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M4 relief road

CBI Wales response

Leighton Jenkins | Assistant Director Policy | CBI Wales
Email: Leighton.Jenkins@cbi.org.uk

In the global race for jobs, modern and resilient road infrastructure is an essential part of a nation's ability to survive and thrive. The future of the Welsh economy depends on Wales maintaining reliable road connections with our key markets. With 90% of all freight movement made by road, the M4 forms a vital part of the Trans-European Transport Network, connecting Welsh businesses and commuters with the rest of the world. Now heavily congested, the construction of an M4 relief road would provide Wales with an opportunity to not only increase capacity on a critical road network but to make Wales the best place to do business.

Introduction

CBI Wales welcomes this opportunity to respond to the committee review on plans for an M4 relief road. The CBI is the UK's leading business organisation, representing some 240,000 businesses that together employ about a third of the private sector workforce. In Wales we represent the country's biggest employers, including 75% of anchor companies and a range of growth SMEs. The CBI is the main business organisation working with the Welsh Government to deliver a more competitive business environment.

For the private sector to drive economic recovery in the wake of a global recession and a shrinking public sector, Wales must be an attractive place to build a business and create jobs. All government policies must be measured against their capacity to generate and support private sector growth.

Transport drives the economy forward

Modern, sustainable and reliable transport infrastructure is an essential part of a competitive economy in the twenty first century. Businesses- small and large- need modern roads, rail, and air links in order to support their global activities. Companies are increasingly making investment decisions based on a nation's ability to offer modern, attractive and efficient infrastructure that connect them to major markets and a wide labour pool.

Both existing and prospective investors view infrastructure as a vital part of a country's competitiveness. According to the World Bank's global Ease of doing business ranking for

2012, the importance of investments in infrastructure- ports, roads, telecommunications- are seen as vital ingredients of private sector growth. This corroborates the CBI's 2013 Infrastructure Survey which revealed that 98% of firms reported that the quality of transport infrastructure had a significant impact on their future investment decisions. Despite these factors, the quality and reliability of the UK road network remains at 48 out of 148 countries according to the World Economic Forum's Global Competitiveness Report.

Based on this context, it is simply not in the long-term interests of Wales or its economy to avoid the hard decisions required to make the M4 relief road a reality.

Roads remain the backbone of trade

Efficient roads remain a constant priority for businesses across the whole of the UK. Day in day out, 24 hours a day, our nation's roads provide the backbone for trade, helping to attract inward investment and support private sector growth. Every day, our roads facilitate the movement of goods and commuters and connect businesses with their employees, customers and suppliers. While modal shifting is a key priority, we need to accept the key role our roads play in our nation's economic growth. The priority remains connecting Wales with its key markets, as a result, that means prioritising east-west road links in north and south Wales.

For business to drive a growing economy in Wales, an essential component is a reliable, efficient road system with

capacity within Wales and excellent connections to key markets overseas and elsewhere in the UK and Europe.

Given the continued role roads play in our economy, efficient and resilient roads remain a constant priority for business across the UK. It is critical that the infrastructure is in place to underpin business efficiency and competitiveness. Delays cost time and money and impact a place's reputation as a business location. Efficient transport links are a critical factor in investment decisions and underpin international perceptions of Wales as a place to invest.

Any government transport strategy should recognise that until the global economics and attractions of other modes of transport change significantly, roads will remain the dominant form of transport for most people and goods. For most businesses it is road transport that is by far the most important- both in supporting industrial areas and developing viable economies in rural areas. Investment in the M4 should be made accordingly and should incorporate measures to raise awareness of the alternative transport choices available for individuals and businesses.

Strategic importance of the M4

The cancellation of plans for the new M4 Relief Road in 2009 led many in business to question the ability of devolution to deliver major economic infrastructure projects. Some four years later, there is no question that the CBI considers the delivery of the M4 Relief Road the most important infrastructure project in Wales.

Of the options available, we believe the black route, within the Welsh Government's consultation, would make the most significant difference to economic prospects and secure a road fit for the future.

The Eddington Review rightly identified the lack of inter-urban corridors connecting urban areas and international gateways in the UK. The M4 is a clear example where the unreliability of the transport network is adding costs to business, threatening productivity and innovation in the freight and logistics industries and both inter-regional and international trade. From a passenger perspective the M4 connects urban areas with each other and with international airports; and from a freight perspective it connects ports with distribution hubs and hubs with their eventual markets.

The M4 motorway clearly plays a key role within the Welsh economy; current growths as well as our future economic prospects are closely tied with the health, capacity and reliability of this stretch of road.

