

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – SOUTH WEST

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 £14.8 billion is attributable to the South 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 South 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.

South West infrastructure priorities

The South West needs a governance model with stronger ties and collaboration across the whole of the region to improve its infrastructure. Building on existing strengths, the region's infrastructure must be linked with a broader strategy for growth, prioritising better connections for both the urban and rural economic areas of the South West.

Regional profile

- 63% of businesses in the South West report being dissatisfied with infrastructure in the region, compared with the national average of 46%. A quarter say UK infrastructure has improved over the last five years and only 15% believe it will improve in the next five.⁸
- 50% of businesses in the South West believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in the South West is in the 52nd percentile for the UK, meaning it is more productive than 51% 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 West is 4.61million.¹¹

Six infrastructure priorities for the region

Improved surface access to airports and ports in the region

Surface access to airports is a real issue in the South West, with no airport in the region served by rail nor dual-carriageway; an issue of concern to 65% of businesses in the region.¹² Improved transport links to Bristol Airport would make its route network more accessible to passengers from across the South West. The completion of the South Bristol Link Road provides enhanced access to the Airport from the north, east and west, but with passenger numbers expected to grow to 10 million per annum, further access improvements will be needed.¹³ Infrastructure must also keep pace with growth at Exeter with its passenger numbers growing year on year.¹⁴ If the region is to improve its international connections, and benefit from a competitive local aviation market then this situation must be addressed.

Ports in the South West also make a significant contribution to jobs and the local economy, but are highly reliant on the trunk road network with Bournemouth, Poole, Plymouth, Bristol and Cornwall all dependent on single and dual carriageways for access. Rail links should also be improved to help sustain and grow freight's potential contribution to the region's economy.

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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More substantial and varied domestic and international air connections

The South West has a strong international business presence that would benefit from better connections with other domestic and international economic hubs. With a strong engineering, aerospace and defence presence in the region, connections to cities where these sectors are also strong are vital for future growth. Over three-quarters of businesses in the region want to see greater domestic flight links from airports in the South West, with a desire to increase long haul connectivity from the region both through direct flights and flights to hub airports with onward connections.¹⁵

In addition to growth at Bristol, Exeter Airport and Cornwall Airport Newquay are seen as opportunities for growth in the region's domestic and international connections. Exeter is looking to meet business demand for further connections to hub airports in coming years, whilst Cornwall Airport Newquay is the UK's fastest growing regional airport and increased transatlantic connections through Gatwick and Dublin will provide further opportunities for firms in the South West.

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Infrastructure that enables and encourages innovation growth

Improved connectivity would assist the development of the digital innovation strengths of the South West, as well as facilitating communication and secure, reliable data and information exchange across all sectors thereby raising productivity in the region. Firms are keen to see the Government build on the conclusions of the regional science and innovation audits, highlighting the need for infrastructure to facilitate the further growth of advanced engineering and digital innovation, and support smart cities, digital living and new digital innovation centres.

The ability to work at home and on the go is also prioritised. The potential is highlighted for more digitally-based entrepreneurial activity from the rural areas, contributing to a more even distribution of economic growth across the region. Improving Wi-Fi access on trains could also deliver productivity gains and businesses want to see the ability to work on the go improved.

Capitalising on existing rail strengths

Businesses in the region want to see increases in access, capacity and frequency of the most popular rail services in the region. The electrification of the Great Western rail to increase capacity between London and the South West is important to 96% of businesses

in the region, with the deferment of work a cause for concern.¹⁶ The lack of upgrades and investment beyond Bristol is also a frustration with lengthy journey times between the South West coast and London. The region also suffers from poor connectivity to the mainline beyond London, with other priority connections for businesses in the region including the West Midlands and the North West. Rail travel to other regions would be significantly improved in the short term by increasing capacity on existing trains and lines.

More effective governance, collaboration and strategic planning

Businesses in the region recognise that governance and regional scale is critical for the effective delivery of infrastructure. Firms identify that initiatives at a local level through LEPs and local councils are often too small scale and lack the capacity to be effective for issues such as infrastructure. Collaboration with appropriate resources, and pooling of resources across the councils for significant investments, would better align sectoral policy with existing regional strengths and capabilities. Some local authorities are perceived to be “open for business”, but a lack of coordination with others means they are not as effective as they could be.

Businesses in the South West challenge local authorities and LEPs to work collectively and strategically on both small and big ticket investments, speaking with one voice for the region and especially on issues impacting on productivity. Some welcome steps are being made with the West of England Combined Authority electing a Mayor. The Heart of the South West, Cornwall and Isles of Scilly and Dorset LEPs are also working together on a collaborative agenda for growth under the ‘Back the South West’ campaign.

North-South inter and intra-region road connectivity and resilience

Businesses in the South West prioritise interconnectivity between the key towns and cities of the region, in order to maximise the whole region’s potential for growth. Plans to create an Expressway on the A303 are welcome to improve important connections across the south, but there are a large number of other bottlenecks in the South West, particularly during peak season, which hamper the ability to travel across the region, and limit growth potential. Reducing journey times by 50% into Bristol alone would see an increase in the potential size of the talent pool for local businesses of 1.7 million leading to an increase in productivity of 3%.¹⁷

There is a general feeling that roads lack resilience in the region, with single key routes being relied upon for key arteries of the region. Firms express that there are often few viable alternatives to roads when problems occur in the South West, particularly a problem on the A30. North-South road connectivity is also particularly weak, with issues around the M5, M4-M27 and A303, which businesses are keen to see addressed.

Firms also emphasise the importance of identifying economic hubs of activity beyond the major cities. Consideration of the most efficient way to connect these commuters to the cities and hubs is required, with driving currently the only option for many. The need for train hubs outside of city centres in the region is identified, but with the caveat that they must have adequate parking and road access to meet both existing need and future growth, with these both identified as significant challenges with existing parkway stations in the region.

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For further information or a copy
in large text format, contact:

Thomas Barlow
Senior policy adviser
CBI

T: 020 7395 8149

E: Thomas.barlow@cbi.org.uk

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