

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – EAST MIDLANDS

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UNLOCKING
REGIONAL GROWTH
CBI CAMPAIGN

Introduction

As the UK begins its exit from the EU, there will need to be a renewed focus on delivering growth that is felt in all parts of the country. Improving our infrastructure to better link our cities and regions with each other, as well as with the rest of the world, will play a key role in this. In doing so, we can address regional disparities, and drive productivity and prosperity for all.

According to the CBI's 2016 report, *Unlocking Regional Growth*, the most productive area of the UK is now almost three times more productive than the least, with nine out of ten cities performing below the European average. By unlocking higher productivity, there is the potential to add £175 billion to England's economy over the next decade, of which £24.1 billion is attributable to the East Midlands.¹

When looking at the main drivers of productivity, infrastructure was highlighted as a key priority. Indeed, the analysis showed infrastructure's crucial role in connecting businesses to supply chains and a greater talent pool. This is particularly important for the North of England, where better transport links could provide access to a population of up to 16 million – the same number that is within an hour of London today.²

The need for improvements in our regional infrastructure aligns with business sentiment. The 2016 CBI/AECOM infrastructure survey revealed that just 26% of businesses are satisfied with the infrastructure in their region, with the majority of businesses reporting concerns about the capacity, connectivity and resilience of their local infrastructure.³

With the government widening the focus of the devolution agenda as well as re-emphasising the need for a modern industrial strategy, a clearer picture of each part of the UK's infrastructure needs will be critical. Moreover, a better understanding of our regional infrastructure priorities will provide an important evidence-base as the government looks to plan for its road and rail investment into the 2020s and beyond, and the National Infrastructure Commission starts to set out its long-term vision for our future infrastructure. All of this is critical to building on the UK's existing economic strengths, and driving long-term competitiveness.

Within this context, this report brings together both quantitative and qualitative data gathered in each region to present policy-makers, both regionally and nationally, with a clear set of strategic infrastructure priorities. It sets out key cross-cutting priorities which are common to all regions, and six priorities specific to the East Midlands.

Importantly, the priorities are not exhaustive nor definitive; and in the face of tightening public finances, it is clear that further private sector investment is required to help deliver the pipeline of projects needed in the UK. As such, the intention of this work is to inform a conversation between business, government and broader stakeholders about how all parties can work together to deliver the infrastructure necessary to drive growth and prosperity across the country.

Delivering infrastructure across the country

Each region will of course face unique challenges, and indeed opportunities, when it comes to its local infrastructure needs. However, in considering the data from the CBI's *Unlocking Regional Growth* report, the 2016 CBI/AECOM infrastructure survey and in conversations with CBI members across the country, it is clear that common themes start to emerge. To this end, this report highlights the following cross-cutting priorities for consideration by national policy-makers as well as strategic and sub-national bodies:

Linking regions to harness growth across the country

Businesses across the country cite the need to improve connectivity within and between regions as a priority. Improving links between the UK's largest cities can help drive growth and productivity through agglomeration, whereby businesses have access to a broader labour market pool, a wider range of markets and better connections to supply chains. Indeed, the CBI's analysis found that for every 1 million increase in the population that are within 60 minutes of travel time of a postcode area, this corresponds to an additional £0.50 in Gross Value Added (GVA) per hour. For example, reducing travel times between cities in the North of England, via the best mode of transport, could provide access to a working population of up to 16 million, matching the number within an hour of London today. There are also productivity gains to be made by shortening travel times within local areas. Indeed, increasing the speed of travel within cities by 50% can increase productivity by up to 14% in some instances.⁴

Improving regional connectivity with international markets

Post Brexit, businesses recognise more than ever the need to link the whole of the UK to international markets to increase and encourage export capabilities. This not only boosts the potential for growth, but also raises competition and encourages innovation. To this end, businesses across all regions cite the need for a long-term aviation strategy which works for all parts of the country; making full use of existing capacity whilst enabling regional airports to develop their own unique identity and competitive advantage in addition to fulfilling a wider strategic role for UK plc. Importantly, this strategy must look at the future of aviation within a fully integrated transport system, and ensure the UK's long-term capacity needs are met. In addition, ports are key international gateways for the whole country, handling an estimated 95% of the UK's trade in goods, but are currently hindered by pinch-points across the road and rail network.⁵ Poor surface access to both airports and ports, was a therefore common challenge among businesses in all regions. This will need to improve to ensure that all businesses have access to international supply chains and markets in continental Europe and beyond. This investment is now vital at a time when boosting UK trade and exports is arguably more important than ever.

