

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – SOUTH EAST
AND THAMES VALLEY

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 £21.4 billion is attributable to the South East and Thames Valley.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 South East and Thames Valley.

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.

South East and Thames Valley infrastructure priorities

The South East and Thames Valley can build on its position of strength through more aligned thinking to bring forward infrastructure investment. The region's infrastructure must support and keep pace with economic and population growth, with planning developed with a more holistic, cross-regional approach.

Regional profile

- 60% of businesses in the South East report being dissatisfied with infrastructure in the region, compared with the national average of 46%. A third (33%) say UK infrastructure has improved over the last five years and 25% believe it will improve in the next five.⁸
- A fifth (19%) of businesses in the South East believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in the South East is in the 81st percentile for the UK, meaning it is more productive than 80% 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 South East is 7.98million.¹¹

Six infrastructure priorities for the region

Improved inter-regional connectivity to and from the South East

There is a need to better connect the South East and Thames Valley with the rest of the UK to maximise potential for growth. Western rail access is seen as imperative to opening up inward investment within the region, and will particularly benefit Thames Valley, Buckinghamshire and Hampshire. The Government must progress with the delivery of both East-West Rail from Oxford to Cambridge through Bedford and Milton Keynes, and the new Oxford to Cambridge Expressway providing the infrastructure needed to maximise the growth potential of the Cambridge-Milton Keynes-Oxford corridor. Moreover, the region must harness the benefits from HS2 and the improved connectivity to the Midlands and North that it will bring.

Service, capacity and journey times between London and the South East is a particular concern for businesses, and rail users are increasingly dissatisfied with congestion in the region. The entire Growth Corridor from South London to Brighton is dependent on a modern, fast and efficient rail network. As an immediate priority, Network Rail must deliver the Brighton Mainline Upgrade Programme, including a major capacity upgrade to the central Croydon area which would allow an increase of 12 fast trains per hour at peak times. With rail routes that are amongst the most overcrowded in the country, businesses believe that in the long-term new main lines will be required in the region, with calls particularly for a second Brighton Main Line.

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.

Cross-regional planning and a more holistic view of infrastructure

Business in the South East and Thames Valley make the case for more aligned infrastructure delivery in the region. Whilst bids for devolution have been made by various parts of the region at different times, businesses seek more joined up thinking and clarity from Government about future plans for the region. Positive steps are being taken, with councils across the Greater South East beginning to collaborate strategically, and a number of LEPs working together on a study showing that transport projects could produce a boost of up to £20 billion to the South East economy.¹² In addition, England's Economic Heartland Strategic Alliance (which spans parts of the South East, East Midlands and the East) is providing leadership on strategic infrastructure issues.

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Delivering and maximising increased airport capacity to the South East

Ensuring the government sticks to the current construction timescales for the third runway at Heathrow Airport is vital for the South East’s attractiveness as a place to invest and do business. The Government must also not lose sight of the importance of all of the UK’s airports, and in developing its aviation strategy must encourage a growing and competitive airport market.

Whilst Gatwick’s links are good, it is also located on the UK’s busiest commuter line and at one of the busiest junctions of the M23, so improved capacity and resilience, including through upgrades to the Brighton Mainline, will be important for the future growth of the airport and the region. If the Government is to achieve its aim of creating ‘a truly Global Britain’ it must create an environment which allows all of the south east’s airports to maximise their potential.

Increased capacity on the South East’s roads

A priority for businesses in the region is the need to reduce congestion and improve capacity on the South East and Thames Valley’s roads. Tackling congestion, increasing capacity and improving journey times on the M3 and M4 between London and the South is important to 87% and 92% respectively of businesses operating in the region.¹³ The development of the M4 smart motorway is vital to anticipate the future needs of road users in the region. Businesses also cite links to the M20, A249 and the southern east west corridor through the A27, as priorities.

With official projections showing that the volume of vehicle traffic is set to increase by 34% on current levels by 2041, the construction of a Lower Thames Crossing is an essential long-term solution to reducing congestion at the existing Dartford Crossing.¹⁴ A new crossing will boost capacity on the Strategic Road Network, enabling a greater flow of passenger and freight traffic from A to B, thereby unlocking economic growth across the UK. The Lower Thames Crossing will be a critical artery for the UK’s trade links with key international gateways, underlining the need for expediency in the delivery of this important national infrastructure upgrade.

Surface access to ports and Eurotunnel

In order to maximise freight and business potential, linkage and access to ports, particularly Dover, and the Eurotunnel, needs to be improved. This is a key corridor for inward and outward investment but existing infrastructure channels are heavily congested. Freight traffic to Dover has grown by a third in the last four years alone, with 40% growth forecast by 2030.¹⁵ Similarly, 25% of trade between the UK and continental Europe passes through Eurotunnel, with growth month on month both before and after the EU referendum.¹⁶ With this growth set to continue, the region needs the infrastructure that will keep traffic moving. Businesses operating through the region cite the need to provide greater resilience for routes to Dover by improving M2/A2 routes so that traffic can be alternatively routed instead of relying solely on the M20/A20, also reducing congestion approaching Eurotunnel.

The completion of the M20 3,600-space lorry park at Stanford West is also key to improving journey times and capacity to ports. A better understanding is also needed of how technology can further be used to alleviate congestion, such as through the lorry park network to better manage queueing and Traffic Assessment Projects.

“Businesses in the South East and Thames Valley are keen to see the region further exploit innovation and digital capabilities but believe the reliability of download speeds must improve to unlock the growth potential of SMEs in the region who will rely on high level communications if they are to succeed.”

Combatting digital and mobile ‘not spots’

Whilst 92% of premises have access to superfast broadband, there are still a number of widespread black spots of poor connectivity, with 35% of firms reporting dissatisfaction with their fixed line broadband.¹⁷ Particular issues were raised from businesses in northern Buckinghamshire, West Berkshire and Mid Hampshire.

Similarly there are significant variations in the quality of mobile connections in the region. Whilst the South East is in the 49th percentile for mobile connectivity, meaning its coverage is broadly average for the UK, there are significant variations in connections across the region, with performance ranging from the 22nd to the 100th percentile.¹⁸

Businesses in the South East and Thames Valley are keen to see the region further exploit innovation and digital capabilities but believe the reliability of download speeds must improve to unlock the growth potential of SMEs in the region who will rely on high level communications if they are to succeed.

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