

ArupTransport

Tyne and Wear Passenger Transport Authority

New Tyne Crossing

Summary on the Wider Economic Effects

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CONTENTS

SUMMARY ON THE WIDER ECONOMIC EFFECTS

1

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- 1.1 Tyne and Wear is an area that has significant and **acknowledged regeneration need**. The need is particularly acute in wards close to the River Tyne and adjacent to the existing Tyne tunnel¹. These wards face some of the highest levels of unemployment and deprivation in England. Rates of new indigenous business formation are low throughout the area. Since the 1960s, traditional economic sectors have undergone significant restructuring. Some compensating job growth has come through inward investment², which has been successfully secured in competition with other regions. A combined range of issues such as labour, site, grant availability and accessibility have underpinned this success. However, further development and investment are required if both Tyne and Wear and the wider region are to achieve self sustaining economic growth.
- 1.2 The focus of my evidence is on identifying the regional and sub regional economic development effects of the proposed New Tyne Crossing and the extent to which the tunnel will address sub-regional regeneration needs. In line with Government guidance these are referred to as wider economic effects. These can be distinguished in terms of those associated directly with the construction and operation of the tunnel and those that occur indirectly through accessibility improvements. Government guidance is that these wider economic effects are of significance to decision-taking on schemes that affect regeneration areas³.
- 1.3 Directly, **construction of the new tunnel will create 2,694 person years worth of employment**, equivalent to some 270 full time permanent jobs⁴. Additionally it will create 108 permanent jobs in the local economy in related industries and service sectors⁵. It is anticipated that in operation at least as many staff will be employed as are currently employed at the tunnel.
- 1.4 Indirectly, the new tunnel will support the economic regeneration of the area by **improving the competitiveness** of the available development sites within the Tyne and Wear area. This is especially important because the market, particularly for job creating inward investment, is highly competitive both nationally and globally and location decisions are made on marginal benefits. I mean by this, that it is the relative rather than absolute advantages of a location that determine investment decisions. Put simply, small differences determine final decisions. These decisions can be defined as conditional on three related factors, as set out below, and justified in Section 4 of this proof.
- First and crucially, from an investors' perspective, it is only high quality and accessible locations that achieve the track record of return and market values necessary to attract institutional investment in new development⁶, and thus
 - are able to accommodate employment. These high quality and accessible locations are invariably in city and town centres and in other locations adjacent to

¹ Appendix B and Section 2 of the wider economic effects proof

² Appendix C of the wider economic effects proof

³ Department for Transport. (2000) Guidance on the Methodology for Multi-Modal Studies. London, HMSO. (CD44) and Sections 1 and 6 of the wider economics proof

⁴ HM Treasury. (1997) Appraisal and Evaluation in Central Government (aka 'The Green Book'). London, HMSO. (CD52)

⁵ Appendix E of the wider economic effects proof

⁶ Wyatt, P. (1999) Can a Geographical Analysis of Property Values Aid Business Location Planning? IN: Royal Institute of Chartered Surveyors Research Conference, The Cutting Edge, 6-7 September 1999, University of Cambridge, UK. University of the West of England. Appendix M of the wider economic effects proof

strategic transport networks. However, offsetting this pattern, development in city centres is often complex and sufficiently large and unconstrained sites are in scarce supply. This means that in weaker markets, such as Tyne and Wear, the scope for central development is more limited, and the larger outer sites typically meet market and occupier requirements. This means that they are the most viable locations for investors.

- Secondly, from an occupiers' perspective, it is the level of access that determines the marketability of sites – few business parks succeed without good road access, and good public transport access is increasingly important⁷.
- Thirdly and lastly, from an operational business perspective, businesses seek good access both to meet their operational requirements and to ensure they can attract and retain staff.

1.5 I have made my own **investigation of employment land availability** based on development plan provision, discussions with the Regional Development Agency (ONE NorthEast) and a direct survey of each site. A full site by site analysis is included in Appendices I and J and is summarised in Section 5 of my proof. From this a number of sequential conclusions can be drawn that can be summarised in five main points, as set out below.

- First, the greater part of employment land provision is in the A19 corridor, north of the Tyne. The RPG suggests that a total of 887 ha are allocated for potential development within Tyne and Wear of which at least 526 ha are within the A19 corridor north of the Tyne. About 60% of the sites in the A19 corridor north of the Tyne are brownfield in character, and thus favoured for development by national planning policy. However, Regional Planning Guidance Note 1 allows for the possibility of the release of Green Belt land to accommodate a strategic investment, or a cluster development, in an area north of Sunderland, although the precise site has yet to be identified⁸. However, the presence of brownfield sites north of the Tyne, if easily accessed, could take the pressure off the need for early development of the Green Belt site south of the Tyne, and may help to limit the scale of any release. This is a crucial point given the explicit criteria for the release of this site as specified in RPG 1, which gives preference to brownfield site development prior to development of Green Belt or even greenfield land.
- Secondly, the A19 sites are high quality and in terms of site characteristics and grant availability, they are similar or superior to those that have proved attractive to investors adjacent to the A1 Western Bypass and A19 south of the Tyne. However, discussions with local agents confirm that congestion and the relative inaccessibility of sites has restricted land take up.
- Thirdly, the Tyne and Wear Economic Strategy and the Regional Economic Strategy produced by ONE NorthEast contain well-founded future economic and employment growth scenarios. All currently allocated employment sites will be required if these scenarios are to be realised. The alternative land development approach would involve further compromises to national policy in the form of greenfield and Green Belt land releases, which would be difficult to justify especially in terms of the specified tests in PPG2 (CD9).

