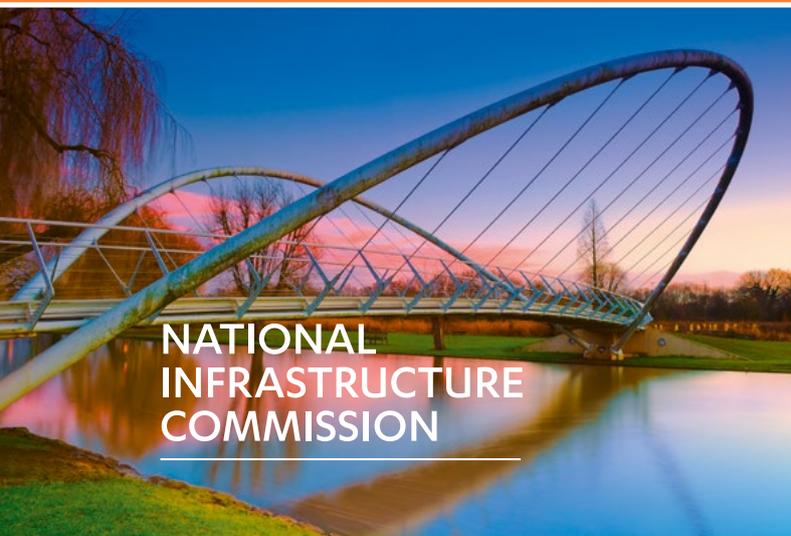




PARTNERING FOR PROSPERITY:

A new deal for the Cambridge-Milton Keynes-Oxford Arc



Extract

on the continued growth of the arc's most successful economies. Workers at all levels are being priced out of local housing markets, restricting firms' access to labour and impacting upon competitiveness. From post-doctoral students to professors, and from catering staff to managing directors, finding affordable and good housing is a struggle. Difficulties in accessing labour are exacerbated by poor east-west transport connectivity. The area is a series of separate labour markets and commuting between key hubs is almost non-existent.

If the arc is to maximise its economic potential, current rates of house building will need to double – delivering up to one million new homes by 2050. It is equally important that new development improves quality of life – this means engaging architects, developers and designers in the process of building new homes in well-designed, liveable and connected communities which respect and enhance the natural environment and the quality of life enjoyed by existing residents.

It is unlikely that this level or quality of development can be delivered if growth is focused exclusively on the fringes of existing towns and cities, or through the development of small garden towns and villages. Government and local authorities will need to plan for, and work with investors, developers and housebuilders to deliver, large new settlements and major urban extensions – including the first new towns in over a generation.

Making this happen will require national investment, local leadership, support from local communities and buy in from industry. The Commission proposes, therefore, a series of deals between Government and local areas which:

- a. align national investment in new east-west transport infrastructure to unlock the development of ambitious new and expanded settlements; and
- b. seek local commitment to accelerated house building, in exchange for certainty over investment in enabling infrastructure, and the freedoms and resources necessary to shape growth in a way that enhances quality of life for new and existing residents.

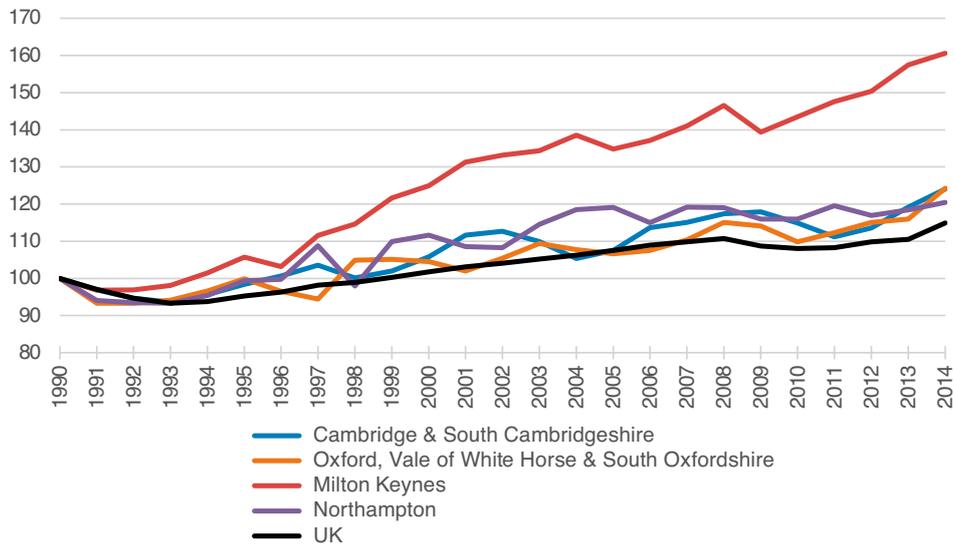
The success of these deals will depend upon all parties' commitment to an ambitious, arc-wide vision and robust plans for its city and county-regions – integrating planning for jobs, homes and infrastructure. Sustained improvements in collective working across the local areas – supported by clear and accountable collaborative governance arrangements – will be vital.

