

TfSE draft response to the consultation on Invest 2035: The UK's modern industrial strategy

The only mechanism for responding to the consultation was through an online consultation questionnaire. The responses to the three questions relevant to TfSE's mission are set out below with background information about TfSE and general comments on the consultation included in a 'is there any other information you would like to provide' question at the end of the questionnaire.

TfSE's draft responses to the consultation questions

Question 7

What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

An efficient and reliable transport system is critical for supply chains, workforce mobility, and market access. The specific transport infrastructure barriers to business investment which Transport for the South East (TfSE) as a Sub-national Transport Body is seeking to address through its regional Transport Strategy are as follows:

1. **Poor transport connectivity** – poor transport connectivity between towns, cities and their rural hinterlands inhibits access to supply chains, the workforce and markets and thereby discourages business investment. The South East regional has good radial road and rail connectivity to London however, most orbital and east-west corridors are poorly served
2. **Poor network performance** – congestion on the network and a lack of maintenance leads to poor reliability and efficiency resulting in increased costs to business. The South East's transport infrastructure faces multiple risks and vulnerabilities that threaten its resilience
3. **Investment uncertainty** - lengthy lead-in times for transport infrastructure and a 'stop-start' approach to transport and infrastructure investment, create uncertainty for businesses
4. **Lack of integration** between:
 - a) different transport modes - creates inefficiencies for freight transport and inhibits access to labour markets;
 - b) the various national, regional and local bodies responsible for developing and managing the transport system - results in a siloed approach to transport planning and investment and creates uncertainty for businesses about long term investment proposals
 - c) transport and land use planning - results in insufficient provision of new and upgraded transport infrastructure to support new business and housing growth

5. **Affordability and accessibility** – lack of affordable and public transport provision inhibits access to labour markets. Many of the coastal areas in the South East are at risk of transport related social exclusion.

As part of the work we have undertaken to refresh our Transport Strategy, we have produced a 'Need for Intervention Report'. This contains the evidence base underpinning the strategy and sets out the challenges that the South East currently faces that our Transport Strategy must seek to address. This report sets out more detail on a number of the barriers to business investment highlighted above in the South East context including:

- Road and rail connectivity challenges
- The impact of congestion on the performance of the road network
- The resilience challenge
- The housing affordability and delivery challenge
- The public transport affordability challenge

A copy of this report can be made available on request, as it will not be made public until the consultation on the Transport Strategy commences on 10 December 2024.

The potential Government policy solutions to these barriers are set out in the response to Question 14.

Question 14

Where you identified barriers in response to question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

The Green Paper only contains the briefest of outlines of the policy announcements that the Government has made relating to planning, transport, and infrastructure. The specific reforms mentioned are the forthcoming update to the **National Policy Statements**, the announcement in the King's Speech about the forthcoming **Planning and Infrastructure Bill**, the development of a **10 year infrastructure strategy** and a rolling stock strategy for the rail industry.

There are a number of aspects of Government policy that will need to be developed further if the transport infrastructure challenges identified in the response to Q7 are to be addressed.

Infrastructure Planning - There are a number of emerging policy developments that should improve the accelerate the planning and delivery of infrastructure:

- the proposed **Planning and Infrastructure Bill** that will seek to streamline and simplify the consenting process for major infrastructure projects;

- the proposed amendments to the **National Policy Statements** that will need to set clear criteria for project approvals to speed up infrastructure delivery
- the proposed merger of the National Infrastructure Commission and the Infrastructure and Projects Authority to create the **National Infrastructure and Service Transformation Authority** that will have oversight of strategy and delivery into one organisation and develop and implement the Government's forthcoming **10 year infrastructure strategy**.

Funding - There are a number of aspects of the Government's approach to funding that need to be addressed:

- **Ensuring adequate levels of funding for transport infrastructure and longer term funding certainty** to:
 - address the 'stop-start' approach to infrastructure funding planning enabling creation of infrastructure pipelines that will be more attractive to private sector financing and give businesses greater confidence to invest.
 - to improve network resilience by enabling a shift from reactive to preventive maintenance to address wear and tear before major failures occur.
- **Securing greater private sector funding and financing** through:
 - **moving to a beneficiary pays approach** through the use of tolls and charges that provide a revenue stream that can be used to finance private sector investment in infrastructure projects;
 - **introducing improvements to the existing system of developer contributions** to ensure more public value is extracted from development to deliver the necessary transport and social infrastructure required.
 - **promoting the use of more innovative funding mechanisms** to address infrastructure funding gaps including land value uplift and tax increment financing and greater use of dedicated investment funds.
- **Local authority funding** – ensure local authorities have both the capital and revenue funding needed to undertake their land use planning and infrastructure planning responsibilities and speed up the planning and delivery of development proposals and their associated infrastructure.

