

BILBAO CITY REPORT

By Jörg Plöger



CENTRE FOR ANALYSIS OF SOCIAL EXCLUSION
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Preface

Europe is a continent of cities with a remarkable history of cultural inspiration, wealth creation, social and political dynamism. But in the late-20th century, many former industrial cities entered a period of steep decline, losing most of their manufacturing jobs and many of their economic functions. Populations declined and wealthier suburbs outstripped the declining inner cities that had housed the “engines of the world” and now housed some of the greatest concentrations of poverty. The US experienced even more extreme decline.

The idea of Weak Market Cities was born at the second UK Government conference on an Urban Renaissance, hosted by Manchester in 2002. European and American city leaders debated the changing fortunes and prospects of former industrial cities. The pressures of growth and sprawl were counterbalanced with inner urban depopulation and decay; the new skills needed for the new “knowledge” and “service” economy were contrasted with high levels of worklessness and poor schools. Cities now house the majority and fastest growing share of the world’s expanding population, and they are on a treadmill of physical pressure, social disorder, and economic insecurity.

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The London School of Economics’ Centre for Analysis of Social Exclusion (CASE) with the Brookings Metropolitan Institute developed a programme to uncover the problems besetting such cities, the recovery measures under way and their impact. Generously funded by the Joseph Rowntree Foundation, CASE researchers identified seven cities across Europe, embarking on impressive recovery actions to reverse decline. We wanted to establish the common ground and differences between a group of comparable cities, exploring their progress and ongoing challenges. Seven cities in five countries became partners in our work: Bremen, Saint-Étienne, Leipzig, Torino, Bilbao, Sheffield and Belfast. The five countries – Germany, Italy, France, Spain and the UK – represent nearly two thirds of the EU’s population.

All the cities had four common characteristics: a major industrial and manufacturing history; severe loss of these industries and related jobs; population outflow; a crisis of leadership, economic viability and inward investment. We rooted our study in the actual experience of cities, based on visits, interviews, historical and current local reports. In documenting what we found, we looked for patterns of change and common lessons that might be more widely applicable.

We recognised that the wealth of detailed experience, lived out by local residents, actors and organisations in each particular place, should be captured in some way. Therefore we are pleased to present reports from each of the cities as working papers, documenting what we have found so far and inviting further evidence, comment and debate. The story is both dramatic and encouraging everywhere. But it is also full of uncertainty and only tenuous conclusions are possible. It would be premature to forecast the future trajectory of any of the seven cities.

The seven city reports in this series are seen by us and our city reformer colleagues as work in progress. We hope that students, practitioners, urban researchers and policy makers will find them useful as case studies

and will feed in ideas, reactions and any corrections to the research team. We plan to present a clear overview of how cities facing such acute problems are faring in 2008.

I warmly thank our researchers, Jörg Plöger and Astrid Winkler, for the sheer scale of the undertaking and the immensely detailed work involved in collecting ground-level evidence in the languages of the country and writing up the reports. Sharing their learning through the reports will help many to appreciate the spirited comeback of cities. For as the Mayor of Saint-Étienne argues: "Very often the soul of the city is stronger than the industrial disasters, which drag it down, make it wobble and threaten to wipe it out." (Michel Thiollière, 2007)

Anne Power

CASE

26th October, 2007

Acknowledgements

This report on the city of Bilbao is based on local field visits, official and local reports, European Union evidence and discussions with many local actors. We would like to thank all the people who have helped us in preparing this report, particularly colleagues in Bilbao, the EU, CASE and JRF. Anna Tamas, Nicola Serle, Laura Lane and the LSE Design Unit prepared the report for publication and we gratefully acknowledge their help. We accept full responsibility for any mistakes, inaccuracies or misunderstandings of complex and fast-changing local events. The report reflects work in progress and we would be glad to receive additional information and alternative views on our work. For more information about the programme, please contact Nicola Serle at n.serle@lse.ac.uk.

1. CITY CONTEXT

General remarks

The Basque Country (*País Vasco*) is located on the Northern edge of the Iberian Peninsula (Fig. 1). It is one of the 17 autonomous Spanish regions. The strong culture and tradition of autonomy of the region have often led to a complicated relationship with central government in Madrid. The Basque Country is subdivided into three provinces. Bilbao is the main city and capital of the province of Bizkaia (in Basque) or Vizcaya (in Spanish) (Fig. 2).¹ The metropolitan area of Bilbao (*Bilbao Metropolitana*) is formed by the City of Bilbao and several surrounding municipalities.² In 2005, the City of Bilbao had 350,000 inhabitants and the metropolitan area 900,000 inhabitants. Of the province's population of 1.15 million, 80 per cent live in the Bilbao metropolitan area and a third in the City of Bilbao. Bilbao is not only the most important Basque city; it is also the largest agglomeration on Spain's Atlantic coast and the sixth largest metropolitan area in Spain.³

Fig. 1: Map of Spain, main agglomerations, location of Bilbao



Source: wikipedia (<http://es.wikipedia.org/>)

¹ Spanish and Basque are both official languages in the Basque Country. In this text, the more common term is used.

² Sometimes the metropolitan area is also referred to as Greater Bilbao (*Gran Bilbao*), which comprises only the continuously built up area and therefore excludes some of the outlying municipalities.

³ Unless otherwise noted, when talking about Bilbao we refer to the City of Bilbao in its municipal boundaries.

The settlement pattern of Bilbao is clearly defined by the topography of its location. Bilbao is located on both sides of the river Nervión which discharges into the Bay of Biscay some ten kilometres from the city centre.⁴ The steep slopes of the valley formed by the river have confined urbanisation mainly to the lowlands on both sides of the river and the lower parts of the slopes. This topography clearly contributes to the high density levels. With 8,733 inhabitants per square kilometre, Bilbao has the highest population density among our seven case study cities (Lan Ekintza, 2007).

Fig. 2: Map of Basque Country (*País Vasco*) and its three provinces



Source: European Commission, http://europa.eu/abc/maps/regions/spain/pais_en.htm.

Urban history

Bilbao emerged as a small trading and fishing village in medieval times. The Basque Country was incorporated into the Kingdom of Castile in 1200, but a considerable degree of autonomy was granted to the new province (see Box 1). The traditional Basque legal system of statutes (*fueros*) gave the region its own laws and institutions which have been preserved to this day. Today's strong regional autonomy can be traced back to these historic origins. In 1300, city status was granted to Bilbao by Don Diego López de Haro. During the following centuries its economy remained based on commercial and maritime activities. Benefiting from its favourable position as an Atlantic sea port and its special trading rights guaranteed by the Spanish King, Bilbao became a rich hub linking mainland Spain, other parts of Western Europe and eventually the Americas. Box 1 outlines the main events shaping Bilbao's development.

⁴ In Spanish, the lower part of rivers which are influenced by tides salt water due to their proximity to the open sea is called 'ría', as opposed to 'río' (river).

Box 1: Timetable of important events influencing Bilbao's development

<1200	Early trading and fishing village
1200	Previously independent Basque province incorporated into Kingdom of Castile
1300	Foundation of Bilbao
1512	Creation of the Consulate of Bilbao (a body regulating trade and shipping)
1452-1841	Enjoying special trading rights
1838	1 st iron industry
1857	Creation of Tudela-Bilbao Railway Company and Banco de Bilbao
2 nd half 19 th c.	1 st major phase of industrialisation
1876	Beginning urbanisation of the Ensanche outside the medieval city
1890	Opening of stock exchange
1936-1939	Spanish Civil War – Basque fought on Republican side; bombing of Guernica (1937)
1939-1975	Spain under Franco's dictatorship; Basque Country stripped of autonomy
1959	Formation of ETA terrorist group
1950s/1960s	2 nd major phase of industrialisation; high immigration from poorer Spanish regions
1970s	Beginning of economic recession
1978	Spain returns to democracy; new Spanish constitution institutes 17 autonomous regions
1979	Statute of Autonomy for Basque Country under new democratic central government
1980	Democratic elections for Basque government and parliament
1981	Economic agreement between central and Basque governments
1983	Flood causes great damage in the old city
1986	Peak of unemployment; accelerating population losses
1986	Spain becomes member of the European Community
1989	Territorial Plan identifies 'opportunity areas'
1991/1992	Creation of regeneration agencies <i>Bilbao Metrópoli-30</i> and <i>Bilbao Ría 2000</i>
1995	Inauguration of new metro system
1997	Inauguration of Guggenheim Museum
2006	ETA agreed on cease-fire

Until the era of industrialisation Bilbao remained a small city and its area confined to the Casco Viejo (Fig. 3). In the early 19th century, it had a population of not more than 10,000. In the second half of the 19th century, Bilbao rapidly developed into an industrial city, based upon the exploitation of nearby iron ore deposits. Coal was transported by sea along the coast from the region of Asturias to fuel the industrial revolution. Iron, steel and shipbuilding industries developed quickly. By the turn of the century, industrial growth was accompanied by the development of major service sector companies, especially in commerce and finance.

