

LOCAL INDUSTRIAL STRATEGY

DEFINING OUR APPROACH

enterprise **m3**
Delivering prosperity through innovation



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INTRODUCTION

Whatever the precise future of local industrial strategies, the LEP remains convinced of the need for a strategic framework of agreed priorities which has the backing of partners and stakeholders and which represents a call to action to promote the economy of the EM3 area.

Our current expectation is that the requirement for a local industrial strategy in each LEP area will be retained but the timeframe for their preparation and their nature and focus will change as Government policy evolves. However, whatever shape they do take, a thorough, soundly-based analysis of the economy of the area and the ways in which it can be further strengthened is fundamental.

Such an analysis is also the obvious basis for further deliberation with partners and stakeholders about the interventions that would benefit the area.

This document summarises the work undertaken over the last six months since ‘Developing Our Approach’ (released at the time of the EM3 AGM) which set out the main lines of enquiry to be pursued focused on nine long term strategic priorities for the area. Additional detailed analysis has been undertaken, particularly on the performance of our towns ([part 1](#) and [part 2](#)), on [skills and employment](#), on the strength of our [science and innovation ecosystem](#) and priority sectors, on [digital connectivity](#), on the [low carbon sector](#); and on support for [exporting businesses](#).

That further work will now inform the next stages of developing our strategy which the LEP envisages having three main elements:

1. Completing the full set of evidence and analysis for the strategy by publishing all of the detailed reports which have been commissioned and holding a range of deliberative events over the next few months.
2. Setting out the ‘logic chain’ between (a) the main messages from the evidence and analysis (b) why these findings are important (i.e. answers the ‘so what?’ question) and (c) the broad types of response which could be made. That forms the bulk of this document.
3. Further deliberation with partners and stakeholders to consider the main propositions and help turn them into interventions to be promoted in the full local industrial strategy document as a call to action to which the area will respond.

Other strategic work being done across the area of which EM3 forms a part is also of direct relevance, in particular:

- The initial [statement](#) that the six Southern LEPs (Hertfordshire, Thames Valley Berkshire, Enterprise M3, South East LEP, Solent and Coast to Capital) have developed to express what they bring to the national economy and how they can work better with London. This forms a common backdrop for Local Industrial Strategy discussions between each LEP and Government;
- The [Hampshire 2050 Commission](#) findings which will guide and contribute to the future prosperity, quality of life, and protection and enhancement of the character and environment of Hampshire and to provide a framework for which future plans, strategies and ways of working will be packaged.
- The [Surrey Place Ambition](#) which represents a growth strategy for Surrey which sets out long term strategic priorities and eight spatial Strategic Opportunity Areas to be shaped and delivered in accordance with this shared growth vision.
- The draft Transport for the South East [strategy](#) which will give effect to the mission of TfSE to grow the South East's economy by delivering a safe, sustainable, and integrated transport system that makes the South East more productive and competitive.

ENTERPRISE M3 SUMMARY

ECONOMY AND SECTORS



£50.1bn GVA



Productivity is 3rd highest among LEPs:
GVA per hour = £38.60



2.2% GVA growth over 5 years,
above UK average of 2.1%



770,500 jobs



6% employment growth
over 5 years, lower than UK growth of 9%



Service exports = £11.5bn
Highest among all LEPs

SPECIALISMS IN HI-TECH, KNOWLEDGE-BASED INDUSTRIES



Aerospace, space
and satellite



Games and immersive
technology



Digital Services including
computer programming
and consultancy



Telecommunications
including wired
and wireless

FOUNDATIONS OF PRODUCTIVITY



IDEAS

80% R&D spend
from businesses

Business R&D spend
1.8x higher than UK average

5th highest LEP
for commercialisation
performance

High-value innovation in
**Space, Digital Services,
Materials
& Manufacturing**



BUSINESS ENVIRONMENT

79,625
businesses

**High scaleup
activity**, increasing
by 4.7% between
2014-17



PEOPLE

1,524,800
population

3% population
growth from
2013-18

**Highest employment
rate** among LEPs
at 82%

Lowest share of residents
with **no qualifications** <4%

The population is ageing -
9.8% growth in
65+ age bracket



INFRASTRUCTURE

Strategic Roads are the
M3 and M25 and A3

Strongest broadband
connection in the north
east closest to London

Strong reduction in fossil
fuel reliance with
**38% reduction in CO2
emissions since 1990**