Integrated Transport and Land Use Planning

There are a number of aspects of the way in which both land use and transport planning are undertaken that the Government needs to tackle if the barriers to business investment identified in the response to Question 7 are to be addressed.

- **The need for strategic planning at scale** – currently land use planning through the Local Plan process takes place at too small a scale to enable the infrastructure needed to support development to be properly planned and

provided. Strategic land use planning at scale would provide the opportunity to ensure better alignment between infrastructure investment with land use strategies. This would enable sustainable, efficient, and well-connected communities to be created where homes, workplaces, and amenities are located close to transport links, minimising travel times. These places will be more successful at attracting business investment.

- The **Spatial Development Strategies** (SDS) that have been developed in the mayoral city regions including London, Manchester and Liverpool provide evidence of the merits of land use planning at scale. They assist in identifying constraints, setting housing requirements, identifying strategic employment sites and identifying corresponding infrastructure needs to ensure the Local Plans introduced in an area where an SDS is in place are effective, deliverable and sustainable.
- The Government made a commitment in the recent consultation on proposed revisions to the **National Policy Planning Framework** to provide universal coverage of strategic land use planning across England. The introduction of this approach is welcomed but the Government is yet explore the most effective arrangements for developing SDSs outside of mayoral combined authority areas. This includes the identification of the most appropriate geographies over which they should apply covering 'functional economic areas', as well as the right democratic mechanisms for securing agreement for SDSs.
- The Government has now commenced work development of a **National Integrated National Transport Strategy** (INTS). This will provide the opportunity to achieve better outcomes for business and the travelling public through better alignment between national transport policy, STBs regional transport strategies and the local transport plans produced by local transport authorities. The INTS must address the shortcomings of existing siloed approach to transport infrastructure planning where strategic road, rail and local transport improvements are all planned and delivered separately. This inhibits the ability to deliver a cohesive and efficient transport network enabling seamless interchange between different transport modes and the creation of sustainable, efficient, and well-connected communities that will attract business investment.

The development of the INTS, supported by STBs transport regional strategies, alongside the roll out of SDSs will create the opportunity for integrated transport and land use planning at a regional level. This will enable land use decisions take account of transport system considerations to deliver reductions in the distances travelled, a shift to more sustainable modes and communities that are more attractive to people and businesses.

Question 15

How can investment into infrastructure support the industrial strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

There are various ways in which investment into infrastructure support the industrial strategy including the following:

- Enhancing connectivity and accessibility to enable improved access to supply chains and labour markets and facilitate increased trade;
- Enhancing workforce mobility and productivity though reduced travel times;
- Improving the resilience of transport networks and the supply chains that rely on them;
- Reducing distribution costs for businesses.

The Government announced the Planning and Infrastructure Bill in the King's Speech and the creation of a 10 year Infrastructure Plan. The creation of this long term plan should help encourage greater levels of private sector investment by providing greater certainty about the Government's ongoing commitment to infrastructure provision.

Not all segments of the transport system generate fare box revenue that can potentially be used to finance private sector funding and facilitate co-investment. This is particularly the case for road infrastructure where the charge for using the network is collected indirectly through vehicle taxes and fuel duty rather than at the time of use. The Government needs to consider more widespread introduction of the 'beneficiary pays' approach through the use of tolls and charges that provide a revenue stream that can then be used to finance private sector investment in the infrastructure.

Question 36.

Is there any additional information you would like to provide?

Transport for the South East (TfSE) welcomes the opportunity to respond to the consultation on the Government's green paper on its new industrial strategy. **This draft officer response will be presented to our Partnership Board on 9 December 2024 for their approval. A further iteration may therefore follow.**

TfSE is a sub-national transport body (STB) for the South East of England, Our principal decision-making body, the Partnership Board, brings together representatives from our 16 constituent local transport authorities, district and borough authorities, protected landscapes, business representatives, Highways England, Network Rail and Transport for London.

The South East contributes £230bn of GVA to the UK economy, this being second only to London. It is a gateway to the UK economy home hosting a number of international ports and airports. However, the region often suffers from being grouped with London in discussions about the economic performance of England's regions. The Green Paper is no exception, with reference to the UK's economic performance being "skewed towards London and the South East". Although the green paper does recognise that "The world-leading industries in London and the South East have a critical role in driving national prosperity", it is vital that investment in the South East continues to ensure it continues to generate the tax receipts needed to unlock the "untapped potential outside the capital and its surrounding areas". Without this continued investment the risk is that the South East's potential will not be realised.

There are significant parts of the South East that are underperforming. A number of our coastal communities have a GVA per capita of less than half those in the Thames Valley and Surrey. The whole county stands to benefit from efforts to address this as they will ensure that the South East realises its full economic potential.

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