EAST-WEST INFRASTRUCTURE ENABLING NEW SETTLEMENTS

National investment in the East West Rail project and the proposed Oxford-Cambridge Expressway present a once-in-a-generation opportunity. These schemes will enhance connectivity across the arc, expanding the labour markets of key towns and cities, as well as improving connections with international gateways such as Heathrow. They will also provide a vital step in the development of a strategic transport corridor connecting East Anglia to the west of England and south Wales. But crucially, these schemes can play a key role in tackling the arc's housing crisis, unlocking major new development locations and enabling transformational growth around existing towns and cities.

Since the early 1990s, Oxford, Cambridge and Milton Keynes have sustained growth in their working age population far in excess of the national average (12%). Between 1992 and 2016 Northampton grew by 17%, Oxford by 30%, Cambridge by 26% and Milton Keynes by 44%.¹² These towns and cities have also maintained workplace employment rates well above national and regional benchmarks.¹³

Figure 3: Number of jobs in CaMkOx arc by area (index 1990 = 100)



Source: Cambridge Econometrics

Alongside growth in employment, the area has experienced comparatively high population growth, growing from 2.7 million people in 1990 to 3.3 million today, an increase of 22%. Milton Keynes alone has doubled in size since 1981, a rate of expansion nearly five times faster than the English average. Over the same period, Northampton grew by 34%, double the national average.¹⁴

The pace of growth and high levels of productivity in the arc's town and cities ensure that the area makes a significant – and increasingly important – contribution to national output; to the UK's trading accounts and to the tax revenues that fund public services across the UK.

- **Contributions to national output:** GVA per worker in Oxford is around 14% greater than the average for the UK as a whole. The average worker in Milton Keynes generates around 23% more.

The contribution of the arc is clearer still in knowledge-intensive sectors such as high-tech manufacturing. While the average value of output for workers in high-tech manufacturing is around £80,000 per year across the UK (2011 prices), the value of output in Northampton is around £85,000; in Milton Keynes is around £89,000; in Cambridge is around £106,000 and in Oxford is around £136,000.¹⁵

- **Exports:** businesses in the arc's key hubs have global reach. Milton Keynes is among the UK's top ten cities for service exports exporting around £10,500 worth of services for each job in the town. Taking goods and service exports together, Milton Keynes exports some £19,500 per job and Oxford exports £17,950 per job compared to a national average of £15,690.¹⁶

Indeed, there is powerful evidence that house prices are already diminishing firms' ability to attract employees. Workers are being priced out of local housing markets, restricting firms' access to labour and impacting on their competitiveness. Global businesses within the arc have told the Commission that, had they realised the impact that employees' housing costs would have on their business they may have located elsewhere. Others may yet choose to do so. This is as much an issue for high-tech firms and universities seeking to attract, recruit and retain globally mobile talent, as it is for public sector agencies looking to recruit key workers.

These difficulties in accessing labour are exacerbated by poor east-west transport connections. Rather than connecting the arc's principal employment centres, the strategic road and rail network reinforces their connections with London – the dominant market in the south east:

- it is not possible to travel by rail directly between the four main rail stations within the area – Oxford, Milton Keynes, Bedford and Cambridge. The only way to travel between Oxford and Cambridge by rail in less than three hours is via London;
- there is no continuous, high-quality road connection between Cambridge, Milton Keynes and Oxford – existing roads suffer congestion and average speeds between the arc's main centres are low;¹⁹ and
- the main public transport link across the area is provided by the X5 coach service. This takes nearly three and a half hours to travel between Oxford and Cambridge.

Commuting between key hubs on the arc is almost non-existent and the area functions as a series of distinct labour markets.

