an unlikely candidate for new initiatives from the devolved administrations because it remains a reserved power. In practice, however, Westminster's control over aviation is somewhat mediated by the devolution of planning powers – the Scottish Executive can over-rule UK ministers' desire to build a second runway at Edinburgh, for example, by refusing to grant planning permission. Scotland, Wales and Northern Ireland have also elected to use their economic development function to establish Route Development Funds (RDFs) to provide financial support for new air services. These Funds, which began in Scotland in 2002 and have subsequently been adopted in Northern Ireland in 2003 and then Wales in 2005, are designed to promote economic development through increased inbound business travel, tourism and direct / indirect employment, as well as outbound business travel (Graham and Shaw, 2008). In this way, the RDFs illustrate well the type of conundrum faced by the devolved nations as they seek to work within the overall rubric of a sustainable – or integrated – transport policy: encouraging more air travel is hardly environmentally beneficial, but the accessibility benefits it brings are seen to justify subsidising the airlines (Friends of the Earth Scotland et al., 2006; Scottish Enterprise, 2004).

Subsidising airlines to encourage them to fly into regional or peripheral airports was an established practice in the European Union (EU) before the introduction of RDFs in the UK. In a number of cases, this had involved regional governments or publicly owned airports transferring money and / or benefits to privately owned airlines on account of the perceived accessibility benefits to the destination region. A daily Boeing 737-800 service equates to around 70,000 seats per year each way, for example, and such numbers are viewed as significant in terms of promoting regional economic development, not least tourism, by regional institutions. The Irish-based budget carrier, Ryanair, often derided for offering routes from 'nowhere to nowhere', is perhaps best known in Europe for being adept at negotiating advantageous deals. For example, Ryanair's deal at Charleroi in Belgium was found to cover landing charges, promotion, route incentives, training and ground handling and lasted for 15 years (Graham and Shaw, 2008).

Such generous deals were also in evidence in the UK. Since 1999, Derry City Council had been paying Ryanair a guaranteed £250,000 per year plus free landing, parking and navigation facilities to operate a Londonderry-London Stansted service. In return, the airline paid £100 for each landing and take-off. This deal was suspended in 2005 under new EU guidelines after having cost local ratepayers some £300,000, with the remainder of the subsidy coming from tourism agencies and Donegal County Council (BBC, 2006). As this suspension indicates, court cases in relation to Ryanair's agreements with airports around Strasbourg, Brussels (Charleroi) and Hamburg (Lübeck) have led to new EU regulations which stipulate strict conditions regarding the nature of support which can now be provided to airlines. The main criteria are that funding must be on a one-off basis and available to all carriers wishing to enter a market. As such, regional agencies' efforts to subsidise airlines for regional development purposes are restricted by the system of multi-level governance in which they operate.

The devolved administrations' involvement with RDFs seems to have begun during the consultation phase for the UK Government White Paper *The Future of Air Transport* (Department for Transport, 2003). Aviation's status as a reserved power means that, planning and economic development powers excepted, the influence of the new governments over air transport matters was potentially limited in the absence of innovative policy developments. One suggestion had been the protection of slots for services into London Heathrow, but this was not a favoured option at Westminster because of the implications for the operation of Heathrow as the UK's premier international 'gateway' (Department for Transport, 2007). In response, the UK government actually supported the devolved nations' schemes at the European level because they are viewed as preferable to the protection of slots at Heathrow and they absolve officials from having to setting up complex alternatives:

I mean these [RDFs] have to be compliant with DfT rules, but they also have to be compliant with the European Commission rules... But DfT has put in a very strongly worded submission to the European Commission... about the importance of route development, and it's also bringing out guidelines as to how they should be administered and assessed. So the DfT actually supports us partly because I think it gets them off the hook of having public service obligation routes between London and regional airports which are very difficult to negotiate (Transport advisor, Northern Ireland).

For instance, A *National Protocol for UK Route Development Funds* was adopted by Westminster to which the various RDFs in each of the constituent parts of the UK adhere (European Commission, 2006). As the same source commented on the introduction of RDFs, "it's not really a question of devolution per se, it's a question of slightly ad hoc arrangements, be it with the blessing of the DfT from London". These cooperative inter-governmental relations highlight what might be termed the 'conditional flexibility' of the devolution settlement, to adapt the terminology of Trench (2007), allowing the devolved administrations to intervene

in an ostensibly reserved matter with the agreement of Westminster by creatively harnessing the overlap between different powers.