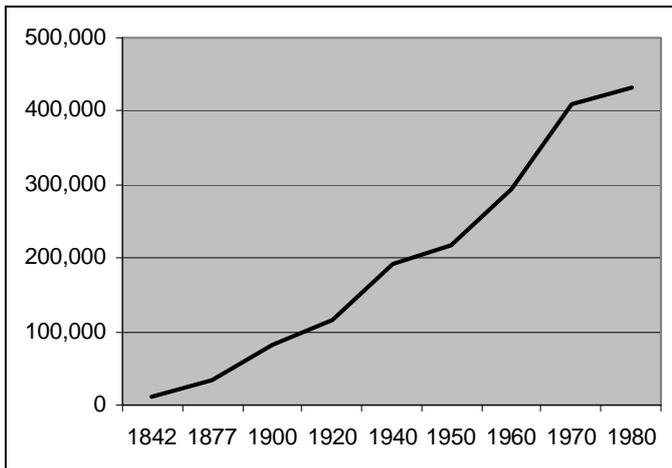
Fig. 3: Bilbao's Old Quarter (*Casco Viejo*)



Source: all photos by J. Plöger unless stated otherwise.

Like elsewhere, industrialisation led to a sharp increase in population. In 1900, the population had increased to over 80,000. However, compared with other cities, such as Sheffield, Belfast or Leipzig, which were approaching their historic population peak at this point, Bilbao was still at the beginning of a longer-term growth process (Fig. 4).

Fig. 4: Population development, Bilbao (1842-1980)



Sources: Eustat, 2006, Domingo, 2005; time axis not calibrated.

As a consequence of this growth, new areas were urbanised. Across the river from the medieval Casco Viejo, the Ensanche became a major urban expansion area. This area eventually became the modern city centre accommodating the most important shopping, office and administrative functions as well as the most favoured residential areas of middle and upper-class households. These roles persist until today.

Mining, industrial and port activities were concentrated along the river. In a gradual move towards the sea, they occupied almost the entire Left Bank of the Nervión by the late 1970s (Fig. 5). Parallel to this industrial expansion, the adjacent villages were rapidly transformed into working-class towns. The river became a sharp socio-economic boundary which still prevails (Beascoechea, 2003). While Left Bank municipalities like Barakaldo and Sestao became associated with industrial uses and working-class housing, the Right Bank was developed at a slower pace, mostly for the middle-classes. The former seaside resort of Getxo on the river mouth, for example, gradually became a dense middle and upper-middle class suburb.

Fig. 5: Industries and shipyards along the river Nervión



Source: Bilbao Ría 2000 (from presentation at CRG I, March 2006)

With little direct funding from central government but with tacit support for modernisation, Bilbao experienced a second or 'late' phase of industrialisation in the 1950s and 1960s, based on heavy manufacturing and Bilbao's role as one of Spain's leading industrial cities was further strengthened. The demand for labour was met by massive immigration from less developed Spanish regions, mainly from Andalusia. In 20 years, the population almost doubled from 216,000 in 1950 to 410,000 in 1970.⁵ Many of the migrants were accommodated in new working-class housing erected in the outer, steeply sloping areas of Bilbao and the rapidly growing working-class municipalities on the Left Bank of the river. Due to the scarcity of available land and the difficult topography, tall blocks of flats were built at extremely high density for all socio-economic groups, even in prosperous suburban areas. Figure 6 shows the different municipalities of the urban areas stretching down the river (Fig. 6).

Under the dictatorship of Franco (1939-1975), the Basque Country lost most of its special autonomy. During this period, the state suppressed Basque culture, including a ban on the use of the Basque language. The opposition to this subordination found its most extreme expression in the foundation of the nationalist and separatist, armed movement ETA in 1959, fighting for full independence from Spain.⁶ ETAs campaign of violence had serious economic and political repercussions, frightening off investors, dividing opinions and isolating the city and surroundings for long periods of time from moderating influences. But Bilbao grew in spite of ongoing political troubles. After the collapse of Franco's regime, Spain returned to democracy in 1978. The new democratic constitution re-instituted regional powers. Through this process, the Basque Country was able to achieve a high degree of autonomy from central government.

⁵ Parts of the population growth must be attributed to the incorporation of some outlying areas in 1966.

⁶ ETA is the abbreviation for *Euskadi Ta Askatasuna* in Basque, which translates into "Basque Homeland and Freedom". The development of ETA is beyond the scope of this report.

Fig. 6: Aerial map of Greater Bilbao, main municipalities and important areas highlighted

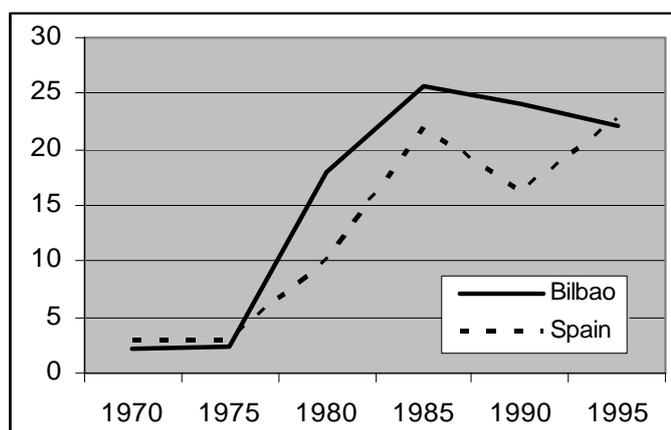


Source: Port of Bilbao, 2005; modified by the author.

2. CRISIS

The first symptoms of an industrial, urban crisis already showed in the 1970s when the world economy went into recession after the oil-shock in 1973. However, Spain's low level of integration with the international economy under Franco protected the Spanish economy and delayed the crisis until after the dictatorship collapsed in the mid-1970s. Indicators such as the loss of manufacturing employment and population change suggest that problems reached their peak towards the mid-1980s. While unemployment was almost nonexistent until the early 1970s, it reached a record 25 per cent in the first half of the 1980s. The graph below shows that Bilbao's unemployment rate, though higher, follows the development for Spain as a whole. Severe social problems, intense physical decay and a steep rise in unemployment between 1975 and 1985 were the most visible outcomes of urban decline (Fig. 7).

Fig. 7: Official unemployment rate, Bilbao (1970-1995)

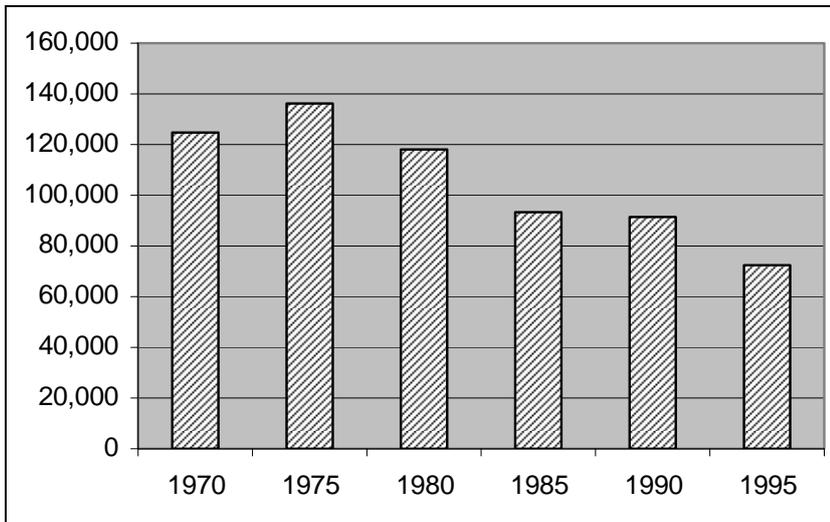


Source: Eustat, 2006, Gómez, 1998.

Since Bilbao's industrial structure was dominated by heavy industries, such as steel, shipyards, and machine engineering, it was particularly hard hit by the crisis (Gómez, 1998, p 108; Meyer, 2001, p 297; Rodríguez, 2002, p 74; González, 2005, p 97). Between 1975 and 1995, 60,000 manufacturing jobs – almost half of the existing industrial jobs – were lost in the metropolitan area. The proportion of manufacturing jobs dropped from 46 to 27 per cent (Eustat, 2006). In comparison with many other Western European cities, especially in the UK, industrial employment started to decline later and it was not until the late 1970s and especially the 1980s that the crisis was fully felt in Bilbao (Fig. 8).

Large industrial companies that had dominated the local economy for a long time, such as the Altos Hornos steelworks in Barakaldo or the Euskalduna shipyard in Bilbao, were modernised and continued production with a fraction of the original workforce or collapsed completely. From the side of the workers, these structural changes were met by long years of industrial action by the unions and there were outbursts of violent labour conflict in the early 1980s (Fig. 9).

Fig. 8: Number of workers employed in manufacturing, Biscay province (1970-1995)



Source: Eustat, 2006; Gómez, 1998.

