

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH – WEST MIDLANDS

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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 £43.2 billion is attributable to the West Midlands.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 West Midlands.

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.

West Midlands infrastructure priorities

Businesses want to see a long term plan for the West Midlands which capitalises on its existing strengths. With an overreliance on roads in the region causing an ever-increasing strain, a more joined up public transport network is needed to improve connectivity, capacity and resilience.

Regional profile

- 43% of businesses in the West Midlands 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, but only 18% believe it will improve in the next five.⁸
- 30% of businesses in the West Midlands believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in the West Midlands is in the 32nd percentile for the UK, meaning it is less productive than 68% 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 West Midlands is 5.53million.¹¹

Six infrastructure priorities for the region

A long term strategic view that capitalises on Midlands Engine devolution

Businesses make the case for creating a more effective governance model, giving local government, combined authorities and LEPs the ability to deliver a strategic, long-term and locally-informed plan. Infrastructure must continue to play a key part in the Midlands Engine Strategy if the region is to experience significant and sustained growth.

There is a need to ensure housing and business developments have the utilities and infrastructure needed to add the most value to the region. Better coordination between infrastructure and housing planning is needed to support more effective, strategic decision-making. Some businesses in the West Midlands note that planning in the region seems sporadic, with improvements needed in communication between decision-makers, planners and infrastructure providers. Connecting planning on infrastructure with housing and utilities will reap the full benefits of further developments, and prepare the region for growth.

“Given the big manufacturing presence in the region, the need for roads within and between key economic areas for business and goods use must also be recognised.”

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.

Recognising the primary importance of the road network to the West Midlands

Businesses in the West Midlands are heavily reliant on the region's roads, but capacity on the network is a significant barrier to productivity. All businesses in the region identify the need to tackle congestion, increase capacity and improve journey times on the M6 and M42, with 58% and 43% respectively viewing these as critical.¹² Businesses would also welcome further measures to relieve pinch points on the M5 and M40, and the broadening of the Smart Motorway scheme.

Given the big manufacturing presence in the region, the need for roads within and between key economic areas for business and goods use must also be recognised, not least with the rise of light goods vehicles using urban roads due to the surge in e-commerce. Whilst the M6 toll is often cited as an alternative route for business to use to alleviate congestion, many firms think that it is still yet to fulfill this role, and that further work must be done to understand how the value of this route can be fully utilised as part of the wider strategic road network.

Encouraging public transport through more seamless connections

A whole-network approach to transport is needed to encourage more journeys on public transport, with better links between road, rail and bus. Businesses recognise that there is an overreliance on roads in the region, and are keen to see a focus on improving the capacity and service on public transport.

Businesses acknowledge rail connections in the region have improved substantially in recent times, and particularly on routes into Birmingham, but there remains major gaps in the system. It is noted that train capacity is still poor on many commuter journeys and is restricted due to station infrastructure, with short platforms limiting the number of carriages that can be used. Businesses therefore want to see an increase in the number of carriages and frequency of trains on the busiest routes in the region. Reducing journey times by 50% to Birmingham alone would increase productivity by 5%, by increasing the number of people who could be attracted to work in the city by 2.3million.¹³ The Midlands Rail Hub must be delivered to ensure better rail services and connections across the West and East Midlands. The capabilities for expansion of the Midlands Metro, important to 83% of businesses in the region both for its connections within Birmingham and further afield to Wolverhampton and West Bromwich, should also be further explored.¹⁴ Additional Parkway-type stations on the edge of major urban areas may also have benefits, but must have sufficient parking and onward public transport options to create a convenient alternative to car travel into economic hubs.

Improving mobile connectivity outside of the major centres

The roll out of improved mobile connections must be escalated to enable both business growth away from city centres, and to increase opportunities for flexible and home working. Mobile connectivity in the West Midlands is in the 43rd percentile for the UK, meaning it has worse coverage than 57% of the UK, with performance within the region dropping as low as the 8th percentile.¹⁵ This is a matter of importance to all those operating in the region, with 44% viewing greater reliability and 65% wider geographical coverage as critical.¹⁶

A joined-up approach is therefore needed to support mobile deployment, both in bringing some areas up to current standards and in looking to a vision for the next generation of technologies. More could also be done to ensure that the data held by service providers reflects the reality of coverage for users.

“In order for the potential of new working practices to be realised, infrastructure and connectivity must keep pace with technological advances.”

More widespread utilisation of and access to digital infrastructure in the region

While 89% of premises have access to superfast broadband, 32% of businesses in the region report dissatisfaction with their fixed line connections.¹⁷

The increasing facility for home working is changing commuter patterns and businesses in the region appreciate that encouraging this further should be part of the business contribution to freeing up capacity on local transport infrastructure. In order for the potential of new working practices to be realised, infrastructure and connectivity must keep pace with technological advances.

Improving cross-country rail connections and maximise the benefits of HS2

HS2 will be significant for the West Midlands in connecting the region to the rest of the country, and so unsurprisingly 83% of businesses in the region agree that it is important.¹⁸ Its impact on the region must be maximised by optimising other rail links to and from the area. Firms are encouraged by the new funding deal from Government to help the Midland Connect partnership harness the economic potential that HS2 can release in the region. They now look for wider evidence of collaboration to deliver the Midlands HS2 Growth Strategy with the potential to add £14bn to the economy as well as creating and supporting 100,000 jobs.¹⁹ The Midland Metro's city centre extension to Birmingham New Street is a welcome step in ensuring the region is HS2-ready, in advance of the delivery of two new HS2 stations.

Owing to its geographical location, the West Midlands plays a key role in rail freight in the UK, but capacity is lacking in the region and speeds are low, making further growth difficult. The economic contribution of rail freight, and its potential both for future economic growth and lessening the burden placed on the strategic road network, must be better understood by policy makers.

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