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M4 Corridor around Newport

Revised Wider Economic Impact Assessment Supplement



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Assessment Supplement

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1 Introduction

1.1 Scope of this Report Supplement

1.1.1 The purpose of the wider economic impact assessment is to consider the impact of the M4CaN proposals on the local and regional economy. The purpose of this supplement is to provide an update to the Wider Economic Impact Assessment of the M4CaN Scheme (as presented in the December 2016 Revised Wider Economic Impact Assessment Report) to take account of the addition of the bridge protection measures in the Draft Amendment (No. 2) Scheme Order and a general update on the works to address the impact upon Newport Docks.

1.2 Report Structure

1.2.1 Following this introduction, the report is structured as follows:

- Chapter 2 provides updated evidence in respect of the impact of the Scheme on Newport Docks.
- Chapter 3 updates the overall conclusion of the Revised Wider Economic Impact Assessment Report Supplement.

2 Revised Assessment

2.1 Summary of Changes

2.1.1 Since the publication of the original draft Orders for the M4CaN Scheme, the Welsh Government has held discussions with ABP regarding the impact of the proposed Scheme on the water and land based operations that ABP carry out at Newport Docks.

2.1.2 The Welsh Government are proposing to provide the following works to overcome the impact of the proposed Scheme on Newport Docks:

- a) The phased creation of approximately 303m of new quay on the north side of South Dock;
- b) Refurbishment of 250m of quay on the south side of South Dock (at the eastern end of the Coal Terminal);
- c) Provision of a moveable bridge to facilitate mobile harbour cranes, other port equipment and HGVs to cross the extended junction cut from west to east (and vice versa) of South Dock; and
- d) Preparation of areas of land and provision of premises to facilitate the relocation of ABP, tenants and occupiers of the port that are affected temporarily and permanently by the scheme, including site preparation, new buildings, hardstandings and infrastructure.

2.1.3 The Welsh Government has also worked with ABP to develop a solution that reduces the level of residual risk of a ship impact to the River Usk Crossing, where it passes over the Junction Cut. The current proposal is to narrow and extend the Junction Cut (within the South Dock only) and revise the entry parameters and protocols for the North Dock.

2.1.4 Mitigating the impacts of the Scheme on the Docks has implications for the overall economic impact of the Scheme and this report updates the wider economic impact assessment to take account of this. Aspects of the wider economic impact assessment not addressed in this report are unchanged from the December 2016 Revised Wider Economic Impact Assessment Report.

2.1.5 The conclusions of the wider economic impact assessment have also been reviewed in the light of the UK Government's announcement that, once in public ownership, the tolls on the Severn Crossings will be abolished.

