

# Growth Commission

London Stansted Cambridge Corridor



## Growth Scenarios for the Corridor

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# LSCC: a track record of growth

## LSCC : historical growth trends significantly above the national average

- Historic economic growth rate 20% higher than nationally 1997-2014 and post-recession economic growth rate 65% higher 2010-2014
- Jobs growth rate 156% higher between 2009 and 2014 (+ 23,000 new jobs per annum)
- Business population growth rate 112% higher 2004-2013 (+3,000 new businesses p.a.)
- Productivity rate 16% higher than UK average
- Population growth rate 97% higher 2000 to 2014 (+ 31,000 new residents per year)
- Workforce growth rate 124% higher 2000 to 2014 (+ 22,000 new workers per year)
- P'boro (1.5% pa) 3<sup>rd</sup> highest annual popn growth rate 04-14; Cambridge 6<sup>th</sup> highest (1.4% pa)
- Cambridge added more housing stock to base than any other city (04-14, 2.6 per cent growth)
- Cambridge highest patents per 100,000 population (more than next 7 combined)

## More growth is forecast

- (Corridor excl London) GVA growth +2.0% per annum (UK=+2.4%)
- Jobs growth rate +1.2% / +16,300 per annum (UK=+0.7%)
- Population growth rate +0.9% / +25,900 per annum (UK=+0.6%)
- Housing growth rate +1.2%/ +13,605 homes per annum (UK= 0.9%)
- Workforce growth rate +0.4% / +8,000 per annum (UK=+0.1%)
- The growth corridor: growth in jobs, population, housing, workforce – running faster than UK average

# *The challenge of growth*

*Often relating to managing growth well*



## **Historically low levels of investment / expenditure**

Transport, education, public assets, public services



## **Lack of large cities and density of development**

Finances and economics have not supported desired large public infrastructure projects. Reduces labour market flexibility within the corridor



## **Jurisdictional / coordination issues**

Legacy of low levels of cooperation across major planning and infrastructural issues. Local Govt structures have not been aligned to economic geographies. Excessive centralisation of powers and funding in Whitehall



