

BILBAO'S STRATEGIC EVOLUTION. FROM THE INDUSTRIAL TO THE POST-INDUSTRIAL CITY

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ABSTRACT

Bilbao, like many other European cities, gradually acquired relevance as a mercantile town; in our case this was due to its geographical location as a link between Spain and Northern Europe.

With the coming of the Industrial Revolution in the latter half of the 19th century, Bilbao was able to take advantage of the area's natural resources, together with the capacity for investment and trade which the town had developed in previous times. Its industry focused on products with a preponderance of iron and steel, and mainly on the shipping sector. The town gradually adapted its structures to a new situation, thus being shaped in a typically industrial fashion.

Concurrently, there was a spectacular financial blossoming during the late 19th and early 20th centuries, which found its reflection in the creation of the Bilbao Stock Market, different private financial institutions, the Chamber of Commerce, Industry and Shipping, the International Trade Fair, etc.

This growth slowed down in the 1970s. The economical and social transformations of those years altered the structure of the world economy, and their effects were especially detrimental to the former driving forces sectors of the great industry: the iron-and-steel, shipbuilding and textile sectors.

This entire process brought about the collapse of the industrial town model on which metropolitan Bilbao was based, and it set off a severe crisis whose effects became evident in the form of a decadence of the urban-based industrial system, high unemployment rates, degradation of the natural environment and the urban fabric, emigration, and the appearance of social marginalisation problems.

In the face of a decline situation similar to that of other former industrial areas in Europe and other regions of the world, Bilbao had to commit itself to finding a new model for the future, while starting from the existing one. This meant that the industrial fabric had to become competitive and diversified, replacing people with technology and opting for new forms of economic activity, basically in the tertiary sector, which would provide the jobs that would necessarily be lost in industry.

1. INTRODUCTION

Bilbao was founded in the year 1300 as a medieval *villa* or town by virtue of the privileges granted by the original founding document, the *Carta Puebla*. In 1511, when the trade and shipping office or *Consulado* was created, it became a trade outlet and subsequently, at the end of the 19th century, it was transformed into an industrial city covering its entire metropolitan area. We are now going through a crucial time for the history of our city. Immerse in a new change in the model –from a stage of industrial decline to a new post-industrial metropolis- which leads us to set out our future with a new urban configuration. For that reason, we can assert that this is more a thorough transformation of town planning than an evolution of the old city that we are going through; a transformation, which will provide the springboard for the Bilbao of the future.

Having dispensed with the introduction, I will now attempt to set out below why and how this process came about.

2. THE NEED FOR CHANGE.

The increasing context of industry and trade in Bilbao from its foundation until the end of the 1970s made it the finance and services capital of a considerable economic hinterland beyond the confines of what is now the Autonomous Community of the Basque Country. The economic slump which emerged in 1975 pointed to a number of structural problems which basically

consisted of restrictive industrial production based on the traditional iron and steel industries, shipbuilding and equipment goods, the sectors worst hit worldwide, and also on insufficient autonomy of the services sector, which was closely linked to industrial development.

This situation had a considerable impact on society and the city itself. Its effects were the decay of an industrial system, high unemployment, (between 25% and 30%, reaching 35% in certain areas of Greater Bilbao), degradation of the environment and the general city framework, emigration and stagnation of populations, and problems of social exclusion, also encountered in other industrial cities such as Pittsburgh, Glasgow, Hamburg, Rotterdam or Turin.

In this situation, Bilbao was forced to initiate a comprehensive city transformation process capable of generating new job opportunities for the local population, which would in the medium term be generated mainly in the tertiary sector.

Until 1800 manual labour was mostly to be found in agriculture, whereas nowadays agriculture accounts for only 3% or 4% of the work force. As of this point, the industrial revolution made the secondary sector into the main basis of economy and employment in the developed world.

In years to come, automation, robotisation and other forms of technological development will inevitably lead to a considerable reduction in the work force required by these industries, and so in the medium term only some 30% of future jobs will be obtained from the combined efforts of the primary or agricultural sector, which has provided jobs for mankind for 4,000 years, and the manufacturing industry, which has been a source of employment for 200 years. Trade, cultural and leisure activities, information and other sectors currently undergoing development, will provide the remaining 70% of jobs.