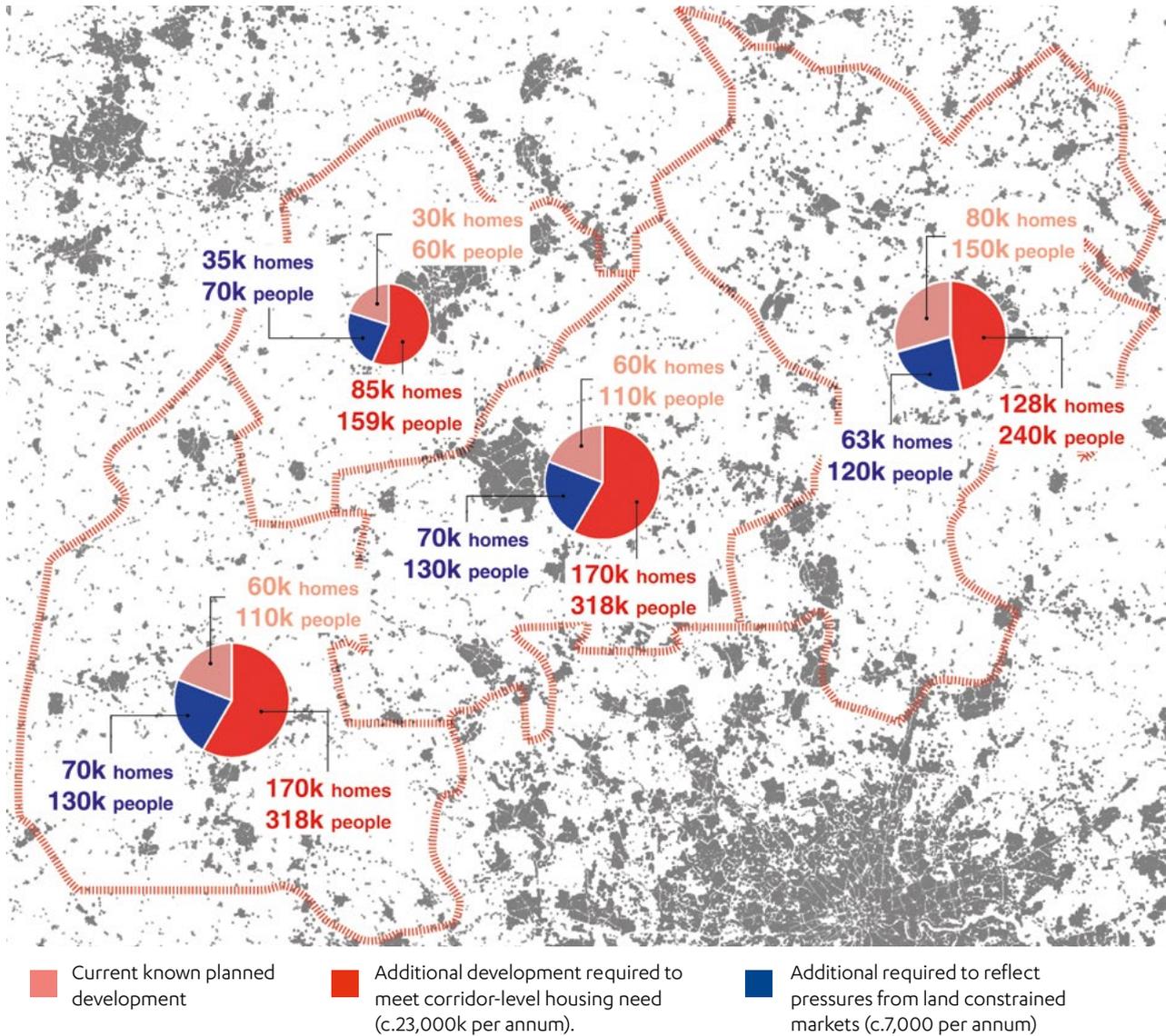
Enabling future growth: the scale of the challenge

To maximise the potential of the CaMkOx arc, and the contribution it makes to our national prosperity, we must invest in the continued growth and success of the arc's towns and cities and in its globally competitive clusters.

Infrastructure will be a necessary part of any investment package – but it will not be sufficient on its own. A holistic response will require investment in the skills of the current and future workforce; in science, research and innovation; in the facilities to support the growth of new businesses, and in the continued development of the arc's world-leading sector strengths. Nevertheless, the right strategy for the development of infrastructure can play a key role in releasing the latent economic potential that exists within the arc. Crucially, it can also help tackle the most serious constraint on the future growth of the arc's towns and cities: their lack of sufficient and suitable housing.

Removing the constraints to growth that result from the undersupply of housing could support a step change in the arc's economic performance and make a significant additional contribution to national output. Long-range economic scenarios, prepared to support the Commission's study, suggest that, without major intervention, and with rates of housing completions at current levels (around 14,330 per year for 2015-16), the area could support around 335,000 new jobs to 2050, increasing economic output by around £85bn per annum (2011 prices). However, by meeting future needs and removing the constraints to growth arising from the area's housing shortage the area could sustain a transformational level of growth, supporting around 1.1m new jobs and increasing economic output by £163bn per annum.²⁰

Figure 6: An illustration of planned and required development levels, 2016-2050



Source: 5th Studio, based on data analysis by Savills, Arup and Cambridge Econometrics

Note: Housing/population figures for current known development sites include sites which are under construction, approved, in for planning or allocated in local plans. The distribution of development required to reflect pressures from land constrained markets is indicative. It follows a proportional trend according to the distribution of the "Additional development required to meet arc level need".

The challenge for government at all levels, will be to determine how this growth can be accommodated within the arc and, crucially, how this growth can be achieved whilst improving quality of life, for current and future residents. Towns and cities across the arc will struggle to succeed amongst their global competitors if they do not support a high quality of life. It is vital, therefore, that new homes are delivered as part of high quality, well-connected, liveable communities which respect the environmental character of the arc and the interests and rights of existing communities.

It is unlikely that this level and quality of development can be delivered if new housing is secured exclusively through incremental developments on the fringes of existing towns and cities. Such an approach to development can: