

# SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – NORTH EAST

APRIL 2017



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 £5.5 billion is attributable to the North East.<sup>1</sup>

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.<sup>2</sup>

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.<sup>3</sup>

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 North East.

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.<sup>4</sup>

## 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.<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup> 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.

# North East infrastructure priorities

*Whilst businesses in the North East believe improvements are needed in their region's infrastructure, they are broadly optimistic that devolution would bring these opportunities. The Government and local authorities must prioritise finding governance and delivery models which meet this expectation, providing the regional, national and international connections needed to maximise the North East's potential for growth.*

## Regional profile

- 60% of businesses in the North East report being dissatisfied with infrastructure in the region, compared with the national average of 46%. Less than half (41%) say UK infrastructure has improved over the last five years, and only 42% believe it will improve in the next five.<sup>8</sup>
- 63% of businesses in the North East believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.<sup>9</sup>
- Productivity in the North East is in the 41<sup>st</sup> percentile for the UK, meaning it is less productive than 59% of NUTS3<sup>i</sup> areas in the UK.<sup>10</sup>
- The maximum working-age population gain by improving infrastructure for a 30 to 45 minute commute zone in the North East is 1.36million.<sup>11</sup>

## Six infrastructure priorities for the region

### Improved access to international markets from the North East

If the North East is to capitalise on the benefits of connections with international markets, better links must be established between the region's firms, ports and airports. Transport for the North has recognised Newcastle, which aims to almost double passenger numbers by 2030, as the international gateway airport for the North East.<sup>12</sup> Businesses are also keen to see the airport develop by attracting passengers from a broader catchment area and delivering a wider range of services. Achieving this growth ambition will require improvements to surface access; something 58% of business in the region regard as important, half of which say it is critical.<sup>13</sup> Newcastle Airport is primarily served by the A696 dual carriageway, which connects to the A1. The A1/A696 junction is becoming congested and those operating in the region are concerned that this will become more challenging as a number of housing developments are delivered in the area. The airport is also linked by the Tyne and Wear Metro to Newcastle and Sunderland, where businesses have identified that the interchange at Newcastle Central Station could be improved, and the Metro rolling stock replaced.

Durham-Tees Valley airport has been proposed by Heathrow as one of its 6 new domestic routes, which could also be a welcome addition to the region's international connections.

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<sup>i</sup> 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.



### **Inter-regional transport plans and links across the Northern Powerhouse**

Businesses are keen to understand how a regional, or pan-northern, transport model could develop a better understanding of where best to invest in order to gain maximum efficiency and productivity benefits for the whole area. Transport for the North is making significant progress in developing a strategic, whole-economy view for the region, and the opportunity that will come from being the first sub-national transport body could be significant.

Trans-Pennine connectivity lacks capacity and resilience both in road and rail. The work being undertaken on Northern Trans-Pennine routes in the development of the second Road Investment Strategy is welcome. Businesses in the region are keen to see the dualling and upgrades to the A66 and A69, with concerns about their safety and resilience. This work would substantially improve Trans-Pennine connectivity, cutting journey times between the North East and the North West and providing a real alternative to over reliance on the M62.

Furthermore, 92% of businesses in the North East see the delivery of Northern Powerhouse Rail as important for the region, enhancing connectivity in the North from coast to coast.<sup>14</sup> Upgrades to the East Coast Mainline will also be needed to accommodate additional services and high speed trains, and there must be a better understanding of how to maximise the wider benefits of HS2 for the North East.

*“The continuing growth of the region as a major UK export hub is dependent on efficient and effective connectivity, enabling the fast and efficient movement of goods to and from markets.”*

### **Maximising the North East's freight capabilities**

The North East must make best use of its two major ports as an opportunity for growth, and provide a regional hub for cargo. The continuing growth of the region as a major UK export hub is dependent on efficient and effective connectivity, enabling the fast and efficient movement of goods to and from markets.

Maintaining good access to port facilities is a major attraction for large manufacturing companies in the region, and further improvements are needed in surface access. The A66 is an important artery for Teesport, as is the A69 for the Port of Tyne in transporting goods to and from the West, and both would benefit from expanded capacity. Whilst both ports have rail terminals, further improvement in rail infrastructure and more frequent services to and from the ports, particularly on the East Coast mainline, would enable further growth, in addition to easing congestion on the roads.

With Scotland also a key market for North East businesses, improved connections to the border and beyond will be important, both in order to continue to transport goods from the North East, and allow North East ports to better attract Scottish business.

### **Increasing capacity and improving resilience on the region's road network**

Historic underinvestment in highways has held back regional growth, and whilst progress is being made, businesses are clear that delivery is needed. The main routes connecting the region are the A1 and the A19, with particular congestion on single carriageway

sections of the A1, A69 and A66, with the A1 Western Bypass one of the most congested routes in the UK. The A19 is the main business artery for the region, linking Teesside, East Durham, Wearside and Tyneside. Business priorities therefore include dualling, upgrading and junction improvements of the A1, and junction improvements on the A19. Some firms also express frustration about the difficulties they face crossing the River Tyne, and whilst work to improve access to the Tyne Tunnel is welcome, it is important that this does not just move bottlenecks, as has previously been the case, according to some businesses.

*“...the on-going roll-out of infrastructure that enables innovation is needed, ensuring that those firms who are looking to grow and innovate are not held back by the digital divide.”*

#### **Digital connectivity that encourages innovation and growth**

Further continued broadband and mobile roll out is required in order to bring greater productivity to the North East. According to Ofcom data, 91% of premises are able to receive superfast broadband speeds, yet more than a third of those operating in the region report not having a broadband connection that meets their needs. The majority (92%) of businesses in the North East see improvements in digital infrastructure as important to boosting business growth in the region, with 42% viewing this as critical.<sup>15</sup>

The North East is showing the fastest growth in productivity in England, and has the second highest turnover attributable to new, improved and novel products of the English regions.<sup>16 17</sup> If this growth is to continue, the on-going roll-out of infrastructure that enables innovation is needed, ensuring that those firms who are looking to grow and innovate are not held back by the digital divide.

#### **Simplified and updated public transport networks in line with labour market needs**

With a large amount of the North East's public transport routes reliant on the Tyne and Wear Metro, additional routes and upgrades to rolling stock are needed, with businesses keen to see plans to extend routes onto disused and underused tracks delivered.

Businesses in the region particularly recognise the need for better transport infrastructure outside of the city centres, with a feeling that many of the transport hubs in the region are based on historical and not current need.

The Metro network is seen as too focused on the centres of Newcastle and Sunderland and therefore not meeting the needs of commuters working in other business hubs in the region. Tackling congestion on the region's roads and reducing journey times would allow further growth in bus use in the region, better connecting labour with the employment market. Furthermore, improved ticketing, Wi-Fi and enhanced networks have the potential to push more commuters towards bus use in the region. Businesses want to see a 'multimodal' transport offering for the North East, with simplified changes between rail, Metro and bus services making journeys easier and public transport use more appealing.

# References

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