Reference:- 8B iii /Southampton & Fareham Chamber of Commerce (7415)

STATEMENT BY SOUTHAMPTON & FAREHAM CHAMBER OF COMMERCE
ON "INFRASTRUCTURE AND IMPLEMENTATION" FOR THE
DRAFT SOUTH EAST PLAN EXAMINATION IN PUBLIC
AT CHICHESTER ON 25 January 2007

This statement is made in the context of two previous annexed submissions:-
Page 8 - ANNEX A 'Planning Gain Supplement' to HM Treasury Feb 2006
Page 11 - ANNEX B Final Draft South East Plan to SEERA - June 2006

1.0 INTRODUCTION

1.1 SOUTHAMPTON AND FAREHAM CHAMBER OF COMMERCE is the leading independent voice of business in South Hampshire. The 1,200 strong membership represents an area stretching from Fareham to the New Forest. The Chamber forms its views through specialist committees which are then reviewed by the Board composed of key employers in the region.

2.0 PRELIMINARY POINTS

2.1 The Chamber welcomes the opportunity to participate in this debate. Concerning the Panel's three questions under the sub-matter of Infrastructure & Implementation in the South Hampshire sub-region, the Chamber first wishes to point out that:

a) The strategy will be largely economy led with a target increase in the annual growth to 3.5% by 2026 and an annual average growth of 3.1% over the 20-year period[1]. The Chamber welcomes this objective on behalf of its members on whom the strategy is relying to deliver this growth.

b) Most businesses are unaware of the expectations that the RSS has of them. It has not been explained to the Chamber or to them how they are to deliver 3.1% p.a. growth. The Economic Strategy which supports the RSS is not specific to the sectors of the economy it is targeting for growth, nor do its sub-regions coincide with the RSS, nor is there an *assessment of land requirements of industrial sectors.*

[1] Note 1: Statement by PUSH: Economic Forecasts and Jobs – Housing Alignment in South Hampshire. Note for EIP: para 4

c) In order to increase their levels of output/activity and profit, firms need:

- Good labour (numbers, skills)
- Access to further education and training
- Low costs
- Good infrastructure, including land/buildings
- Business friendly regulatory environment

The major contribution of the RSS should ensure:

- Adequate supply of the right serviced land for both housing and employment, (the right place, of the right quality)
- Good infrastructure (especially transport)
- Greatly enhanced training/skills (for existing and emerging workforce).
- Numbers of workers (as influenced by housing supply)

Business will always be discouraged by high costs and by regulatory delay and uncertainty.

d) The economy will be one of the two key drivers of the RSS. Growth of the economy requires increased activity by new and existing firms and so appropriate land and premises must be one of its inputs. It follows that the provision of appropriate land for the expansion of existing and the creation of new firms is a top priority. *It should be included as a key infrastructure requirement.* (See ANNEX B)

e) Growth in the economy requires additional workers and additional per capita productivity; the first phase of growth relies not on immigration but upon increased economic activity of the existing workforce (see Note 1).

The *new* housing for 2006-2026 is:

- 75% for existing residents of South Hampshire
- 25% immigration (Note 1, Fig 2)

The 20,800 houses for immigrants add about 2-3% to South Hampshire's population and workforce by 2026. Most new housing (all but 15,000 houses) will be in the existing towns and cities. The majority of impacts from new housing will therefore be matched by decreases in impact from existing housing (eg water consumption, sewerage, education, health, etc) as South Hampshire's own residents move to new houses in which there will be fewer people. Therefore the RSS could generally have a limited net effect on South Hampshire services.

f) However the Chamber accepts that there will be localised impacts on infrastructure from the major new concentrations of growth and change at, for instance:

- North of Fareham (post 2016)
- North of Hedge End (post 2016)
- East of Eastleigh

This will largely be through relocation of population rather than a large net growth. There will be implications on services and physical infrastructure *in those areas*; measures must be taken to ensure that new housing areas are supported by comprehensive services.

g) The Chamber has made constant representations over many years to the local authorities to release additional employment land, if only to replace that lost to housing. Such loss of land in Town Centres and elsewhere can place serious barriers to economic growth and development. *Currently in the Chamber's area there is little, if any, new land zoned for general industry/commercial use which is available either for new enterprise or for the relocation of expanding local enterprises*.

