



SOLENT
LOCAL
ENTERPRISE
PARTNERSHIP

Solent LEP Office
Second Floor
1000 Lakeside
Western Road
Portsmouth
PO6 3EN

Highways England
Bridge House
1 Walnut Tree Close
Guildford
GU1 4LZ

Sent by email only to growthandplanning@highwaysengland.co.uk

20th January 2017

Dear Sir / Madam,

Re: Solent LEP Response to Highways England's The Road to Growth Discussion Paper

The Solent Local Enterprise Partnership (LEP) is pleased to respond to Highways England's *The Road to Growth Discussion Paper*.

The Solent Local Enterprise Partnership (LEP) is a partnership organisation between the business community, the Higher Education sector, three unitary authorities, eight district councils and one county council, all of whom are actively working together to secure a more prosperous and sustainable future for the Solent area. These make up a fully-elected Board of 15 directors.

Local Enterprise Partnerships (LEP) have been asked by government to provide the strategic economic lead for their respective areas, and have agreed Local Growth Deals with government, which provide capital funding to local areas to underpin economic growth and improved productivity. Accordingly, economic infrastructure (defined by government as transport, energy, water, waste, flood defence and digital) are areas that are of significant importance to the Solent economy. In particular, the Solent benefits from the presence of three international gateways (the Port of Southampton, Portsmouth Naval Base, and Southampton Airport), which make significant contributions to the Solent economy and play an important role in the national infrastructure provision and therefore are national infrastructure assets.

The Solent has two large, growing, densely populated cities (Portsmouth and Southampton), and the mainland part of the Solent is the most urbanised area in southern England outside London. This, coupled with 290 miles of coastline, two islands and three peninsulas, present unique infrastructure considerations, including transport. A growing population and an acute shortage of housing, which impacts on affordability and consequently the recruitment of talent to support a shift to a more productive, high growth economy, mean that there are increasing pressures on existing infrastructure (e.g. energy, water and transport), which, when coupled with a legacy of underinvestment result in an infrastructure deficit, particularly in relation to transport.

The Solent has particular transport connectivity challenges, which are, in part, influenced by the geography described above. Within the Solent, Portsmouth to Southampton rail connectivity is slow (45 - 60 minutes for a 20 mile journey), as is rail connectivity to the airport from the east (it can be quicker to get to Gatwick from Portsmouth than from Portsmouth to Southampton Airport). This results in the parallel M27 being the default option, resulting in chronic peak period congestion. This, in turn, reduces labour mobility and influences the labour pool that employers can access.

Through engagement the LEP has undertaken with business in the area, as well as through studies the LEP has commissioned, it is clear that the provision and performance of economic infrastructure in the Solent area does impose challenges to business growth and productivity and that future investment in economic infrastructure provides significant opportunities to secure sustainable economic growth, improve competitiveness, whilst also improving quality of life.

The LEP welcomes the public commitment of Highways England to publish a Strategic Economic Growth Plan for maximising the economic contribution of the Strategic Road Network (SRN), and has been pleased to have the opportunity of a dedicated dialogue with Highways England officers to inform this discussion paper. In particular, the LEP welcomes the explicit focus on the role of the SRN to support economic growth through:

- enabling international connectivity and trade by providing improved access routes to global markets;
- Supporting business productivity and competitiveness by meeting the needs of those sectors most reliant on the SRN; and
- Facilitating the sustainable delivery of new homes and employment spaces

The specific focus on strengthening connectivity to England's international gateways is also strongly supported, given that the Solent has three: The Port of Southampton, Portsmouth Naval Base and Commercial Port, and Southampton International Airport.

It should also be noted that the SRN also plays a very important role in widening access to labour. Therefore improving infrastructure both between and within regions and nationally should also be highlighted as this will make it possible to deliver benefits to productivity through agglomeration.

It is recognised that Highways England is seeking responses to the seven questions as part of this consultation; our responses to these questions are provided below:

- 1. Do you agree with the areas of research we have focused on to better understand the relationship between the SRN and economic growth)?**

Solent LEP supports an evidenced based approach, which is provided for in the four evidence reports. These cover Commercial Development and the SRN; Economic Growth and the SRN; International Gateways and the SRN; and Socio-economic analysis, future forecasts and the SRN.

The evidence report on International Gateways and the SRN is of particular interest in relation to the Solent, and the recognition of the Port of Southampton as a nationally significant international gateway is welcomed. However, it is noted that the discussion paper and its supporting evidence is silent on: the implications of the decision of the UK to leave the EU, which is likely to impact the flows of freight into and out of our international gateways; the role of the Port of Southampton as the largest and primary cruise Port in the UK, handling 1.77 million passengers in 2015, which significantly adds to the demand of the SRN locally. The supporting evidence also needs to look at travel times between major cities, regions and nationally as increases in journey times and high levels of congestion are increasingly cited as major barriers to economic growth and productivity.

ABP Port of Southampton is a major private sector contributor to the Solent economy, and plays a critical role in UK trade - which is expected to become more pronounced following the decision of the UK to leave the EU, with Southampton the closest UK port to the major shipping lanes linking Europe to the rest of the world, and in particular the key Shanghai to Rotterdam route. Southampton benefits from the natural advantages of a double-high tide and sheltered berthing and is a sought after location for shipping.

The Port supports 15,000 local jobs, contributes £1 billion to the UK economy and handles over £71 billion of international trade each year. The Port of Southampton is the most productive port in Europe and plays a crucial role in UK trade as the number one export port handling over one quarter of the UK's seaborne trade with non-EU countries, exporting £40 billion of British manufactured goods including £36 billion of exports destined for markets outside of the EU. The Port performs a critical role within the UK supply chain, handling 900,000 vehicles in 2015, including around 520,000 for export, making Southampton the leading UK Port for car exports.

The significant role of the Port of Southampton in relation UK trade is clear. Moreover, within the context of the decision of the UK to leave the EU, the combination of geographic location and the markets the Port is engaged in (most notably automotive exports and containerised trade as the Port handles over one quarter of the UK's seaborne trade with non-EU countries, including 45% of the UK's container traffic with the Far East), the Port is strategically positioned to perform an increasingly important role for the UK economy within a new international trade landscape.

The container trade is a key facilitator of UK exports and the Container Terminal in Southampton has been a leader in the UK in terms of productivity and customer service, which in turn has led to significant volume growth over the recent years. This comes on the back of significant investment from ABP in a new berth and dredging, which now enable the largest container vessels afloat and being built to make direct calls at the Port of Southampton. Direct calls from services connecting Europe with Asia and the US are important to reduce the costs for British imports and exports from outside the EU. Substantial investment in the rail infrastructure, supported by ABP, has allowed close to 40% of containers to be transported to and from the port by rail, however the remaining 60% still depends on transport by road and is suffering from a road infrastructure which is heavily used and often congested.

ABP has invested significantly in Port infrastructure and this has both underpinned its rapid growth as well as the growth experienced by its customers. This includes over £150m of investment in the new container berth, dredging, multi-deck facilities and cruise terminals. This has enabled the cruise, automotive and container flows to grow and support ABPs commercial partners in the wider UK. Investment has enabled the Port (and the UK) to accommodate the largest container vessels and cruise liners in the world, within the context of increasing length and tonnage of vessels operating in both markets. More generally, the Port plans to invest a further £200m of private sector investment over the next five years, including £50m in vehicle handling facilities to support the continued growth of UK exports through Southampton. It is therefore surprising that this level of 100% private sector investment is not noted in section 3.1 of International Gateways document. It is the view of the LEP that the source of investment (private / public) should be recognised and that the value to the economy of private sector investment should be optimised through complimentary public sector investment in transport infrastructure, where there is a need.

The Solent LEP is seeking to support the growth of the Port through its investment programme and through its engagement with strategic transport infrastructures providers. The [Solent Strategic Transport Investment Plan](#) (TIP) has identified a range of proposals that directly aim to strengthen access to / from the Port of Southampton. These include schemes that are committed (for example: M3 Junction 9 / A34; M27 Smart Motorways; M3 Smart Motorways; M271 / A35 Redbridge Roundabout) as well as proposed schemes, for which funding is required. Of the latter, these include Millbrook Roundabout at Dock Gate 20, which the LEP is seeking funding for through round three of the Local Growth Fund. The LEP is also promoting schemes that will indirectly strengthen access to the Port. For example the TIP proposes the delivery of a Solent Metro service, which will provide an integrated public transport solution to support a mode shift away from the highway, and in so doing, free-up highway capacity. A central theme of the transport projects identified in the TIP, including Solent Metro, TIP is the need to improve connectivity of our urban areas to support productivity uplift through:

- widening the labour market pool, enabling workers to find employment over a wider area, thereby easing skills shortages experienced locally;
- Access for firms to a wider range of markets and suppliers domestically as well as internationally, reducing the cost and difficulty of sourcing inputs;
- Improved ability of firms to share best practice, ideas people and technology - improved knowledge flows.

The TIP also recognises that it will be imperative that reliable road access to the port of Southampton is a primary consideration, given its economic impact and value chain. However, Southampton is one of three ports with SRN links that are in the top 30% in terms of total delay to vehicles, which has the potential to distort competition and undermine private sector investment.

ABP Southampton has recently consulted on a draft Port of Southampton Masterplan, covering the period 2016-35, which outlines planned growth forecasts. In relation to cruise and automotive, the forecasts in the previous Master Plan for 2020 (for cruise) and 2030 (for automotive) have already been outperformed and further growth is forecast across all markets, further placing demand on the SRN. ABP Southampton is of the view that significant port expansion will be required, opposite the existing port estate, in this timeframe, which may well require upgrades to the existing highways network.

The Port of Southampton plays an important role within the Solent economy, providing jobs and contributing to our GVA. The Port also performs an important role within the wider UK economy and supports the growing UK automotive manufacturing sector. It is important that the Port is able to continue to perform these roles within the local and UK economies, and that the Port continues to maintain competition in the UK ports market to improve competitiveness. In addition, and recognising the proximity of the Port of Southampton in relation to the Europe to Far East trade route, the ability of the Port to provide for growth will ensure that the UK can continue to compete with competitor ports in mainland Europe.

Within this context and recognising that the [National Policy Statement for Ports](#) states that Government policy is to encourage sustainable port development to cater for long-term forecast growth in volumes of imports and exports by sea with a competitive and efficient port industry capable of meeting the needs of importers and exporters cost effectively and in a timely manner, and that there is a compelling need for substantial additional port capacity over the next 20 to 30 years, it will be imperative that the SRN continues to be invested in to support the important role of the Port of Southampton.

It is clear that technological change is pervading almost all aspects of life, and that the pace of technological change is increasing. It is, therefore, surprising to not see any summary of the potential implications on both the supply-side and demand-side of the SRN in this regard. Driverless cars, the internet of things, and the changing patterns within the logistics sector influenced by e-commerce are three areas alone that will influence both demand for and operation of the SRN.

2. Do you agree with the vision we have articulated?

The proposed vision of "*The strategic road network will play a central role in contributing to UK prosperity by enabling businesses to benefit from safe, reliable and efficient movement of people and goods, connectivity to skills, and access routes to national markets*" places business at the centre of the work of Highways England, and this principle is supported. However, as noted in the "*economic roles for Highways England*" (on page 3 of the discussion document), there is also a need for the SRN to proactively support and accelerate the delivery of new housing and employment spaces, and we feel that the role of the SRN in enabling development should be reflected in the vision.

3. Do you agree with the strategic economic roles for Highways England that we have articulated?

The discussion paper's three strategic roles for the SRN in relation to the economy:

- Enabling international connectivity and trade by providing improved access routes to global markets;
- Supporting business productivity and competitiveness by facilitating safe, reliable and efficient journeys, and by meeting the needs of those sectors most reliant on the SRN; and
- Facilitating the sustainable delivery of new homes and employment spaces, while balancing local and national SRN demand and supply.

These three roles are supported.

In relation to international connectivity, we have described the important requirements the Solent has of the SRN, given its three international gateways. In addition, the Solent economy is influenced

by its globally leading marine and maritime cluster, which is one of the largest and most productive in the Solent economy, contributing 20.5% of our GVA and 5% of our private sector jobs. The area benefits from a range of globally leading assets and businesses that rely on global supply chains and markets to continue to support UK export growth.

It is clear that there is an increasing recognition within government policy of the difference of places and how policy can seek to enable individual places to flourish. Within this regard it is important to recognise that regional data can mask disparities. This is particularly relevant for the Solent, which, whilst part of the prosperous south east, has an economic profile more akin to that of a northern conurbation. The underperformance of the UK in terms of productivity, noted in the discussion paper, is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. Average productivity in the Solent stood at £45,645 in 2015, this was 8.4% below the regional average and just under half a percent behind the UK average. Whilst there are a range of factors that influence this performance, transport is consistently identified by business as a key contributor.

The LEP welcomes the proposed focus on supporting business productivity and competitiveness by meeting the needs of those sectors most reliant on the SRN, but in order to fully support improved levels of productivity and competitiveness, there is a need for the SRN to support the movement of labour through a reliable network. Locally, the M27 performs a strategic role, but also acts as a regional distributor road, with many journeys only a few junctions long. The extent of congestion on the M27 is restricting labour movement and access to markets, and is therefore stifling productivity and the competitiveness of our businesses. This manifests through an artificially constrained labour market (recognising that the commuters are not willing to travel for longer than 45 - 60 minutes to work) and through increased transportation costs (in terms of time and fuel).

In addition, whilst the [UK Competitiveness index 2016](#) ranks Solent as 16th out of 45 LEPs and Scottish and Welsh City Regions in terms of competitiveness, Solent is the second least competitive LEP area in the south east of England. Moreover, within the data it is clear that performance varies within the Solent. Gosport has seen the largest increase in competitiveness between 2013 and 2016, moving up 102 places to 208th (out of 379), whereas the Isle of Wight is ranked 339th, having fallen 33 places since 2013.

It is recognised that there is a national imperative to build new homes. This imperative is particularly pronounced in the Solent with an objectively assessed housing need for the Solent, published in June 2016, identifying a need to deliver 121,500 homes over the period 2011-2036. Given the limited geographic scale of the Solent, the existing densely populated geography, the large amount of MoD land, areas of flood risk, and our coastal location, this is a considerable challenge, yet critical to ensure the pipeline of employment to fuel economic growth and attract the talent to this area. Whilst opportunities for sustainable development will be sought and sustainable travel patterns encouraged, it is inevitable that there will be increasing demands on the SRN, which Highways England needs to provide for to support economic growth and productivity increases in the Solent.

In particular, the LEP welcomes the commitment by Highways England to a "proactive approach" to spatial planning. This is welcomed but we would also urge Highways England to work in a way that

supports local ambitions and timescales so that the delivery of new development may be accelerated and private sector investment can be deployed as quickly as possible.

4. Do you agree with our categorisation and definition of Economic Opportunity Areas?

The LEP supports the definition of Economic Opportunity Areas as set out on pages 20-22 of the discussion document.

5. Do you agree the two-perspective approach to prioritising economic growth locations around the strategic road network?

The LEP supports the two-perspective approach to prioritising economic growth locations around the SRN as set out on page 23 of the discussion document.

6. Do you agree with our emerging approach on page 24?

The LEP supports the emerging approach set out on page 24 of the discussion document, focused on:

- enabling international connectivity and trade by providing improved access routes to global markets;
- Supporting business productivity and competitiveness by meeting the needs of those sectors most reliant on the SRN; and
- Facilitating the sustainable delivery of new homes and employment spaces

7. Do you have any further suggestions as to how we can work differently to better enable economic growth?

In addition to the above response, the LEP would add the following observations:

- The Strategic Economic Growth Plan should be clearer about how it will work with other infrastructure providers, and in particular Network Rail. Within the Solent context, rail and SRN infrastructure between Portsmouth and Southampton run, broadly, parallel. The supply of one influences the demand for the other, and locally the inadequacy of rail infrastructure and services is a contributory factor to chronic peak congestion on the M27. There is a broader need for the integration of investment and planning in rail and SRN infrastructure, which is something the LEP would encourage Highways England to pursue with Network Rail.
- The focus on the role of the SRN in supporting economic growth is very much welcomed. However, whilst we have welcomed dialogue with Highways England to inform the drafting of the discussion paper, the partnership approach set out on page 3 of the discussion document omits Local Enterprise Partnerships, which seems out of kilter with the focus on economic growth.
- The consultation is silent on both Brexit and the forthcoming Industrial Strategy. Again, given the focus of the role of the SRN in supporting both economic growth and access to global markets, it will be important that the final Plan aligns with the new trading landscape and supports the delivery of the Industrial Strategy.
- Timeliness of delivery is also important. Whilst publication of investment plans setting out specific schemes for delivery within a RIS period is very helpful, it is important that schemes are delivered as quickly as possible. For example, RIS1 identified the M271 / A35 Redbridge

Roundabout Upgrade scheme in 2014, yet this remains "subject to approval" and is not programmed for delivery until the end of 2019/20, some 5-6 years after the announcement. The same can be said for improvements to the M3 Junction 9 / A34 interchange. Both these schemes are of particular significance for movements to / from the Port of Southampton.

I hope that this response is helpful as Highways England finalises its Strategic Economic Growth Plan. Should you have any questions in relation to this response, please contact stuart.baker@solentlep.org.uk / 023 9268 8676.

Yours sincerely,



Gary Jeffries
Chairman
Solent Local Enterprise Partnership

TOGETHER.STRONGER