PLACE

68% of workers live
within the area

Net labour importer
(+20k) with
180,000 workers
living outside EM3

487,544 rural
population,
31% of total

639,010 housing stock,
4% increase
between 2013-18

PROSPECTS FOR THE EM3 ECONOMY AND AREA

The LEP submitted a [detailed evidence base](#) at the end of 2019 which was considered by the Government's Analytical Panel and was very well received. The evidence base provides an overview of much of the wider analytical work that has been undertaken, structured around the five foundations of productivity set out in the National Industrial Strategy. The overall picture of the EM3 economy and area which emerges is a crucial backdrop to the rest of this document.

The broad messages reinforce one headline point: **the economy and the area are at or near to a crossroads. There are major strengths but also signs of stress which need to be addressed. This fundamental issue is further exemplified in the vision and associated scenarios set out towards the end of this document.**

A HIGHLY PRODUCTIVE, GROWING ECONOMY

The EM3 region is a £50.1bn economy by GVA, containing 1.5 million people and 770,500 jobs. With GVA per hour worked of £38.60, it is the third most productive LEP area behind only London and Thames Valley Berkshire.

Productivity increased at an annual rate of 2.2% between 2012-17, outpacing the national rate of 2.1%. This growth is especially impressive given that EM3 avoided the worst effects of the global financial crisis, meaning further productivity growth is from an already high base.

The economy is much more diverse than most other areas of the UK and much of it is complex, knowledge based, and high value add. Exports of services by value are the highest of any LEP area outside London.

The economy prospers on multiple fronts: through its knowledge-driven, globally competitive, digital and design-based businesses operating at the cutting-edge of innovation; and through its service-driven economy which supports the resident population and reflects a high level of prosperity by national standards. It is built on deep foundations of high- skilled workers who are attracted by the quality of life in the area, varied job opportunities and good wages: 12% of employment is in Science, Professional and Technical activities (compared to 9% in UK) and 7% in Information and Communication (4% in UK). Innovative businesses in sub-sectors like Space and Satellite, Digital, Games & Immersive Technology and Telecommunications are drawn to the EM3 area by the knowledge-based economy, skilled labour force, proximity to London, and excellence in exporting goods and services. There is a large low carbon and environmental services sector which is embedded throughout the area's sectors and value chains.

However, over the last few years there has been a marked loss of jobs across much of the area and in some of the frontier sectors that are most significant for the economy

Job growth has been stagnant since 2016 with 12,200 net job losses. This is equivalent to an employment shrinkage of -1.6% compared to +2.8% jobs growth in England: the second lowest in employment growth across LEPs between 2016-19. Many of these jobs have been shed from EM3's most productive, specialist sectors, at a time when those sectors are growing rapidly in other parts of the country. Similarly, the net business birth rate has slowed since 2015.

The area remains a powerhouse of business led R&D, innovation and commercialisation with plans to unlock even more value. In principle this makes the economy more resilient, adaptable and capable of diversification from existing strengths.

Business investment is the primary source of R&D (80% of total). EM3's businesses spend 1.8 times more on R&D than businesses in the UK, with high-value innovation occurring in priority sectors such as Space and Digital Services. Commercialisation of innovation is a stand-out strength of EM3's businesses. The region attracts an average of £13.5m of Innovate UK funding each year (and £19.1m in 2018/19) and IUK funding has supported more than 1,200 projects in the region since 2003/04 – the 4th highest number among LEPs.

More can be (and is being) done to support the innovation ecosystem. The region is working to spur innovative activity further by developing closer ties between businesses and Higher Education institutions. Science and research parks are providing dedicated spaces for innovation. Standout clusters, such as games and immersive technology, are receiving targeted support. However, the historic strengths and their sector focus cannot be taken for granted: talent in frontier sectors is footloose and there needs to be a compelling reason for businesses in those sectors to locate in EM3.