Impact of the do minimum option

According to the Welsh Government's consultation, the 'do minimum' option will lead to traffic congestion being severe on most links by 2020 and by 2035 the motorway around Newport will be heavily congested, with all sections between J23A and 29 experiencing flows above 100% capacity during weekday peak periods. At some point, a long-term solution for the bottleneck of the Brynglas tunnels will need to be found.

The Eddington Review predicted a 30% growth in congestion by 2025. If left unchecked the cost to the UK economy was predicted at c£22 billion a year by 2025 and would in addition increase business costs by c£10 billion a year.

Faced with a slowly recovering economy, the need to invest in infrastructure that delivers an economic dividend should be a government priority. Its role in underpinning and enabling competitiveness is well established. As the UK Department for Transport states 'our economic competitiveness and national productivity are dependent on the ability of our transport network to accommodate the trips we need to make- as individuals, and for business purposes.' The fact that the OBR highlights the greater economic impact of capital spend, over revenue, strengthens the case for prioritising this type of investment.

M4: the need for investment and renewal

The motorway around Newport does not conform to today's motorway standards. Designed around the footprint of the March 1945 commission, the history of the M4 around Newport has been largely one of remedial piecemeal improvements that have not delivered a long-lasting solution.

First opened in 1967 as a dual 2-lane motorway bypass, this stretch of road utilised the first ever motorway tunnels in the UK, the Brynglas tunnels, which remain in use today.

The road was designed and constructed to the geometric standards of the day and for much lower traffic flows than are currently experienced. As the New M4 Project Outline Business Case states, the widening that took place in the 1980s as a short-term measure to ease congestion led to a breach in design standards and a mandatory 50mph limit was imposed on parts of the road.

The road lacks continuous hard shoulders, has closely spaced junctions with sub-standard slip road visibility and narrows to a restricted two lane section through the Brynglas Tunnels. Heavy congestion occurs along this stretch and either side of it at peak hours, leading to stop-start conditions that causes unreliable journey times and increased vehicle emissions.

The recent spate of incidents along this stretch of road point to the pressure the network is already under. Accidents that lead to severe disruption and delay along the main motorway route to South Wales significantly impact the economy in the short-term and through a loss of confidence in the region's competitiveness, in the long-term.

The Welsh Government forecasts 'major maintenance work' being required in the next 5-10 years which could cause significant disruption as maintenance is required on the Brynglas Tunnels to ensure compliance with minimum EU safety standards (EU Directive 2004/54/EC).

The impact of the economic downturn and local roadwork have had a short-term impact on reported traffic flows data, however the long-term trend will inevitably lead to increase in use of the network as the economy continues to

recover and local development plans- covering commercial and residential developments- are implemented.

The Department for Transport's Action for Roads report: a network for the 21st century, published in July 2013 stated the following about the M4 around Newport: *"Even under our lowest growth forecasts we would expect traffic growth to cause major increases in congestion, greater delays and more unpredictable journeys. Without action, growing demand will place unsustainable pressure on our roads, constraining the economy, limiting our personal mobility and forcing us to spend more time stuck in traffic. This will mean more pollution and more frustration for motorists".*

Studies have shown that major investment in new or improved public transport services, whilst providing benefits in terms of general accessibility/ modal shift, would have only minimal impact with respect to reducing traffic on the M4. Generally, investment in public transport measures is more likely to be aimed at achieving wider benefits than relieving motorway traffic.

As a consequence, when public transport usage is significantly increased as a result of the Metro, South Wales Mainline and the Valley Lines rail electrification, this would still insufficiently decrease traffic flows on the M4 around Newport.

Given that current road use is already causing operational problems and the considerable time it takes to complete a complex motorway project, it is of fundamental importance that action is taken as soon as possible to design, commission and build a relief road.

Growth opportunities

Businesses and commuters will clearly benefit from a reliable, dependable M4 relief road where travel times and congestion are minimised. However, unlike other types of infrastructure, roads are a form of economic infrastructure; as a result they deliver a service that can facilitate wider economic growth.

If approached in the right way, consulting with communities and businesses, a plan can be put together to deliver an M4 relief road project that delivers a range of benefits.

Benefits of the M4 Relief Road project:

- A necessary strategic gateway to the rest of the UK and Europe
- Increase accessibility and sustainability
- Facilitate higher productivity and increased employment opportunities
- Improve perceptions of Wales as a place to do business
- Compliment other projects such as the electrification of the rail network and the South Wales metro concept

The Department for the Economy and Transport's New M4 Project: Outline Business Case in 2009 used an established framework to estimate the wider economic benefits of an M4 relief road. Looking at agglomeration economies, increased output and increased labour supply it was able to identify an economic benefit to the wider economy of c£695m (present value) for the 60 year appraisal period.