The South Hants Strategic Employment Zone lies east of Eastleigh and north of Southampton International Airport. It is the size of Guildford and is the one major site with real potential for economic growth, but has no access and no immediate prospect of it being funded. It is understood that no new greenfield employment land will be released in Southampton/Eastleigh/Southern Test Valley before 2016. This cannot be in line with the policy of achieving the targeted economic growth.

3.0 EIP QUESTION 8Biii -1

Have the water supply and waste water treatment, flood risk, transport implications of the growth proposals been adequately considered ?

3.1 The Chamber does not consider the population *growth* prospects will significantly affect water, flood and sewerage except on a localised basis for the reasons given above. However, the increase in dwellings per population and lifestyle development will put pressure on these resources, the implications for which need to be carefully assessed.

3.2 Transport is a major existing problem to which the Chamber has constantly drawn attention. (Chamber's Transport Position Paper is under review.) It is highly concerned about existing levels of congestion and, specifically, lack of adequate provision for Southampton Port access and long distance rail links. Transportation problems in the next 20 years will substantially be caused by:

- Historical lack of investment over many years,
- Changes to travel as a result of population redistribution,
- Real growth in economic activity eg. ABP Southampton's current on-site plans,
- Lifestyle changes.

There needs to be yet more effort to enable people to reduce commuting and increase their use of public transport.

3.3 The HCC and PUSH require that growth be *dependent* on infrastructure improvements - particularly transport. Thus the strategy cannot be delivered unless there are major (unspecified) transport improvements, ie the strategy is (a) led by the economy, but (b) constrained by infrastructure; therefore (c) depends on infrastructure, but (d) cash for infrastructure is uncertain and (e) will only be delivered over time. Therefore (f) the RSS strategy cannot be led by the economy, *unless pump-primed at critical points in the infrastructure.*

3.5 Existing rail services are being curtailed along the busy M3/M27 corridors as part of the re-franchising process. This seems to be a Treasury-led measure quite unrelated to the need to relieve the highway system and boost rail use.

3.6 It follows that the RSS must identify and pre-fund the critical infrastructure hot-spots. *It is considered, therefore, that the transportation implications of the RSS have not been adequately considered.*

3.7 *However the SE Plan Transport policy T13 concerning the developing of existing and future Intermodal Interchanges is very much supported. This could be very significant to transport improvements contributing to the economic growth target.*

4.0 EIP QUESTION 8Biii -2

Are the proposals in the Implementation Plan (including for social and green infrastructure) clear, justified and well related to the Spatial Strategy? What are the priorities?

4.1 The majority of the proposals of the Implementation Plan (IP) are targeted at public bodies which provide most of the infrastructure listed. However it is not clear which are critical to achieving the strategic priorities. The IP is not focused on providing essential land and premises. *Employment land, and its access, should be added as a key element of infrastructure. (*See ANNEX B)

4.2 To achieve significant growth from substantially the same workforce, the enhancement of skills is as important as improvements to the physical infrastructure. Such up-skilling needs to be encouraged with fiscal measures directed at employers.

4.3 In IMP 12, the focus is on new private sector development to fund shortfalls in infrastructure provision. *New development should not be expected to fund historic shortfalls*. Tariffs (if they are to come) should not be at a level which discourages the very growth that is sought by the RSS; it should be in support, not replace, government funding. At present the IP is constructed on the expectation that new development will fund shortfalls in all the infrastructure programs. This approach is clearly impractical. (See ANNEX A)

5.0 IN SUMMARY

5.1 *The priority for implementing the strategy must be economic development. The diversion of funds from economic development (including private funding of new employment) appears at odds with the RSS strategy. It has to be said that the proposals in the Implementation Plan are therefore not well related to the Spatial Strategy.*

6.0 EIP QUESTION 8Biii - 3 Will the proposed mechanisms for implementation be effective? Would it be appropriate to include a requirement for a tariff-based approach to be applied to all new development in this sub-region?

