

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) 3rd highest annual popn growth rate 04-14; Cambridge 6th 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

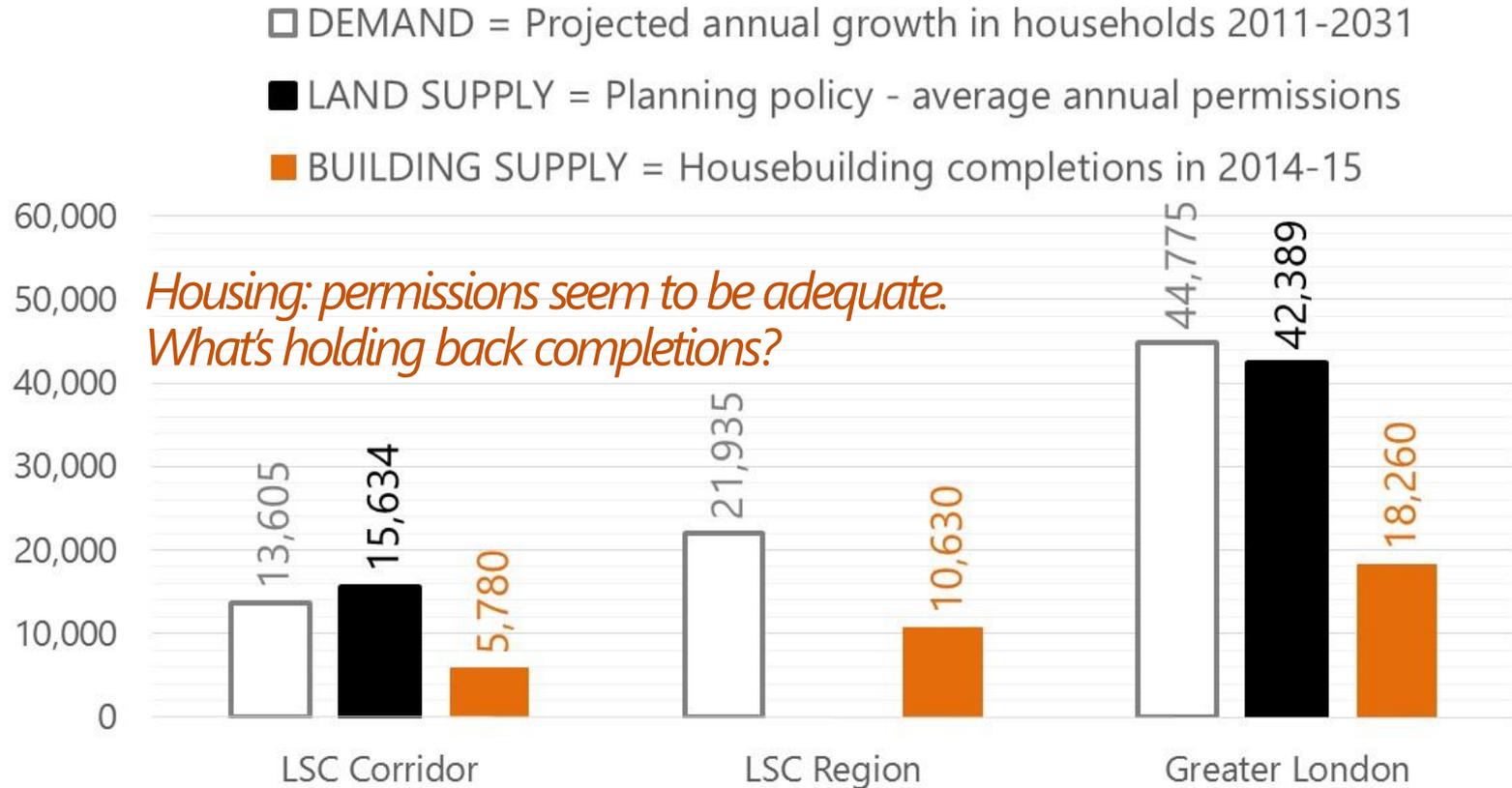