As a peri-urban polycentric area within London's gravitational pull, EM3 is comprised of a large number of longstanding small and medium sized settlements which are heavily constrained but provide much of the productive capacity in the area which needs to be used as effectively as possible:

EM3 does not have a single dominant settlement but a network of towns and extensive rural areas. Proximity to London creates opportunities and challenges. Opportunities, because of access to London's complex economy and substantial infrastructure assets (particularly airports and rail networks); challenges, because (as one example) EM3's residents and even its businesses are drawn to opportunities in the capital, resulting in high churn in the labour market and a large daily outflow of residents (32% of EM3's total employed population) to jobs elsewhere.

Employment is very high, the skills base is very strong and economic inactivity is very low but a major part of the economy supports a largely affluent but increasingly elderly resident population.

The employment rate is 82%, highest among LEPs and well above the UK employment rate of 75%. Over the past decade the share of working aged residents with an NVQ4 or above increased by 11.5%, exceeding the national increase of 9.9%. EM3 has the lowest share of residents with no qualifications of all LEPs, although many of its young people choose to attend university elsewhere.

EM3's population has been growing at an annual rate of 3% from 2013-18 and is increasing in all parts of the area. However, the population is also ageing, particularly in rural areas where population growth is significantly driven by older people moving into the area to enjoy retirement. This is a national trend from which EM3 is not exempt but managing how this demographic shift occurs will matter greatly to the area's future.

Infrastructure deficits limit EM3's potential: the area exhibits the 'cost of success'. Investment, particularly on infrastructure, has lagged behind growth in population and in the size of the economy

Infrastructure has not kept pace with economic growth. The region is held back by congestion on its major roads (east-west travel can be particularly difficult) and digital infrastructure which has not kept up with the ambitions of EM3's companies. Strategic rail links require improvement to more effectively link priority industrial regions together, and to connect the South East (of which EM3 is a central part) with the rest of the country. Energy systems, particularly electricity, are at or close to capacity and now limit development.

EM3 is endowed with abundant natural capital, including green belt, national parks and Areas of Outstanding Natural Beauty. Protecting the natural environment and responding to climate change are top priorities to be embedded into decision making and throughout sectors. Yet physical space to grow is required – both for housing and commercial purposes – and land must be carefully managed. Much can be achieved through intensification but that in turn has implications for the focus and scale of investment required particularly in infrastructure and in planning for the future of settlements to retain viability and vitality.

FROM ANALYSIS TO ACTION: IMPLICATIONS FOR THE LOCAL INDUSTRIAL STRATEGY

EM3 has been historically successful and is well placed to be successful in the future. Key to ensuring future success is making the most of EM3's distinctive offering as a highly diverse economy where innovation occurs across sectors and places, supplemented by extra focus on innovation in the sectors where it adds most value to both the local – and national - economy. This will require the area to be competitive as a business location and attractive to highly skilled, mobile workers. EM3 is likely to remain a great place to live. The challenge is to ensure that it remains a productive, dynamic, diverse economy which makes a valuable contribution to the UK's prosperity.

What this might imply in terms of strategy is considered in more detail in the following sections on each of the strategic priorities but at the top level it suggests:

- Interventions which strengthen the case for frontier sectors to locate in the area and which support leading edge innovation (the only way to guarantee talent will be drawn in) and provide more capacity for businesses to collaborate and leverage their collective strengths to take part in such innovation but also to secure change on essential bread and butter issues such as premises, access to finance, connectivity and marketing;
- Further diversification from existing strengths including in the low carbon sector and more collaboration between sectors which increasingly see common skills in their workforces as fundamental to a successful future;
- More of the highly skilled resident population being encouraged to work in the area;
- Horizontal interventions on skills, housing, infrastructure including digital connectivity, smart mobility systems, and the viability and vitality of towns to make the area a good one in which to do business;
- Collaboration with local government to identify where and how physical change and infrastructure enhancement could best happen in terms of the spatial pattern of development.
- Addressing in a sustainable way the increasingly serious constraints on energy, water and other utility services and having a far more comprehensive view about the role of natural capital in shaping future economic growth;
- Promoting decarbonisation and innovation in all of these interventions.

