

To Louise Ellman MP, Chair of the Transport Committee

Proposal for a Committee Inquiry: The economic value of transport gateways

1. Following our meeting in November, this short paper sets out our suggestion for a Committee inquiry in early 2017. Our core recommendation is that:

The Committee investigates how investment in strategic transport corridors can maximise the economic potential of international gateways – especially in the light of the Government’s recommendation to expand Heathrow Airport.

National relevance

2. Effective global transport gateways have a key role in national economic success, now and post-Brexit.
3. Heathrow Airport is one of the UK’s most important international gateways. The Airports Commission and the Government have recommended that expanding Heathrow is the best option for providing additional airport capacity. They believe this will play a significant part in maximising growth and supporting the competitiveness of the UK economy.
4. As well as providing direct benefits for passengers, airport expansion will provide better access to UK and foreign markets for business, facilitate gains from trade and encourage greater exchange of knowledge and technology. These will help drive increased investment, choice and efficiency, thus improving productivity and innovation.
5. Accommodating the additional runway and achieving its full economic potential are dependent upon maintaining and improving access to the expanded Airport. However, while access to Heathrow is important, there is also a need to invest in improving transport links to other major air and sea ports, and commercial centres across the country. There is a danger that focusing solely on access to Heathrow will miss opportunities to direct long-distance non-Airport traffic away from the already-congested roads and rail lines that serve the Airport and London. The Committee could play a key role in identifying investment required on routes that extend across the South East and the Midlands to reach other economic gateway ports and airports in the UK.

Transport Committee Opportunity

6. The Committee will have a crucial role in scrutinising the decisions relating to the provision of an additional runway at Heathrow Airport and the preparation of the National Policy Statement on aviation. There is an opportunity to build on the economic potential of Heathrow Airport’s expansion and help avoid increased transport congestion by investing in existing and new road and rail infrastructure.

7. Whilst decisions and policies will, undoubtedly, focus initially on Heathrow Airport and its immediate environs, there is also a need to consider wider and national implications and other gateways' requirements as outlined above. Combining physical road and rail improvements with new transport technology and innovation will improve travel capacity, reduce congestion and support inward investment and business growth. It will also help deliver new housing and employment developments – the Government's target growth sectors.
8. We suggest there would be real value in the Committee investigating the merits of the Government taking a genuinely strategic approach to investing in a number of nationally significant corridors which will facilitate economic growth via better access to Heathrow Airport and to other UK global gateways. The country needs an investment strategy that looks to deliver high quality and reliable long-distance strategic routes that businesses need to be able to maximise their productivity and economic potential via an expanded Heathrow and other international gateways.
9. Specifically for Heathrow, before the framework of objectives, policies and investment is settled, the Committee could assist the Government and the nation through an inquiry that considers investment to help deliver the economic potential promised by airport expansion. There will be a need for significant additional transport investment over and above the Airport's immediate needs. This should be through a fully integrated approach to improving strategic infrastructure. Otherwise, the investment at Heathrow Airport will fail to deliver on the potential to genuinely enhance the national economy.
10. As noted by Lord Heseltine in *No Stone Unturned*, the Government has a fundamental responsibility to create the national economic capacity upon which local growth relies; this includes national transport infrastructure which enables the country to function effectively. The Government must have a clear long-term plan that sets out how this large-scale infrastructure investment will meet the needs of business to deliver growth.

Potential themes of inquiry

11. The Committee's inquiry might explore:-
 - how investment in strategic transport corridors can maximise the economic potential of international gateways, including how to optimise the operation of the gateways through a redesigned set of long-distance strategic routes. Investment in gateways and the wider transport network benefits job creation, the reliability of imports and exports, and the delivery of planned homes. It can also provide a good return on the investment. These benefits are highlighted in the joint SESL/SEEC/SEDEEPT report *Missing Links*;
 - the impact of congestion, Heathrow Airport-related and otherwise, on economic activity including freight movements, business journeys, tourism and commuting;
 - the impact of congestion on the environment especially air quality;
 - improving public transport attractiveness, speed and reliability in serving major transport gateways such as Heathrow Airport and the potential benefits of releasing road capacity and relieving pressure on routes such as through central London and along the Thames Corridor;
 - making best use of planned/committed infrastructure investment, such as the western and southern access to Heathrow by enabling direct rail services from across the region and beyond;

