Peel Management Limited, Peel Dome, intu Trafford Centre, TraffordCity, Manchester, M17 8PL
TEL: 0161 629 8200 FAX: 0161 629 8333 www.peel.co.uk

By email to: northernevidence@Infrastructure-Commission.gsi.gov.uk

National Infrastructure Commission call for evidence: Connecting Northern Cities

Response on behalf of The Peel Group

January 2016

INTRODUCTION

The Peel Group is one of the leading infrastructure, transport and real estate investors in the UK, with collective investments owned and under management of more than £5 billion.

Established by our Chairman, John Whittaker, over 40 years ago, The Peel Group has grown through an ethos of recycling capital and delivering long-term investment, primarily in the North West of England.

The family-owned Group is an investor in tangible assets comprising land, air or water. Our principal investments encompass the transport, retail and leisure, property, land, energy and media sectors.

Our investments are made either directly through Peel Land and Property Group or via a wide range of partnerships and shareholdings in private and public companies.

The Peel Group businesses with particular interest in this consultation are:

- Peel Ports Group: one of the largest port groups in the UK, handling over 70 million tonnes of cargo per year and has 15% of the UK's total port traffic moving through its waters. 50.1 percent owned by the Peel Group with 49.9 percent owned by Deutsche Bank's RREEF Infrastructure Fund. Peel Ports plays a major role in getting freight off the UK's roads, with six major gateways strategically located across the UK: the Port of Liverpool, the Manchester Ship Canal, Heysham Port, Great Yarmouth, Medway Ports and Clydeport's Scottish ports. Peel Ports has recently invested over £300 million in a new deep water container terminal at the Port of Liverpool which aims to reduce the unnecessary movement of freight on Britain's roads and rail from southern ports.

- Peel Airports: the Peel Group has invested more than £250 million in airports and associated infrastructure – our key airports are Liverpool John Lennon, Robin Hood Doncaster Sheffield and Durham Tees Valley. Our investment in Liverpool John Lennon Airport has helped grow passenger numbers 10-fold from 450,000 in the mid-1990s and the airport is a key driver of the economies of both Merseyside and the wider North West of England.

- Peel Logistics: the Peel Group's strategic approach to logistics is to combine the strength of our land holdings and transport investments to deliver a potential 60 million sq ft (5.5 million sq m) of new build logistics space across the UK, in partnership with Macquarie Capital.

- Energy: the Peel Group's energy and utility interests are driven by the delivery of a diverse energy portfolio. Peel Energy, Peel Environmental, Peel Utilities and Peel Gas & Oil work together to ensure that energy is sourced, delivered and utilized as efficiently as possible via low carbon, environmental technologies, gas and oil, local generation and distribution.
- Land & Property placemaking: through a series of large strategic destination projects, The Peel Group invests in regeneration and the revitalisation of communities across the UK. Key schemes in the North include MediaCityUK, Liverpool Waters, Wirral Waters, Trafford Waters.
- Harworth Group: the Peel Group holds a substantial shareholding in Harworth Group plc. that wholly owns Harworth Estates – one of the largest property and regeneration companies across the North of England and the Midlands, owning and managing 27,000 acres (11,000 hectares) across 200 sites, including some key logistics sites such as Logistics North in Bolton.

The Peel Group takes a long term view on its investments and development projects and has achieved significant growth over several decades through an ethos of recycling capital within its companies and across the Group. MediaCityUK, a £650 million scheme that was delivered through the last recession, and Liverpool2, a £300 million pound investment at the Port of Liverpool, are recent examples of the Group's commitment and ambition. Major regeneration and development schemes such as Liverpool Waters, Wirral Waters, Trafford Waters, Liverpool John Lennon Airport, Robin Hood Airport Doncaster Sheffield and the Advanced Manufacturing Park in Rotherham will be delivered using the same approach in the coming decades.

However, we cannot deliver these investments on our own. Major schemes such as these which involve change of land use – whereby there is a requirement for significant investment in on and off-site infrastructure – have particularly high initial capital costs and need support either through capital grants or loans, and/or through investment strength covenants from their tenants to provide the catalyst for the initial phase of development.