Fig. 9: Industrial action, striking workers



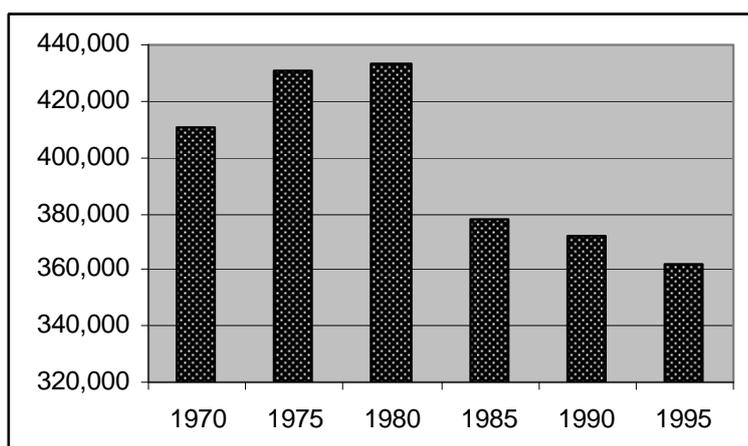
Source: Bilbao Ría 2000 (from presentation at CRG I, March 2006)

The industrial crisis had dramatic social impacts, most significantly the sharp increase of unemployment but the social consequences of the closure of industries varied. The situation in Barakaldo illustrates this. Its residents were very dependent on its largest employer, the Altos Hornos steelworks but the impact of the closure of the plant in 1990 was less dramatic than might have been expected because many of the workers accepted the generous early-retirement packages offered by the state-owned company (N. Tejerina, interview). For Barakaldo the closure also meant that many migrant workers returned to their home regions in Southern or Western Spain and the number of pensioners increased. It was the younger generation about to enter the labour market that suffered most from deindustrialisation. As a consequence, youth unemployment reached 50 per cent in the 1980s.

In other parts of the city many workers did not receive such generous compensation for the loss of jobs. For hard-hit households the reduction of income meant a rapid deterioration of housing and living conditions. The level of poverty of these families was exposed in 1983 when the Nervión flooded large parts of the older inner-city neighbourhoods. The cleaning up after the flood revealed not only the physical decay of the historic neighbourhoods but also the declining living conditions of the working-class population (J. Urriolabeitia, interview).

The job crisis had a direct demographic impact. The population began to decline around 1980, matching the decline in manufacturing since 1975. From the early 1980s, however, Bilbao suffered serious population decline. The decline can be attributed mainly to the return of many former immigrants to their home region in other parts of Spain and the restructuring of administrative boundaries in 1983, when large areas of the City of Bilbao became independent municipalities.⁷ As can be observed from Figure 10, the city lost more than 70,000 people or 16 per cent of its inhabitants between 1980 and 1995.

Fig. 10: Population development, Bilbao (1970-1995)



Source: Eustat, 2006.

Population losses were, however, not restricted to the City of Bilbao and also occurred on the provincial and regional scale between 1980 and 1995 (Eustat, 2006). The overall trend at both provincial and regional levels was nevertheless positive over the longer period from 1970 to 2005.

In the larger metropolitan area there were contrasting trends during the crisis period between the poorer and more affluent areas. Population decline was not equally distributed, but concentrated in working-class areas such as the Left Bank municipalities of Barakaldo, Sestao and Portugalete, upriver Basauri and Bilbao itself (Rodríguez *et al*, 2001). All of these municipalities lost between 10 and 20 per cent of their population. The push factors were:

⁷ The provincial government of Bizkaia provides detailed information about the restructuring of municipal boundaries on its webpage: http://apli.bizkaia.net/apps/Danok/evde/Castellano/Informacion_Basica_Bizkaia/ca_evIndice.asp.

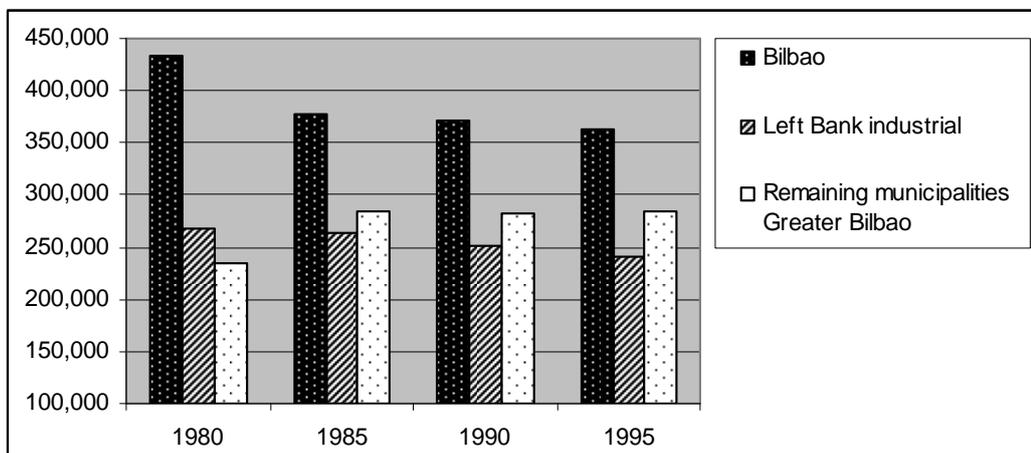
- The disappearance of jobs in the nearby industrial plants
- The sub-standard, decaying housing stock, often built on a speculative basis and without much regulation. Figure 11 shows typical low income housing in Barakaldo.
- The negative image attached to these areas (Rodríguez *et al*, 2001, p 162).

Fig. 11: Working-class housing in Barakaldo



In contrast to the decline of the Left Bank, some middle-class municipalities, most of them on the Right Bank of the Nervión, experienced a population increase over the same period. Getxo, for example, grew by 20 per cent. This suggests a growing trend of suburbanisation and dispersal, which, then, produces a new set of problems related to urban sprawl and its negative impact on regional sustainability (Emparanza, 2007). Figure 12 shows the population decline of industrial working class areas compared with other outer Bilbao municipalities.

Fig. 12: Population development, Bilbao Metropolitana (1980-1995)



Source: Eustat (online)

Bilbao Metropolitana had suffered from serious environmental degradation as a result of the industrial activities in the area. Air, water and soil were seriously polluted. Industrial waste and household sewage drained into the river without being treated until the late 1980s. The Nervión was therefore ecologically dead. Deindustrialisation also left a total of 340 hectares of obsolete industrial wastelands in metropolitan Bilbao (M. Valdevielso and J. Alayo, interview). Many of the sites were covered with derelict industrial buildings and the soil was deeply contaminated by its former industrial uses. In Barakaldo, more than one third of the total land was made up of brownfield sites with vacant structures and disused infrastructure (N. Tejerina, interview). Figure 13 shows the scale of the industrial dereliction.

Fig. 13: Environmental burden and derelict sites



Source: Bilbao Ría 2000 (from presentation at CRG I, March 2006)

3. RECOVERY: ACTION TAKEN

Bilbao's regeneration process was complex and multi-faceted involving a wide range of actors and interests. It is difficult to determine an exact date when the recovery process began. Political leaders at city, provincial and regional levels realised the significance of the structural changes underway during the early 1980s a few years after the re-establishment of Spanish democracy when the crisis was nearing its peak (Rodríguez *et al*, 2001). This recognition and the urgency of the immediate situation in Bilbao and the surrounding areas provoked debates about the best strategy and actions to initiate recovery. The interaction of political actors from all levels of government and cross-cutting political consensus on the need for action drove the emergence of a strong regeneration strategy. This involved the design of specific tools and programmes, involving the formation of special dedicated agencies to deliver the strategy which we discuss below. From the early 1990s onwards, the initial strategy evolved into a more project-oriented approach which we then go on to explore in detail. Before we examine the detailed approaches however, we need to understand the important role of Basque regional autonomy.

3.1 Regional Autonomy as an Enabling Factor

Among all Spanish regions, the Basque Country was able to achieve the widest and deepest level of autonomy from central government in Madrid (J. Aurtenetxe, interview). It is widely accepted among officials, practitioners and scholars that the autonomy of the Basque region was key to facilitating the recovery process in Bilbao. The return of democracy and the re-instatement of regional power in the Basque Country in the late 1970s happened just as the industrial crisis was gaining momentum. In a sense, local decision-makers gained the power to design tailored policies at the right time.

The power to decide on the allocation of resources is a major advantage of the special Basque status compared with other regions. The Basque Country (*País Vasco*) is the only Spanish region that has the main tax collecting powers (through its three provincial governments Álava, Vizcaya, Guipúzcoa). The provincial government then redistributes the taxes. A proportion, the so-called *cupo*, which is negotiated annually, is transferred to central government in Madrid. In 2000 the distribution was as follows: central government (12%); Basque government (61%); provincial government (18%); and municipalities (9%) (Zubiri, 2000). Taxes are also levied at municipal level. The City of Bilbao receives half of its annual income of €475 million from the provincial government, 37 per cent from own taxes and the remainder from other sources such as the EU (Bilbao Ayuntamiento, 2007). Most services were placed under the direct jurisdiction of one of the three administrative levels of the Basque Government. The following box (Box 2) shows the responsibilities of the different levels of Basque government.

Box 2: Three levels of Basque government and their responsibilities.

- **Regional government:** many social services (e.g. education, health); police.
- **Provincial government:** transport, culture, innovation and R&D, economic promotion, training, and - very importantly - fiscal authority.
- **Municipalities:** urban planning, some housing, local services.

