

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – LONDON

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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 £12.7 billion is attributable to London.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 London.

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.

London infrastructure priorities

Whilst London businesses have seen improvement in the capital's infrastructure in the last five years, challenges remain to meet future growth and demand through improved connectivity and resilience. In particular, if London businesses are to continue to compete in the global marketplace they must have the infrastructure needed to connect the capital to economies at home and abroad.

Regional profile

- A quarter (25%) of businesses in London report being dissatisfied with infrastructure in the region, compared with the national average of 46%. Half (51%) say UK infrastructure has improved over the last five years, and 30% believe it will improve in the next five.⁸
- 54% of businesses in London believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in London is in the 97th percentile for the UK, meaning it is more productive than 96% 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 London is 4 million.¹¹

Six infrastructure priorities for the region

Infrastructure that connects and brings growth beyond the city centre

More wide ranging economic development must be further promoted through improved connections to, between and within London's outer boroughs. From 2018, London's rail capacity will increase by 10% with Crossrail bringing an extra 1.5 million people within 45 minutes of central London.¹² In turn, Crossrail 2 could bring a further 10% growth in capacity and even wider connections.¹³ Projects such as these must be catalysts for creating economic hubs on the outskirts of the capital, enhancing connections and alleviating some of the strain placed on infrastructure in the city centre. To this end, bus routes must also keep pace with public need and demand, and must focus on connecting those areas of the capital that lack in transport from other modes, casting the widest possible net for growth opportunities.

East London is cited a good example of the benefits of enhanced connectivity and investment. The surge seen in both domestic and global connections from the area has facilitated and encouraged its expansion. Further developments are now required to keep pace with business growth, in particular with further eastern river crossings which, in response to the CBI/CBRE's *London Business Survey 2017*, 84% of firms say are essential for the successful running of London, with firms keen to see the first of these, the Silvertown Tunnel, delivered at pace to alleviate pressure on existing routes.¹⁴

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.

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Delivering and maximising increased airport capacity for London and the UK

With the government confirming the go-ahead for the third runway at London Heathrow, it is imperative that construction begins by 2020 as planned. With aviation capacity in the south east set to be full as early as 2025, half of London firms see staying on track with construction as important for their business, with four fifths of respondents to the CBI/CBRE's *London Business Survey 2017* viewing expansion as vital for the capital's attractiveness as a place to invest.¹⁵

The Government must not lose sight of the importance of all of London and the UK's airports, and in developing its aviation strategy must encourage a growing and competitive aviation market. The granting of planning permission for development at London City Airport is welcome, and the Government must continue to encourage its expansion as a welcome competitor in the London aviation market. In addition, Gatwick, Stansted and Luton airports, as the second, third and fourth largest airports in London will play key roles in meeting new and existing demand. Increased links to the capital will be vital if the UK is to become a more outward looking, open trading nation.

Better integration of technology in infrastructure investment

Businesses see technology as central to efforts to develop more resilience on London's transport network, and decision-making on infrastructure must be kept in line with technological developments to future-proof the capital's infrastructure. Innovation has already had a profound impact on London transport in recent years, driven by a combination of technological and behavioural change. Perhaps the biggest contribution innovation and technology can make is in reducing congestion on London's roads, with on-demand private hire and car sharing clubs already leading a shift away from the need for private car ownership in the capital. In addition, the flexibility and seamless nature these schemes offer make users far more likely to see car use as part of a trip involving other modes of transport, rather than a whole journey. As the Mayor looks to reduce emissions in the capital, the city must also see a further roll out of electric vehicle charging points both for business and private use, so investment through both the Go Ultra Low Cities scheme and Transport for London is welcome. In addition, more must be done to capitalise on the benefits of data and data sharing to understand, anticipate and respond to user trends.

Ensuring network improvements are delivered to meet future demand

London businesses believe that too many projects are built to the limit of what is needed, and any upgrades to the network must be made with the longest lasting impacts in mind. Crossrail 2's ability to support the capital's population growth and resultant passenger demand on the underground network makes it an important piece of infrastructure. Businesses recognise the importance of this project for the capital, with most firms (84%) citing the project as 'very important' or 'important' in response to the CBI/CBRE's *London Business Survey 2017*, and almost half of firms (44%) believing it will benefit their business.¹⁶

The expansion of the Overground and DLR, as well as the opening of the new Elizabeth Line, will also bring wider connections and benefits across the network. Businesses in the capital expect to see the continual upgrade and modernisation of the tube network, with upgraded trains, reduced journey times, and modernised, more reliable signaling to keep pace with rapidly growing demand.

“Capacity on London’s roads is at a premium, and if the capital’s economy is to continue to grow in the long-term those for whom the use of its roads is essential, such as the logistics sector, must be able to get from A to B in the most efficient way.”

Cross network resilience to keep the capital moving

The resilience of infrastructure in London is a concern for its businesses, with 89% regarding it as important.¹⁷ Businesses make the case that resilience must be thought about in whole network terms, and the Mayor of London must look to find more ways to further shift modal use from private to public transport. Whilst measures to encourage active travel are to be welcomed, as is the unprecedented increase seen in cycling in the city, these have also further reduced space on London’s roads. Capacity on London’s roads is at a premium, and if the capital’s economy is to continue to grow in the long-term those for whom the use of its roads is essential, such as the logistics sector, must be able to get from A to B in the most efficient way.

A balanced approach to the usage of London’s road network is needed, better understanding and reflecting the needs of business. Where alternatives exist they must be more widely explored, for example businesses are increasingly looking to the river as an efficient means to transport goods, something to be encouraged and further facilitated, alongside improving links to rail freight. Furthermore, with bus use in the capital falling after a prolonged and significant period of growth, bus priority measures must be used where necessary in order to help improve journey times, making bus use a more efficient and attractive transport mode.

Better collaboration between policy makers, infrastructure providers and planning authorities

Businesses in the capital report frustrations that the interpretation of planning legislation differs by authority. Planning authorities must be adequately resourced to be able to make prompt and strategic planning decisions, with better integration to ensure joined up strategic thinking. Businesses also identify a need for improved collaboration between infrastructure providers to deliver better digital connectivity. With this in mind, some firms raise the opportunity for highways authorities to classify works associated with the deployment of broadband as ‘standard’ rather than ‘major’ to reduce delays, as well as ensuring that where possible different works needed in the same area can be carried out alongside one another to limit costs and disruption.

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