

Connecting Northern Cities

To what extent are weaknesses in transport connectivity holding back northern city regions (specifically in terms of jobs, enterprise creation and growth, and housing)?

Transport connectivity is a major constraint to northern city regions achieving their full potential. There is evidence from various sources that contrasts the level of interaction between the city regions in the north with similar polycentric regions elsewhere in Europe. And the most telling pieces of analyses shows how much more integrated the markets and economies of these regions – such as the Randstad and Rhein-Ruhr – are that how much better connected each of the component cities are internally and to one another.

The transport connectivity weaknesses are typically seen as constraints of the existing networks in terms of: insufficient capacity (highway congestion and rail overcrowding); long journey times; limited interchange opportunities; unreliability and limited network resilience. This limits the ability to support and grow a modern dynamic economy, attract new investment, and support growth in activity because the inefficiency of the existing network does not improve the city regions' competitiveness. Additionally, the network's ability to accommodate new growth – and therefore more traffic, passengers and freight – is heavily constrained. However, the connectivity weaknesses are also because high quality direct connections within and between city regions and between cities and international gateways (ports and airports) do not exist.

Taken together, these three issues (ability of the existing network to cater for existing demands, the network's inability to accommodate future growth, and the missing connections) act as a major constraint to the northern city region's economies. And it manifests itself in limited interaction between the individual city region's economies.

Poor connectivity limits job creation and developing an economy that is able to benefit from a flexible dynamic workforce because poor transport connectivity can restrict the scope for individuals seeking employment and restricts businesses' access to large, skilled and diverse workforces. Improved city region connectivity increases the population's access to jobs and increases employers' access to the workforce it needs. There is much evidence now to show how improving connectivity between workers and jobs ultimately drives productivity and agglomeration benefits. This in turn drives business start-ups and enterprise creation.

There is a range of evidence available from important sectors of our economy (e.g. manufacturing and transport) showing that transport connectivity weakness is a key issue in restricting firm growth (e.g. local economic assessments). On the edge of the major city regions, there are several areas and clusters of economic activity (e.g. technology, chemical, aerospace and automotive industries) which are seeing business relocate or close due to poor connectivity. Factors for business failure and relocation are multifaceted but reasons can be linked to transport such as challenges in accessing markets and competing with other firms.

Transport connectivity studies across the North of England have shown that congestion and journey reliability are key issues for manufacturing businesses, restricting movement of goods and increasing costs. The logistics sector has grown around key road, rail, air and sea connections and hubs. In the North of England, our research has shown that the freight and logistics sector could grow further if weaknesses including the condition of roads, connectivity to major transport hubs and international gateways and congestion are addressed.

Housing is closely entwined with transport connectivity. New transport infrastructure is a very significant influence on the location of new housing development. Weaknesses in transport connectivity can lead to an imbalance between supply and demand of housing. This includes house prices too high for local wage levels as well as empty housing due to population decline and poor quality of housing. It can also prevent strategic sites being developed to their full potential. Work that Atkins has undertaken exploring future housing developments has shown that transport connectivity is key to linking housing and employment sites, particularly for certain groups of the population where proximity between employment and housing are critical.

Poor quality housing exists across the UK and there are some high concentrations of poor quality housing in city regions of the North of England. Ensuring that areas are well connected can revitalise certain housing areas. However, more inclusive and holistic approaches are needed for areas which have concentrations of poor quality housing, this includes strategic and local transport networks.

What form of governance would most effectively deliver transformative infrastructure in the north, how should this be funded and by whom, including appropriate local contributions?