3.2 Developing a strategic approach to recovery in the 1980s

During the first half of the 1980s all tiers of government – central, regional, provincial, and city – recognised that action had to be taken to reverse the negative impacts of decline in old-industrial cities like Bilbao. It was recognised that only strategies uniting the efforts of all tiers of government would be effective. But although the need for action became increasingly urgent, it took several years for a strategic approach to emerge in the late 1980s. The first projects were not fully realised until the mid-1990s.

A key step in the process was the drafting of the Strategic Plan in the second half of the 1980s. The plan established the regulatory framework for regeneration in Bilbao (Rodríguez, 2002, p 81). Maybe more important than the plan itself was the accompanying debate about how to deal with the urban crisis and how to confront future challenges. The debate was started by the Basque government which was worried about the condition of the region's major city. The 'Strategic Plan for the Revitalisation of Metropolitan Bilbao' was finally agreed in 1991. It promoted an integrated approach to regeneration. A dedicated agency, 'Bilbao Metròpoli-30' was founded in 1991 to act as a facilitator for the regeneration process and to promote the objectives set by the strategic plan (see Box 3) (González, 2006, p 843).

Box 3: Bilbao Metròpoli-30

Bilbao Metròpoli-30 could be best described as a think-tank, lobby organisation and catalyst for investment. It was based on a partnership model with public and private sector shareholders. One of its objectives is to strengthen the interaction between public sector plans and interventions and private sector interests. Other tasks include the local and international promotion of Bilbao's new image as a post-industrial city and the funding of research into the metropolitan area. In its founding documents Bilbao Metròpoli-30 identified four fields of action:

- Formation of a knowledge-based high-tech sector
- Inner-city urban renewal; especially revitalization of the Old Quarter
- Environmental intervention: river cleaning, industrial land recycling, implementation of Agenda 21
- Strengthening of cultural identity through culture-led regeneration

The agency is currently undertaking a campaign to market the qualities and assets offered by the city-regions population that were identified as key to future progress: innovation, professionalism, identity, community and openness (ibid.).

Source: A. Martínez (interview); Rodríguez, 2002.

3.3 Emergence of regeneration projects in the early 1990s

The process of economic and urban recovery received a major boost when Spain joined the European Community in 1986 (Mangen, 2004). There was therefore a focus on changes in land-use and the provision of infrastructure. At the same time, social equality and welfare provision rose in importance in the 1980s and were gradually integrated into the city's plans.

In order to deal with the acute urban decline, flexible, integrated interventions were sought. This led to the development of a Master Plan that embraced a project-based regeneration approach which had proved successful elsewhere in Spain (Rodríguez *et al*, 2001, p 167). For example, three Spanish cities developed high-profile project-led urban regeneration plans centred on hosting major events. Thus the 1990s Barcelona, Madrid and Sevilla moved into the international spotlight. Barcelona hosted the Olympic Games and used the long preparatory period to involve citizens in local projects and invest in a substantial overhaul of the city's obsolete industrial and port areas. In the same year, Sevilla hosted the International Expo and Madrid became the Cultural Capital of Europe. Bilbao's approach to regeneration was heavily influenced by the experiences of these cities (*ibid*, p 168). Additional lessons were learnt from earlier approaches already implemented in other de-industrialised cities, using their waterfront assets, such as Glasgow in the UK and Baltimore in the US (*ibid*; M. Valdivielso, interview).

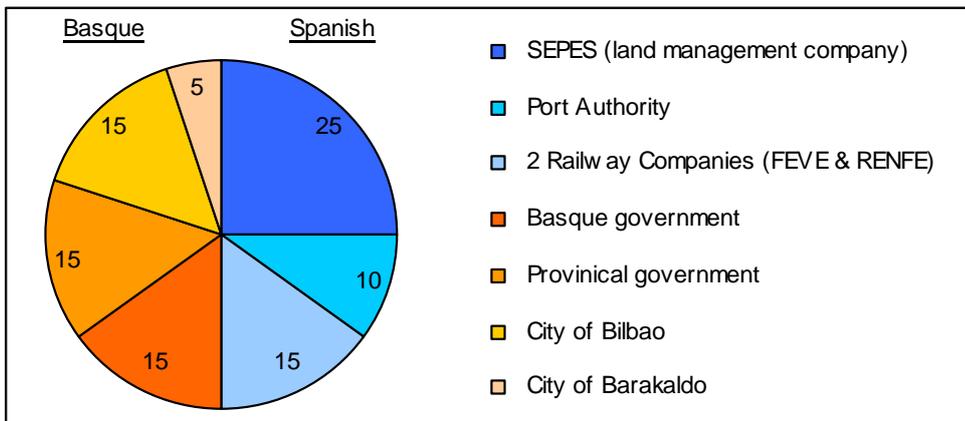
The framework for this new regeneration approach was based on the 'Territorial Plan' for Bilbao presented in 1989, and extended to the metropolitan area in 1994. The main objective was to arrest decline and re-establish Bilbao as a key node on the European Atlantic axis. This implied a much more ambitious and self-confident approach, which not only guarantees the 'survival' of the city but also establishes the city as a competitive node in an emerging post-industrial global urban network (González, 2006). Spatially, the territorial plan identified four so-called 'opportunity areas' for regeneration. To create the new forward-looking image, world-famous architects such as Norman Foster were contracted for all important projects (M. Valdivielso, interview). In addition, major infrastructure investments were made, particularly in transport and sanitation. We outline these projects the next section.

Another development agency – Bilbao Ría 2000 – was created in 1992, with the authority to deliver the regenerate of the 'opportunity areas' in Bilbao (see Box 4). Its main aim is to manage the large-scale revitalisation of abandoned land formerly occupied by harbours and industries or by obsolete transport infrastructure. Its remit was later extended to other municipalities in the metropolitan area such as Barakaldo, and more recently Basauri. Some commentators have described this agency as the most significant urban policy intervention in the regeneration process (e.g. B. Plaza, interview; Rodríguez *et al*, 2001).

Box 4: Bilbao Ría 2000

Bilbao Ría 2000 is a not-for-profit publicly sponsored partnership that operates like a private sector company. The agency is based on a complex model involving all relevant tiers of government. This constellation of powers was necessary because decision-making is located at different administrative levels; e.g. urban planning by local government; fiscal power by provincial government; and land ownership often by central government authorities. For political reasons, it was agreed that the Basque and Spanish government shareholders would each own half of the shares.

Fig. 14: Bilbao Ría 2000, distribution of shares (in %)



Source: based on Bilbao Ría, 2000 (online)

Taking control of the vacant land was key for redevelopment. Land owned by some of the shareholders was brought into the company's portfolio. The main contributors were:

- the railway and port authorities, who were compensated for ceding their land;
- the port authority which received permission to extend its harbour facilities on the river mouth;
- the train companies FEVE and RENFE which were able to modernise their infrastructure elsewhere.

The start-up funding to finance the operations of Bilbao Ría came from central and regional governments and the EU. Bilbao Ría 2000 is now self-financing in its activities. This is done through the revaluation of land as a result of the rezoning of its land-use designation and the subsequent sale to developers. This is highly profitable. Profits must be re-invested in the public company and in regeneration. The financial autonomy of its operations is considered highly significant for the success of Bilbao Ría.

Due to its responsibility in carrying out the main redevelopment schemes in Bilbao and the access to land, Bilbao Ría 2000 has in practice become the major planning and regeneration body in Bilbao.

Sources: Juan Alayo (interview); Rodríguez, 2002.

'Opportunity Areas'

The regeneration of designated 'opportunity areas' was carried out by Bilbao Ría 2000, which invested a total of €560 million between 1997 and 2006 (BR 2000, online). Initially, the territorial plan identified four such 'opportunity areas'.⁸

- **Abandoibarra:** Brownfield land formerly occupied by harbour and railway infrastructure on the riverfront in central locations. The project involved the creation of Bilbao's new urban heart with a focus on new investment.
- **Zorrozaure:** A peninsula occupied by mixed – mostly lower-value – harbour and industrial as well as some residential buildings and activities. The project involved restructuring uses and a planned future extension of Abandoibarra.
- **Ametzola/Eskurtze:** The area south of central Bilbao dominated by dense residential developments. The project involved overcoming the physical divides such as deep railway cuttings (Fig. 15).
- **Miribilla and Morro:** Abandoned mining areas on the hilly slopes south east of central Bilbao led to a project to reclaim these areas through construction of new housing (Fig. 16).

Fig. 15: Ametzola, overcoming physical divides



Fig. 16: Miribilla, new housing developments



The most emblematic and well-known redevelopment area is Abandoibarra, which is located in a prime location in central Bilbao (Fig. 17). This area of 35 hectares formerly occupied by harbour activities, shipbuilding and transport infrastructure had been a physical barrier cutting off much of central Bilbao from the river. The decision to regenerate the site was made in the mid-1980s. Since the 1990s, Bilbao Ría 2000 became responsible for the site and invested €184 million up to 2004 (BR 2000, online). The immediate objective was to reclaim the derelict site and turn it into a new functional centre capable of attracting local and international investment. Another purpose was to serve as a symbol for Bilbao's transformation from a declining, old industrial city into a revitalised, post-industrial metropolis fit for the 21st century (Rodríguez, 2002).

