



Lancashire Enterprise Partnership Limited

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East-West Connectivity: An Economic Study

(Appendix 'A' refers)

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Executive Summary

This report updates the Board on the conclusions of the East-West Connectivity Economic Study commissioned through Transport for Lancashire on behalf of the LEP, in conjunction with partners in North and West Yorkshire. The purpose of the analysis is to provide an independent economic review of the potential economic benefits that might arise from enhanced connectivity between Lancashire and North and West Yorkshire, with a view to developing a strategic economic narrative to support the case for potential investment and intervention in road/rail based connectivity linking these three functional economies.

Recommendation

The LEP Board is asked to;

- (i) Note the contents of this report and its contribution to the refresh of the LEP's Strategic Economic Plan;
- (ii) Note the robust and compelling case that the independent study by Cushman & Wakefield makes for enhanced East-West connectivity to realise the full economic potential of the Central Trans-Pennine Corridor and its role in delivering the long-term growth ambitions of the wider Northern Powerhouse;
- (iii) Note that the study is used as a first stage evidence base to promote the case for improved connectivity with Transport for North (TfN) and other key stakeholders, and that it is to be shared with Transport for the North and the shadow Lancashire Combined Authority; and
- (iv) Request the Chair of Transport for Lancashire provides further updates to the Board on progress in influencing the road and rail investment priorities of Transport for the North, and on the LEP's further joint case-making with partners in North and West Yorkshire.



Background and Advice

1. Context

- 1.1. It was previously reported to the Board that there is growing interest in the strategic east-west transport corridor linking Lancashire with North Yorkshire and the Leeds City Region. However, the corridor is not covered by any of the Department for Transport led studies announced in the Road Investment Strategy in December 2014 as none of the Trans-Pennine routes within it are part of the Strategic Road Network. Up to this point, the development of the Northern Transport Strategy has focused principally on rail links between the North's core cities of Leeds, Liverpool, Manchester, Newcastle and Sheffield together with Hull and Manchester Airport.
- 1.2. The Lancashire Enterprise Partnership (LEP) Board therefore approved funding for an East – West Connectivity Study, with North Yorkshire County Council and the West Yorkshire Combined Authority and in conjunction with York-North Yorkshire-East Riding and Leeds City Region Local Enterprise Partnerships.
- 1.3. An experienced consultancy team, led by Cushman & Wakefield, were subsequently appointed in September 2016 to provide an independent economic review of the potential economic benefits that might arise across the study area from enhanced connectivity between Lancashire, North and West Yorkshire, and to develop a strategic economic narrative to support the case for potential investment and intervention in road/rail based connectivity across the three functional/connected economies.
- 1.4. The study area for the purposes of the quantitative modelling focussed upon the 'Central Trans-Pennine Corridor' and the key East-West routes within it. This 'Central' Trans-Pennine Corridor comprises the M65/A56/A6068, A59 and A683/A687/A65 roads and parallel railways, including the Calder Valley line linking Preston, Blackburn and Burnley with Bradford and Leeds via Hebden Bridge and the line linking Lancaster with Leeds via Skipton. It is important to note that although locations such as Blackpool and Rossendale in Lancashire were not included in this quantitative modelling, in order that they did not skew the analysis as they do not form key East-West business travel patterns, the qualitative narrative does cover the wider LEP area and key economic assets, including Enterprise Zone sites at Blackpool Airport, Hillhouse and Warton, as the economic benefits of improved East-West connectivity would benefit the Fylde Coast.

2. Activity Update

- 2.1 The report concluded that a robust and compelling economic case exists for enhanced East-West Connectivity across the Central Trans-Pennine Corridor. Improved connectivity would not only help address the economic challenges and ambitions of the Corridor itself but it could also enhance the wider growth potential of the North as a whole and enable this Corridor to complement the M62 Corridor and provide enhanced resilience to Trans-Pennine connectivity more generally - a key pan-Northern objective in terms of road and rail,



passenger and freight movements. A failure to improve East-West connectivity and address current constraints would be likely to critically restrict the growth potential of the Central Trans-Pennine Corridor economy, and limit the ability of the Northern Powerhouse to deliver both transformational and spatially inclusive economic change.

