

**SOUTH EAST ENGLAND COUNCILS  
EXECUTIVE MEETING**



Date: 4 April 2014

Subject: Mind the Gap: South East transport needs and economic benefits

Report by: Heather Bolton, SEEC Director

**Recommendations:**

Members are asked to:

- i) Agree key headlines from the 'Mind the Gap' report, calling for funding for strategic transport projects in the South East that offer significant economic benefits
- ii) Endorse submission to Ministers.

**1. Introduction**

- 1.1 Investment in strategic transport infrastructure is critical to support the continued success of the South East economy, its position as the engine room of UK PLC and the UK's most profitable economy.
- 1.2 However, current locally-based transport funding fails to address the significant strategic cross-boundary schemes needed to maintain South East and UK global competitiveness. The South East is a national gateway to ports and airports, so improving our transport infrastructure is not simply a local issue – it will offer benefits to business and leisure travellers all over the UK. Without investment in South East strategic projects, congestion and poor, unreliable transport connections will see the UK economy lose ground to competitors overseas.
- 1.3 Working together SEEC, SESL and SEDEEPT (South East Directors of Economy, Environment, Planning & Transport) have identified strategic transport gaps in the South East and highlighted the economic benefits these schemes could unleash.
- 1.4 A joint report 'Mind the Gap' is now nearing completion – awaiting only some final data updates following input from members and officers across the South East. It calls for investment in a 10-point strategic transport programme in the South East to deliver national benefits. Key recommendations and projects are outlined below and the Executive Summary is attached as Annex 1. Members are asked endorse submission to Ministers.

**2. Mind the Gap headlines: key messages and projects**

- 2.1 The report calls for investment in the South East to ensure continued economic success. In the four years to 2010-11 the South East paid £33.9bn more to the Treasury in taxes than the area received in public spending. This compares to £18.4bn from London over the same period. The South East also delivers a GVA that exceeds the combined total GVA from England's eight core cities.
- 2.2 Key requests to help fill the gaps in South East strategic infrastructure include:
  - A new central-local project board to agree and take forward key strategic transport schemes that will support national growth and deliver excellent returns.
  - A balanced portfolio of Government transport investments that guarantees a proportion of national funding for high-return strategic projects in the South East.
  - Greater freedom for South East authorities to raise funding for infrastructure investment, including allowing councils to retain a greater share of tax revenues to fund projects.

- 2.3 The investment programme has been drawn up with input from members, SEDEEPT and a number of LEPs. Projects are split into gateway routes and strategic corridors and aim to achieve one or more of the following:
- Better road and rail access to nationally important ports and airports (Dover, Southampton, Portsmouth, Gatwick, Heathrow). These projects would benefit freight, business and leisure passengers UK-wide.
  - Reducing delays and bottlenecks on strategic road corridors (such as M25, M3, A3, A27, A21) as congestion can cost businesses £1 per minute.
  - Increasing capacity at central London rail stations to cut overcrowding for commuters into London or the South East (eg South West mainline).
  - Improved cross-country road and rail routes linking South East economic areas without the need to travel via central London (eg the North Downs line).
- 2.4 All projects include cost estimates and expected economic benefits. With the ability to deliver national and local economic benefits, the projects offer excellent returns on public investment. This will be in contrast to limited returns on schemes in some other areas. The Government should consider strategic transport in the South East an essential part of national economic recovery and part of a balanced investment portfolio where South East returns balance lower returns achieved elsewhere.
- 2.5 **Gateway routes**
- **London orbital routes and links to the Channel**
    - Maintain and improve the M2/A2 and M20/A20 corridors
    - Expedite a new Lower Thames Crossing
    - Long term solution to Operation Stack
    - Improving the Ashford/ Redhill/ Reading rail corridor, including a Redhill flyover and electrification of the North Downs Line.
  - **Southampton port, airport and neighbouring south coast economies**
    - Improve strategic junctions along the M3/A34
    - Electrification of rail lines to Southampton.
  - **Heathrow Airport**
    - Expedite western rail access to Heathrow
    - Improve public transport to the airport from the south and west.
  - **Gatwick airport** – improve rail links by upgrading the Brighton mainline to remove bottlenecks. Consider reopening the Lewes-Uckfield line.
  - **Kent International Airport, Manston** – improve rail access. *NB members may wish to review inclusion of this project, given consultation on closure of Manston.*
- 2.6 **Strategic corridors**
- **M25** – improve junctions and explore local management of motorways.
  - **South East rail network from Waterloo**
    - Crossrail 2 regional route to include removing the rail bottleneck at Woking that affects suburban and Portsmouth services plus a new link to speed up commuter services from the Ascot/ Camberley areas
    - Signalling improvements to allow more services to run on existing lines
    - Developing Clapham Junction as a major 'hub' station with more connections to a greater range of destinations.
  - **London-Portsmouth, London-Hastings & south coast corridors**
    - Improve the A3, including key congested junctions, for example at Guildford
    - Upgrade M27/A27 and improve coastal rail links between Dover-Portsmouth
    - Improve links to Hastings, upgrading the A21, mainline rail and rail links to HS1
  - **Links to East of England/ East Midlands/ South West**
    - Extend East-West rail from Bedford to Cambridge, Norwich and Ipswich
    - Extend the Dunstable bypass to Aylesbury
    - Improve the A303 and electrify rail from Newbury to Taunton.