The master plan for the development was drafted by the architect Cesar Pelli, who also designed the Battery Park waterfront regeneration in scheme New York City. The private sector was however very cautious about

⁸ Further 'opportunity areas' in other municipalities of Bilbao Metropolitana were identified in the updated 1994 Territorial Plan.

investing in the area and public-sector investment was necessary to create confidence in the site itself and Bilbao as a whole (J. Alayo, interview 2007). The provincial government, for instance, planned to relocate to the projected business tower. The most well-known development on the site is the landmark Guggenheim Museum designed by the architect Frank Gehry (Fig. 18). The museum opened in 1997 attracting over a million visitors in its first year and it immediately became a major tourist attraction. The cost of €144 million for this risky but prestigious investment was covered entirely with public sector funding, shared by the provincial and regional governments. Other major developments on the Abandoibarra site are the €72 million Euskalduna Conference Centre on the former shipyard and a modern shopping mall, the latter being the only significant private sector investment so far.

Fig. 17: Abandoibarra, before redevelopment



Source: Bilbao Ría 2000 (from presentation at CRG I, March 2006)

Fig. 18: Abandoibarra, the iconic Guggenheim Museum



3.5 Transport Infrastructure

Substantial investments were also made in the transport infrastructure of the Bilbao metropolitan area following the aim to improve accessibility and connections for the city's residents and more widely, including internationally. Funding for transport projects came almost entirely from the public sector (see Box 5).

Box 5: Major transport investments, Bilbao Metropolitana

Project	Financing	Investment (in million Euros)	Inaugurated (year)
Metro	Line 1: jointly by national (AENA) and regional government., some EU funding (FEDER)	500 (Line 1) 434 (Line 2)	1995 Under construction
Cercanía (suburban trains)	Land valorisation	83	1999
Tram	65% regional gov. (EuskoTren); 24% Bilbao Ría 2000; 12% city government.	20 (Line 1)	2003
Port (expansion and Modernisation)	Mostly port authority (national government), some EU funding (FEDER); further expenses re-financed through port fees	240 (1 st phase, 1993-1999) 390 (2 nd phase, 1999-2005)	Ongoing (until 2020)
Airport	50/50 central and regional government (> infrastructure agreement); partly re-financed through airport tax	60 (new terminal) 204 (modernisation)	2000 Ongoing
High-speed train	61% national gov.; 39% regional government	4,178	In planning

Source: Bilbao Ayuntamiento, 2007; Bilbao Ría 2000, 2006; Siemiatycki, 2005; Rodríguez, 2002; Gómez, 1998.

Investment in local public transport was dominated by the inauguration of the new metro system with stations designed by the architect Norman Foster (Fig. 19). This project was particularly important for Bilbao's regeneration process. It was the first major project to be completed and gave confidence to the residents that recovery was possible (P. Emparanza, interview). The first metro line, running from the city centre along the Right Bank, was inaugurated in 1995; a second line covering the Left Bank opened a few years later (Siemiatycki, 2005). In addition, the two national railway companies RENFE and FEVE, which operate commuter train services in the metropolitan area, modernised their system. A new addition to the rail-based public transport system is the tram line which connects Bilbao's central areas and runs along the revitalised waterfront. It was opened in 2002 and is run by the Basque transport consortium EuskoTren (Fig. 20). The bus system was also modernised. Bilbao's public bus company (Bilbobus) operates 30 lines, the provincial bus company (Bizkaibus) another 100 lines.

Fig. 19: The new metro, opened 1995



Fig. 20: New tram line, opened 2002



Another significant strand of investment was the modernisation and upgrading of the long-distance transport infrastructure including the airport. The airport has been expanded with the new and beautiful terminal designed by the architect Santiago Calatrava. The port received a substantial extension as well. New facilities were built on the open sea replacing most of the older facilities along the river. The objective behind these investments was to improve Bilbao's accessibility for both passengers and goods.

Strategic transport facilities such as international ports and airports as well as the majority of the train network are still under the domain of central government. Many of the investments were enabled by an "Infrastructure Agreement" signed between the Basque and Central governments in 1989. Bilbao can not yet be reached through high-speed trains but a first – still contested – connection to Madrid is planned for 2015.

3.6 Environmental Clean-up

On many of the derelict sites formerly occupied by industrial uses and now earmarked for redevelopment, the soil had to be decontaminated. These improvements to the physical environment were essential for the implementation of the other revitalisation projects we have mentioned.

The single-most important project in terms of environmental clean-up was the installation of the new water sanitation system (P. Emparanza, interview). This large-scale project, carried out by the province's water provider Consorcio de Aguas, had a significant impact on the improvement to the environment in the metropolitan area. The river had been very heavily polluted from industrial uses and untreated household sewage. Construction of the new system was begun in 1984 and was finally completed in 2006. With a total investment of €1 billion, this project received far more funding than any other project (Barreiro & Aguirre, 2005).

The government funding was split between central (25%), Basque (17%), and provincial (23%) as well as the customers of the water provider through increased rates (35%) (ibid.).

3.7 Economic Restructuring

As early as 1981, the Basque government reacted to global economic restructuring with the foundation of the dedicated business development agency SPRI (Sociedad para la Promoción y Reconversion Industrial) in order to provide assistance to the region's industrial sector (B. Plaza, J. Aurtenetxe, interviews). The SPRI was equipped with considerable funds, dedicated to developing different funding streams to assist the regional economy in adapting to the new economic requirements. In 2005, almost €50 billion were invested in the province of Bizkaia through the agency's work (SPRI, online). A major activity was the development of Technology Parks (Plaza, 2000:303). The Technology Park for the Bilbao metropolitan area was located close to the airport in Zamudio. Today, 6,000 people are employed in 350 businesses there (Technology Park Zamudio, online).

Another impulse to overcome the problems associated with economic restructuring came from the EU. Spain had joined the European Community in 1986 and benefited from transfer payments to overcome regional economic differences. Further EU funding was available through programmes specifically targeting regions in industrial decline (Rodríguez et al., online). The most significant were RESIDER (1988-1997) assisting the restructuring of steel producing regions and RENAVAL (1988-1992) assisting the restructuring in shipbuilding regions.⁹ More important however was the Objective 2 funding that the region received through the EU's regional policy since the 1990s (see Fig. 21):

Fig. 21: EU Regional Funding in the Basque Country, 1994-2006, million Euros

Funding Period	ERDF European Regional Development Fund (Objective 2)	ESF European Social Fund	Total (incl. other public and private sector)	Thematic focus
1994-1996	267	59	1,033	Economic competitiveness and employment (124)
1997-1999	292	82	2,109	Economic competitiveness and employment (184)
2000-2006	588	25	1,360	Innovation (221)
<i>Total</i>	<i>1,147</i>	<i>166</i>	<i>4,502</i>	

Source: European Commission (online)

⁹ Bremen, another research city in the Weak Market Cities programme has a similar economic base, and received funding from the same programmes.

3.8 Social Programmes

In comparison with the major physical investments, the social consequences of the urban crisis received considerably less attention. Barakaldo the largest working-class suburb received URBAN funding between 1994 and 1999 for the improvement of conditions in its most deprived neighbourhoods. But the two most striking social interventions were initiated by the City of Bilbao. Two agencies – Surbisa and Lan Ekintza – were created specifically to tackle social problems resulting from the urban crisis and structural change. Surbisa was set up as a neighbourhood renewal agency to work in the flood-damaged parts of the old city in 1985. Lan Ekintza was set up in 1998 to link fragile parts of the labour force with job opportunities. Boxes 6 and 7 set out briefly how they operate. Figure 22 shows one of the targeted areas.

Fig. 22: Bilbao La Vieja, a low-income inner-city neighbourhood



Box 6: Surbisa – neighbourhood development and urban renewal

- Founded by Bilbao City Council in 1985
- Objective: To assist inner-city neighbourhoods with a concentration of social and housing problems.
- Creation a result of: The 1983 flood that had devastated large parts of the historic inner-city; during the process of cleaning up and assessing the damage, the degree of socio-economic and housing deprivation of the area very fully recognised.
- Funding: Mostly from City Council; some EU and Basque government (compared with the investments by Bilbao Ría 2000, Surbisa's scale of investment is very small).
- Neighbourhoods: Neighbourhood management and urban renewal in the neighbourhoods of Casco Viejo and Bilbao La Vieja. The Casco Viejo (16,000 inhabitants) is the historic centre of Bilbao and has been significantly revitalised and gentrified. Bilbao La Vieja (14,000 inhabitants), on the other hand, still faces many problems such as inadequate living conditions, unemployment, petty crime and the integration of immigrants.

Sources: J. Urriolabeitia, interview; Surbisa (online); Surbisa, 2005.