Finding the governance models that work best for each region

Businesses across the country are seeking greater clarity on where future infrastructure decisions will sit for the region in which they operate. The CBI/AECOM 2016 infrastructure survey revealed that a lack of strategic regional plan and fragmented regional decision-making are seen as the top barriers to improving local infrastructure. In addition, less than half (47%) of businesses currently think that the devolution agenda will improve infrastructure within their region. Confidence is highest in the regions where there has been the greatest clarity on what devolution will look like, for example across the Northern Powerhouse and Midlands Engine, which would suggest a positive view of sub-national bodies, such as Transport for the North and Midlands Connect.⁶ While we should not attempt to roll out a 'one-size-fits-all' approach to sub-national governance, it is essential that each part of the UK has the means and ambition to take forward a shared vision of its own, which complements a long-term national strategy.

Joining up all forms of infrastructure to plan strategically

Businesses in all regions voiced a need for a more joined up and strategic approach to planning and delivery across the different types of infrastructure. In particular, the need to better link up local housing plans with economic infrastructure was seen as a priority, with the government's announcement of a Housing Infrastructure Fund in the 2016 Autumn Statement a welcome step.

Over the longer-term, businesses are keen to highlight the role of technology in improving the UK's infrastructure, with CBI research highlighting that 94% of businesses believe that digital technologies are a crucial driver of increased productivity.⁷ Future populations will dictate the way infrastructure will change, with technology becoming the main interface between people and infrastructure. It can also reduce costs, influence the design, and improve the maintenance and delivery of infrastructure. From delivering smarter infrastructure through project management, to the maintenance and operation of assets, technology will play a decisive role in the future of infrastructure use and delivery, and should therefore be a key consideration for both the government and the National Infrastructure Commission.

East Midlands infrastructure priorities

Whilst businesses in the East Midlands are relatively satisfied with infrastructure in the region, they are keen to see improved links across the Midlands and beyond. To maximise its potential for regional growth, HS2 must be a starting point in providing faster connections between the cities of the East Midlands and the rest of the UK.

Regional profile

- 34% of businesses in the East Midlands report being dissatisfied with infrastructure in the region, compared with the national average of 46%. Half (49%) say UK infrastructure has improved over the last five years, while a third (33%) believe it will improve in the next five.⁸
- 27% of businesses in the East Midlands believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in the East Midlands is in the 46th percentile for the UK, meaning it is less productive than 54% of NUTS3ⁱ areas in the UK.¹⁰
- The maximum working-age population gain by improving infrastructure for a 30 to 45 minute commute zone in the East Midlands is 4.60million.¹¹

Six infrastructure priorities for the region

Improved rail connectivity across the Midlands

Businesses in the East Midlands prioritise improved rail connections between cities in the region and across the Midlands as a whole. There is a particular need to improve connections in the East Midlands between Nottingham, Derby, Leicester and Coventry, and between each of these cities and the West Midlands, principally Birmingham.

Reducing journey times by 50% into Leicester and Nottingham would see an increase in the potential size of the talent pool for local businesses of 3.6 million and 2.4 million people respectively, leading to an increase of productivity of 8% and 6%.¹²

The creation of the East Midlands Hub railway station at Toton on the eastern leg of HS2 will provide improved connectivity to the rest of the Midlands for Nottingham, Derby and the wider region, but this must also act as a catalyst for wider connectivity across the two regions and beyond. Businesses in the East Midlands are supportive of HS2 with 87% seeing it as important for the UK's future economic growth, but the towns and cities of the region must be fully connected in to the network to maximise its economic impact.¹³

Better connections from the East Midlands to the rest of the UK

The Toton HS2 station must be a first step towards improving connectivity between the East Midlands and the rest of the UK. Whilst rail services to London and the South are relatively good, connections with the North, particularly Leeds and Sheffield, are poor.

