



EVIDENCE TO INFORM THE LONDON STANSTED CAMBRIDGE CORRIDOR GROWTH COMMISSION

A background image showing two scientists in white lab coats working in a laboratory. One scientist is wearing blue gloves and holding a pipette, while the other is holding a notebook. They are looking at a computer monitor. The image is overlaid with a semi-transparent blue filter.

PROCEEDINGS FROM INQUIRY 2: BUILDING POTENTIAL IN THE LONDON-STANSTED-CAMBRIDGE CORRIDOR

FEBRUARY 2016

INQUIRY 2

The LSCC Growth Commission aims to provide independent analysis and advice to raise the global economic potential of the London-Stansted-Cambridge Corridor, setting out a 30-year vision for transformational change.

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Growth Commission

London Stansted Cambridge Corridor



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Growth Commission
London Stansted Cambridge Corridor



INTRODUCTION

THIS PAPER SETS OUT THE PROCEEDINGS FROM THE SECOND INQUIRY EVENT

The Growth Commissioners, speakers and audience met on 11 February 2016 to discuss how further economic potential could be built in the London-Stansted-Cambridge Corridor.

This paper summarises the proceedings of the event and the views and emerging priorities of the Commissioners themselves.

Aim of the event

The aim of the event was to fundamentally discuss and answer the following questions:

- Who are our competitors across the world? What can we learn about them as places to grow businesses, work and live?
- What do businesses want from their locations? What are prospective investors looking for?
- What are the key trends in innovative businesses and innovative places? What does the cutting edge of place-making for innovation look like?
- What kind of growth scenario could we envisage for the London-Stansted-Cambridge Corridor? How could we deliver it?

The event

INTRODUCTION AND WELCOME TO STANSTED AND UTTLESFORD

Cllr Howard Rolfe, Leader, Uttlesford District Council.

INTRODUCTION TO THE LSCC GROWTH COMMISSION

Sir Harvey McGrath, Chair

INTRODUCTION TO LONDON STANSTED AIRPORT

Andrew Harrison, Managing Director, London Stansted Airport

COMPETING FOR INVESTMENT AND TALENT: LESSONS FROM THE MOST SUCCESSFUL ECONOMIC REGIONS AND TECH/KNOWLEDGE CORRIDORS?

Professor Michael Enright, University of Hong Kong and Enright, Scott & Associates; Meirion Thomas, CM International; Gordon Innes, London & Partners.

GROWTH SCENARIOS AND SOLUTIONS FOR FUTURE DEVELOPMENT

Visioning the future – a scenario for sustainable growth and competitive advantage, Alex Plant, Anglia Water

ARE THERE NEW OR BETTER SOLUTIONS?

Panel discussion (all speakers)

Full presentation slides (where used) are available [here](#).



SUMMARY OF PROCEEDINGS

This section summarises the main points of discussion from the presentations, panel discussions, and audience contribution.

Setting the scene – describing the opportunity and what is at stake

LONDON STANSTED AIRPORT AND THE DISTRICT OF UTTLESFORD

Councillor Howard Rolfe, Leader of Uttlesford District Council, introduced this Inquiry session. The district of Uttlesford, part of the County of Essex is a prosperous community, with the largest regional employment site located at London Stansted Airport, with 11,500 employees.

Andrew Harrison, Managing Director of London Stansted Airport then discussed London Stansted Airport's history and future plans. Manchester Airports Group (MAG) bought London Stansted Airport in 2013 and has been engaged in a significant investment and development plan since then.

It was suggested that an airport is a representation of a region – in terms of people having a reason to travel to access places, communities and businesses nearby.

London Stansted Airport is now firmly established as a world leader at serving the low-cost airline sector that has transformed air travel and now has a route network stretching to 170 destinations - London Stansted Airport offers more direct scheduled European flights than any other airport in the world.

London Stansted Airport is currently the largest single site employer in the East of England and employs over 11,500 people in 200+ on-airport companies and

contributes over £1bn million GVA per year – 750 employees originate from North and East London boroughs.