'Developing Our Approach' identified nine strategic priorities for the area. These priorities can be combined into some strategic narratives for the area (sketched out in the 'vision' section below) which reflect their systemic effects. In that context, the concept of the Gateway Region is a crucial overarching characteristic of the area (and is indeed reinforced by the work undertaken by the

Southern LEPs). Few other areas can facilitate international collaboration in the same way as EM3 and the area is crucial for London to continue to flourish. However, rather than treat these locational advantages and connections as a separate priority they fit better as part of the wider vision for the area which the strategy as whole supports.

The further work has reinforced the significance of all of the other priorities but has also suggested that they can be split between two main purposes:

1. **Supporting the success of our businesses** in exporting, innovating and as employers which are fundamental to growth and productivity and which are likely to need primarily additional revenue support:
 - **Science, Innovation and Enterprise** – Stimulating more innovation and greater commercialisation of knowledge in our leading sectors to increase output from the most productive businesses, to promote diversification from these strengths – including from the low carbon sector of the economy - and to spread the opportunities to other sectors
 - **People and Skills** – meeting business needs, promoting a better skilled, supported and healthier workforce and being an attractive and competitive area for prospective employees
 - **Exports** – a major success story for the area but with plenty of scope to increase the number of businesses engaged in exporting and to support the growth of businesses that are already involved.

2. **Supporting the EM3 area as a great location in which to do business** through primarily additional capital investment:
 - **Digital Connectivity** – a step change in connectivity which will address poor mobile and broadband connectivity in parts of the area; meet business needs for speed and capacity in transferring data which is crucial for some frontier sectors; and open up opportunities for implementing smart systems and for transforming public services
 - **Clean Growth and Natural Capital** – articulating the full potential of the area to meet its needs for utility services like energy in a way that is fully consistent with clean growth and the role of natural capital in shaping future economic growth.
 - **Towns** – supporting their future vitality and viability and ensuring that the productive capacity that they offer is fully utilised through collaborative place shaping;
 - **Smart Mobility** – better, cleaner and more efficient connections between businesses and their staff, supply chains and markets to enhance productivity and new approaches to mobility;

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- **Housing** – increasing the supply and diversity of housing to improve recruitment and retention of the people that business needs.

SCIENCE, INNOVATION AND ENTERPRISE

MAIN MESSAGES FROM THE EVIDENCE

The further detailed work on [sectors and innovation](#) reinforces that EM3 has an unusually diverse economy with niche specialisms, high value businesses and business led innovation. In particular:

- **EM3 has one of the most knowledge rich economies in the country due to the diversity of activity and the nature of its specialist sectors** but there is a strong west-east divide, with the proximity to London influencing industry, innovation and business clustering. Primary hubs are Basingstoke, Guildford and Farnborough, all shown to have the largest economies and employment bases, particularly in specialist sectors. Major sectors are space and satellite, aerospace and defence, digital and cyber security, life sciences and med-tech and games and immersive and creative technology.
- **EM3 contains a greater proportion of high-skilled jobs than the national average:** 12% is within Professional, Scientific and Technical activities and 7% in Information and Communications (compared to 9% and 4% nationally) as are six of the top 10 specialist sectors for the area (which include scientific R&D, computer programming, manufacture of computer and electronic products, and telecommunications).
- **Industry drives R&D investment:** Business investment accounts for 80% of R&D spending. Business spend on R&D is 1.8 times more than the average for businesses in the UK. Farnborough is a huge contributor with an internationally important cluster of aerospace companies, business headquarters and an abundance of R&D facilities.
- **Commercialising innovation is a major strength:** The region attracts an average of £13.5m of Innovate UK funding each year (and £19.1m in 2018/19) and has supported more than 1,200 projects in the region since 2003/04 – the 4th highest number among LEPs (although it ranks 14th for the average amount of funding per project). EM3 is ranked 5th amongst LEPs for sales of innovative products (indicating a high success in transitioning patents to market ready products); 7th on creation of new or improved products and 8th on bringing new products to market.
- **Entrepreneurship is a major strength:** the number of innovation active firms in EM3 is 1.13 times greater than the LEP average. EM3 is ranked as the highest LEP for the number of inventors on patents across Digital Communication and Telecommunications
- **Scale up businesses are thriving:** EM3 is ranked 7th among LEPs in terms of number of scaleups, establishing 1,200 scaleup businesses since 2011. University spaces, business incubators and organisations like the EM3 Growth Hub provide the perfect environment for their continued success.