6.1 Considering first what the mechanisms are and secondly to which part of the RSS they are directed. The mechanisms are :-

6.2 a) **Co-ordination of public spending** which is always desirable and necessary

6.3 b) **The New Implementation Agency**: There does need to be an agency capable of pre-funding essential ingredients for growth. The IP refers to a Regional Infrastructure Fund and IMP 15 refers to the forward funding of local infrastructure through a banker mechanism. This should not be through a new agency (introducing more bureaucracy and complications), but through one of the existing mechanisms of GOSE or SEEDA, which should be made to work effectively at a local level. *Paragraph 5.6 in the IP, which seeks a single Regional Implementation Plan, is therefore very much supported.*

6.4 There needs therefore to be a commitment to a forward funding budget aimed at issues critical to the achievement of key strategies. Just as critical toward achieving higher productivity is the improvement of local vocational training, which needs to be government funded and directed, but significantly employer led. The needs of business should be better recognised and might be more effectively achieved through the use of a one-stop portal mechanism.

6.5 (c) **Planning Gain Supplement**. The Chamber view is that PGS will be no easier to make work than previous failed attempts *and therefore is not supported*. (See ANNEX A) However the following points should be noted:

- Charges should apply after the developer has achieved a receipt. There is an implication for the timing of cash flow.
- Charges should generally be received and spent locally. The S.106 Agreements should return to matters solely required to make the proposal work; PGS be directed to wider community goals.
- PGS used for locally relevant regional infrastructure should be regarded as a top-up to central funding, not as a replacement.
- 'Planning Gain' receipts must be transparently earmarked for relevant investment and not lost to the general exchequer.

6.6 Generally, the principle requiring planning gain from commercial development appears contrary to the RSS and likely to delay increases in economic activity. The RSS needs to acknowledge that to kick-start economic growth some financial pump priming has to be available. The IP acknowledges this in Key Action 6. *After* some growth momentum has been established it may become possible to benefit financially from the tariff approach.

7.0 CONCLUSION

7.1 The following are not adequately addressed:

- Pump priming funds must be available up-front before commitments are made to a tariff arrangement
- Critical infrastructural investment 'hot spots' must be identified now
- Current infrastructural weaknesses need identifying and resolving now
- New industrial land seen as part of the infrastructural demand
- Enhanced vocational training as essential for growth stimulation.

J Chestnutt

Director General
Southampton & Fareham Chamber of Commerce

ANNEX A
Reference:- 8B iii /Southampton & Fareham Chamber of Commerce (7415)

RESPONSE BY SOUTHAMPTON & FAREHAM CHAMBER OF COMMERCE TO CONSULTATION ON "PLANNING-GAIN SUPPLEMENT" (PGS) BY HM TREASURY

February 2006

Question numbering is that used in the Consultation document (p35):

2.1 What further clarifications to the definitions of planning value and current use value (as described in Box 2.2) would be helpful to provide further certainty to developers?

2.1 The PGS must be net of all site development costs eg fees, planning appeals, paying other obligations, site decontamination, site preparation, drainage etc. All such charges against the development must be taken into account in assessing the PGS charge.

2.2 How can the self-assessment of PGS valuations and liability be made as easy to comply with as possible?

2.2 Very difficult to achieve in practice as the nature of development and land valuations are subjective, variable and open to dispute/avoidance etc. Would probably lead to involvement of District Valuer's office, increasing bureaucracy, time delays, uncertainties, and in turn reducing the net benefits of the tax due to costs of administering - fundamental problem to the current PGS proposals.

2.3 What information on the condition of land at the granting of full planning permission should be made available to the chargeable person?

2.3 The "chargeable person" in most cases will be the developer. The developer will want as much detailed information about the condition of the land as possible in order to assess tax liability and bid level for the site. The developer does not want uncertainty. If this information is not provided by the vendor, bids for the site may be reduced or possibly not forthcoming at all. Equally the vendor may not be prepared to speculate money to secure this information in advance of a sale. End result is delays and uncertainty at best and at worst the site is withdrawn from sale.