- the effects of improved or new alternative routes in relieving pressure on already busy routes, such as the M4 and M25, by providing viable alternatives serving major gateways such as Dover, Gatwick Airport, Portsmouth, Southampton and east coast ports; and
 - how might the costs of improved or new infrastructure be met – contributions from Heathrow Airport’s developers, the public purse, private developers? This includes considering the cap on charges to airlines using Heathrow Airport so as to avoid passing the costs of infrastructure to the public purse and/or other developers.
12. While SEEC and SESL’s work is focused on Heathrow and South East gateways, the Committee may also wish to consider whether similar concerns affect other major ports and airports in other parts of the country.
 13. In this, or a separate, inquiry the Committee might wish to consider investment in the Major Road Network (MRN). The MRN is important in linking transport gateways, the Strategic Road Network and the rest of the UK.

When

14. Given the timetable that the Government has set for consultation and policy development, and the pressing need to commence work on the new runway, the Committee might best launch an inquiry early in 2017. This would allow the Committee’s work, and that of parties informing the Committee, to influence the Government’s direction and further discussions with Heathrow Airport Limited and other organisations on the principles for development and investment in transport infrastructure.

Context: The Role of Transport Links to Global Gateways

15. **Nationally:** Companies from across the UK rely on the South East’s transport gateways to reach international markets. However, road and rail routes to and through the South East are congested, overcrowded and inefficient. This damages business profitability and makes the UK less attractive globally as an investment option.
16. Due to the breadth of the transport access implications of a larger Heathrow Airport, and the potential for significant knock-on transport implications across a wide geographic area and access routes to the rest of the UK, the Committee should include in its considerations access not only to Heathrow Airport but also links between major national gateways (including sea and airports), cities, centres of educational excellence and major business locations. This includes a number of links through, and key locations in, the South East.
17. This investigation should be positioned within the framework that the National Infrastructure Commission is seeking to establish through, for example, the recent call for evidence on the contribution of infrastructure to international competitiveness with a specific focus on gateways.
18. **The South East:** Whilst the Government is keen to address the imbalance in economic growth between London and the South East and other parts of the UK, there is logic in seeking to optimise economic growth as a result of expanding Heathrow Airport through strategic investments in the South East that offer the Treasury very high levels of return that can be reinvested in further growth projects UK-wide.

19. The South East is the UK's most profitable economy, returning £80bn net to the Treasury from 2002-12. It is also a major international transport gateway used by businesses and individuals from across the country. The South East: competes globally, not just nationally; generates billions more in taxes than it receives in public spending; and is home to a number of international transport hubs including the Channel Tunnel, Dover, Gatwick Airport, Portsmouth and Southampton.
20. Better north-south routes into and across the South East will improve national access to major South East ports and airports, including Heathrow, that are used by businesses UK-wide to reach export and tourist markets and supply chains. Better outer orbital connectivity on east-west routes to the north and south of London, including improved arteries and new links, will support and strengthen the national network and complement radial links serving London. They will also link key economic centres from East Anglia, east coast, the Midlands, South East and the South West.
21. Schemes that would facilitate better movement across the South East linking transport gateways are the:-
 - A34/M3 and South West mainline to Southampton;
 - A2/M2 – Kent routes to the Channel;
 - M27/A27/A259 – a whole route approach to linking Dover to Southampton;
 - schemes to improve east-west connectivity including East West Rail and Oxford to Cambridge links including the Expressway and an improved A34/M40 link by expediting the plans announced in the Autumn Statement and linkages with major growth areas such as Luton and other key gateways such as Bristol;
 - North Downs rail line;
22. These five critical strategic transport routes would facilitate growth at Heathrow Airport, open up significant economic potential across a much wider area, and support growth elsewhere in the country. They will generate significant long-term benefits for businesses and residents, and offer excellent returns on investment to the Treasury.
23. The South East's world class research and development sectors are well-placed to deliver hi-tech transport solutions to support Government investment.

Missing Links

24. Missing Links was commissioned by South East England Councils, South East Strategic Leaders and the South East Directors of Environment, Economy, Planning and Transport to set out how better South East transport links can improve UK economic potential. The full report can be seen at:

<http://www.secouncils.gov.uk/wp-content/uploads/2012/03/Missing-Links-full-report-FINAL-approved-V3-CP.pdf>