ⁱ We have conducted our analysis using NUTS codes, or Nomenclature of Units for Territorial Statistics, a geocode standard created by the EU, given its extensive use in the field of regional growth research. NUTS3 comprise 174 smaller UK regions, which have a maximum population of 800 thousand.

As the Midlands Engine and Northern Powerhouse go for growth in tandem, there is a need to improve connections between the two to share the benefits of productivity across the country. For example, spare capacity on the Eastern Leg of HS2 should be used to improve connections north. Furthermore, businesses in the region cite the upgrade and electrification of the Midland Mainline to increase capacity as a priority, with the electrification of the line important to 94% of businesses in the region.¹⁴

On the roads, businesses in the region recognise the strategic importance of capacity on the M1 in continuing to provide key connections from Derby, Nottingham, Coventry and Leicester both north and south.

Enhanced international connections for the whole region

Improved surface access to airports is important to 80% of businesses in the region, a third of which view it as critical.¹⁵ Whilst East Midlands Airport has good connections with the M1, A42, A50 and A453, putting 11.6 million people within a 90 minute drive of the airport, it has the lowest share of passengers using public transport of the major UK airports.¹⁶

Businesses in the region are keen to see the airport better linked into the wider transport network, taking full advantage of both the East Midlands Parkway Station and the East Midlands Hub at Toton, as well as increasing express rail links with Derby and Nottingham. Firms identify an opportunity in the upcoming East Midlands rail franchise to increase frequency and improve timetabling for East Midlands Parkway.

“Businesses in the region want to see improved connections with UK ports, east and west, and increased resilience on existing routes.”

Building on the region's freight capabilities

Freight is both a key part of the East Midlands' economy and user of the region's infrastructure, with the highest concentration of freight activity around Northamptonshire, Leicestershire and the A50 corridor. The region is also home to a number of rail freight centres such as Daventry, as well as East Midlands Airport, the second busiest UK airport for freight traffic, behind only Heathrow.

Businesses in the region want to see improved connections with UK ports, east and west, and increased resilience on existing routes. There is particularly heavy congestion on the A14, so progress in alleviating this is welcome, particularly given its strategic importance in connecting the East Midlands and the ports of the East.

Firms in both the logistics sector and wider supply chains also highlight restricted rail freight capacity, which limits the region's growth. The Strategic Rail Freight Interchange (SRFI), near Castle Donington, whilst a welcome opportunity for growth, will also increase the strain on the region's infrastructure, something which must be resolved.

Making the region's infrastructure more resilient

Resilience is an issue of concern to businesses in the East Midlands, with almost half seeing it as critical to the region.¹⁷ Flood risk is a major issue for the East Midlands, particularly along the Lincolnshire coast, but also in parts of the area's most dynamic urban economies with a significant amount of the land area of the East Midlands falling within identified flood risk zones.

Businesses also want to see resilience on the region's roads improved with the delivery of the Lincoln Eastern Bypass, the Grantham Southern Relief Road, improvements to the A38 Derby junctions and the A5 all particular priorities.

“There is an awareness from businesses in the region that without fast reliable broadband, it risks missing out on future technological developments in infrastructure, and business and home use.”

Improved digital and mobile connectivity

More than half of businesses in the East Midlands see increased speed, greater reliability and improved on the go coverage in broadband infrastructure as critical to the future operations of their business.¹⁸ A similar picture emerges for mobile infrastructure with the region in the 30th percentile for the UK, meaning it has worse connectivity than 70% of the UK. The quality of connections varies considerably throughout the region ranging from the 19th to the 100th percentile.¹⁹

There is an awareness from businesses in the region that without fast reliable broadband, it risks missing out on future technological developments in infrastructure, and business and home use. A new roadmap for the roll out of broadband must be established, prioritising both business broadband access and connectivity, and consumer access. Requirements for better internet access will only grow with the adoption of new technologies, and no region should be left behind. Commitments to support the market to roll out faster and more reliable broadband, such as the £400 million Digital Infrastructure Investment Fund, must help to support business growth and productivity improvements for the East Midlands and across the UK.

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