⁷ See Section 5 of the wider economic effects proof

⁸ See Section 5.1 of the wider economic effects proof

- Fourthly, improved access to the A19 sites north of the Tyne is required, if the A19 sites are to be viable development locations. In strategic terms this means addressing the current capacity constraints at the Tyne Tunnel. Given the nature of investors and competition from other regions and internationally, it is unlikely that these sites will be developed without addressing these constraints. There is therefore a very significant risk that new investment and employment will be lost to Tyne and Wear. This level of risk is not acceptable or sustainable as the basis of a forward looking economic strategy, given identified economic needs.
- Fifthly and lastly, the capacity of the existing Tyne Crossing will need to be increased to meet the additional public and private transport traffic generated by the development of sites throughout the A19 corridor. In simple terms, with the existing tunnel already at peak hour capacity, the addition of just a few thousand jobs north of the Tyne would create gridlock conditions for much of the day. Additionally, up to 20,000 jobs⁹ could be accommodated from any development on the possible Green Belt site north of Sunderland that would add to congestion at the existing Tunnel. This is because it would be likely to attract employees from the north, develop operational links with businesses in the north, and could require access to the Port of Tyne, Newcastle Airport and the regional scale service facilities within Newcastle City Centre.

1.6 Overall, the New Tyne Crossing will **yield additional economic benefits** to Tyne and Wear. It is needed to open up a number of sites for investment, for which there are no obvious or policy-acceptable substitutes. Land potentially available in the corridor can accommodate up to 50,000 jobs¹⁰, which is not an unrealistic prospect given the scenarios for growth set out in the Regional Economic Strategy. Without addressing the current crossing constraints, a very large proportion of these are unlikely to be achieved. Additionally, the value of the benefits to users represent an implicit or “virtual” subsidy to the Tyne and Wear economy and there is no opportunity cost in terms of public expenditure. But, given the uncertainties of the market, to put a precise figure on these benefits would be arbitrary or spurious in all circumstances¹¹. In addition to these considerations, a number of factors also reinforce the importance of the New Tyne Crossing to the success of the local economy.

- First, inward investment is likely to remain a significant generator of economic activity within Tyne and Wear given that the region does not have a tradition of entrepreneurial activity¹². Given this context, the North East needs to continue to offer a competitive transport infrastructure. This is especially the case, given that the region shortly will lose some of its existing advantages including the remaining Enterprise Zones.
- Secondly, changes in eligibility rules mean that public sector grants are often only available for projects located on brownfield sites. This is already the case for the EU Objective 2 programme.
- Thirdly, although the crossing is tolled this will not mediate the economic development effects in either the medium or longer term. This is because statistics from the New Earnings Survey suggest that the wages to the north of the Tyne have been higher to the extent that they will help offset toll increases. Additionally, reflecting policy preferences for brownfield development and the greater development site capacity north of the river, it is expected that the post

⁹ Appendix J of the wider economic effects proof

¹⁰ Appendix J of the wider economic effects proof

¹¹ Section 6.3 of the wider economic effects proof

¹² As reflected in VAT registration data, see section 6.4 of the wider economic effects proof

2008 balance of flows for journeys to work would be northbound. Nevertheless over time, with the New Tyne Crossing, it is reasonable to expect that the labour markets north and south of the Tyne would become more integrated, particularly if the Green Belt site north of Sunderland is developed. Additionally, over time, the tolls are also likely to play an important role in managing cross river flows, discouraging unnecessary trips and encouraging public transport use. Thus, they will also provide a mechanism that will help to avoid the levels of congestion that have emerged on the A1 Western Bypass.

- 1.7 **In conclusion**, employment-led regeneration and self sustaining economic growth are the ultimate goals of the regional and local authorities, and the New Tyne Crossing is an important part of delivering these goals. The regeneration context for the New Tyne Crossing is critical to its need-based justification. The regeneration context is built around the need for increased accessibility to employment opportunities and improved social inclusion. The regeneration case is spelled out in the New Tyne Crossing's role in improving and maintaining competitiveness, thorough improving access and opening up development sites for job generating inward investment, in accordance with the objectives set out by John Miller. These development sites are also likely to be the focus for other explicit, regeneration initiatives.