This does not mean that Bilbao will be forced to discard its industrial tradition. Once it has been refurbished from the point of view of new technology, it will again produce wealth, albeit with less jobs, just as the 3% or 4% of the active population who work the land in the primary sector now produce much higher earnings from agriculture than 70% of the active population who were employed in agriculture 200 years ago.

Moreover, improving the daily living conditions of local people does not respond solely to the need to create employment and increase income, but rather it should also mean an improved habitat, with better opportunities for residents in terms of leisure, culture, environmental friendliness etc.

From the point of view of town planning, in industrial cities like ours these two concepts of urban quality and level of income have generally shown themselves to be antagonistic, since practically all the cities were traditionally wealthy with high levels of employment, but also extremely deficient in terms of environmental issues.

Today's environmental degradation and deterioration of our habitat have caused a loss of competitiveness at international level, and thus surmounting this obstacle is a *sine qua non* condition to create new jobs from development of the tertiary sector, and attract investment to make this possible. Cities are now competing with one another to attract new companies seeking alternative locations, and so a quality environment is inextricably linked to obtaining a higher level of income.

3. THE NEW METROPOLITAN BILBAO.

Having established the need to improve upon the industrial model, since its crisis is of the structural and not the conjunctural type, it was necessary to begin the transformation process to a post-industrial city, setting out the basic standards for future development within the framework of an ambitious refurbishing process covering all the lower River Nervión to configure a metropolis for the modern age.

Refurbishment has been considered from the point of view of both physical concerns and social and economic issues, based on the four main conceptual axes as listed below. The first two concepts relate slightly more to physical concerns or town planning, whereas the third and fourth deal with social and economic viewpoints.

3.1 External accessibility and internal mobility for the metropolis.

Physical communications and intelligent communications are determining factors in attracting business investment. Action taken to extend the port facilities in Bilbao, the new airport, the Metro underground system, work carried out on roads and railways and the future Intermodal Station are the result of an enormous focused effort, nor must we forget the contribution of the "information highways" created by fibre optic cabling.

3.2 Environmental and urban regeneration.

The Bilbao metropolis has developed with the environmental slavery peculiar to industrial areas. Nowadays the quality of the location is not only a basic requirement of the city for all its residents, but, as we have explained above, in Bilbao this is also

essential for development of the new economic activities of the future and to attract investment funds from exterior agents who need increasingly more selective locations.

Improving the physical infrastructure, with specific emphasis placed on reduction of pollution in the atmosphere, water processing, management of industrial and urban waste, extensions to parks and green-belt areas etc. are the main concepts to create a metropolis of sufficient environmental quality.

The concept of urban regeneration has a number of links to this concept. The basic idea is to deal with the imbalances in the urban framework caused by economic development in order to provide a city which is better designed and more agreeable, and also offers housing and other collective facilities.

This urban upgrading is likewise essential to change the image of the city, and the extent to which it satisfies the needs of its residents. This is necessary to produce the comprehensive social enthusiasm required to develop new activities and shun local pessimism and a lack of faith in the future, which led to the closure of many businesses.

3.3 Investment in human resources and technological transformation.

The new motors driving the economy go hand in hand with knowledge, culture, and, as a general rule, immaterial concerns.

Capacitation of human resources within industry and the services sector is required if the city is to be competitive. Metropolitan Bilbao must adjust its offer of education to modern circumstances. Universities, professional training units, the relationship between training and employment, post-graduate training and business policy with regard to human resources must be preferential fields in which action is to be taken.

Values such as knowledge, creativity, dedication and motivation must be taken up as a genuine challenge. The world of tomorrow is the world of knowledge.

This capacitation must eventually transform our metropolis offering top-of-the-range services into a modern industrial region, reflecting the conviction that industry and services are inseparable within an economic context geared towards the 21st century. Industry creates wealth, and the services sector will provide many jobs.

3.4 Cultural centrality.

Encouragement of cultural activity is a factor which dynamises the city internally and shows it to the outside world.

In contemporary society, cultural activities, the arts, sport and leisure constitute a genuine thermometer of collective vitality, determining the attractiveness of a city, contributing to its image abroad and setting out the conditions for adding new activities.

In years to come, I feel sure that they will not be cities, which are not simultaneously financially strong and culturally important. This double function is already true of large capital cities such as London, Paris or New York. However, museum exhibition activity in cities, which are undisputed centres of finance such as Frankfurt, where seventeen new museums have opened in recent years, are an obvious example of this point.

In our case, we must enhance the Museum of Fine Arts, the Arriaga Theatre, the Euskalduna Music and Conference Hall, the city libraries, the opera season, golf courses etc. to promote the city of Bilbao, and there can be no doubt that the key product in this field has been the Guggenheim Museum.

The whole process resulted effective, generating new jobs and so reducing the above mentioned unemployment rate of 28%-30%, to the actual rate of 8%.

Given the case that in the occasion of this encounter it is requested a special emphasis on the effect of Culture in the urban regeneration processes, I will take as an example the effect produced by the Guggenheim Museum which, without doubt, it has been the most symbolic and characteristic element in the commitment of Bilbao to face the future and also the element which has most contributed to give Bilbao international renown.

The task faced by Basque institutions was by no means simple. When Bilbao was chosen as the European location for the prestigious Guggenheim Museum in New York, first and foremost this conveyed the message to the Foundation that the proposal was serious and feasible, despite the image of decay that our town projected at the time. The choice was also brought about following a breakdown in negotiations with other European cities felt to be more appropriate, such as Salzburg and Venice.

However, the greatest problem was the large number of people in Bilbao who spoke out against the plan. They could not understand why so many resources were to be used to build a museum at a time of economic crisis, when it seemed obvious that government money should be used to shore up employment in stricken industries. That is to say, this decision was considered a frivolity on the part of the public institutions promoting it.

A considerable amount of public money was indeed made available to industries experiencing difficulties, but in many cases the loans and economic assistance would only artificially assist jobs in industries which had no future, and were only

effective when they were used to make industry more competitive, replacing people with technology, thus increasing the unemployment figures.

In short, the local population failed to understand that the proposal for the museum drawn up by the Basque institutions contained, in addition to cultural concerns, a comprehensive economic component – in other words, culture was no longer to be understood as a mere "expense", as it had hitherto been seen, and was to be considered as economic "investment" in the future.

There was also considerable opposition from a large number of cultural groups whose economic assistance and grants were cut back following the alterations made to cultural allocations to finance the new museum.

Amid such a context of adverse opinion, when many people told us we were the biggest fools in Europe for accepting what nobody else wanted, that we were encouraging a Coca-Cola culture and American imperialism with our "MacGuggenheim", we were forced to implement our strategic plan: to build a museum as the emblem of the city, and add Bilbao to the international art circuit through the main capitals of the world.

The fact remains that this plan has surpassed our wildest expectations, as may be seen from the figures below, and the success of the museum completely transformed the adverse postures already mentioned.

Firstly, the feasibility survey carried out estimated that 400,000 visitors per year would be required to compensate the planned investment of 132.22 million euros. We were in some doubt as to whether we could reach this figure, although three times as many visitors came during the first year after its inauguration – 1,360,000. The average figure estimated today for the museum, once the novelty wore off, is 900,000 to 1,000,000 visitors per year.

The investment package of 132.22 million euros was broken down into 84.14 million euros as the cost of construction of the museum and landscaping around the general museum area, 36.6 million euros to purchase the art work, which constituted the initial capital of the Museo Guggenheim Bilbao, and finally the remaining 12.2 million represented the contribution to the Foundation in relation to membership, to ensure that collections were rotated through Bilbao. This avoided the long period of consolidation for a new museum, and from the outset the level of quality has been similar to the Guggenheim on New York's Fifth Avenue.

The economic results obtained are eloquent. The consultancy firm KPMG Peat Marwick carried out a survey, and the economic model shows the main figures as follows:

During the first year operating the Museum, from October 1997 to October 1998, the increase in the GDP of the Autonomous Community of the Basque Country, resulting only from the Museum, was of 144 million euro. There is no conventional non-speculative investment, which can recover the invested capital in less than one year.

On the other hand, this increase in the wealth meant an additional income for the Basque public funds which covered, during the first 3 years, the 84,14 million euro of the cost of the museum and in 5 years, the 132,22 million of the total investment.

The figures of the last study made in this respect, corresponding to the year 2006, reveal that, considering the direct, indirect and induced effects, the activities of the Bilbao Guggenheim Museum generated wealth, throughout the year, of 211,000,000 euro of GDP, which mean an additional increase for the Basque public funds of 29,000,000 euro.

The above-mentioned increase in the wealth –according to the consultancy firm KPMG- implied as well, the maintenance of 3,816 jobs during the first year, which increased during the year 2006 to 4,232.

As a reference, we could say that in its heyday the Euskalduna shipyard, located in the same area around Abandoibarra, offered, in the best of times 4,000 jobs, 3,000 direct and 1,000 indirect, through peripheral industries. In its last years, the total number of jobs created at the shipyard was n 2,300.

For that reason, we can assert that the Museum is able to maintain, the same number of jobs that the shipyard held during its golden age (50s and 60s of the last century) and double of the jobs offered in the shipyard's final stage; jobs which were brought down, both, due to the crisis and to the technological advances.

These figures take no account of other factors such as the positive publicity of the city that this action brought, or its effect to capture other investments. If we consider all the articles written in newspapers, magazines, TV reports etc. worldwide, and booked these as remunerated advertising, they alone would justify and amortize the resources employed to this end.

There are, however, other more intangible benefits, which are nevertheless equally important – the recovery of Bilbao's self-esteem, for example, badly hit by industrial crisis and consequent rising unemployment. The process of decline was checked and, although there is still much work to be done, a good start was established on the road towards economic recovery. That self-esteem and faith in the future were absolutely necessary in order to gain the needed social encouragement to face the difficulties and to develop a new economy.

Finally, we can claim that Operation Guggenheim has proved to be a fine investment and not an expense, as people now understand, and that investing in culture can help to generate the part of the economic resources and jobs we obtained in the past from traditional industries.

3.5 Other aspects of the transformation

In conclusion to this examination of why and how metropolitan development of Bilbao took place, I wish to set out a number of aspects, which have featured in our process:

* One of the most significant milestones in the upgrading process was the transformation and recovery of the Bilbao River. Co-habitation between manufacturing activities and housing due to the unsophisticated nature of the former proved possible initially, but this tendency died out during the industrial revolution, which introduced production facilities incompatible with the quality required for human habitats.

We could say that a large part of Bilbao was built with its back to the river, but it could also be said that, when the city has been unburdened of its manufacturing activities to leave the port area available in the short and medium term, this provides enormous potential since it runs through much of the consolidated part of the city and therefore must play the main role in shaping the metropolis, arranging leisure spaces, housing complexes and tertiary activities around itself as the main axis of the new city and its most emblematic symbol.

* The new metropolis must place much more emphasis on internal transformation than on generating fresh development, and the main objective must be to refurbish and upgrade the most degraded and obsolete areas as our inheritance from industrial crisis. In other words, turning "problems" into "opportunities" in both public and private spaces.

* Close attention must be paid to first-class town planning and architecture, since they will not only configure the life styles of residents in the metropolis, but will also contribute to the projection of Bilbao overseas, thus attracting visitors and investment.

A number of architecture competitions have been organised to this end, but an effort was also made to ensure that architects of international renown were used, either by direct commissions or as paid consultants for an assortment of specific projects – the Metro, the Guggenheim Museum or the landscaping around Abandoibarra, for instance.

* Development of a multi-discipline process such as that described above requires cooperation on the part of public administration, i.e. institutional partnership. The city of Bilbao arranged a co-operation formula between the institutions – Bilbao Ría 2000, a company whose shares were fully owned by State Administration, the Basque Government, the Provincial Council of Bizkaia and Bilbao Town Hall. Gradual involvement of the private sector was also required, and in our case, this was implemented by the Association for the Revitalisation of Metropolitan Bilbao, Metròpoli 30, which was owned by the administration and some 110 businesses, universities, professional colleges and other social groups.

The project was spearheaded by public institutions. Basically Bilbao Town Hall, the Provincial Council of Bizkaia and the Basque Government. And these were also forced to deal with a crisis, which produced over 30% unemployment.

The Company created to carry the project through, Bilbao Ría 2000, is chaired by the Mayor of Bilbao, and the vice-chairman is the Secretary of State at the Spanish Ministry for Economic Promotion – the immediate deputy of the Minister.

Leadership is an essential feature of a process to bring about comprehensive transformation of a city. A clear diagnosis of the problem must be drawn up, and all necessary measures taken to solve it, even if the process is not initially understood by many local people. Risks are necessary, and if the wrong action has been taken the local population will chastise those responsible with their votes; on the other hand, if the correct action has been taken they will acknowledge this in the next elections.

Following on from this theoretical display, we should examine the specific results of the scheme, set out on a number of slides to show the main activities, and the before and after of the regeneration process.

One inevitable question, which arises following examination of the work carried out is how it was all financed.

Obviously a project of this magnitude cannot be carried through using solely public monies, which are subject to basic expenditure such as health, education, municipal services etc., with no room for such extensive investment.

This forced diversification of the systems of finance. In the case of Bilbao, the abovementioned investment of 132.22 million euros in the Guggenheim Museum, in addition to land ceded by the Town Hall, was financed equally by pluri-annual budgets at the Basque Government and the Provincial Council of Bizkaia.

The 85 million euros for the Euskalduna Music and Conference Hall was fully financed by the Provincial Council, on land also provided by Bilbao Town Hall.

Extension work on Bilbao's port, with an initial budget of 600 million euros, is financed by the resources created by port

activity. This particular infrastructure is a general-interest port and thus depends directly on the Spanish Ministry for Economic Promotion, but state budgets do not handle such items. The state merely endorsed the guarantees requested by the Bilbao Port Authority, and the port uses its activities to pay back the credit with interest.

Around 900 million euros were invested in the metro, and this was financed by long-term debt.

Approximately, a further 12% of these two activities was covered by European FEDER infrastructure funding.

Cleaning and sanitation work on the estuary, without prejudice to some public financial assistance, was paid for by an extraordinary charge to users over twenty-five years on top of water bills. The total amount was around 800 million euros.

Bilbao airport had become overstretched, and investment was required for a new terminal, control tower and runway extension work – a total of 190 million euros. This was financed by AENA, the state company handling Spanish airports and levying airport charges.

However, Bilbao's real singularity lies in the ability the city has shown to obtain resources from upgrading obsolete land from the industrial dismantling process. Much of the land formerly used by rail services, the port and certain industries was publicly owned.

The public company Bilbao Ría 2000, created by the Spanish Government, the Basque Government, the Provincial Council of Bizkaia, Bilbao Town Hall, and subsequently Baracaldo Town Hall, for which all authorities provided land free of charge, has become one of the main driving forces behind the transformation of Bilbao.

Bilbao Ría 2000 handles much of the landscaping projects and rail reorganisation, to an envisaged total budget of 901.7 million euros (European funding was around 90 million euros), of which 500 million euros have now been built.

CONCLUSION

To summarise, in Bilbao we have been aware of the historical times in which we live, and we know that the decisions we are taking now will shape the future of our city. We have decided to face up to our responsibilities, and set up mechanisms to improve our future ranking on the international stage. After a number of years laying our plans, acquiring the best tools, combining our work and debating the various proposals, we are now living in exciting times indeed, where we can see some of our major projects completed, and others moving spectacularly forward, creating an atmosphere of optimism, progress and hope for the future.