This principle above all else should underpin future investment in the North's transport infrastructure in order to directly support its sustainable growth over the long term.

continued …

GROWTH AND CONNECTIVITY REQUIREMENTS ACROSS THE NORTH OF ENGLAND

Road infrastructure

In recent years, the absence of sufficient public investment in infrastructure has resulted in the Peel Group having to put significant amounts of its own funds into public infrastructure schemes to unlock development. Such schemes include the FARRRS link road in Doncaster connecting the M18 to Rossington and Finningley (£12 million Peel Group and £10 million Harworth Estates investment into a £56 million project), and the Western Gateway Infrastructure Scheme to deliver major improvements to the A57 in Salford and a new lifting bridge over the Manchester Ship Canal to ease congestion around the M60 and Trafford Park (£33 million Peel Group investment into a £48 million project). However, this level of investment from a private investor cannot be justified on most schemes and cannot be sustained across a portfolio if the timescales for development are to achieve the Government's growth aspirations and housing targets. These investments were only possible through partnerships with public and private sector organisations, including a significant capital injection from the public purse.

Moreover, despite a wider economic recovery, development in many parts of the North remains marginal or simply unviable. Much of the urban North still exhibits values and market conditions that effectively equate to 'market failure', with a valuation gap which results in construction costs being larger than completed property values. As a result there is often little or no 'pot' available to make contributions to infrastructure and still deliver acceptable returns to the business or investors. In turn, schemes which could be delivered do not come forward because they cannot bear the cost of required infrastructure, creating a negative cycle of lost investment, employment and tax revenue. The viability challenges facing many parts of the North need to be better recognised in national infrastructure policy and should be a focus for the NIC. There is the opportunity to help tackle weaker markets and some of the longstanding challenges facing Northern towns and cities through direct infrastructure investment.

Some current examples of infrastructure projects which need long term National commitments (that transcends Parliamentary terms) to significant public investment in order to give businesses (and local Authorities) sufficient confidence to invest in related or dependent schemes include:

- Port of Liverpool Access: Peel Ports' £300 million investment in a deep water container terminal at the Port of Liverpool will create a Northern port capable of handling the largest container ships now used by global shipping lines and thereby alleviating significant HGV freight movements and the ensuing congestion on north-south routes leading to/from Felixstowe, Southampton and London Gateway. However, Liverpool2 will not deliver its full impact for the Northern economy unless there are significant improvements to port access and the highway network, particularly in the North West. Peel Ports has been working in partnership with Network Rail, Highways England, Sefton Council, the Liverpool City Region LEP and the LCR Combined Authority to deliver improved access to the port by road, rail and water; this was an important element of the City Region Deal agreed with the Government in 2012. A number of rail improvements have been identified that will deliver greater capacity and reduce reliance on the road network. Short term improvements to the road network have been delivered through a “pinch point” scheme but this will only provide temporary relief to what is an already congested road network. Most importantly, a major road improvement scheme costing in excess of £200 million is required to alleviate the congestion on the A5036 Princess Way/Dunnings Bridge Road to unlock the potential economic growth capable of being delivered using the full capacity of the new container terminal. Such a scheme will also make a major contribution to the productivity and quality of life of the local communities in Sefton and North Liverpool and will lead to significant local job opportunities. Government support was announced in the 2014 Autumn statement. Options have since been identified however continued commitment to the funding is required to ensure the scheme is progressed to enable construction to start within the next five years.

- Manchester Northern West Quadrant / Port Salford Access – the M60/M62/M61 highway network in North West Manchester has been heavily congested for many years with significant impact on commercial traffic and commuters not only in the Greater Manchester area but also along the M62 corridor. The Peel Group has been developing Port Salford as a major inland port as part of the Atlantic Gateway / Liverpool City Region Superport concept. The transhipment of containers along the Manchester Ship Canal from/to the Port of Liverpool has the potential to reduce congestion on the roads and reduce carbon emission. The Peel Group has led the £48 million WGIS road improvements (see above) to unlock the initial phase of the Port Salford scheme however significant additional investment is required on the highway network in the M60/M62/M61 area to ease congestion on this major bottleneck and to allow this important inland port to achieve its full potential. Highways England is currently undertaking the Northwest Quadrant Strategic Study to identify potential solutions – it is imperative that this and other similar schemes are properly funded to ensure long term solutions are delivered that resolve today’s bottlenecks and provide sufficient capacity for growth over the coming decades.
- Warrington Waterfront – working in partnership with Warrington Council, The Peel Group is facilitating a road scheme that will allow a relief road (including a new high level bridge over the Manchester Ship Canal) to be built around the western edge of the town and create a new business and residential community beside the River Mersey. The scheme will help to resolve a longstanding congestion issue in the Town centre and reduce journey times for commercial and commuter traffic in the area. The scheme will cost in excess of £100 million and take more than five years to deliver. A clear commitment to the scheme that will transcend Parliamentary terms is required to allow the Council and other partners to maintain confidence and continue the design and environmental studies required to progress the scheme in order to enable construction to start within the next five years. The benefit of a new high level crossing of the Ship Canal will provide much needed resilience upon the highway network and will enable Peel Ports to significantly increase its shipping activity without impacting upon local traffic.