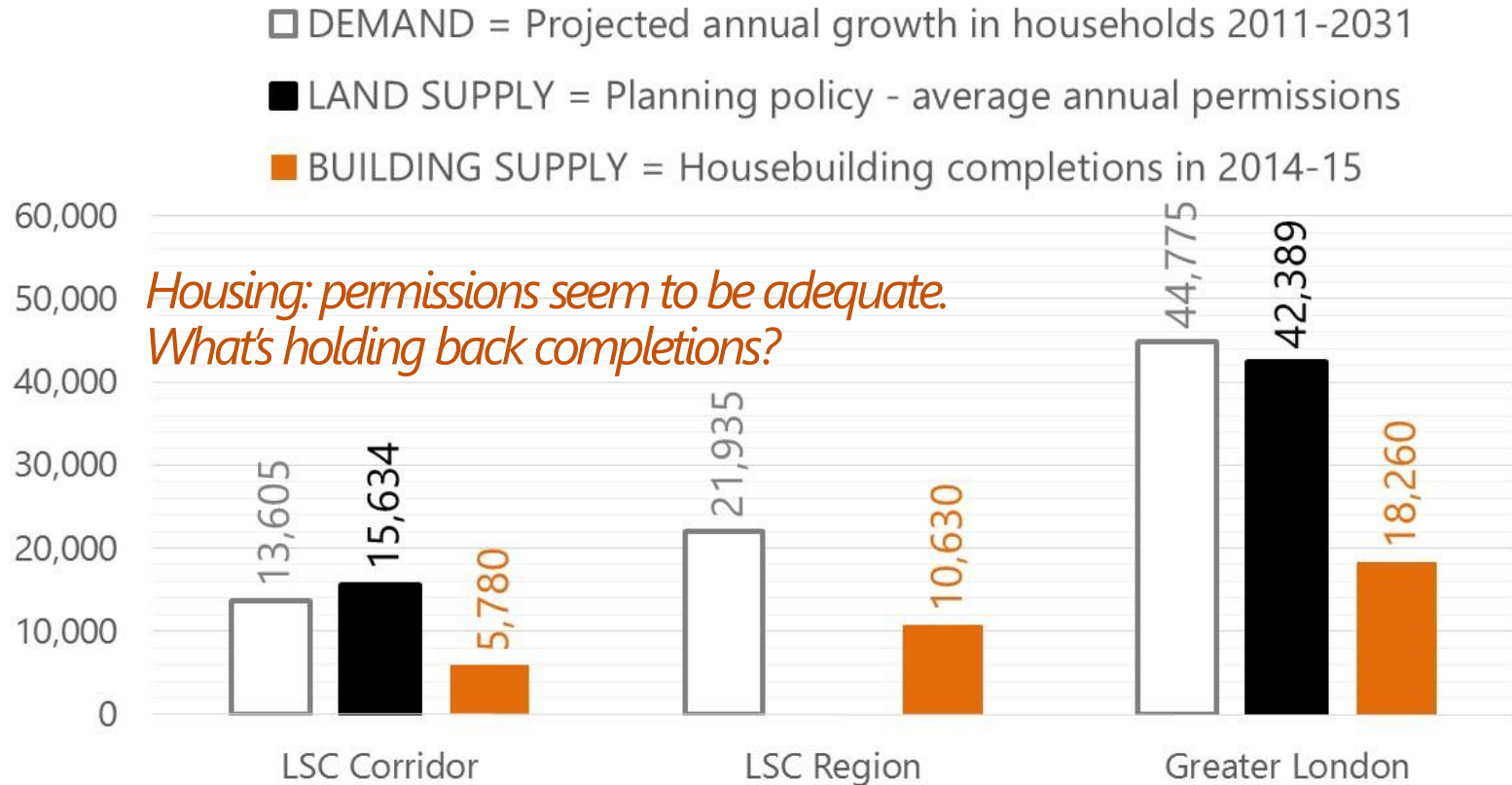
# The Growth Story

- Very high rates of historic and projected growth
- Growth far above the national average
- Current planning, housing and infrastructure approaches struggle with this rate of growth

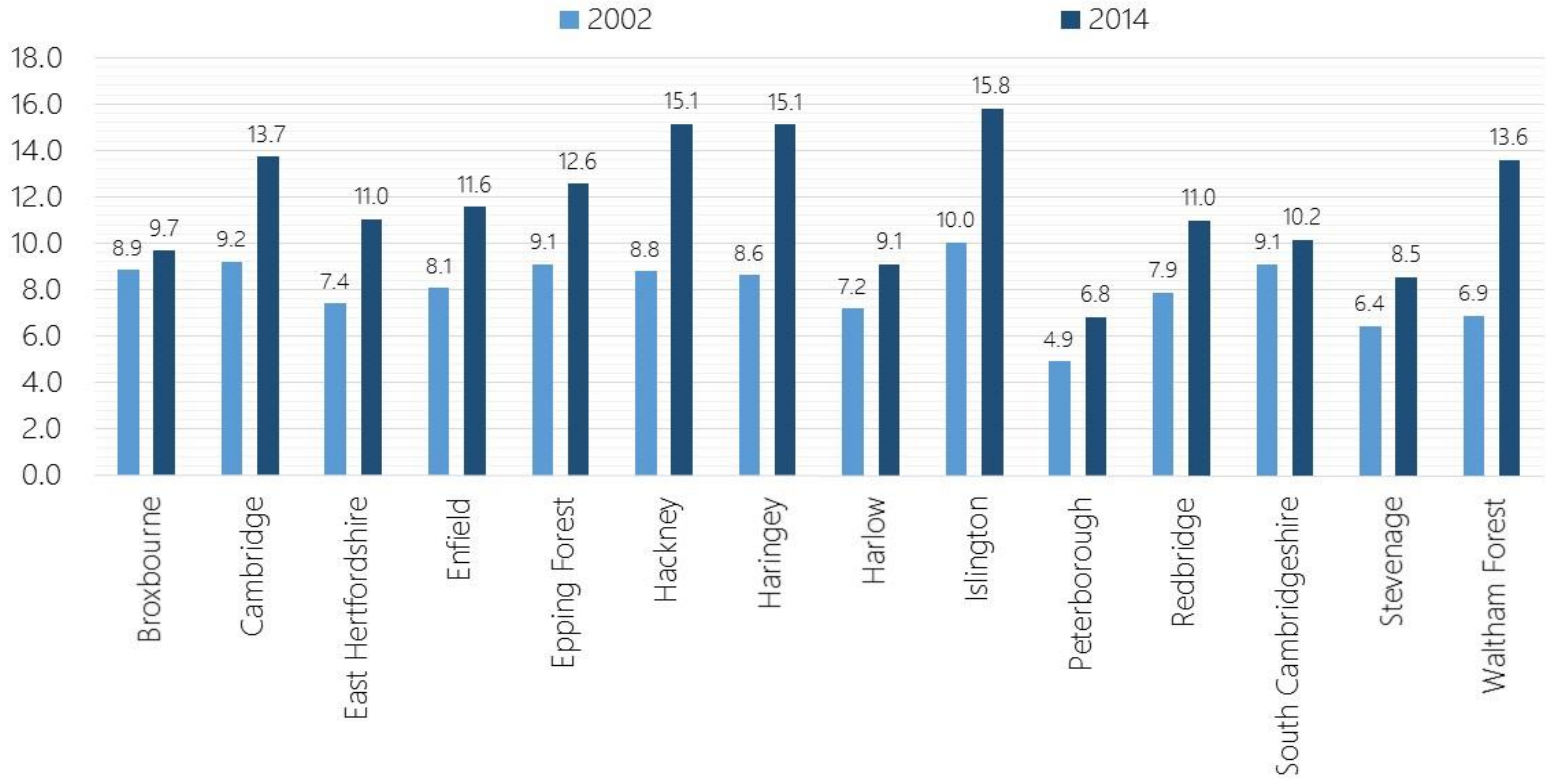
## **RESULT =**

- ❖ Costs: congestion, housing, constrained labour mobility, direct business costs, recruitment difficulties, negative externality costs to existing residents
- ❖ Supply factors lagging behind demand
- ❖ Can we deliver conditions businesses and residents need to be prosperous? Including but not only much better transport options? Can we ensure the quality of life/business locations to remain globally competitive?