## MIND THE GAP: Draft Executive summary

### The case for supporting national economic growth through strategic transport investment in South East England

#### Our proposition

- 1 South East England needs investment in strategic transport infrastructure in order to protect and grow its substantial contribution to the UK economy and maximise its support for national economic recovery. Improving routes to and through the South East will offer major benefits for businesses across the country by providing quick, reliable, congestion-free access to the South East's nationally important ports and airports. Investing in the South East will also offer an excellent return on public investment, which will pay dividends for the Treasury.
- 2 Current lack of co-ordination in national strategic transport decision-making risks killing the economic 'golden goose' that is the South East. The South East's economic contribution must not be taken for granted so that it falters through lack of investment.
- 3 Our work has identified a gap in the market for identifying and funding strategic transport projects that offer significant national economic benefits. A new approach to South East strategic transport investment is needed to ensure the South East continues to support UK global competitiveness and to generate profits for the Treasury that support public spending nationally.
- 4 Partners across the South East have identified 10 key transport gateways and strategic corridors in need of investment to protect and enhance national economic success. To take this investment programme forward Government action in partnership with South East local authorities and partners is needed in three areas:
  - i) **To establish a multi-agency project board** comprising local authorities, LEPs, Highways Agency, Network Rail, airports and central Government to agree a long term programme and funding strategy for projects which offer national economic benefits, including the South East's 10-point programme.
  - ii) **To create a balanced national investment portfolio that includes high return projects in the South East.** A portion of the Government's committed increase in infrastructure investment should be allocated to nationally-significant strategic transport improvements that offer an excellent return on investment for public funds. These high return projects in the South East would balance investments in riskier regeneration projects elsewhere.
  - iii) **To explore options allowing local authorities to supplement Government funds.** This is not simply a begging bowl from the South East. While central Government certainly has a role in funding schemes that will have national impact, we also want to explore options such as:
    - Allowing local authorities to retain a greater share of business rates to support cross-boundary infrastructure projects
    - A South East investment fund for strategic transport, similar to the fund offered in the Birmingham area city deal
    - Allowing the South East to receive a share of the area's tax revenues to fund strategic transport improvements, similar to the Manchester city deal
    - Considering tolls on suitable projects, such as the lower Thames crossing
    - Greater freedom for local authorities and partners to raise funding to invest in strategic infrastructure projects.