Box 7: Lan Ekintza – employment and training

- Lan Ekintza translates into 'action for employment'
- Founded by Bilbao City Council in 1998
- Objective: Finding solutions for job and skills mismatches resulting from labour market restructuring.
- Funding: Mostly from City Council; further funding from Basque Government, the EU and, to a lesser extent, the national labour market institute INEM and the provincial government.
- Main tasks/services: assistance in finding a job; assistance with starting own business; vocational training; and skills development. Lan Ekintza also offers special services to immigrants in order to foster their integration into the labour-market.
- Scope: It is a city-wide programme. Special efforts are concentrated on the disadvantaged area of Bilbao La Vieja where many social problems are concentrated.
- Monitoring system: monitoring of socio-economic and other indicators in Bilbao; In cooperation with Bilbao Metrópoli-30.
- Success: On average, the agency has mediated some 2,000 jobs and assisted around 100 business creations yearly.

Sources: M. Baelo, interview; Lan Ekintza (online); Lan Ekintza, 2007.

Although Bilbao's population has decreased since the 1970s, housing is a scarce resource due to several factors, including a general backlog of demand resulting from land constraints, insufficient construction during the Franco period, shrinking household sizes and rising aspirations. The housing market is characterised by the predominance of owner-occupied housing¹⁰, and a small social housing sector. Government is driving owner-occupied housing through generous subsidised loans (Donner, 2000). Most housing on the market targets middle class buyers and there is an undersupply of cheaper, rented housing for low income groups, who therefore often live in more crowded and lower standard conditions. 'Protected housing' with support from the Basque government and social housing offered by the City Council both go some way to responding to this need:

- **'Protected housing' in the Basque Country:** Basque regulations determine that a proportion of all new housing must be so-called 'protected housing'. This is state-subsidised owner-occupied housing. On land newly zoned for urbanisation, up to three quarters of the new housing is now designated as 'protected' (M. Valdivielso, interview). This regulation applied for example in the rezoning of the old mining areas for housing in Miribilla shown in Figure 17 (J. Alayo, interview). Due to access barriers such as needing a certain income, 'protected housing' has been criticised for actually going to middle-class rather than lower-income households (L. Vicario, interview). Another problem is the distortion of the housing market: in Miribilla for example, the 'protected' apartments were sold for a third of the almost identical "non-protected" housing (J. Aurtenetxe, interview).
- **Local authority public housing:** In comparison with other Western European countries, local authorities in Spain build and fund very little social housing directly. Viviendas Municipales, Bilbao's public housing company, is the second largest of its kind in Spain but its stock consists of only 3,542

¹⁰ In Bilbao, like in Spain, an estimated 85 to 90 per cent of the households own their housing (Donner, 2000).

units (Viviendas Municipales, 2006). One third of the total is located in Otxarkoaga, by far Bilbao's largest estate. This peripheral estate was built under Franco to replace an informal squatter settlement on the site (A. López, interview). It has low-standard housing and houses predominantly disadvantaged social groups (Fig. 23).

Fig. 23: Otxarkoaga, a low-income outer estate



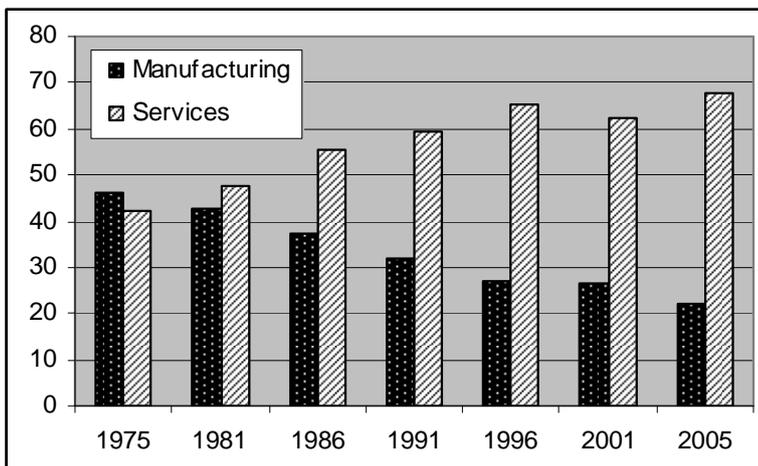
4. WHAT HAS CHANGED: SIGNS OF RECOVERY?

Bilbao's recovery from industrial decline has by now become one of the most well-known success stories in Europe. Del Cerro (2007, p 12) argues that Bilbao is a city "actively engaging in globalisation strategies and getting transformed in the process". The recovery approach has been very ambitious and was enabled by a number of beneficial factors, the most significant of which are detailed below. The aim was to change the city's image from declining industrial to modern post-industrial city. This was supported by developing a number of high-profile projects. These actions have produced visible and undeniable results. Physically, Bilbao is a transformed city. This does not imply however that all urban problems have disappeared. In the following we give a short evaluation of the some key issues.

4.1 Economic Restructuring

Figure 24 clearly shows the economic restructuring in the metropolitan area of Bilbao. There has been a marked shift in employment from the industrial towards the service sector. In 2005, the proportion of the workforce employed in manufacturing was 22 per cent, less than half of its share in 1975 (46 per cent). The share of those employed in the service sector has on the other hand increased from slightly less than half to over two thirds of the workforce.

Fig. 24: Employment in manufacturing and service sectors, Bilbao Metropolitana (1975-2005)



Sources: Eustat (online)

Notes: 2001 and 2005 values for provincial level only, which might vary slightly from the values for Bilbao Metropolitana.
Manufacturing excluding construction sector

Yet, notwithstanding the steep decline of its old industries, the Bilbao metropolitan area still has a significant industrial base, higher than in our other case study cities, except Torino. Hence, the conclusion that strong focus on marketing Bilbao as a post-industrial city only partly reflects the reality. Although the share of manufacturing employment is shrinking, the actual number of employees in this sector in Greater Bilbao has

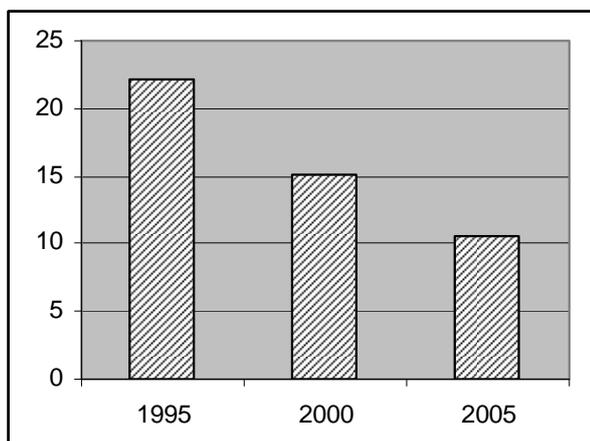
increased slightly (Plaza, 2007). Bilbao Metropolitana has experienced a massive increase of overall employment from 267,000 to 380,000 jobs between 1995 and 2005 (Plaza, 2007).

4.2 Falling Unemployment

The growth in employment has been matched by a falling unemployment rate since its peak of 25 per cent during the mid-1980s. In 2004, 10.6 per cent of the economically active were officially unemployed (see Fig. 25). However, the official labour market statistics might not reflect the actual situation. A substantial number of the unemployed might not be registered as such due to insufficient state support (Lan Ekintza, 2007). Other explanations for the sharp drop in unemployment rates for Bilbao Metropolitana are the wide use of early retirement schemes for older industrial workers as well as the new return migration of some of those who originally moved to Bilbao from other regions. Young people are often either in relatively unstable employment or leave the region (L. Vicaro, interview).

One factor driving the growth of employment is that an estimated 40 per cent of the newly created jobs are insecure or semi-informal with a lack of social insurance, creating an unstable economic situation for many households (M. Baelo, L. Vicario, interviews). The creation of the employment agency Lan Ekintza is however a signal that the City of Bilbao is committed to its objective of improving the skills and opportunities of those finding it difficult to access the local labour market.

Fig. 25: Unemployment rate, Bilbao (1995-2005), in %



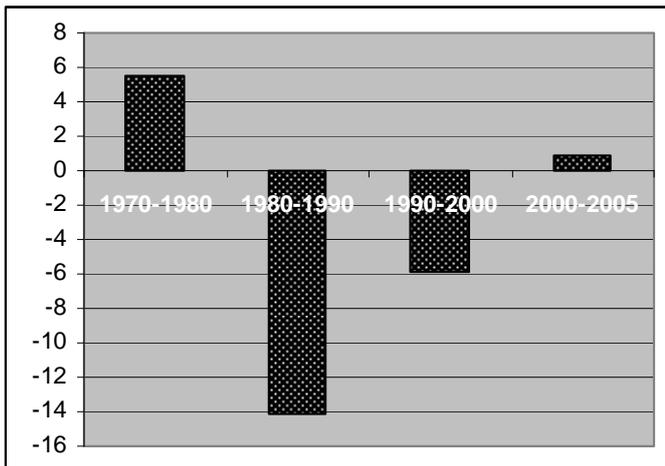
Source: Eustat (online)

4.3 Population Development

As a consequence of industrial and urban decline, Bilbao lost about 14 per cent of its population between 1970 and 2005 (Eustat, online). Figure 26 shows that most of the population decline occurred during the 1980s. This decline continued during the 1990s, albeit at a lower rate. The graph also shows that Bilbao, gained population since 2000. This growth, albeit low, is further evidence for the ongoing recovery of the city. Some of this recent

increase in population is related to growing immigration, especially since the 1990s. In 2006, Bilbao had a foreign population of almost 20,000 or 5.5 per cent (Lan Ekintza, 2007). More than half of the immigrants were from Latin American countries (mostly from Colombia, Bolivia and Ecuador). For the integration of these immigrants will be becoming a major issue for the urban society.