2.2 Impacts on Newport Docks

- 2.2.1** The proposals for the M4CaN Scheme include a new bridge crossing of the River Usk which has several commercially operated wharfs. The bridge and approach viaducts also cross the Newport Docks, owned and operated by Associated British Ports (ABP), between North and South Dock. ABP is a Statutory Undertaker and has objected to the Scheme to the Secretary of State under section 16 of the Acquisition of Land Act 1981, alleging that the scheme would cause serious detriment to the carrying on of the undertaking.
- 2.2.2** The December 2016 Revised Wider Economic Impact Assessment Report made clear that the Docks plays an important direct and indirect role in the economies of Newport and South Wales. Therefore, the positive economic benefits of the Scheme need to be balanced against any negative economic impacts of the Scheme on the Docks.
- 2.2.3** The December 2016 Report noted that detailed assessment of the impact of the Scheme on the Docks was ongoing but that analysis of shipping data suggests that, taking account of the opportunity for alternative charter arrangements and the potential for shipping to be reallocated to the South Dock, a minority of shipping movements could be prevented from using Newport Docks as a result of the proposals. It was also identified that discussions with ABP were underway to understand how Newport Docks could be re-organised to maintain land-side operations. It was further noted that operational considerations need to be balanced against the benefits of improved transport links to Newport Docks.
- 2.2.4** Since the publication of the Revised Wider Economic Impact Assessment (WG 2.4.11), the Welsh Government has undertaken further detailed analysis of the impact of the Scheme on shipping, on port operations, and on ABPs commercial performance. This analysis has been presented as evidence to the Public Local Inquiry for the Scheme.
- 2.2.5** The analysis of impacts on Newport Docks has subsequently been updated to take account of the Welsh Government's proposals for mitigating the impact of the Scheme on the Docks.
- 2.2.6** In respect of shipping, updated analysis suggests that the provision of new and upgraded quay space in the South Dock will, when combined with port estate reallocations, provide sufficient capacity to cater for shipping displaced from the North Dock because of the proposed Usk Crossing. The delivery of new quay space and associated facilities will be phased in a manner intended to minimise disruption to the Docks during the construction phase. Whilst there may be a small impediment to shipping in the short term (between 2022 and 2024), in the long term (assuming continuation of current trends in shipping movements) it will be possible to accommodate all of the displaced vessels in the South Dock. Therefore, there would be no impediment to shipping.
- 2.2.7** In respect of landside operations, through engagement with ABP, the Welsh Government has developed plans for the relocation of a range of port assets and port tenants to reduce or offset adverse impacts of the construction or operation of the Scheme. Whilst construction of the new bridge and motorway would cause short-term disruption, the Welsh Government's relocation proposals would ensure that ABP and its existing tenants could continue to operate and that the Docks could continue to function properly.
- 2.2.8** Commercial analysis (detailed in the Supplementary Evidence of Mr Andy Meaney) suggests that, in the long run, there would be no detrimental impact of the Scheme on the commercial performance of ABP Newport as a result of

the Welsh Government's proposals. In fact, because of the improvement in access afforded by the Scheme and the proposed Docks Junction, the financial modelling shows an overall net financial betterment as a result of the Scheme.

2.2.9 It should be noted that the quantitative commercial analysis is undertaken on the basis of the current tenants at the site. It does not take into account any impacts of the port relocation plan on ABPs Master Plan for the port. However, ABPs Master Plan is aspirational and the plans contained within it are subject to varying degrees of certainty.

2.2.10 It should also be borne in mind that the Welsh Government's proposals, whilst dealing with the potential detrimental impact of the scheme, are in line with ABPs Master Plan and would allow ABP to attract and accommodate new occupiers in the future. Furthermore, by providing a direct connection to the motorway network, the Scheme would make Newport Docks more attractive for future investment for the betterment of the local economy. Taking this into account, there is no reason to conclude that the impact of the Scheme on Newport Docks would have any offsetting effect on the overall economic impact of the Scheme.

2.3 The Severn Crossing Tolls

2.3.1 The December 2016 Revised Wider Economic Impact Assessment was prepared under the assumption that tolls would be retained on the Severn Crossings in the future. This assumption was adopted following the March 2016 Budget, within which the UK Government announced its intention to retain tolls on the Severn Crossings at half their current levels.

2.3.2 Subsequently, in January 2017, the UK Government published a Consultation Document on the future of the Severn Crossing Tolls. This document set out the UK Government's proposals for the future of the Severn Crossing Tolls and continued to suggest that the tolls would be halved. However, during the run up to the 8th June General Election, most of the major political parties in the UK indicated their intention to remove the tolls from the Severn Crossings.

2.3.3 The final outcome and the UK Government's response to the Severn crossing tolls consultation was released on 15th September 2017. The outcomes were that the Severn crossings will be given over to public control on 8th January 2018 and the tolls will be abolished no later than 31st December 2018.

2.3.4 From an economic standpoint, removing the tolls and delivering the M4CaN Scheme are complementary measures. The expected benefits of the Scheme in respect of improving perceptions of South Wales and stimulating new investment would be re-enforced by the decision to remove the tolls.