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- **But the wider innovation ecosystem needs to be strengthened:** The data suggests that EM3 underperforms in terms of collaborative innovation, ranked only 18th amongst all LEPs, even with the breadth and depth of innovation and the strength of scale up activity and the role played by bespoke facilities such as Southampton Science Park and Surrey Research Park; business incubators and accelerators such as SETsquared, and workspaces offered by companies like Rocketdesk to ensure businesses have premises which are suited to their needs.
 - **Collaboration between businesses, particularly across sectors, to pursue business development opportunities represents a significant opportunity.**

Why It Matters

Sustaining and enhancing innovation and enterprise in the EM3 area is fundamental to achieving a successful economy in the medium term. The evidence shows that the area has been losing jobs in some frontier sectors. Some firms have been moving away. The reasons for some of the most significant frontier sectors to be located in the EM3 area often reflect interventions made some time ago such as the development of the Surrey Research Park. These reasons do not subsist for ever and need to be reinforced. Talent is increasingly mobile and will be attracted to the most interesting work. Unless there is a sufficiently compelling reason to be in EM3, over time some of the most important businesses will decide that their needs are better served elsewhere.

This is fundamentally important because the opportunity and ability to innovate in goods, services and processes and reach a market are a critical factor in increasing the competitiveness not only of the EM3 economy and the Greater South East but for the UK as a whole.

The evidence to date suggests that **greater collaboration between businesses** focused on business development opportunities may be the single most important contribution to maintaining and enhancing the performance of the area on innovation and commercialisation. Accordingly, networks between firms and other relevant organisations – which may have a spatial focus linked to communities or clusters – are likely to be crucial to making innovation happen and to spread it (including diversification from one sector to others).

The **wider operating environment** including infrastructure and tangible forms of support such as access to finance is also clearly necessary to success, but it is far from sufficient. What might be described as the ‘wider determinants’ of innovation actually lie within firms such as the quality of leadership and management, embedded skills in the business and whether these are well matched to support future change in their business models.

In terms of the operating environment what matters is the combination of:

- broad horizontal interventions that meet the needs of many businesses such as skills, access to finance, business support and workspaces, digital and transport infrastructure

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- more vertical interventions which may be sector based supporting new near-market innovation which attract interest and investment from Government and from firms and knowledge generators in the HEI sector. This may – but does not need to - require specific assets to be developed which are dedicated to innovation such as incubators or accelerators which are relatively few in number in the area (which may be in part because of the proximity of London)
 - the ability of communities or clusters of businesses in sectors or areas to design and commission some of these interventions to meet their needs.

What Next

To respond to this analysis two broad approaches will be examined with partners and stakeholders:

- **Developing propositions for further near to market innovation** in some of the frontier sectors that can galvanise business and research interests and attract investment and help to sustain the area as one in which leading edge activity takes place to which talent will continue to be attracted. Initiatives such as the Health Tech Accelerator (to help health technology companies to develop products, services and processes) and the Future Towns Innovation Hub (which would work with businesses, academics and local authorities on shaping the development of towns towards smart mobility and sustainability) are examples of these kind of interventions. These approaches would be founded on greater collaboration between companies and in wider innovation networks (inside and outside the area). Initially, as the findings from the in depth analysis of innovation suggest, this may require the development of a business led consortium to help steer and shape further work.
- **Developing a prototype for a cluster group.** By way of example, EM3 has been looking in some detail at the issues for the games and immersive technology sector and the scope for these to be addressed through a greater degree of collaboration. Unsurprisingly, these include several of those issues identified above such as access to finance (where the risks may not be well understood by funders coupled with the need for significant up-front resource for development costs); accessing skilled people; the ability to experiment; and the lack of appropriate infrastructure.