The airport is pushing ahead with plans to provide enhanced services to the business community. London Stansted Airport has been working with 130 major firms in its catchment area to understand their needs in terms of air travel and air transportation. This has revealed frustration with existing long-haul business airports such as Heathrow, and also the need for London Stansted Airport to provide services to aviation hubs in the east and west coast of the USA, the Middle East, and South-East Asia. London Stansted Airport is working to convince carriers to begin scheduled flights to these destinations, and this is one reason why the Growth Commission's work is so useful from London Stansted Airport's point of view. There are also perceptions that it is difficult to get into London from the airport, and this needs to be addressed.

In terms of airport capacity in the Greater South-East of England, the lack of capacity at Heathrow and Gatwick has not yet become a problem, or an opportunity for Stansted. The Airport's approach is to focus on its own current potential capacity and to better service the needs of its region, including its businesses.

50 per cent of airport passengers use public transport to get to and from the airport. The airport also serves as a transport interchange for people wanting to connect to other bus and rail services as well as air travel.



FUTURE CAPACITY OF THE AIRPORT

There is some frustration with the recent [Airports Commission recommendations](#) regarding London Stansted Airport's achieved and projected passenger growth. Manchester Airports Group presented 2 two-runway options and a four runway hub option at Stansted to the Commission. These options were cost effective, credible and flexibility enough to meet the UK's aviation capacity needs in the short, medium and long-term.

The options submitted to the Airports Commission for London Stansted Airport performed strongly against the other options (particularly in terms of cost and limited noise impacts) so MAG were surprised not to be on the shortlist. The options also met the UK's future needs for short haul travel - a very significant part of the aviation market as point to point short haul requires cost effective and simple infrastructure, not high-cost and highly complex infrastructure.

However, the Airports Commission's shortlist was short-term in its outlook, to the detriment of London Stansted Airport. The Commission has determined that even though they had been looking at aviation forecasts to 2050, the shortlist will be limited to the period to 2030, meaning that London Stansted Airport and others are excluded.

Manchester Airports Group raised concerns with the Commission on its interim findings, particularly with regards to traffic forecasts and future growth projections, cost and land/property impacts. For example, on passenger forecasts the Airports Commission expects London Stansted Airport to reach 35mppa by 2040, 10 years later than MAG; while in the cost of MAG's option for an additional runway have been increased by the Commission - from between £3 – 4bn to £15–20bn.

The Growth Commissioners suggested that whilst the they do not believe additional capacity is needed at London Stansted Airport just yet, they recognise that

this might change in the post-2030 period. They also suggested that with London's centre of gravity moving East, London Stansted Airport is well placed to capture future growth and is an 'obvious choice' for a second runway post 2030.

The runway's current operational ceiling is 40 to 45 million passengers per annum, so there is a lot of scope for growth within this, although it could happen within the next 10 years.

THE ROLE OF THE AIRPORT IN ENCOURAGING FURTHER BUSINESS INVESTMENT AND LOCATION IN THE CORRIDOR

There is no doubt that airports are now regarded as key assets and strengths for the attraction of further business investment and location. London Stansted Airport is no exception. Routes can drive inward investment. An example from Manchester Airports Group is the China Forum established in Manchester, and its role in forming the joint venture for Airport City.

Discussions with the local business community have led to conclusions such as the need to establish scheduled flights and connections to East and West Coast destinations in the US to serve our life sciences industry.

Giving the Corridor's economy the profile it deserves

MAKING THE CONNECTIONS BETWEEN TRANSPORT INFRASTRUCTURE AND ECONOMIC PERFORMANCE

There was feedback from the audience and Growth Commissioners that there is a need to better articulate how aviation fits into the Corridor's current and future economic performance. The concept that road, rail



and aviation infrastructure is currently second class for an economy that is world class resonates strongly.

A MORE CONFIDENT NARRATIVE?

There was much agreement that the Corridor's economic narrative was very strong, but that it needed to be communicated in a more powerful way that has such impact as the Northern Powerhouse. There was acknowledgment that in the past, this story has not been communicated effectively and that we have been perhaps too shy to celebrate our success and global leadership.

What was also emphasised, is that the elements and evidence for the narrative are there, there is no need to exaggerate or be too creative in terms of proving that the Corridor has world-class performance, capacities and capabilities.

The public sector role could be to be more coordinated about current joint challenges and needs such as the M11 motorway. The private sector role could be to provide a strong voice and joint view about what they want from their regional airport.

Competing globally

Professor Michael Enright then presented on his experience of advising tech and knowledge regions, and the lessons learnt over the past 40 years.