An LE Wales report for the Welsh Government entitled Economic Impact of large-scale investment in physical and intellectual infrastructure identified that the right approach to road infrastructure can pack an economic punch. For example, a study of the Severn Bridge found the project "attracted between 9,000 and 12,000 jobs in firms not previously located in the region".

The CBI recommends that the Welsh Government work with businesses and local authorities to identify ancillary developments that may be needed to maximise the local benefits to the region's economy.

A strategic approach to infrastructure

As we stated in our response to the Welsh Government's consultation on a Welsh Infrastructure Investment Plan (WIIP), the Welsh Government must ensure it puts the policy framework in place to support the prioritisation and delivery of a range of nationally significant infrastructure, for the long-term.

The M4 relief road is one example of a project which has a 'more than local' dimension, due to the potential to significantly boost economic growth right across South Wales. As a result, the WIIP must ensure these projects are prioritised at every stage of the WIIP policy making process.

In order for key national economic infrastructure to be delivered effectively, a plan needs to be in place to enable priorities to be agreed, funding to be found and planning consent granted.

We support the Welsh Government's creation of a ten year pipeline of projects. This should provide the critical mass needed as well as give all parties (business, government, consumer) a timeframe to plan for/around.

The collation of most government infrastructure under one plan will create tensions when projects need to be prioritised. While we support the government's aim of enabling private sector-led infrastructure, it is not without its challenges.

We note the different approach taken by the UK government which has kept social and economic infrastructure separate in their infrastructure plan. The CBI supports this approach and we continue to recommend it to the Welsh Government.

Under the Welsh Government's current proposals, roads will compete alongside hospitals and schools for scant funding. The CBI believes the process for determining project priorities should be protected from the pressure that will undoubtedly follow from all parts of Wales to fund their local project. Independent evidence based process

ensures an infrastructure plan that is not spread too thinly to make the impact our economy needs.

In England, Infrastructure UK sets out the policy framework in an English Infrastructure Plan, and then, as a distinct agency in government, champions their delivery - this model successfully marshals political willpower while maintaining transparency within the process of selecting 'priority projects'. This might be a useful template for the Welsh Government to consider.

Planning: a vital component

Delivering new infrastructure in a timely and efficient manner is a vital component of any infrastructure plan. The failure to deliver new infrastructure efficiently and effectively imposes both a direct and indirect drag on economic growth. The economy is impacted directly through the absence of additional benefits only new infrastructure delivers (e.g. new routes, faster journeys). Indirectly, the economy is impacted by the imposing barriers to subsidiary developments (e.g. lack of capacity can prevent new developments).

The UK Infrastructure Plan is right to underline the three key factors vital to delivering new infrastructure as long term planning; appropriate finance and effective delivery through the planning system. The Welsh Government need to ensure the WIIP integrates these issues into their plan.

The UK Government's Infrastructure Plan also rightly identified the planning system as the 'largest sources of cost and delay in infrastructure delivery' and the pledge to reduce that burden is very welcome. Given the increased reliance on the private sector to fund infrastructure projects, Welsh planning reforms must keep pace with England's; failing to do so will impact Wales' attractiveness as a location for investment.

The UK Infrastructure Cost Review identifies 'uncertainty and time-lags in the planning system [as] key reasons why major scheme outturn costs are in excess of those seen in other countries.' We hope the forthcoming planning reform white paper will address these issues. The CBI report *Minor Measures, Major Results* outlines how the planning system could better support the delivery of major projects. Many of the recommendations within this report could be implemented by the Welsh Government.

Using innovative finance measures

With capital spending increasingly squeezed, a key focus for a national infrastructure plan is on unlocking the potential for private investment, both supporting investment from companies' own balance sheets and unlocking more institutional investment in infrastructure projects.

With public finances stretched, the Welsh Government's role must be to deliver the market confidence needed to leverage the necessary private investment. Confidence can only be created by a policy framework that is transparent, long-term and certain.

Conclusion

To secure the infrastructure that delivers for the economy and the people of Wales, the Welsh Government must focus on five key priorities:

- **Make the right strategic decisions** (e.g. M4 relief road)
- **Set a clear pipeline for economic infrastructure projects**
- **Unlock private investment** – including making full use of the potential for PPPs
- **Get the business environment right for infrastructure delivery** (e.g. planning)
- **Support the private sector to deliver critical economic infrastructure** (e.g. energy and digital)

If these key issues are tackled, there is the potential to deliver modern and reliable infrastructure which plays a central role in economic growth.

CBI Wales will continue to work with the Welsh Government to find a workable solution as business is keen to play its part in delivering this important project. All parties need to work together to ensure the M4 relief road is delivered quickly and effectively.



For further information or a copy
in large text format, contact:

Leighton Jenkins
Assistant Director Policy
T: +44 (0)2920 977600
E:Leighton.Jenkins@cbi.org.uk

CBI

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