2.3.5 Whilst removing the Severn Crossing tolls will have a positive impact on the Welsh economy, in the absence of any intervention, this will also have the effect of increasing traffic demand and worsening traffic conditions on the M4 around Newport. In this context, the demand for the new motorway will be higher and the impact that the Scheme will have on journey times and accessibility will be greater as a result of the removal of the tolls.

2.3.6 This is borne out by the results of the economic appraisal for the Scheme (as set out in the Revised Economic Appraisal Report Supplement No. 2) which demonstrates that the economic benefits to transport users are higher under a no toll scenario than under a half toll scenario. This similarly applies to the expected wider economic benefits of the Scheme.

2.3.7 The Revised Wider Economic Impact Assessment Report identified a range of economic benefits of the Scheme. These are as follows:

- a) **Reducing transport costs for businesses** in the study area by providing faster and more reliable transport for business travellers and for the movement of goods;
- b) **Improving the functioning of the labour market** in South Wales by **increasing access to employment opportunities** for workers and improving access to a suitable workforce for firms;
- c) **Improving productivity** by fostering agglomeration effects and reducing travel times to London and other UK regions;
- d) Stimulating **land use change and new investment** by improving access to key employment sites in the south of Newport;
- e) **Improving perceptions of South and South West Wales** as a place to visit and do business.

2.3.8 Each of the above impacts ultimately derive from the effect of the Scheme on improving traffic conditions, reducing journey times, improving accessibility and facilitating new trip patterns. It is therefore the case that each of the above wider economic impacts is reinforced by the decision to remove the tolls from the Severn Crossings.

2.3.9 Only some of the economic impacts of the Scheme can be measured through quantitative analysis. Based on outputs from the traffic model, under the half toll scenario, it is estimated that the Scheme would have a positive impact on the GVA of South Wales in the region of £66m (2016 prices) per annum by the design year of 2037. Over the 60 year appraisal period, the GVA impacts of the Scheme would total £1.3bn (PV 2010) in South Wales. These estimates are likely to understate the economic impact of the Scheme because they do not take account of the UK Government's decision to remove the tolls from the Severn Crossings.

2.3.10 As noted in the Revised Wider Economic Impact Assessment, these estimates only partially capture the economic impact of the Scheme because they do not consider the additional economic benefits of improving the reliability and resilience of the transport network and they do not account for the effect of the Scheme on land use and inward investment. Each of these unquantified effects would be greater under a no toll scenario.

3 Conclusions

- 3.1.1** This report includes an update to the wider economic impact assessment of the Scheme (as presented in the December 2016 Revised Wider Economic Impact Assessment Report) to take account of the draft Supplementary Order (No 4) dated August 2017 and the proposed works outlined in Section 2.1.5 above, as well as the UK Government's decision to abolish the Severn Crossing Tolls.
- 3.1.2** The purpose of the wider economic impact assessment is to assess the likely effects of the M4CaN on the local and regional economy. This is distinct from the economic appraisal which assesses the overall value for money of the scheme based on a combination of economic and other benefits measured at a UK level, following the methodology set out in the DfT's WebTAG guidance.
- 3.1.3** The Revised Wider Economic Impact Assessment Report identified a range of economic benefits of the Scheme. These are as follows:
- a) **Reducing transport costs for businesses** in the study area by providing faster and more reliable transport for business travellers and for the movement of goods;
 - b) Improving the functioning of the labour market in South Wales by **increasing access to employment opportunities** for workers and improving access to a suitable workforce for firms;
 - c) **Improving productivity** by fostering agglomeration effects and reducing travel times to London and other UK regions;
 - d) Stimulating **land use change and new investment** by improving access to key employment sites in the south of Newport;
 - e) **Improving perceptions of South and South West Wales** as a place to visit and do business.
- 3.1.4** That the Scheme will have a substantially positive impact on the economy of South Wales is further reinforced by the Government's decision to remove the toll from the Severn Crossings.
- 3.1.5** The Welsh Government has developed proposals to mitigate the impact of the Scheme on Newport Docks and as such, there is no reason to consider that the positive economic impacts of the Scheme would be offset by its impact on the Docks.