Professor Enright is from the University of Hong Kong and Enright, Scott & Associates A global expert on regional economic development and industry clusters, Professor Enright's research has focused on international competitiveness, regional clustering of industry, and economic development. He has directed or co-directed major reviews of economies in 20 countries on five continents and has co-authored ten books on competitiveness and numerous papers on regional clustering.

THE GLOBAL CONTEXT HAS CHANGED

If we step back from the local view, and look at the recent changes to the global economic context, the following features have emerged over the past six months:

- The risk of global economic stagnation is increasingly becoming apparent
- Deceleration in emerging markets – in particular, weaker growth in China and recession in Brazil
- India and China are developing economic relationships with other countries directly
- Even with lower rates of economic growth, the rate of achieved and future growth in India and China is phenomenal

What drives Knowledge, Innovation and Creative (KIC) economies? It's a combination of opportunity (such as Uber, Air BnB), curiosity, capability (science and business), and greed (e.g. where an entrepreneur is chasing a \$1 billion stock valuation).

LESSONS FROM OTHER SUCCESSFUL KIC REGIONS

The successful KIC economy regions, which include regions such as New Jersey (life sciences), Tokyo – as well as the commonly cited ones (Silicon Valley, Boston-Route 128, Triangle, NYC) have the following characteristics:

- Variety – whether land uses, housing availability, skills
- Integrated planning over the region – much more integrated than found in England
- Place making is much higher on the agenda of government and business, and is taken much more seriously



- Lots of tech jobs are found in small towns which are joined together in a region. KIC economy success is not necessarily restricted to large metropolitan areas.

TO BUILD A MORE COHERENT ECONOMY ALONG THE CORRIDOR WE NEED A STRONG NARRATIVE AND ECONOMIC STORY

The London-Stansted-Cambridge Corridor might aspire to transform itself into something which can deliver the above features with much stronger diversity, integrated regional planning and place making. However, there are views that currently the economic linkages are not strong or comprehensive enough as a functional economy to compete effectively.

To build these advantageous features, and to start to think about the corridor as a global tech region, as well as deliver it, there is a need to develop and communicate a strong story, and then brand the Corridor effectively. The brand should strongly follow the economic strengths of the region and the economic narrative.

HOW TO LEAD AND REALISE CHANGE

Meirion Thomas, Managing Director of CM International and an expert in regional innovation strategies and policies for knowledge based economies then spoke about the lessons that he draws from international experience. Meirion is a partner in the CM International Group and Director and founder of CMI in the UK. His expertise covers innovation, venture capital, information technology and sustainable development. Meirion has worked as an advisor across Europe, and has notably advised Forfas, the Irish Foresight Initiative about the future of innovation, as well as the Welsh Government.

In terms of transformations, such as that made in the Triangle in North Carolina from an agrarian economy to a leading technology cluster, the following lessons are apparent:

- **Clarity of purpose:** many places develop this through dealing with difficult or intractable issues, such as Manchester (in its response to the IRA bombing in 1996) or Finland (in response to major recession and deindustrialisation). In the LSCC region, the track record has been one of relative economic success so it is a challenge to sharpen up this clarity of purpose without the incentive of a major crisis. A key question is who leads the drive to this vision or purpose?
- **Governance:** effective participation and relationships between the people who need to drive change. Two good examples are The Basque Country, which has developed a set of 5-year plans since the 1970s which has allowed regular reflection and co-operation. Another example is the Republic of Ireland, which is creating a new 'Celtic Tiger' model based around consistent investment in R&D, science and commercialisation.
- **Appropriate policy mix:** The Corridor does not need a new approach to tech, or new investment in tech – it needs to ensure all the other policy areas (transport, housing, skills) support the tech economy.
- **Be ready to embrace the future of innovation in services and creative environments:** one where innovation in services (which is where businesses such as Uber, Air BnB, Ryanair are positioned) is increasingly where we are seeing new firms, jobs and value added emerge; and one where place-making is key. Cities such as London, Manchester and Dublin are leading the development of creative quarters and active spaces for collaboration. Flexibility of business accommodation is the key as much as sharing and co-working space.