3.1 Should payment of PGS occur at the commencement of development or another point in the development process?

3.1 Payment of PGS must be related to point of realization of financial benefit, which will probably not be the same as point of sale. Any earlier point of payment will frustrate the development process and may reduce the number of sites brought forward for development. See further comments below on timing of PGS and forward funding infrastructure.

3.2 Should the Development Start Notice be submitted to the local authority or HMRC?

3.2 Must be local authority, ensuring the benefit of PGS is focused to local needs.

3.3 How should the proposed approach to compliance fit with larger, phased developments?

3.3 Must be related to phased financial receipts.

4.1 To encourage regeneration, should a lower rate of PGS be applied to brownfield land? What might be the drawbacks?

4.1 Yes, essential. Many brownfield sites and other marginal development situations will not be brought forward for development if there is any uncertainty and / or increased development costs through PGS. There should also be PGS relief in other circumstances eg Greenfield sites where regeneration or increased supply of land is required.

4.2 How should a PGS threshold for small-scale development be set? What factors should be considered?

4.2 The principle of a lower threshold or no charge for smaller sites must be correct. However there could be problems of bureaucracy and avoidance.

5.1 Does the development-site environment approach proposed here represent an effective and transparent means of reducing the scope of planning obligations?

5.1 The interaction of the PGS with existing planning obligations may present further obstructions to development. The Consultation paper is not clear or definite about the scaling back of other planning obligations (S106) and this will be dependent on the environment of the development site and affordable housing. It is likely that planning costs will still remain uncertain or unknown and further frustrate the development process and /or increase risk.

5.2 How should infrastructure no longer funded through planning obligations be provided, including through the use of PGS revenues?

5.2 Through PGS administered locally. However timing is a problem in the sense that collection of PGS will be at the point of realisation of value or commencement of development, whereas infrastructure needs to be forward funded. The Consultation document does not address how this will be achieved. Query possible forward funding by Local Authority in the knowledge of future PGS receipts.

6.1 How should PGS revenues be recycled to the local level for local priorities?

6.1 What is “local”? This probably needs some defining which suggests the danger of more bureaucracy and competing/conflicting local needs. Setting of local priorities and who is responsible for this is not clear and may cause significant difficulties in actually delivering PGS benefits.

6.2 How should PGS revenues be used to fund regional level strategic infrastructure?

6.2 PGS must be regarded as only a top up of central funds – but local relevance to the site in question must not be lost. This is a fundamental issue as is the difficulty of maintaining financial transparency.

6.3 How can local and regional stakeholders, including business, help determine the strategic infrastructure priorities most necessary to unlock housing development?

6.3 Organisations such as SEERA and SEEDA must be responsive to "stakeholders" who must have the ability to input effectively into their processes.

FURTHER COMMENTS:

All previous versions of PGS have failed in their objectives for being too complex, susceptible to avoidance and a disincentive to bringing land forward for development.

In the context of PGS it is important that lessons from previous failures are learnt, in particular : -

a) the tax is perceived as being fair
b) complicated calculations should be avoided
c) taxation based on values, particularly land values, is open to dispute between valuers
d) amounts payable should be predictable
e) the rate of tax should not be set at a punitive level

Contributions for defined purposes need to be ring fenced and returned after say 10 years if the project is not delivered.

There is much about PGS which remains unclear. The overriding danger is that PGS simply increases development costs, creates uncertainty and therefore acts as a disincentive for developers to bring forward land for development, thereby singularly failing to meet the objectives of the tax. Those sites that are most at risk are brownfield and regeneration opportunities where margins are already very tight.

The track record for this type of tax, which most definitely increases development costs, is not good!

Signed:

J Chestnutt, Director General,
Southampton & Fareham Chamber of Commerce & Industry

ANNEX B

Reference:- 8B iii /Southampton & Fareham Chamber of Commerce (7415)

COMMENTS BY SOUTHAMPTON & FAREHAM CHAMBER OF COMMERCE
ON SECTION E1 - SOUTH HANTS SUB-REGION
SEERA' S FINAL DRAFT SOUTH EAST PLAN – JUNE 2006

Comments submitted by email 23 June 2006 on 11 Response Forms

1 **Southampton Port**

OPPOSE. Section D4, Policy T10, Para. 1.29. page 101

Saying that the infrastructure and development needs of Southampton Port both short and long term "require further consideration" leaves the Port in a policy vacuum. We consider a strong case already exists for these needs based on the present situation in the container freight industry at the Port.