This question is being asked against a background of existing change to governance arrangements connected to devolution (e.g. City Region Devolution Deals) including the creation of Transport for the North (TfN) and devolved responsibilities associated with combined authorities. We believe the form of governance should be:

1. A single vision for the North of England with flexibility for local economies to drive growth.

Decision making on infrastructure can be enhanced by ensuring that people based in, or with intricate knowledge of the North of England, are central to decision making. This is a challenge given the variety in the environmental, social, economic and cultural characteristics across the North of England. Atkins employs over 1,200 people within the North of England. Our expertise of economies, built infrastructure and other local characteristics supports our decision making sub-regionally and aids clients. We would expect that governance, in order to effectively deliver transformative infrastructure in the north, would draw upon knowledge of the North of England.

Transformative infrastructure is often led through the identification of a clear vision which embraces a collective commitment to taking a long term and integrated approach to planning for infrastructure investment. We note that several transformative projects across the world which Atkins have worked on, including high speed rail in China, economic cities in the Middle East and new airports across the world, have required a vision for an area or what it should look like. In the UK, through our strategic economic advisory work for Highways England, Network Rail and the HS2 Growth Task Force, we have strongly advocated the importance of taking a long-term, integrated approach to infrastructure planning. We believe such an approach will be critical to delivering transformational change in the Northern Powerhouse.

2. Coordinated approach across the North over planning and budgets.

We have seen how increased Mayoral powers in London provide strong leadership over several areas of public policy. Providing decision making powers over several interconnected administrative areas is positive, particularly when spatial areas are defined on a functional economic and labour market basis. For example, the Mayor of London has powers over resource budgeting, metropolitan-wide transport, spatial planning and housing, policing, fire service and economic development. A single voice enables a cohesive communication of needs and plans. The coordination of key decision making functions is central to delivering transformative infrastructure. For example, the planning and delivery of Crossrail requires an understanding of the future key employment and housing growth opportunities and local area needs not only in forecasting demand but in establishing the strategic business case for substantial public and private sector infrastructure investment.

Accountability of decision makers is important. For example, Greater London Assembly holds TfL to account in several ways (e.g. reviewing its budget, performance, strategy). Through several projects which are transformative, we note that where decision making has been accountable, complex decision making is based on robust evidence, decisions are transparent and the voices of stakeholders are heard in the decision making process.

The quality of transport infrastructure can have a direct impact on business operations and business decisions. It is therefore important that the private sector is involved at an early stage in deciding and planning for major infrastructure investments. This includes Local Enterprise Partnerships, Local Authorities, Local Transport Bodies, Central Government and new bodies such as Transport for the North. For effective governance we believe that these bodies need to make collective policy and funding decisions through an executive based on a defined Northern geography. Due to the variety of inputs to investment of Northern

connectivity, a collaborative approach is imperative. This is essential to ensure the wider economic and social benefits arising from integrated infrastructure investment can be identified at an early stage in the planning and decision making process. A Northern Powerhouse 'executive' should provide a sufficiently empowered platform for joint decision making between core stakeholders including Network Rail, HS2 Ltd, transport authorities, Combined Authorities and LEPs. It is equally important that it contributes to the funding and delivery of these projects.

Our experience has provided clear evidence that early involvement of businesses in planning for future infrastructure investment yields more effective outcomes in terms of the scale and longevity of economic and social benefits which can be facilitated. In addition, we have worked on several schemes where the negative economic impacts have been mitigated by involving businesses (e.g. Chambers of Commerce, CBI, FSB) in decision making.

3. A driving programme which helps to encourage public infrastructure projects, connect supply chains, encourage private investment and explore wider project outcomes.

There are certain transformative projects such as the Oresund Bridge between Denmark and Sweden which have multi-dimensional impacts which go well beyond improving transport connectivity. Such an approach is now being more actively pursued in the UK as evidenced by HS2 Growth Task Force, the Airports Commission, TfN and more recently by Highways England. Metropolitan organisations such as TfGM and TfL have also pioneered forward looking infrastructure planning seeking to maximise wider economic benefits from investment. It is clear that the approach to appraisal of infrastructure investment needs to change in order for future programmes and projects to be tailored in such a way that long-lasting economic and social benefits are realised. Whilst we welcome the DfT's proposed changes to webTag, we consider that further, more radical and ambitious changes are made to business case development. We acknowledge that a balance is required where decision making requires several approaches and considerations to ensure it is safe, economically viable and delivered within cost and budget calculations.