FUTURE INWARD INVESTMENT

London & Partners lead the promotion of London as a destination for inward investment, visitors, property regeneration and international studies. In his reflection on the current and future opportunities facing London, Gordon Innes, CEO of London & Partners mentioned discussed a number of key issues:

- **What's driving investment decisions?** currently there are 8,000 multi-national corporations (MNCs) with revenues exceeding \$1 billion each working with London & Partners, based in 20 cities. Over the next 10 years we expect 7 out of 10 inward investments to come from MNCs from emerging economies.
- **Why are they coming to London?**
 - > Talent
 - > Access to leading professional service industries
 - > Ease of doing business
 - > Openness to foreign companies
 - > Resource curse effect
 - > Agglomeration of HQs and subsidiaries in London
 - > Place attractiveness – senior managers want to live here
- **The main UK drivers of inward investment?**
 - > Quality of life
 - > Culture and language
 - > Stability
 - > IT firms
 - > Life sciences firms

When investors go out of London to the rest of the UK, we see them citing the following location factors (ranked) as critical:

1. Transport
2. Skills
3. Workforce availability

4. Real estate
5. Technology infrastructure
6. International airports

THE USA REMAINS ONE OF THE MAIN INTERNATIONAL MARKETS FOR LONDON-BASED FIRMS

1,000 London firms are talking to London & Partners about overseas opportunities for exporting and investment. 45 per cent of these are primarily looking at the USA market.

RECENT INVESTMENT TRENDS EMPHASISE THE INTEREST IN 'DISRUPTIVE TECHNOLOGIES'

There has been a flurry of IT start-ups in London which have applied a combination of technologies with new business service models. These have attracted many of USA technology firms to London and the UK to take advantage of these emerging new firms, ideas and entrepreneurs.

LONDON PERSPECTIVE ON THE CORRIDOR AS AN INWARD INVESTMENT PROPOSITION

Very few investors talk about the Corridor as a geographic entity, brand or place. They tend to understand place brands such as London and Cambridge.



DISCUSSION: HOW CAN THE TECH ECONOMY HELP SEMI- AND LOW-SKILLED RESIDENTS?

The panellists then went on to discuss a number of common issues from all the speakers.

Build a vision for an inclusive, forward looking prosperity for all. Have to find a way to ensure all residents benefit and have access to opportunities. In North Carolina, for example, part of the consensus was based around “building the New South” – that there was a more prosperous, forward looking future for society that was more inclusive for all members of the community.

Do more to prepare young people entering the workforce for the first time. Many companies are critical of their entry-level workforce and job entrants. We need to do a better job of preparing young people in our communities, including those from relatively more deprived communities so that they can access these employment opportunities and the career progression they offer.

Remember that tech businesses spend money in their local economy. 75-80 per cent of the firm’s and their workforce expenditure goes to local businesses. The internet also has increased the ability to deliver goods and services to deprived communities, as well as lowering their costs. Life sciences are proven to offer greater supply chain benefits to the local and regional economy than other industries.

Technology is also enabling for deprived communities. Smartphones are universally available and owned, and provide access to technology, apps, and programming that are democratising the skills base for IT.

DIGITAL INFRASTRUCTURE

It was also pointed out that the broadband infrastructure is not globally competitive. Digital infrastructure was cited as being far too patchy in

terms of broadband availability and coverage, data centres, and the need to properly map broadband infrastructure to fully understand where it might affect future investment decisions. Although there is a data centre in Harlow, there is a lack of data centres in the rest of Corridor.

Growth scenarios

Alex Plant is currently the Programme Director, Market Reform and Head of Policy and Regulatory Strategy at Anglian Water. Alex has much experience in the region, with his role as Executive Director for Economy, Transport and Environment at Cambridgeshire County Council and CEO of Cambridgeshire Horizons (the housing pathfinder initiative). Alex also has strong aviation industry connections, as the former head of International Aviation Policy at the Civil Aviation Authority. He also currently chairs the Cambridge Ahead Transport Project Team.

In this session, Alex discussed the Corridor’s growth rates, and current pressures on infrastructure and land use.

