

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – NORTH WEST

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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 £16.9 billion is attributable to the North West.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 North West.

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.

North West infrastructure priorities

With the North West looking to reap the benefits of devolution at the heart of the northern powerhouse, businesses are looking to see historic underinvestment in the region addressed. By improving connections into and between the cities of the north, and in turn to global markets, the North West can maximise its potential for growth.

Regional profile

- 60% of businesses in the North West report being dissatisfied with infrastructure in the region, compared with the national average of 46%. Less than a fifth (19%) say UK infrastructure has improved over the last five years, and only 23% believe it will improve in the next five.⁸
- 76% of businesses in the North West believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in the North West is in the 35th percentile for the UK, meaning it is less productive than 65% 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 North West is 6.32million.¹¹

Six infrastructure priorities for the region

A governance structure that enables investment

A step change in infrastructure investment in the region is required, building capacity in the transport network overall and addressing historic underinvestment. 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. Governance structures must understand and acknowledge the full value of North West infrastructure investment. In turn, clarity is needed on future funding arrangements in order to meet the ambitious but necessary plans already in development for the region.

Harnessing the potential of existing and emerging technologies

If the North West is to benefit from emerging technologies and modernise working practices, improved broadband and mobile infrastructure will be required. According to Ofcom data, 94% of premises are able to receive superfast broadband speeds, yet 34% of businesses in the region report not having a digital fixed-line connection that meets their needs.¹² All businesses identify the need for improved connectivity 'on the go', with the North West in the 47th percentile for quality of mobile connectivity in the UK, meaning it has worse coverage than 53% of the country.¹³ High quality and reliable connections are needed in order to allow employers to adopt the flexible working practices that firms are increasingly looking towards.

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.

Strengthening East-West links across modes

Connectivity across the North is needed to share growth throughout its regions. Currently just one percent of workers living in Leeds and Manchester commute in either direction each morning.¹⁴ Northern Powerhouse Rail is therefore a priority for 87% of businesses in the North West, in order to bring much needed inter-regional connections.¹⁵ The wider benefits of HS2 must also be understood and maximised creating capacity for the rest of the network across the region. Upgrades and electrification of both the Calder Valley line and Transpennine route would also improve connections between the towns and cities of the North West and Yorkshire.

Congestion and capacity on roads must be tackled, and more capacity is needed to enable growth, particularly on the M60/M62, M56/M60 and M6 corridors, as well as work on the A66 and A69 in RIS2. Firms are clear though that in the long term, big ticket investment will be needed to match the potential of returns for the Northern Powerhouse. Further viability and planning work for the Trans-Pennine tunnel is therefore welcome as the Government and Highways England turns its attention to RIS2.

Better connecting ports and airports to the wider network

The transformational growth targets set out by the Northern Powerhouse Independent Economic Review will not be realised without quick and easy access to the world's most important markets. With the propensity to fly differing greatly across the Northern Powerhouse regions in correlation with journey times to airports, businesses want to see infrastructure that links the region's international gateways into the wider network.¹⁶

With 26 million passengers a year, including 60% of business travel from the North, Manchester Airport is seen as a particular asset for the region and will play a pivotal role in the Northern Powerhouse.¹⁷ It is crucial, therefore that improvements to the surrounding road and rail network are prioritised to maximise the airport's full potential and to spread the benefits of its growth as widely as possible across the north.

Ports and logistics already make a significant contribution to the region's economy but there is still untapped potential through insufficient connectivity and capacity with fluid surface access needed to maximise the potential of ports in the region. Liverpool is the UK's largest transatlantic port, and expansion through the Liverpool 2 investment will expand the port's potential as an international trading gateway alongside Superport, the global multimodal freight and logistics hub. Congestion on the M62 and M60 must be resolved, as too should 'last mile' connections to the region's ports. As growth continues further rail freight options should also be considered, as well as increased connections by water in order to reduce strain on the North West's roads.

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Supporting growth and investment with housing linked to infrastructure

With demand for housing in the region higher than ever, and further anticipated population and economic growth, there appears to be agreement that a joined up housing and infrastructure strategy must be delivered through comprehensive place-shaping and collaborative working. It is important that any housing offer for the North West connects new and expanded residential areas with key economic hubs, providing firms in the area with the larger pooled workforce that will boost the region's productivity. The North West is seeing growth in both those looking to live within economic centres and those seeking to commute in. A twin approach is therefore needed – maintaining infrastructure to match growth in towns and cities, and developing infrastructure in the wider region. There will be an increased expectation on planners and developers that residents are fully linked into the transport network, no matter where in the region they live and work.

“If the North West, and by extension the Northern Powerhouse area, is to reach its maximum economic potential, the continued growth of its existing economic hubs, particularly Liverpool and Manchester, will be crucial.”

Improving connections to key economic hubs of the North West

Businesses in the North West identify issues with the short journeys going to and from key economic areas in the region. If the North West, and by extension the Northern Powerhouse area, is to reach its maximum economic potential, the continued growth of its existing economic hubs, particularly Liverpool and Manchester, will be crucial. Reducing journey times by 50% into Liverpool and Manchester would see an increase in the potential size of the talent pool for local businesses of 6.2 million and 4.4 million people respectively, leading to an increase of productivity of 14% and 10%.¹⁸

Transport infrastructure within the North West is lacking in overall capacity and resilience. Currently, complex commuting patterns push many commuters in the region toward car use. Better integration of public transport services, alongside projects like the Great North Rail Project and development of the Ordsall Chord, is needed in order to provide the seamless journeys that will encourage more widespread daily public transport use. Alongside this, improvements to key roads in the region will also be needed, with projects like the Manchester North-West Quadrant as part of RIS2, which will seek to tackle congestion on the busiest stretches of the M60 close to Manchester city centre, removing barriers to economic growth in the region.

Better integrated, designed and expanded bus transport routes also have the potential to alleviate congestion and better connect people with jobs in urban centres. Where this is not economically sustainable, measures to encourage car use for part of rather than whole journeys must be utilised, such as increased station car parking and expanded park and ride facilities.

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