Except for saying the Port plays a "vital role", the South East Plan does not refer to Southampton Port in strong enough terms as an international gateway and driver of the local economy. Policy RE1 - Supporting Regionally Important Sectors and Clusters - states that "Where appropriate, Local Development Documents will include policies that, i) Ensure that land and premises are available to meet the specific requirements of regionally important sectors and clusters." We believe this is appropriate for the case of Southampton Port now and for the Local Development Documents presently being prepared.

Suggested changes/revised wording: We are aware ABP are putting forward changes to this Section of the Plan concerning the above objection and we support their proposed wording.

2 Southampton Port

OPPOSE: Section E1 -South Hants Sub-region strategy

A fundamental flaw in this section of the S E Plan is the failure to provide policies for the significance of the Port of Southampton, which is of national and regional importance for the economy and transport infrastructure. As such, the sub-regional strategy must plan for its growth in order that the economic benefits it brings to South Hampshire can be properly planned.

This insufficient emphasis gives the impression that there is a lack of appreciation of the national economic importance of the Port and its major role in the growth of the South Hampshire Sub-regional economy. The Port of Southampton is a market choice port. As a piece of long term infrastructure, it needs to grow over the plan period and beyond and the plan must include specific policy support for this growth in an environmentally acceptable and sustainable way. History has shown that a city's fortunes are tied to the success of its port and the Chamber of Commerce wishes to encourage this success as always.

Suggested changes: We are aware ABP are putting forward changes to this Section of the Plan concerning the above objection and we support their proposed wording.

3 Southampton International Airport
SUPPORT: Section E1 Para. 1.28
We agree with SEERA that the Government's Aviation White Paper should have given more emphasis to the potential of regional airports to reduce pressure on the international hub airports.

The final Airport Master Plan under preparation now forecasts an annual passenger through put of 3 million by 2015 for Southampton International Airport. As a regional airport it already makes a very substantial contribution to the local and regional economy with its role in facilitating the growth of high value added and high tech industries as well as providing international links for existing developing business.

Suggested changes/revised wording: References to "Southampton Airport" should be "Southampton International Airport" as with Kent's airport.

4 Rail Freight capacity enhancement
SUPPORT: Section E1 Para. 1.31
We support the need to address bottlenecks on the network that adversely affect rail freight and we are glad to see under Policy T12 mention of enhancement of the Southampton to West Midlands and the Portsmouth to Southampton/West Midlands freight corridors.

5 Water supplies
SUPPORT:Exec. Summary p.8, 5 Regional Policy Framework, Natural Resource
We support the aim "to improve the management of water resources and quality, including greater water efficiency and development of new reservoirs.

But we also stress the need to give priority to this work, to ensure adequate water supplies are ready for the major increase in planned housing and economic activity in the South Hants sub-region. Prolonged water shortages bring economic growth to a halt with subsequent slow, or even lack of, recovery.

6 Provision for infrastructure versus economic development.
OPPOSE: Section E1, Policy SH1 - Overall Strategy, page 238.
We are concerned that no mention is made of the present backlog of transport infrastructure requirements and SEERA's plan to remedy this. If "the scale and pace of land release for development will be related to economic growth and provision of new infrastructure" - then we are already at an economic standstill for a long time.

This is even more worrying if we take account of the recent warning by the Prime Minister to the new Secretary of State for Transport intimating that projects will be brought forward against reduced funding for transport. It has been estimated that the cost of future transport infrastructure requirements linked to planned housing and economic growth are but a drop in the ocean compared to the cost of the existing backlog before any development takes place..

Suggested change: Re-insert a reference from the first draft SE Plan about the "concordat" to be established with Government concerning the "up front" funding for transport infrastructure right at the start of the S E Plan period. (Exec. Summary, p.3)

7 South Hants Light Rapid Transport

SUPPORT: E1, Policy SH10 Sub-regional transport strategy.

We are glad to see acknowledgement of the level of congestion on the strategic transport network including on the M3 and M27 and rail capacity at Southampton and Portsmouth and on the Fareham - Eastleigh east-west rail link. We agree that "Without investment the position is expected to get worse over the next 20 years irrespective of any additional development."

The South Hants Light Rapid Transport project part 1 (first Gosport Portsmouth Fareham link) was turned down for funding by Government last year after many years of research, waiting and re-budgeting. This waste of millions of pounds is now confirmed by the above text in the S E Plan and is highlighted by the fact that an area somewhere between Portsmouth and Southampton is designated by SEEDA's Regional Economic Strategy as being a potential "diamond for growth" area.

Suggested change: Include reference to the need for a Light Rapid Transport Link across South Hants Sub-region, starting with the Gosport, Portsmouth, Fareham link.

8 Casinos

OPPOSE: Tourism Section, Policy TSR4 Para. 5.3 p.210 Tourism attractions.

We regret the lack of mention of public consultation being required in order for the casino advisory panel to "identify areas which are willing to license a new casino".

Under the Town Centres Section, the box on p.200 lists casinos as a category of activity linked to town centres under "Leisure". This would suggest that casinos in town centres are an accepted normal use of a town centre and as such do not require any public consultation, but the types and size of casino now being proposed are far from those normally seen in UK's town centres.

Suggested change: Insert reference to the need for adequate and full public consultation in connection with a local authority awarding any of the new regional, large or medium casino licences for locations in town/city centres.

9 Employment Land

OPPOSE: Section E1 Policy SH1 Overall Strategy, p.238.

And Section Economy, 3. Supply of Employment Land para 3.1 page 64

We note that up to around 2016 development will be concentrated on existing allocations and existing urban areas plus a number of urban extensions. We also note from the Plan that in forecasting the supply of employment land, "the identification of strategic employment sites is not felt to be helpful in the S. East." We are extremely concerned that until 2016 allocation of employment land (originally identified by the Partnership for Urban S Hampshire as 400-500 Ha of new business development land) will continue to fight alongside the housing sector for provision of land allocation.

It appears that the policy has become reliant on the prospect of doubtful sites for which access costs could be prohibitive (land east of Eastleigh, north of Southampton Airport and the proposed Chickenhall Lane Link Road). Reliance and dependency on "opportunistic" land rather than proscribed and agreed land seems an inappropriate way of developing policy.

10 Skills shortages in the construction industry
OPPOSE: Section Economy, Para. 1.16, page 59.
Mention is made of the importance of a sufficiently skilled labour force for the future economic success of growth areas. Table RE2 on the same page shows 10% decrease projected in the number of construction employees needed 2001 to 2026.

There needs to be clearer reference to the funding requirement for closing the existing skills gap. More especially, mitigation of the skills shortage in the construction sector must be planned for and implemented in advance of the development associated with the South East Plan and the Olympics in London in 2012. This will need to include encouraging young people into the sector and to require the education providers to listen and respond to the needs of business.

Suggested changes: The above forecast for a decrease in number of employees needed in the construction sector needs to be updated.

11 Implementation of SEERA's RSS and SEEDA's RES
SUPPORT: Section on Economy, para 1.17 and 1.18 p.60.
Para 1.18 states Government guidance requires SEERA's South East Plan to assist the implementation of SEEDA's Regional Economic Strategy and the RES in turn must sit within the spatial framework of the S E Plan.

Suggested changes: As the RES is based on a 10 year projection for economic growth and the SE Plan on a 20 year spatial framework, it would be recommended to have a review of both the RSS and the RES after 10 years and to ensure close co-ordination in the implementation of both strategies.

In order to achieve the economic growth intended to come from the new planning system, the Implementation Plans for both the RSS and the RES should demonstrate the close co-ordination being undertaken in their implementation.

J Chestnutt
Director General
Southampton & Fareham Chamber of Commerce