KEY CHALLENGES AND OPPORTUNITIES

The point was reiterated that the Corridor’s historical growth trends are significantly above the national average:

- The track record of economic growth, population growth, and growth in knowledge-based, value added sectors has been at rates far above the national average
- This growth is set to continue at similarly high rates
- The challenge of growth has related to the challenges of managing growth:
 - > With historically low levels of investment and expenditure in transport (both public and



private), education, broadband infrastructure, public assets and public services

- > A lack of large cities and large scale / high density settlements – means that the finances and economics of infrastructural and transport schemes requiring public investment have not supported the case for central government funding when compared to large metropolitan areas
- > Jurisdictional and coordination issues – there is a legacy of low levels of cooperation across major planning and infrastructural issues. Historically, government administrative structures have not been aligned to economic geographies
- > Some of the planning, housing and infrastructure approaches have often been challenged by the sheer rate of growth. However, in the case of some aspects, such as housing, it would appear that current permissions would seem adequate to meet demand in the long run – which is contrary to the perception that planning is the main barrier to housing development
- The result of rapid rates of growth, and the lack of investment in infrastructure coupled with slow rates of housebuilding have led to an increase in costs - congestion, housing, constrained labour mobility, increases in direct business costs, recruitment difficulties, and negative externality costs (such as pressures on existing infrastructure and public services) for existing residents.
- Increases in costs are exemplified by the changes in housing affordability.

EFFECTIVE TRANSPORT INFRASTRUCTURE IS CRITICAL TO AVOID POTENTIAL LABOUR SUPPLY CHALLENGES AHEAD

The continued rate of economic growth, and subsequent labour demand mean that it is critical to extend the labour market catchment for 'hot' labour markets such as London and Greater Cambridge:

- 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 baby-boomers).
- 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 gains as a route to growth. 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? Factors such as:

- More and better and more locally controlled capital investment (this could be improved in the Corridor)
- Enhanced transport and other infrastructure e.g. broadband (this is regarded as inadequate in the Corridor)
- Skills (we've got a highly qualified workforce, but with high levels of labour demand, there are skills gaps and shortages)
- R&D (the Corridor is exceptional at this)
- Entrepreneurship and new, more efficient business models (the Corridor is exceptional at this)
- New products and services that meet a demand (or derived demand) more efficiently and



effectively than previously (the Corridor, and Greater London, are exceptional at this)

THE LOCATION REQUIREMENTS OF SUCCESSFUL 'IDEAS ECONOMIES' ALSO ESTABLISHES SOME CRITICAL NEEDS AND DEMANDS FOR THE FUTURE

Tech industries: location decisions significantly about ability to attract and retain talent. Attracting talent is balance of factors, including:

- 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 IN THE CORRIDOR, WHERE WILL IT GO?

Investment decisions that consider the corridor will tend to consider other tech regions in the test of world rather than the rest of UK: Currently some tech firms in the Corridor who can't recruit locally 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).

So, to stay globally competitive as a location we need to improve transport, housing affordability and availability, and preserve quality of life perceptions.

IDENTIFYING THREE GROWTH SCENARIOS

Three initial growth scenarios were identified and discussed in order to better understand the dynamics and issues at hand:

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 effects 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
- Major transport investments and problems resolved through new approaches to governance and funding
- Combined, these measures should deliver increased productivity across the corridor.

GROWTH SCENARIOS: CONCLUSIONS

- > 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

Panel discussion: new or better ways to deliver growth and quality of life

A wide ranging debate amongst panellists and the audience covered the following issues:

- **Special delivery vehicles** might help to overcome some of the deficiencies of local government structures and boundaries compared to the functional economy; but there are democratic accountability issues. When delivery vehicles (such as RDAs) lose their democratic accountability, they put themselves at great risk.
- **The smart growth scenario** – need to be careful that it's a flexible and enabling approach rather

than rigid, as many successful tech economies are not planned.

- **There was broad agreement that the Corridor, and London, competed globally for corporate location and investment** rather than with the rest of the UK.
- **Local and regional collaboration can unblock policy barriers.** Example of Tech City and partnership working with ICT & Digital, tech sector, real estate, UK government and business – led to favourable changes to land use planning and visa restrictions.
- **Examples of Cambridge corporates who are no longer expanding in Cambridge but favouring other international locations:** Munday Pharma, Cambridge Consultants and NAPP.
- **Opportunity from local devolution:** if we get combined authorities, however configured, then that would probably be a good starting point to address joint problems, challenges and solutions.
- **Challenge for Growth Commission:** how to join up local government, business, central government and stakeholders to address two or three major issues which would significantly benefit from collaboration?