- 2.2 The analysis demonstrated that there will be significant economic benefits of investing in road and rail infrastructure with both modes important to meeting current and future economic needs. An optimum investment strategy would include a phased approach comprising multi-modal investment to address both strategic transport connectivity and more localised resilience issues - the latter particularly from a road perspective.
- 2.3 The report found that the rail network in the Corridor is of poor quality, particularly in East Lancashire, and that the provision of enhanced rail connectivity would need to be aligned with local demographic and business/economic need and growth opportunities. Rail flows are typically targeted at major settlements where there are more likely to be high value jobs, for example, in the producer services and consumer services sectors, and rail networks can also significantly enhance accessibility to urban centres to improve the mobility of labour supply.
- 2.4 The case for transport investment within the Corridor needs to relate to the current and future economic drivers of the Corridor and these are varied, although appear to focus significantly on advanced and innovative manufacturing based activity, which is likely to continue to be dependent upon an efficient road transport network, along with other key sectors such as logistics, food and drink and energy. However, other professional service based growth sectors such as digital and health/life sciences may be more reliant upon better rail services to enhance their output and growth prospects, particularly through greater agglomeration and access to skilled labour.
- 2.5 The study specifically concluded that:
 - **The Central Trans-Pennine Corridor is already a major economic driver of the Northern Powerhouse and UK economies**

The three LEP areas together have a combined annual GVA output of around £100bn, representing around 7% of national GVA output and one third of the Northern Powerhouse economy GVA output. They comprise around 8.5% of the national population and are home to over 210,000 businesses. The defined 'Corridor' for the purposes of this study is estimated to have an annual GVA value of around £70bn, representing c.22% of the overall Northern Powerhouse GVA activity and c.5% of national economic output. It is therefore evident that this is already a Corridor of national economic scale and significance.



- **The Corridor is home to globally significant businesses, supply chains and economic assets**

It is home to the largest aerospace cluster in the UK (BAE Systems, Rolls Royce, Safran, etc.) with major sector representation and internationally competitive advantages in sectors such as automotive and other advanced manufacturing, digital, health/life sciences and low carbon/energy. These fully align with the Northern Powerhouse's 'Prime Capabilities' as per the Northern Powerhouse Independent Economic Review (IER). It comprises a portfolio of economic assets and drivers that no other region in the UK can offer, including 14 nationally designated Enterprise Zone sites within or adjacent to the Corridor. It is home to world class businesses and industry clusters in key national priority sectors, world leading research-intensive Russell Group/N8 Group universities, growing and dynamic European cities and a quality of life and visitor economy offer that is second to none. There are wholly complementary sectoral strengths and existing economic activities across the Corridor and opportunities to both enhance the resilience of existing businesses and attract new inward investment in key sectors at all spatial scales.

- **There is significant ambition and 'untapped' economic growth potential**

This is a unique and diverse economy with major growth potential offered by its globally recognised economic assets, but which is currently constrained by the lack of East-West connectivity. The three LEP areas have ambitions to together deliver over 100,000 new jobs and over 100,000 homes within the next 10 years. Improving connectivity could accelerate employment and housing delivery, increase the scale of the overall growth opportunity (jobs, homes and GVA) and improve additionality prospects. Economic output and productivity on a per head basis across these LEP areas is reported as below the national average and there is a need to continue to seek to narrow this gap through productivity and output growth – an objective which appears to be shared by the Government's Industrial Strategy Green Paper.

- **Investment in East-West physical connectivity could assist to deliver the IER's transformational economic growth scenario**

According to the IER, this is based on substantial improvements in the skills base, in innovation performance, and in transport connectivity, with GVA projected to be some 15% higher than a 'business as usual' projection. There has been an acknowledged lack of investment in strategic transport infrastructure in the Corridor and this is constraining its economic potential. There is no East – West link in the Strategic Road Network and the recent focus has been on HS2/Northern Powerhouse Rail in the Core Cities and the M62 Corridor to the South.

