

SHAPING REGIONAL INFRASTRUCTURE

PRIORITIES FOR GROWTH –
YORKSHIRE AND THE HUMBER

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 £13.5 billion is attributable to Yorkshire and the Humber.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 Yorkshire and the Humber.

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.

Yorkshire and the Humber infrastructure priorities

Businesses in Yorkshire and the Humber have seen improvements in infrastructure over the last five years, and are broadly positive that devolution will enable further progress. To maintain this confidence, the region needs integrated and strategic infrastructure planning and delivery, bringing improved connectivity across Yorkshire and the Humber.

Regional profile

- 55% of businesses in Yorkshire and the Humber report being dissatisfied with infrastructure in the region, compared with the national average of 46%. Over half (58%) say UK infrastructure has improved over the last five years, and 52% believe it will improve in the next five.⁸
- 73% of businesses in Yorkshire and the Humber believe that greater devolution would improve infrastructure in the region, compared with the national average of 47%.⁹
- Productivity in Yorkshire and the Humber is in the 37th percentile for the UK, meaning it is less productive than 63% 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 Yorkshire and the Humber is 4.11million.¹¹

Six infrastructure priorities for the region

An aviation strategy that maximises the potential of the region's airports

Businesses in the region make the case for a coherent aviation strategy that makes clear the opportunities for regional airports. The view of businesses in Yorkshire and the Humber is that, whilst regional airports are always going to compete, there is clear value in working alongside each other for the benefit of their region and the wider economy. A key part of this improvement will come in better linking the region's airports to the key economic hubs of the region; it is suggested that currently, Yorkshire and the Humber's airports are isolated and removed from the more economically active parts of the region, which limits their growth potential.

Businesses see opportunities for growth at Leeds Bradford Airport, with surface access identified as a challenge to overcome within the airport's masterplan.¹² Leeds Bradford is primarily accessed via single-carriageway roads, with particular congestion on the A65 and A658 and parts of the M62 and M1, with road congestion exacerbated by the absence of direct rail services to the airport. The delivery of a rail link to Leeds, and connectivity across Yorkshire, is therefore a key priority.

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.

Making the region's infrastructure more resilient and reducing congestion

Firms in Yorkshire and the Humber recognise that if the region is to fully meet its potential its infrastructure must become more resilient, both in providing the capacity needed on a day-to-day basis and in managing the challenges of the rarer incidents that test the region's capabilities.

Growth in both the region's economy and its population has occurred, yet infrastructure investment and delivery has not matched this growth. Congestion into the main economic areas in the region is a particular issue, and firms raise concerns about the costs of this both for business and the attractiveness and accessibility of the region's labour market. The sporadic nature of the region's public transport network as well as a lack of capacity on public transport at peak times creates an over reliance on car use, which in turn creates congestion on the roads making bus journeys less reliable.

Poor network resilience is most evident in cases of extreme weather. Businesses in the region recognise the need to build up the defences of infrastructure with 92% of firms viewing improvements in flood defences as important to boosting business growth in the region, with 47% identifying this as critical.¹³ Firms highlight the need for better collaboration between local authorities, the Environment Agency and Network Rail to try to limit disruption.

Maximising the 'ripple effect' of major projects such as HS2

Major infrastructure projects must have the widest possible impact to benefit the Yorkshire and the Humber region. Whilst businesses in the region are supportive of HS2, with 84% seeing its delivery as important, they are keen to understand how its maximum impact can be ensured.¹⁴

An example of an early success story is the South Bank area of Leeds, which is the proposed location for the new station for HS2. It was noted that whilst the station is not yet built, redevelopment of the area is already taking place, and is now a key growth area for the city. The potential for HS2 to free up capacity on the existing rail network should also be considered and maximised to improve connections between the towns and cities of Yorkshire and the other Northern regions.

Better interaction between economic, social and transport infrastructure

Businesses in Yorkshire and the Humber view devolution as an opportunity for genuinely integrated and joined up planning. A broader strategy for infrastructure is needed with a better understanding of the link between infrastructure and economic regeneration. A long-term strategic plan must focus on both changing demographics and the evolving ways in which people work, live and travel.

The potential of newly developing economic areas must be understood and the necessary connections to these areas made in order to maximise their potential. One such example of this is the Leeds City Region M62 Corridor Enterprise Zone which provides the connectivity needed for access to both a widespread workforce and supply chain.

“The need for increased speed and capacity on both the Midland and East Coast Mainlines were highlighted as priorities to improve connections with the Midlands, North East, Scotland and London.”

Improving inter and intra-regional connectivity between key cities

Businesses in Yorkshire and the Humber see improved connectivity within and beyond the region as priorities. Faster rail routes between key cities were highlighted as a priority, with the productivity benefits for Leeds of more than 10% if travel times to Manchester and Sheffield were lowered to 30 minutes. To this end, an overwhelming majority (95%) of businesses in the region highlight Northern Powerhouse Rail as important.¹⁵ 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. The need for increased speed and capacity on both the Midland and East Coast Mainlines were highlighted as priorities to improve connections with the Midlands, North East, Scotland and London. On the roads, whilst the improvements being made to the M62 and M1 are welcome, further developments are needed, given that the reliance on this route in connecting Yorkshire to both the North West and the national road network will only grow. Key economic routes will also require strengthening in connecting the coasts and ports of East and West, so pan-northern collaboration on this is welcome.

Within the region, following the decision not to take forward the Hull-Selby rail electrification project, some businesses think further improvements on the line will need to be considered. Rail links into Sheffield and Leeds are also key for commuters.¹⁶ Reducing journey times by 50% into Sheffield would see an increase in the potential size of the talent pool for local businesses of 3.8 million people leading to an increase in productivity of 9%. Likewise, Leeds would see an uplift of 3.3 million people and a 3.3% growth in productivity.¹⁷

“With businesses in the region keen to embrace innovative and flexible working practices, better digital infrastructure and connections are needed to make this aspiration a reality.”

Digital connectivity across the region – at home, at work and on the move

The need for digital connectivity on the move is important to businesses operating in Yorkshire and the Humber.¹⁸ Businesses are concerned about the reliability of download speeds and, in particular, whether the region is able to fully take advantage of future and existing technology. With businesses in the region keen to embrace innovative and flexible working practices, better digital infrastructure and connections are needed to make this aspiration a reality. Currently, almost a third of businesses operating in the region say their broadband does not currently meet their needs, and identify that if they are to keep pace with innovation, this will have to change.¹⁹

Firms are also keen to see digital and transport infrastructure linked up to enable better working on the go. They report that this is not currently always the case, with the example being given that 4G coverage is available for less than half the journey between Sheffield and Leeds. Improving the efficiency and reducing the cost of Wi-Fi on trains is therefore seen as a possible productivity benefit to plug this gap. Of the businesses operating in the region, 35% regard the ability to work on the go as critical, with a further 59% seeing it as important to their future operations.²⁰

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