The first RDFs were introduced in Scotland from November 2002 and worked by providing financial support at specified rates per passenger on new routes for a period of up to 3 years. This support was paid in addition to any 'normal' incentives provided by airports to attract new traffic. The principal drivers for the RDFs' establishment reflected the economic development rationale underpinning the already-existing deals elsewhere in the UK and Europe. Tavish Scott, Scottish Transport Minister from 2005-2007, noted that the RDF "channels its support to routes which deliver a net economic benefit for Scotland. These will be to routes which are likely to enhance business connectivity or which have the potential to bring appreciable numbers of inbound tourists to Scotland" (Scottish Parliament, 2005, unpaginated). He went on to note that the level of investment in new routes is determined by economic appraisals taking into account the following criteria:

- The proposed route must be a new route;
- The route must deliver a net economic benefit to the Scottish economy based on its projected carryings of inbound and outbound business passengers and inbound leisure passengers;
- An international route serving Aberdeen or Dundee airports must be operated year-round, at an average frequency (over two consecutive scheduling seasons) of at least three round trip services per week. Key UK domestic air services can also be supported;
- An international route serving Edinburgh and Glasgow Airports must be operated year-round, at an average frequency (over two consecutive scheduling seasons) of at least five round trip services per week, and
- The level of frequency for new air services in the Highlands and Islands is flexibly applied and the fund can be used to support intra-Scotland, intra-UK and seasonal services. This reflects the ability of the different areas to sustain air services in the long-term and the Executive's aim that the fund should be inclusive and embrace all of Scotland's diverse communities (Scottish Parliament, 2005, unpaginated).

By 2005 RDFs had also been set up – apparently after having been adopted more or less unchanged from the Scottish scheme – in Northern Ireland, Wales and, supported by the RDA, the North West of England (Northwest Regional Development Agency, 2004). The Scottish RDF has supported more than 50 routes and the Northern Irish equivalent 9 (Table 2). In addition to the predicted economic benefits, there is also an important political dimension to RDFs which allow the devolved administrations to reduce their dependence on London and Heathrow airport in particular. They also offer a tangible 'devolution dividend' for the populations of the devolved territories by the establishment of new air routes which enhance accessibility and individual mobility, demonstrating that devolution can result in improved services and the provision of new economic opportunities.

The RDFs have had varying degrees of success. In Scotland, Wales and Northern Ireland politicians and business groups were keen to play up the importance of the schemes with regard to regional economic development. For a relatively modest investment of around £7m in the Scottish RDF by 2004, for example, Scottish Enterprise, which administers the scheme on behalf of the Scottish Executive, estimated that £300 million of economic benefits over 10 years would result and 700 tourism related jobs would be created (Scottish Enterprise, 2004). According to the Chairman of the company set up to manage the Northern Ireland RDF, the £3.8 million investment has “served its purpose, and has contributed greatly to the successful development of a broad spectrum of air routes in and out of Northern Ireland” (Department of Enterprise, Trade and Investment (DETI), 2006, unpaginated). Friends of the Earth (2006) point out, however, that encouraging the growth of the aviation market is environmentally unsound, although others would argue that the RDFs can serve a useful purpose by promoting accessibility for economic growth rather than ‘mindless mobility’ (Graham, 2003). In response, Friends of the Earth contend that the net economic impact of aviation to the Scottish economy is actually a cost of around £1.4 billion in 2004 because more people fly out of the country and spend more money abroad than vice versa. Although their analysis is rather crude, it nevertheless highlights the possibility for the RDF to promote exactly the reverse of that which was intended as a confidential paper circulated within the Scottish Executive in 2007 claims. In reality, it seems that RDFs simply extend existing patterns of international air travel from the UK which involve more outward than inward visits (Graham and Shaw, 2008), highlighting a contradiction between the micro-benefits for individual residents through increased mobility and the negative macro-consequences of net economic outflows for the regional economy, implying that the potential economic benefits were exaggerated. As a result of these development and changes in EU state aid regulations which mean that from 1 June 2007 support for ‘aeronautical charges’ – i.e. landing fees – will not be permitted, the RDFs are to be abandoned in all three jurisdictions with all support set to cease as current commitments expire.