Fig. 26: Population development per decade, Bilbao (1970-2005), in %



Source: Eustat (online)

Although most of the Left Bank municipalities including Bilbao itself lost population between 1970 and 2005, the metropolitan area grew by some 67,000 inhabitants over the same period (Eustat, online). The growth is mainly taking place in the more outlying suburban municipalities. There is some suggestion that the new fast metro lines and improved suburban lives could accelerate this process. This means that local governments are confronted with new challenges and problems such as the provision of adequate roads and public transport infrastructure, the provision of public services such as schools and urban planning; there are new environmental burdens and traffic congestion (Emparanza, 2007).

4.4 Urban Regeneration

Urban renewal was the main focus of the regeneration policies. Despite its initial problems and public-sector dominance, the Abandoibarra regeneration with its landmark Guggenheim Museum is widely seen as a success story and Abandoibarra is now attracting private sector investment (M. Valdevielso, J. Alayo, M. Candida, interviews). Since the withdrawal of the provincial government's decision to occupy the proposed office tower, the large energy company Iberdrola has now decided to build its new headquarter on the site. The redevelopment of the former industrial or harbour sites was mainly carried out by Bilbao Ría 2000 whose urban redevelopment activities were highly influential in winning investor confidence.

The high-profile projects of Bilbao Ría can be found all over the city and several more are currently in the planning process. Regeneration, based on the financial model of land value enhancement through changing the land-use of ex-industrial sites has been very successful. Bilbao Ría 2000 also managed to involve all

relevant tiers of government which helped it secure initial funds and EU backing. The financially self-supporting approach enables the agency to finance its own redevelopment strategies. The model of Bilbao Ría 2000 demonstrates that action can be taken even in the context of strained public budgets (J. Alayo, interview). Due to the requirement that financial gains have to be reinvested, some un-profitable projects could be financed in other parts of the city, e.g. the deprived inner-city neighbourhood of Bilbao La Vieja.

4.5 A 'Guggenheim Effect'?

Several studies attempt to evaluate the effects of the tourist sector which received a strong boost from the inauguration of the Guggenheim Museum in 1997 (e.g. Rodríguez *et al*, 2001; González, 2006; Plaza, 2007). Opinions about the so-called 'Guggenheim effect' on Bilbao's and the regions economy are however divided. From one perspective, it is a fact that tourism in Bilbao has increased sharply. There was also a big increase in airport passengers from 1.4 million in 1994 to 3.8 million in 2005 (Bilbao Ayuntamiento, 2007; Lan Ekintza, 2007). Bilbao now receives more tourists than San Sebastian, traditionally the leading Basque tourist destination. The Guggenheim alone has attracted an average of 1 million visitors per year since its opening (Plaza, 2007). Some voices criticise the large amounts of public money that went into the building of the museum and the public subsidies that are required to finance its liabilities.

Employment in the service sector has hugely increased but the direct effects of cultural tourism are not immediately evident. According to calculations, slightly less than 1,000 jobs have been directly created in tourism-related parts of the economy as a result of the expansion of cultural tourism in Bilbao (Plaza, 2007). However, the sheer scale of added tourist numbers seems certain to have created many smaller service outlets, bars, shops, cafes, small hotels, restaurants, guides, tourist mementos and so on. The indirect knock-on effects in the city are extremely wide if immeasurable (J. Alayo, interview).

The number of business visitors to Bilbao has also increased considerably. The number of conference delegates arriving in the city has increased tenfold to 178,000 per year over the last decade. In other words the spin-off benefits are much wider. These numbers seem to demonstrate the effectiveness of projects such as the Euskalduna Conference Centre and the modernisation of the airport.

4.6 Transport investments

The metropolitan public transport system is efficient, inexpensive and widely used. A strong commitment by the relevant actors, together with substantial funding to upgrade and expand the public transport infrastructure of the Bilbao metropolitan area led to the new metro system carrying 78 million passengers per year (Siemiatycki, 2005). A by-product of the popular new metro system is the densification of areas adjacent to the stops (P. Emparanza, interview).

The municipal bus system won an EU-wide prize in 2005 for its efficiency and accessibility (*ibid.*). Criticisms mostly focussed on the lack of coordination between some of the existing systems, which are run by different

companies (J. Alayo, interview). In the inner-city, mobility between different areas is enhanced by footbridges across the river and the covering of railway cuttings. Long-distance accessibility and connectivity has been improved considerably by the modernisation and expansion of the airport. However, the international seaport, although ranking among the five largest in Spain, is still underperforming considering the heavy investment into its facilities (Lan Ekintza, 2007; L. Vicario, interview).

Fig. 27: Changing needs: the 1893 historic Hanging Bridge on the river mouth (foreground); new port facilities (background)



4.7 Regional Autonomy

The Basque Country has considerable autonomy from central government which gives it a much more independent position than some other European regions with devolution of power like Northern Ireland (see our Belfast City Report). The return of democracy and the re-installation of regional power in the Basque Country happened shortly before the industrial crisis reached its apogee, so local decision-makers could tailor their policies to the new situation. The control of revenue-raising powers has allowed provinces like Bizkaia to design a tax system that promotes investment and responds to economic changes. This special funding and political structure, instituted from 1979 greatly aided the recovery process. Figures 29 and 30 show the main buildings of the provincial government and the City Council.

Fig. 29: Biscay Provincial Government (*Diputación Foral*)



Fig. 30: Bilbao City Council (*Ayuntamiento*)



On the other hand, the Basque political situation is still somewhat unstable. There are ongoing political tensions due to the unresolved questions surrounding Basque nationalism. Approximately half of the population favours further self-determination, possibly a third the creation of an independent Basque nation state. Political violence and terrorist activities carried out by the ETA have decreased considerably but they have not completely disappeared as a threat even after the group declared a ceasefire in 2006.

Politics and political interests also play an important role on all administrative levels in the Basque Country. Politicians in the region have cooperated somewhat reluctantly with Spanish government agencies in the past. Regional and provincial governments were stripped of their powers during Franco's regime and they tend to lean towards Basque nationalist interests, opposing too close cooperation with central government in Madrid in the past. Local government has frequently followed a more pragmatic political approach. Box 8 provides an outline of the complex political landscape in the Basque Country.

Box 8: Political Landscape of the Basque Country

A general division of the regional political parties can be made into those favouring an independent Basque Country and those favouring a regional model inside the Spanish state:

- **Basque Nationalist:** The strongest party is traditionally the centre-right Christian-Democrat Basque National Party PNV (Partido Nacional Vasco, 39%).¹¹ The PNV is governing on all three administrative levels, region, province and city since the re-installation of regional power after Spain's return to democracy. When forced to form coalitions, the PNV has chosen to do so with other Basque nationalist parties such as the moderate PNV-offspring EA (Basque Solidarity), but also the Communist PCTV (Partido Comunista de los Territorios Vascos, 13%) or left-wing IU (Izquierda Unida, 5%). The radical nationalist party HB (Herri Batasuna), the political arm of the ETA, was declared illegal in 2003. HB would secure an estimated 10% of the votes if legalised.
- **Federalist:** The main political parties favouring the status as a region inside of the Spanish State are generally Basque versions of the two main national parties, the Social-Democrat PSOE (Partido Socialista Obrero Español, 23%) and the conservative Christian-Democrat PP (Partido Popular, 17%). The PSOE heads local governments in some working-class municipalities of the Bilbao metropolitan area, especially those which experienced high levels of immigration from other Spanish regions.

Figure 31 illustrates the open support for Basque cultural expression during the city festival every August. There is still some way to go before the political issues surrounding Basque autonomy are resolved and the accommodation with the national government settles into a more permanent agreement.