Funding:

Funding from a range of sources will be essential to achieving transformational change which may include:

- European Funding – The Department for Communities and Local Government (DCLG) manages the European Regional Development Fund (ERDF) which is worth between €3.6 billion - £2.6 billion to support local growth across the whole of England. There is potential for transformational projects to utilise ERDF funds to design, build and enable elements of transport infrastructure as well as supporting wider economic or social outcomes from projects. The themes outlined for the ERDF (e.g. digital) over the current funding period (to 2020) show potential for collaboration and wider transformational outcomes.
- Business Contributions and Tax – Businesses, and particularly developers, make contributions to local infrastructure through planning obligations and CIL. In the current political and economic climate, innovative and non-traditional funding mechanisms are increasing in importance. Many of these mechanisms involve asset leverage and/or leasing such as Local Asset Back Vehicles (LABV) or value capture such as Tax Incremental Financing (TIF), Business Rate Retention (BRR) or Revolving Infrastructure Funds (RIFs). Other contributions are possible through sponsorship. Examples include the landmark SAGE venue in Gateshead, the Emirates Cable Car, and the Santander/Barclays bicycle scheme in London.
- Central Government – Throughout the current and last term of Government, there has been a resolute commitment to investment in transport and other infrastructure in the North. To deliver transformative infrastructure, continued funding and long term planning can aid further economic growth and investment. Capital investment from central government, or deals that allow more of certain types of tax revenue to be retained for a limited period of time will need to be negotiated with government. Local Enterprise Partnerships are funded by several sources and utilising this across LEP areas, where transformational benefit could be delivered is a potential area of benefit for decision makers.

- Devolved Tax revenue – Recently there have been proposals for Greater Manchester and Cheshire East to keep their business rates funding. This process is in its early days and the success of this could be assessed across the rest of the region.
- Foreign Direct Investment and Sovereign Wealth Funds – Recent trade missions to China and other parts of Asia are welcome for inward investment within the Northern Powerhouse. Work that Atkins has undertaken in the UK and abroad has highlighted that this can have a transformational impact. However, there are some barriers to FDI and there are numerous opportunities to streamline the process and make it easier for investors.

Atkins has worked with clients across the world on a range of funding and financing models for infrastructure and note that the following elements are also important to consider:

- Skills & Training – The emergence of major skills shortages and gaps in the infrastructure sectors is one of the most concerning constraints to the delivery of transformative projects in the UK over the next 20 or 30 years. We have recently developed a strategy for addressing the skills challenge in the North West's rail sector.
- Research and Data – The total cost of a project should be based upon robust research and evidence which considers timescales, labour availability and technical issues. The use of research and big data to assess issues can support how investment is targeted and where it is needed. We have been working with mobile phone operator EE to use anonymised and aggregated data to better inform decision making.
- Risk – Investment is intrinsically linked to risk. Overall infrastructure investment in the UK is considered to have low risk levels connected to stability of the national economy, transparent policy, regulatory environment and inflation and returns. There is potential for the low risk nature of investment to be promoted to foreign investors as well as assessing what other elements of risk exist, such as political risk and overcoming this through policy or long term commitments.
- Procurement – Procurement is a valuable tool in supporting infrastructure funding. Procurement can drive quality, innovation and be used to widen the benefits of investment. Atkins notes the beneficial outcomes of procurement requirements connected to skills in Crossrail (and in the future HS2) and sees value in embedding procurement outcomes with investment.
- Compulsory Purchase Order – This is one tool which could enact real change connected to land ownership and use. It can also help to move projects forward. It is necessary that this is done properly but navigating the legal and regulatory procedure is complex. In countries across the world it has been shown to radically change land use and help push forward transformational developments.