Rail Infrastructure

There is currently significant attention on rail investment with HS2, HS3, CrossRail and the creation of Transport for the North. We generally support these initiatives but would add the following points:

- There has been significant investment in passenger rail services to and from London and the South East in the last 20 years. However investment in the North has lagged behind. We believe the priority for spending needs to address this with HS3 being given priority over HS2 and Crossrail2. Research by IPPR "Transport for the North" (March 2015) indicates that total planned spend per resident in transport infrastructure from 2014/15 in London is £3,095, North West is £460 and is £395 in Yorkshire and The Humber.

- While the current planned improvements and electrification of lines in the North is welcomed (assuming the power supply sector keeps up with these new demands), HS3 needs to break new ground (literally) to provide the equivalent of HS2, not only between Liverpool and Hull but also improving connections to North Lancashire, Cumbria and the North East to help the whole of the North to prosper and grow in the coming decades. We believe that if transport investment is to facilitate transformational growth in the North and rebalancing the UK economy, new ideas need to be considered, including the potential new routes, new technologies and how future markets will be connected in the North. The solution will need to involve more than patching up and enhancing current networks. One suggestion would be for a feasibility study to be undertaken by the NIC in conjunction with the LEPs/Combined Authorities and business groups to look at the various drivers, opportunities and options if this level of ambition cannot be achieved via Transport for the North's programme and funding.

- Whilst we support HS2, station locations should be within urban centres to support their transformation and regeneration. Whilst this argument has been heeded in Birmingham and Leeds, it hasn't been heeded in Sheffield, where a station is proposed at Meadowhall rather than a city centre location at Victoria. This is despite a significant body of evidence showing that a city centre location would generate 6,500 more jobs, over 1,000 new homes, up to £5 billion more in GVA and a 24% increase in passenger numbers. In addition, the route's present alignment in Sheffield affects the development of the 'Advanced Manufacturing Innovation District' – a nationally significant project sponsored by the Chancellor of the Exchequer in the recent Northern Powerhouse Investment Pitchbook that could generate over £1 billion of Gross Value Added. The NIC should urgently work with HS2 Ltd and the Department of Transport on both the location of South Yorkshire's station and its alignment to maximise its economic benefit for the North.

- Improving connections between the city 'hubs' is only part of the solution; the hubs need better connection to the 'spokes' of local commercial districts and residential communities. Most successful international cities have the benefit of urban transport infrastructure that allows mass rapid transport to ensure short journey times to destinations within their city regions. Large schemes such as HS2 and HS3 are important to provide better connectivity between cities but they will only connect the hubs. They will not deliver the anticipated benefits and connectivity improvement if the spokes are neglected. Major hubs in London are already served by buses, the underground and overland trains. New high speed hubs in other UK cities will not serve the people of those cities if the connections from their homes are not improved. For example, anyone currently travelling to London from the south of Manchester or Cheshire has the option of using any one of Wilmslow, Stockport, Crewe, Warrington or Manchester Piccadilly stations to get to London – local journey times are therefore short. These passengers will not be inclined to use HS2 if the saving of time on the high speed journey is lost in the time (or convenience) of getting from their home to the hub. This is equally true of HS3, whereby it is typically just as quick to travel across the Pennines in your car than make all the necessary connections on public transport. Increased investment in local transport is therefore crucial to address these and other existing issues and thereby achieve the benefits from the High Speed Rail programme.

- Passengers are only part of the story. The movement of freight needs just as much attention to make rail freight a realistic alternative for trans-Pennine movement of goods. Currently rail freight is only economically more advantageous than road for journeys of more than 150 miles. The journey times involved in rail freight results in very low utilisation of rolling stock and slow movement of goods, thereby making it expensive and unresponsive to customer needs. Future national infrastructure investment should seek to make rail a more attractive alternative for the movement of goods.
- Many large projects have the potential to introduce new, or enhance existing, rail services. However, the initial capital cost of new railway stations or rail line connections is prohibitive, thereby resulting in continued reliance on road infrastructure. This is a particular issue for logistics projects where, unless a rail connection to the site is already in place, rail freight opportunities do not get delivered. It is often the final part of that connection, from a nearby network to the project site that is the missing piece. One such example is the rail terminal at Port Salford which requires a £16.5 million grant to bridge a viability gap and unlock the £57 million investment which in turn will unlock 128,000 sq. metres of employment space and a further 2,500 jobs. A national strategy, aligned to the National Policy Statement for National Networks, and fund for such connections and infrastructure would assist in promoting greater use of rail for passengers and freight and thereby encourage greater rail usage from the outset of such projects.
- As a developer of former industrial sites, Harworth Estates owns 14 rail-connected sites which are ideally suited for a range of commercial purposes should they be redeveloped. However, these will not come forward without some form of state intervention. Given the Government’s intention to increase utilisation of rail infrastructure, we believe there is merit in the NIC working up options for a national fund to bring forward rail-connected sites to boost inward investment and/or to reduce road congestion by increasing distribution by rail.

Infrastructure funding

We believe great strides are being taken with the Northern Powerhouse concept and support the various related Government initiatives including Transport for the North and Devolution. In recent years the Regional Growth Fund, Growing Places Fund and Local Growth Funds have helped to unlock various investments thorough grants and loans for key infrastructure. We therefore welcome the additional allocation of funds through the Devolution Deals, however as can be noted from the numbers involved in our current major schemes listed above an additional £15 million or £30 million per annum will only assist one or two additional schemes per annum. Significant additional infrastructure capital needs to be devolved or made available from a National fund if there is to be any significant increase in the rate of growth, and for the full growth potential of the North to be realised.

The long term future for UK infrastructure and the role of NIC

Over the last decades, the number of rail passengers has grown as has the number of car and lorry journeys, driven by the affordability of cars and fuels (and lack of investment in public transport alternatives) and changes in consumer behaviour. Socio demographics have changed and more people are commuting greater distances. Many of our roads are used beyond their capacity during peak hours, and will continue to be so even with planned improvements. This situation is impacting quality of life and constraining productivity and economic growth. We envisage decarbonisation targets and low carbon energy supply will impact our transport costs and encourage a shift of people and goods off the roads and onto rail and other forms of low carbon public transport. In theory, the growth and prosperity of our Northern cities will provide more diverse job opportunities in each urban centre and their satellites and potentially reduce the need for the workforce to travel as much to pursue their careers. However, this all needs to be considered in the context of long term population growth. Similar complexities apply to other aspects of national infrastructure such as power, heat and water, including their supply, distribution and demand management.

We believe that the remit of the NIC should be to identify the scale of investment needed across all infrastructure areas over a 15 and 30 year horizon (such that it spans multiple Parliamentary terms and economic cycles) and encourage successive Governments to commit to realistic spending plans over those terms.

To achieve this, the NIC should engage with the private sector (both directly and through the LEPs) to understand long term investment plans of key sectors that will drive the UK economy in the coming decades, examine the socio-economic and technological shifts that will be occurring over the next 30 years, understand the impact these will have on all parts of our national infrastructure (at a regional and local level) and set out a long term vision and investment programme to ensure the UK is investing to facilitate the adoption of new technologies, encourage beneficial changes, keep up with the business and consumer demands, and avoid having to fix the problems when it’s too late and beneficial change and/or growth is being constrained.

This investment planning should be done in conjunction with spatial and economic planning. Since the abolition of Regional Plans, spatial and economic planning is largely done within the existing structures of Local Authorities and Local Enterprise Partnerships. This has the potential to be expanded under the Mayoral Strategic Planning powers within new Combined Authorities. Spatial and economic planning for long term National Infrastructure purposes must look beyond these boundaries to Regional and wider geographies, such as pan-Northern in the case of promoting the Northern Powerhouse. The Peel Group has promoted such an approach since the development of the Manchester Ship Canal Corridor Strategy in 2000/2001, the subsequent concept of the Ocean Gateway and latterly with the promotion of the Atlantic Gateway in partnership with the Liverpool City Region, Cheshire and Warrington LEP and Greater Manchester LEPs. The work being done by IPPR North and RTPI on the Great North Plan (see www.greatnorthplan.com) may help to contribute to this thinking.