Figure 31: Strong culture: Bilbao's festival week in August

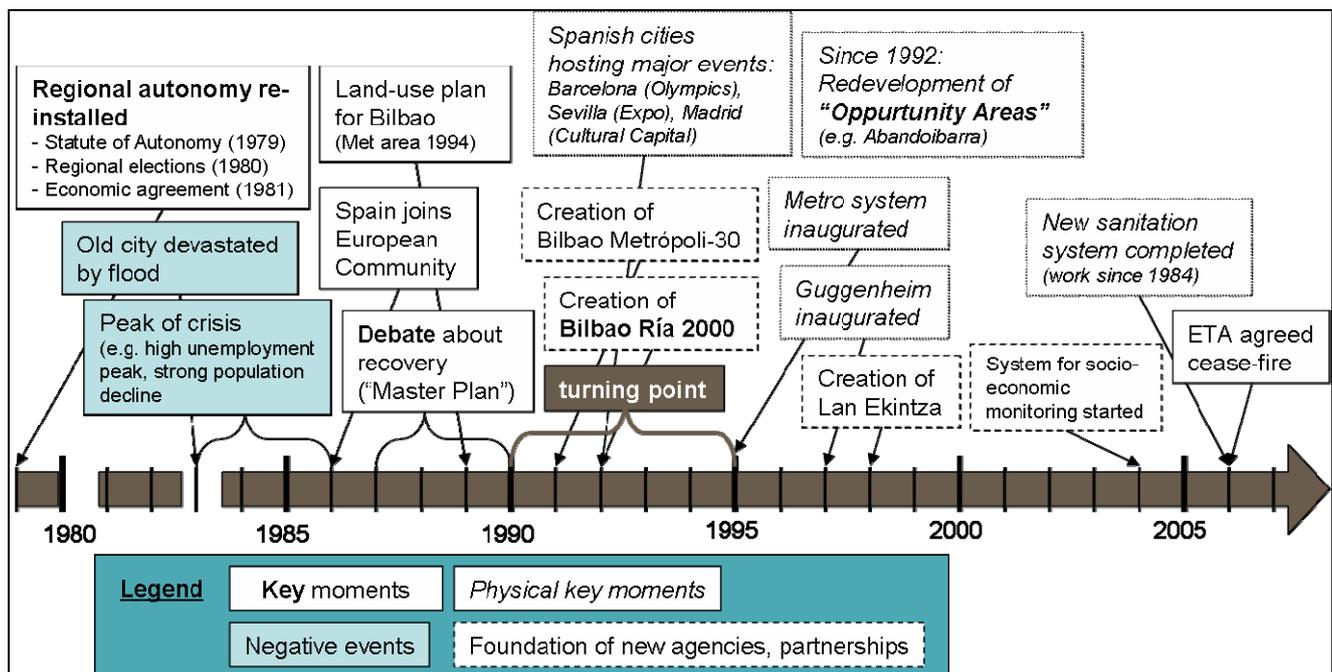


¹¹ The use of Spanish titles is to enable easier reading. The percentages in brackets indicate the result of the 2005 regional elections.

4.8 Timeline

The main events influencing the decline, turnaround and recovery of Bilbao since the late 1970s are shown in Figure 28. According to the interviews carried out with city officials, urban experts and other representatives, the first steps towards a concerted regeneration approach were already made in the early 1980s during the peak of the crisis. While these efforts were brought together in a more coherent approach involving all relevant levels of government towards the end of the 1980s, visible outcomes only appeared from the mid-1990s onwards.

Fig. 28: Timeline of important events in Bilbao since the late 1970s



Concept and design: J. Pl ger

5. CONCLUDING THOUGHTS

While recovery in Bilbao is definitely underway some concerns and questions about the future remain. The most pressing issues are laid out in the following passages. This also includes some concluding thoughts about the recovery process in Bilbao.

Urban Boosterism

Many recovery strategies have helped to boost Bilbao's economy and urban regeneration. Due to a successful image change, the city is now internationally recognised as a successful example of urban recovery. Some voices have however criticised the strong focus on urban marketing that prioritises 'putting the city on the map', for example the costly subsidies to the city's only really global attraction, the Guggenheim Museum.

The objective of transforming Bilbao into a regional node in the new Europe-wide urban system based on a restructured economic base might be much more difficult to achieve. Some interviewed experts pointed out that the city is losing important functions to Spain's two larger metropolises Barcelona and Madrid (A. Martínez, B. Plaza, L. Vicario, interviews). As a result, the most highly-skilled among the local workforce are continually moving towards these more dynamic cities and the local universities have dropped several positions in national rankings; their previous pre-eminence in engineering, science and economics has declined. There is now some understanding of the fact that the disappearance of major industries is very often paralleled by the disappearance of some important service sector activities, especially those directed towards large companies (A. Martínez, L. Vicario, interviews). Nevertheless, some companies with their headquarters in Bilbao have been able to become global players, for example the bank Banco Bilbao Vizcaya Argentaria (BBVA)¹² and the international energy company Iberdrola (Del Cerro, 2007).

Urban Regeneration Approach

The creation of the regeneration agency Bilbao Ría 2000 was key to the physical transformation of the city. The agency is very influential: "They have the resources and therefore the power" (B. Plaza, interview). The delegation of planning and implementation powers to a body outside of the City Council, the entrepreneurial approach of Bilbao Ría and the focus on physical regeneration have all been criticised (Rodríguez *et al*, 2001). But one of the key elements of the approach was to involve and bring together all levels of government. This carefully constructed but functioning balance between different political interests has been very important. Another criticism is that the residents have often not been involved actively during the regeneration process. The whole implementation process has been very top down with almost no local participation (L. Vicario, interview). Some suggest that the design of some of the new public spaces does appeal more to affluent groups but fails to create amenities for urban society as a whole. Major redevelopment schemes have been

¹² The more footloose character of this restructuring causes new problems for the local economy, though. BBVA has not only relocated most of its back office functions to Mexico as Latin America is the bank's largest market but also many important decision-making functions to Madrid.

realised but Bilbao Ría 2000 is continuing its activities with several more large-scale projects in the pipeline, for example in Basauri, Olabeaga and others (J. Alayo, M. Valdivielso, interviews).

Economic Restructuring

Although industrial decline was tangible in the Bilbao metropolitan area and statistics show the continuous economic restructuring going on, some scholars argue that this process is not as simple as the data might suggest. According to Beatriz Plaza from the Universidad del País Vasco “deindustrialisation is a myth”. She uses two main pieces of evidence to support her argument: the major involvement of the Basque government, for example through the creation of technology parks and the subsequent expansion of jobs and firms; and the restructuring of service-based activities in industrial companies led to the creation of successor companies dedicated purely to service provision directly.

Urban Sprawl and Sustainability

The Bilbao metropolitan area is characterised by its very high densities. The original urban structure of Bilbao has remained almost intact. While suburbanisation led to the urbanisation of a few rural and coastal municipalities, the most important functions remain in the city. On the one hand this favours the dense urban model of the European city and strengthens arguments in favour of supporting the public transport system. On the other hand it causes an over-concentration of uses and an over-demand for space. The strong pressures on land have resulted in high prices for land and real estate (J. Alayo, interview). In some cases the adjacent municipalities have benefited from spill-over effects. One example is the former working-class municipality of Barakaldo which has attracted many big-box retail chains and the new trade fair which was relocated from Bilbao. In the context of transforming the urban landscape, it remains to be seen how politicians and urban/transport planners will be able to guarantee the long-term sustainability of the metropolitan area by coordinating sprawl (P. Emparanza, interview). Although no metropolitan government exists formally, to coordinate this process, Bilbao has the advantage that the jurisdiction of the influential provincial government covers the entire metropolitan area of Bilbao as well as some rural hinterland.

Conclusion

Bilbao offers some vital lessons for anybody interested in the process of regeneration in Europe’s industrial cities. After the return to democracy and the re-installation of regional power, the Basque administrations were equipped with the power to decide on local and regional policies just in time, before the industrial crisis reached its peak. This favourable timing and a number of intervention factors, such as joining the EU and the subsequent economic boom, have had a positive impact. The recovery of Bilbao has been facilitated by a combination of determined public sector leadership and an existing entrepreneurial culture. This enabled the design of interventions and special agencies to confront the symptoms of the crisis. Several major investments such as the Guggenheim, the new metro system and the water sanitation project were important components of this strategy. Another beneficial factor is the strong regional and local culture.

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Juan Alayo Azcarate	Director of Development Planning	Bilbao Ría 2000 (BR 2000)
Alfonso Martínez Cearra	General director	Bilbao Metrópoli-30 (BM-30)
Mauro Valdivielso Unda	Director of Urbanism and Environment	Ayuntamiento de Bilbao (City Council)
Natxo Tejerina	Responsible for Planning and Urbanism	Ayuntamiento de Barakaldo (City Council)
Izaskun Artetxe	Responsible for Economic Development	Diputación Foral de Bizkaia (Provincial Government)
Mikel Candina Villar	Financial department and political advisor	Diputación Foral de Bizkaia (Provincial Government)
Pedro Emparanza	Researcher, Policy Analyst	Instituto de Estudios Territoriales de Bizkaia (Institute for Regional Studies)
Mar Baelo Mandaluniz	Marketing manager	Lan Ekintza (Municipal job agency)
Jesús A. Urriolabeitia	Director of technical area	Surbisa (Municipal urban rehabilitation agency)
Alberto López	Responsible for social and community area	Bilbao Viviendas Municipales (Municipal housing agency)
Beatriz Plaza	University Professor	Universidad del País Vasco (UPV), Faculty of Economics, Dept. of Social Sciences
Lorenzo Vicario	University Researcher	Universidad del País Vasco (UPV), Faculty of Economics, Dept. of Social Sciences
Jon Leonardo Aurtenetxe	Director, University Professor	Universidad de Deusto, Investigaciones Sociales, Fundación Deusto
Garbiñe Henry Moreno	Consulter, Researcher	Azertia Consulting

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