Without intervention, the Corridor will not reach its potential to deliver against TfN's transformational growth scenario, as set out within the IER. There is an identified need to invest in both road and rail infrastructure at strategic and local levels.



Improved connectivity would increase the size and quality of the labour market through enhanced accessibility; increase the efficiency of supply chains; increase the size of the customer base; promote increased Research & Development (R&D) activity and the commercialisation of intellectual property; reduce transport and overall costs of production; and increase overall business productivity through increased agglomeration. The travel to work analysis points to geographically proximate but economically detached/self-contained labour markets, which is constraining the Corridor's economic potential. Economic benefits will be realised through better connecting economies and businesses/people within them – the evidence base for this is widely acknowledged. There are also distinct mismatches between areas of distinct socio-economic need (e.g. in parts of East Lancashire) and areas of economic opportunity (e.g. Enterprise Zone sites/key urban areas) which enhanced physical connectivity could address.

- **Enhancing the Corridor's economic potential fully aligns with Government policy**

This is an identified Corridor of unique opportunity with significant latent growth and output potential. Enhancing East-West connectivity is a recognised key priority for all three LEPs as defined within the existing policy and strategy base and their respective SEPs, the Northern Powerhouse Strategy, TfN strategy and the Government's emerging Industrial Strategy and recent Housing White Paper.

Addressing the existing East-West connectivity constraints will enable the Northern Powerhouse to achieve its growth ambitions in accordance with national Government agendas. Whilst this analysis has sought to capture *current* economic activity and *real* evidence of East-West inter-relationships where possible, it is imperative that the economic *potential* of the Corridor is acknowledged. It is considered that the current connectivity issues are restricting the realisation of the scale and extent of potential economic opportunities that exist.

2.6 The report provides a *qualitative* case for investment in enhanced East-West connectivity based around the following key potential benefits;

- Supporting complementary high growth, high value economic sectors and clusters;
- Unlocking the skills, R&D and innovation potential of the Corridor economy;
- Supporting the growth potential of other key transport hubs;
- Supporting the needs and expansion of existing major employers and their supply chains;
- Attracting new high value business activity and inward investment to the Corridor and wider Northern Powerhouse;
- Supporting housing and employment growth proposals and requirements; and
- Addressing socio-economic inequalities.



2.7 The report also provides a *quantitative* case. The modelling work examined two key areas of potential benefit:

- Firstly “agglomeration” benefits – the benefits of businesses being located closer together and the associated increases in productivity that arise from this; and,
- Secondly the “employment” effects that look at the benefits of connectivity improvements to the labour market for both employers and employees, with improved skills allocation and productivity. In turn this brings additional employees into the system who may not previously have been in work.

2.8 The report draws the following key conclusions;

- There is likely to be a significant level of net additional economic benefit from wider economic impacts attributable to enhanced East-West transport connectivity across the Corridor;
- Investment in both road and rail will be beneficial considering the wider economic impacts identified. In terms of distribution, investment in highways spreads the benefits across the study area, while rail provides significant benefits at key ‘nodes’ (those larger town and city centres with a rail service);
- This distribution is intuitive given the nature of the road and rail networks, but the fact that the scale of benefits from rail is similar to that from road is noteworthy, as the rail network is relatively limited in the Corridor, suggesting there is ‘more bang’ in terms of wider economic impacts from a limited number of opportunities to improve rail travel. This is perhaps reflective of the very poor quality of rail services in East Lancashire at present, which presents a large opportunity for transformational change.
- Subject to LEP Board approval, there is much in this analysis which can be used to support the SEP refresh, including the opportunity to develop an enhanced vision for East Lancashire within a deeper understanding of Lancashire's wider East-West economic and connectivity relationships with neighbouring areas.