## Why South East investment is important

- 5 **The South East as a global economic competitor** – The South East economy competes globally not nationally – we have an economy larger than South Africa and only slightly smaller than Argentina. Without strategic investment in high quality transport infrastructure we run the risk of losing businesses – not to other parts of the UK but to international competitors.
- 6 The South East is also the UK's most profitable economy. Latest figures show that the South East pays considerably more in taxes than it receives in public spending – creating a net 'profit' for the Treasury. The South East was the biggest net contributor over the four year period since 2007-08, generating a profit of £33.9bn for the Treasury. This compares to London's £18.4bn over the same period. Continued returns from the South East are important as this 'profit' helps fund public spending UK-wide.
- 7 A comparison with England's 8 core cities also shows the value of the South East economy. From 2007-12, Gross Value Added (GVA) in the South East exceeded the combined GVA of all 8 core cities.
- 8 **The South East as a national economic gateway** – Transport infrastructure in the South East is an essential network for businesses all over the UK, providing links to overseas markets and supply chains. By failing to invest we risk adding to the congestion, frustration and costs that UK businesses face every day when travelling along the South East strategic transport corridors to reach our international gateway airports and ports. Recent figures from the Freight Transport Association, for example, put the cost of traffic congestion at £1 per minute for their members. Our area is also home to major – and often overcrowded – commuting routes that are an essential lifeline for businesses.
- 9 Improving strategic transport routes in the South East will support economic growth both nationally and locally – bringing an excellent return on investment for public funds. Better, more reliable transport links will attract new businesses and jobs to the South East against international competition. Better access to our major gateways will also allow those ports and airports to grow, creating further jobs. We believe our 10-point investment programme will not only support new growth but will also help improve productivity by reducing the cost impact of congestion for businesses.
- 10 While we have focused mainly on the economic benefits, our projects also offer wider benefits, for example in areas such as carbon reduction, improving quality of life and affordability.
- 11 The ability of South East strategic projects to grow our own already-strong economy and provide wider national economic benefits will ensure that public investment in the South East delivers an exceptional return for the Treasury. That return will include increased taxes as businesses grow and create new jobs. At the same time reduced congestion will help increase business productivity.

## Why a new approach is needed

- 12 Our work has identified a 'gap in the market' for strategic large-scale transport schemes that offer national benefits. We have identified a programme of 10 key transport gateways and strategic corridors in need of investment, all of which exceed local spending capacity. Rail projects range from 6.5m for lengthening trains on the North Downs Line up to potentially £20bn for the Crossrail 2 regional route. Individual

road projects in our programme range in scale from £15m-30m for an alternative to Operation Stack up to potentially £5.5bn for the new Lower Thames Crossing.

- 13 Despite the major national and local economic benefits these schemes would deliver, they are unable to progress because the costs are beyond local means and they do not yet feature in Government's national transport programme.
- 14 South East local authorities, Local Enterprise Partnerships and their partners have limited access to central funds and limited powers to raise funds for the type of strategic projects required. Unlike London or core cities, the South East's councils and LEPs do not have the mechanisms in place to fund large scale strategic transport projects. There are also questions about whether such nationally-significant investment should need to come from a single area such as the South East.
- 15 Funding problems are compounded by the fact that there is no single funding route open to South East partners to ensure a strategic approach to investment in nationally significant transport projects. For example Highways Agency and National Rail have separate funding programmes but there is no clear way to pull investment together to ensure a co-ordinated, coherent programme for projects that cross multiple local authority and LEP boundaries.

## **The programme**

- 16 The South East strategic transport programme has been drawn up with input from local authority Leaders, officers and a number of LEPs to complement local projects that are already underway or planned. Our 10-point programme is split into gateway routes and strategic corridors and aim to achieve one or more of the following:
  - Better road and rail access to nationally important ports and airports (including Dover, Southampton, Portsmouth, Gatwick, Heathrow). These projects would benefit freight, business and leisure passengers UK-wide.
  - Reducing delays and bottlenecks on strategic road corridors (such as M25, M3, A3, A27, A21) as congestion can cost businesses £1 per minute.
  - Increasing capacity at central London rail stations to cut overcrowding for commuters into London or the South East (for example upgrading sections of the South West mainline)
  - Improved cross-country road and rail routes linking South East economic areas without the need to travel via central London (including improvements to rail links from Reading through Surrey to Kent and Eurostar services).Section 3 sets out our programme in full.

## **Next steps**

- 17 We would welcome discussion with Ministers on how to take forward our strategic transport investment programme which will allow the South East economy to deliver national benefits for UK PLC. In particular we want to work with central government and partners on our three step plan to gain agreement to:
  - Establish a new multi-agency project board
  - Create a balanced national investment portfolio
  - Explore funding options that will allow local authorities to support strategic transport investment.