# The market doesn't always deliver the supply factors we need (for various reasons)



# Housing affordability





# Factors like housing growth will affect labour supply in the long run

## Potential labour supply challenges ahead

- London: 682,000 extra jobs by 2015-2031; workforce projected to increase by 685,000
- LSCC (outside London): 84,000 extra jobs 2015-2031; workforce projected to **contract** by -35,000 (retiring babyboomers).
- London: 800,000 extra jobs by 2036 will require degree-level qualifications. London will supply just 560,000 of these from its own resident workforce. Huge impacts for the LSCC geography. Quality of rail links both to/from London and in connecting growth hubs in the corridor will be essential.

# Productivity challenge

- To maintain or enhance levels of economic prosperity and to overcome constraints to labour supply, housing, infrastructure *we will need to achieve significant productivity gains*
- What can enhance productivity rates? Things like...
  - More and better and more locally controlled capital investment (could do better)
  - Enhanced transport and other infrastructure e.g. broadband (could do better)
  - Skills (we've got a highly qualified workforce, but are not sure if the skills match employers needs)
  - R&D (we're really good at this but need to ensure it doesn't decline)
  - Entrepreneurship and new, more efficient business models (we're really good at this!)
  - New products and services that meet a demand (or derived demand) more efficiently and effectively than previously (we're really good at this too!)

# What locations do “ideas economies” need

- Productivity in the Corridor is higher than the national average (16% higher)
- Tech industries: location decisions significantly about ability to attract and retain talent
- Attracting talent: balance of factors:
  - Global centre for industry / depth of labour market – i.e. exciting things happening, lots of opportunities
  - Quality location and environment – vibrant tech and creative community; high quality of life; cosmopolitan, access to arts and entertainment
  - Access to services – whether leisure (younger), family + schools (older)
  - Cost/ convenience – housing costs + quality / acceptable travel to work

## If we can't accommodate growth here, where will it go?

- **Rest of world rather than rest of UK:** Tech firms who can't recruit locally – some are expanding other operations overseas instead
- **Big shifts can happen over 20-30 years:** Some commentators attribute success of North Carolina Triangle because of more affordable housing for R&D community and tech workers (relative to Silicon Valley / Massachusetts)
- **Staying globally competitive as a location?** i.e. tech jobs and activities likely to go to another part of the world, or a location with the capability and potential to become a global tech/knowledge region if we don't improve transport, housing affordability and availability, and preserve quality of life perceptions.

# What kind of growth do we want? Three possible scenarios

# Three growth scenarios

## 1. DO NOTHING

- Trend rate of growth continues
- Approach restricts/constrains growth
- Planning authorities subject to legal challenge by developers as supply fails to meet demand
- Results in unmanaged growth, poorly located, harms existing quality of life
- Does nothing to address negative impacts on communities
- Shortsightedness of current generation disadvantages future generations
- Likely that the area's attractiveness as a business / tech location deteriorates in long-run

## 2. REACTIVE

- Trend rate of growth continues
- We try to ameliorate worst affects of increased demand – i.e. partial transport fixes
- Some management of approach to housing development and related infrastructure but remains constrained by local governance structures not aligning to key economic geographies
- Might arrest local problems, but risks creating wider ones
- Sub-optimal solution in the long-run

## 3. SMART GROWTH?

- Recognise that to be a competitive and prosperous knowledge/tech region – need to be seen as high quality business and residential location
- Get the best market insights on business location requirements – and build them into plans
- Build on success. Designate growth nodes, consider best blend of employment, residential and leisure uses. Aim for high quality of life and attractive places for people to live and work
- Set and maintain quality and design standards across built environment (A Quality Charter)
- Use current devolution opportunities to enhance governance structures. Deliver real devolved powers and funding to Combined Authorities at sub-regional level. These then join up on big issues like transport, housing and infrastructure
- Combined, these measures should deliver increased productivity across the corridor.



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# Concluding thoughts



# *Smart growth for a knowledge-based economy*

- ✓ **Tech industries/top talent need great places to live & work**
- ✓ **Current infrastructure inadequate by international standards and does not allow a corridor-wide labour market to develop**
- ✓ **We must seize opportunity provided by devolution agenda**
- ✓ **We can then drive up productivity to increase future prosperity and preserve and enhance quality of life**