IBON ARESO



Wharf Abandoibarra Befor & After

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Wharf Uribitarte Befor & After



Av. del Ferrocarril Befor & After



Abandoibarra Befor & After



AMEZOLA Before & After



AMEZOLA Park



Befor & After

Befor & After

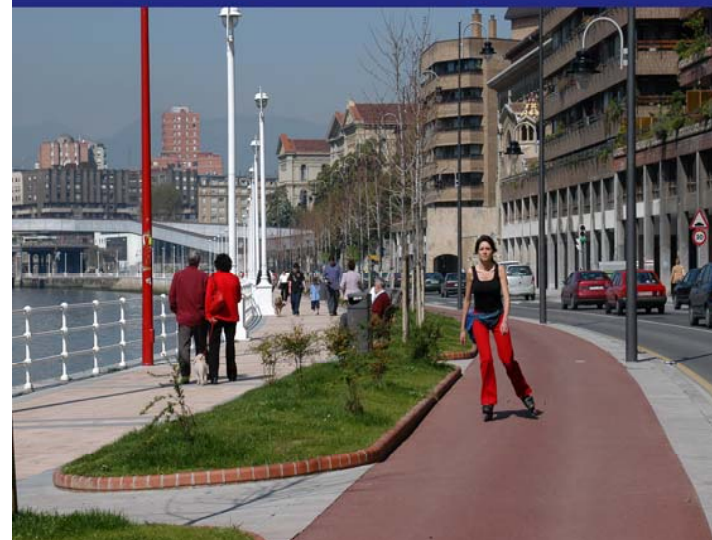


Cleanig of the river Befor & After

Cleanig of the river Befor & After



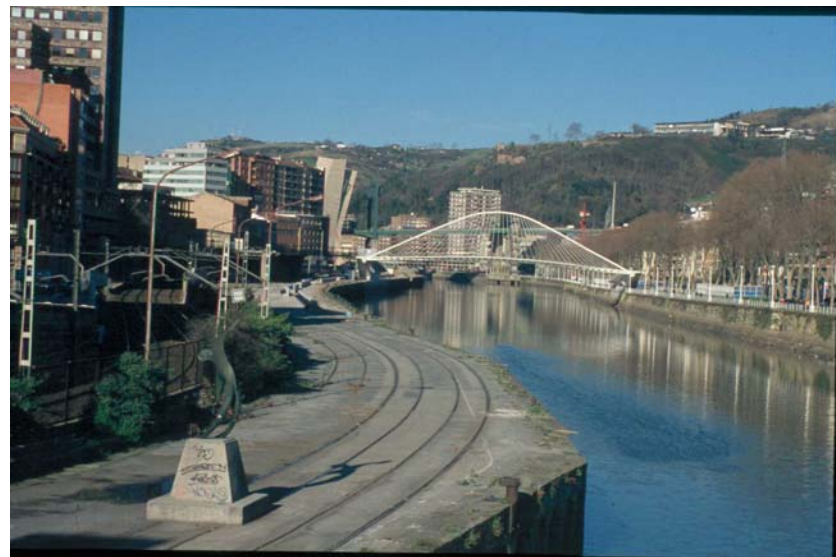
Avda. de las Universidades 1 Befor & After



Avda. de las Universidades 2 Befor & After



Bridge of Deusto Befor & After



Uribitarte Befor & After

Tourist evolution of Bilbao

	1994	1996	1998	2000	2002	2004	2006	%Δ 94-06
VISITORS	24.302	169.166	216.409	397.513	394.627	489.978	605.512	2.392
CONGRESSES	88	109	268	280	457	735	978	1.011
ELEGATES OF	18.817	20.000	36.412	52.470	92.085	136.144	184.581	881
HOTEL ESTABLISHMENTS	29	29	36	40	41	44	50	72
HOTEL USERS	442.012	518.820	804.994	782.594	795.192	964.673	1.124.649	154
AERIAL PASSENGERS	1.425.822	1.794.586	2.123.305	2.554.309	2.463.512	3.395.773	3.876.062	172
ENTRANCE OF CRUISES	0	0	2	14	19	21	22	
PASSENGERS OF CRUISES	0	0	1.331	5.524	8.089	12.180	16.645	