CONCLUSIONS

Devolution represents a response of the central state to conflicting regionalist pressures from ‘below’ and transnational pressures from ‘above’, shaped by regional discourses of identity, improved governance and economic competitiveness (Rodriguez-Pose and Sandall, 2008). The establishment of devolved regional governments has been a widespread phenomenon over the past twenty five years, prompting Rodriguez-Pose and Gill (2004) to describe it as a global trend. As I have stressed, one of the defining features of UK devolution is its asymmetrical nature with different territories gaining different powers. The

complex, uneven form that devolution has taken in the UK reflects the legacy of a unique political geography, defined by the centralisation of power in London and the existence of territorial administrations in Scotland, Wales and Northern Ireland. It has reinforced a complex pattern of multi-level governance defined by the interactions between four distinct institutions levels: local authorities, the devolved administrations, the UK government and the EU. In some respects, Spain provides a comparable international example in terms of its system of asymmetrical devolution and the changing balance of functions between centre and regions (Giordano and Roller, 2004), although Spanish devolution was introduced in a very different political context of the transition to democracy in the late 1970s and early 1980s and the dynamic of regional catch-up seems to be largely absent from the UK where the most identifiable English region, the North East, voted overwhelmingly against the establishment of a regional assembly in 2004 (Sandford and Hetherington, 2005).

One of the main arguments advanced by proponents of devolution is that it will enhance regional economic performance by allowing regions to adapt to a turbulent economic environment, enabling them to fulfil their economic potential (Rodriguez-Pose and Sandall, 2008). In the UK context, this argument has been particularly influential in Wales and the English regions (Hudson, 2005; Morgan, 2006). In practice, however, although the devolved institutions remain relatively immature and it is always difficult to identify a discrete devolution 'effect', the anticipated 'economic dividend' of devolution is not apparent. Although the devolved administrations have launched a number of economic strategies and initiatives, this has not been translated into improved economic performance compared to non-devolved regions (Morgan, 2006). At the same time, the 'new' regional policy adopted in the UK since 1997 has defined regional under-development in terms of deficiencies in productivity within regions, highlighting the need for RDAs to foster innovation and competitiveness (HM Treasury, 2001). In contrast to the old' regional policy of the 1960s and 1970s which targeted support on lagging regions, this approach treats 'unequal regions equally', requiring all regions to adopt a competitiveness-based approach (Morgan, 2006). Since they do not target resources on the poorest performing regions, devolution and the 'new' regional policy cannot be expected to reduce regional disparities in the UK, and the period since 1997 has seen a widening of the entrenched North-South divide (Cambridge Econometrics, 2007). Since 2007, what might be termed the extended 'honeymoon' period of devolution, buttressed by common Labour control at devolved and Westminster levels and large rises in public expenditure, has come to an end, with nationalist parties entering into government in Scotland, Wales and Northern Ireland. This 'new territorial politics of devolution' is likely to test the UK's system of asymmetrical devolution to the full, something that will have far-reaching implications for the territorial integrity of the UK.

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Table 1. Total identifiable expenditure on services in England and the devolved countries (£m), 2001/02 to 2006/07. Source: HM Treasury, 2007.

Year	England	Scotland	Wales	Northern Ireland
2001/02	255,696	31,770	17,460	11,831
2002/03	272,815	33,500	19,015	12,603
2003/04	301,702	36,817	20,514	13,386
2004/05	324,285	38,486	21,751	14,172
2005/06	344,682	41,671	23,028	15,024
2006/07	361,119	44,050	24,233	16,263
% increase 2001/02 to 2006/07	41.2	38.6	38.8	37.5

Table 2. Route Development Fund supported flights from Scotland, 2007. Source: Scottish Executive, 2007.

Airport	Current destinations
Aberdeen	Bristol, Brussels, Copenhagen, Kristiansand, Liverpool, Oslo, Southampton
Dundee	Belfast City, Birmingham
Edinburgh	Atlanta, Barcelona, Dortmund, Gdansk, Geneva, Madrid, Milan, Munich, Warsaw, Zurich
Glasgow	Barcelona, Berlin, Boston, Toronto (Hamilton)
Inverness	Bristol, Dublin, Leeds-Bradford, Liverpool, Nottingham-East Midlands
Prestwick	Gdansk, Niederrhein (Düsseldorf), Pisa, Riga, Warsaw, Wroclaw
Sumburgh	London (Stansted) (seasonal)