The Growth Story

- 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

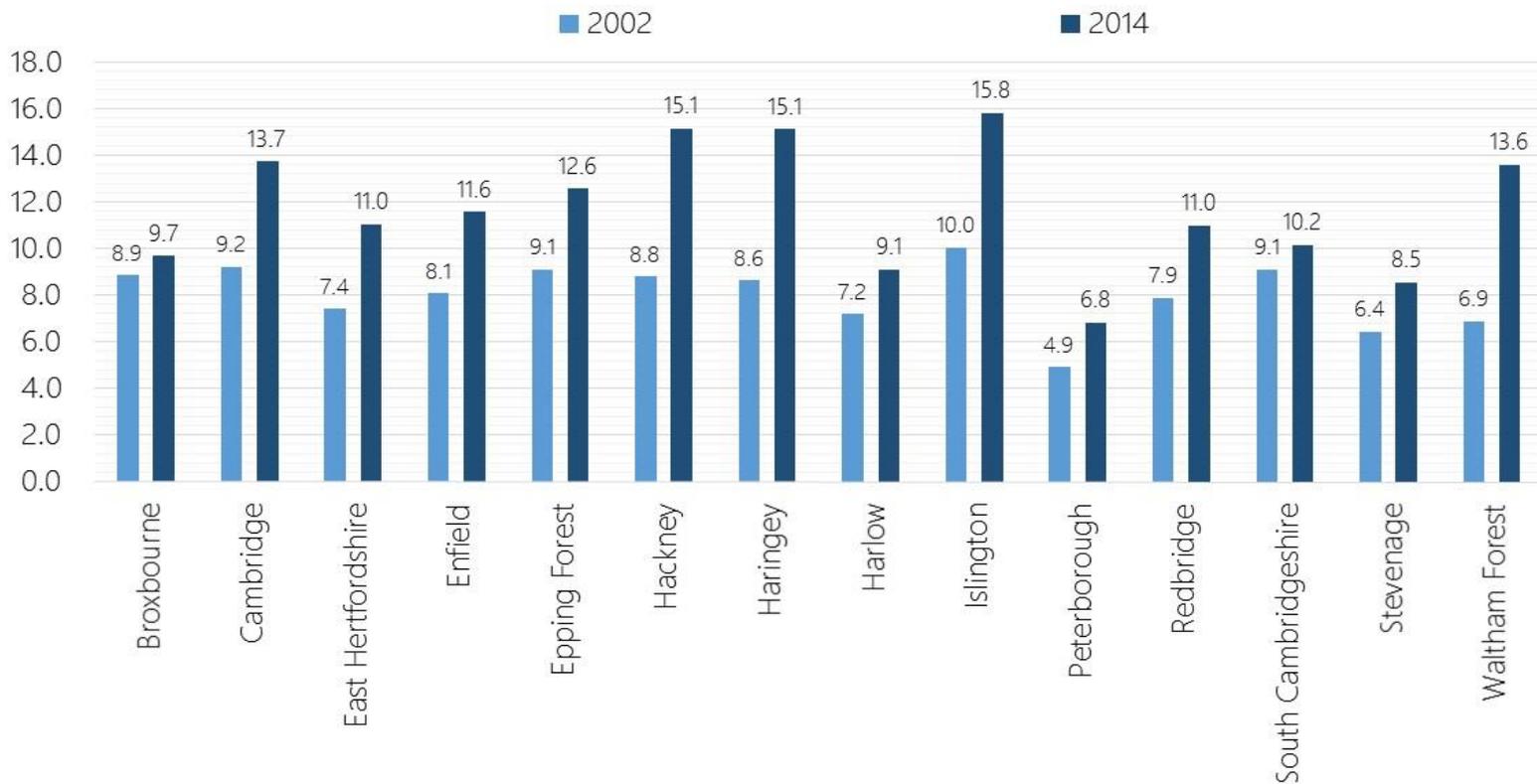
RESULT =

- ❖ 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**