EM3 is already funding a sector specialist in games and immersive technology which provides initial capacity to work with businesses from across the cluster that could be further developed to:

- Foster a cluster ecosystem through a client function which would be able to commission services and develop initiatives to address some of the issues which are hindering future growth potential;
- Bridge the private and public sector and encourage collaboration.

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- Encourage the development of strategic investment cases and provide routes for their promotion;
 - After proof of concept and seed funding stage move towards a self-funding model which is sustainable in the medium term. This model may also have the potential to be replicated, or to operate, across wider areas.

If there were sufficient support for the concept, apparatus could be developed revolving around a cluster director or client hub. This would aggregate the interests and needs of firms in the area and work with groups drawn from the industry and from the public sector bodies. The focus might well cover research and innovation and relationships with local skills and training providers, and with legal and financial advisors to shape their response to the needs of businesses in the cluster. In particular, the aggregation of demand would provide greater purchasing power and allow the community of businesses to take action in a way that individual firms would always struggle to achieve.

SKILLS AND PEOPLE

MAIN MESSAGES FROM THE EVIDENCE

The EM3 area exhibits high productivity, high employment, high incomes and an increasing rate of employment among people resident in the EM3 area. In parallel, however, the economy in the EM3 area is employing fewer people than it has done in the past whilst employment nationally has been increasing. The juxtaposition between these apparently contradictory findings is crucial for the kinds of interventions that are needed to support the future vitality of the EM3 economy.

The [detailed evidence and analysis](#) reinforced some expectations about the labour market in particular that EM3 has:

- Very high rate of employment and a growing resident workforce
- Very low rate of economic inactivity
- Highly skilled workforce and a very diverse skills base which reflects the wide range of economic activity in the area
- (By national standards) very high in and out commuting (but a small net inflow) with jobs outside the area being critical to overall prosperity and high incomes
- High skills and employment in frontier sectors

It also provided some significant challenges to our expectations in that the EM3 area is:

- Losing jobs overall - employment has grown by 6.3% since 2010, less than half the England average growth of 12.9% but since 2016 there have been net job losses of 12,200 – a shrinkage in employment of -1.6% compared to a +2.8% jobs **growth** in England
- Losing jobs (almost) everywhere
- Losing jobs in some priority sectors
- Skills shortages are less severe than anticipated (but still significant in some important sectors)
- Net influx of 30-45 year olds to live in the area
- Local lifestyle and service economy is very significant in terms of employment.

The analysis suggests that:

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- a. The South East economy (including EM3 and most of its neighbouring LEPs although not London and areas just beyond the South East) is up against labour supply constraints that make the creation of new jobs in frontier industries in the area increasingly tough. The combination of some increasing demands from the service economy (which reflect workers spending their improving disposable incomes) and wider shortages of skilled workers, mean that business expansion and location decisions in these industries are highly focused on ensuring the greatest future potential workforce;
 - b. As a result, competition is becoming more severe and the EM3 is not performing as well as a competitive location as it has been in the past. This is in part the 'costs of success' argument of increasing activity and population but ongoing underinvestment in some of the basic kit and fabric that make this a good place to do business. House price (un)affordability is one consequence of not keeping up with pressures on the area.
 - c. Commuting has always been a major aspect of the labour market in the area but has previously gone hand in hand with job growth. No longer it seems. The attraction of living in the area remains even with high house prices. The increased flow of people between 30-45 into the area is primarily to live rather than work. A well-heeled commuter population mean that the local service economy will continue to thrive provided that there are workers to fill the jobs – but this is reducing the availability of people to work in some frontier sectors. So, paradoxically, the increase in residents is currently adding to demand for labour (particularly in service industries) but not to labour supply in the area.
 - d. This pattern is reflected across the area as a whole (both the skills and towns analysis suggest that the majority of districts and boroughs have seen a loss of jobs as have many towns) reflecting the general scarcity of skilled workers, although there are some differences between town-based economies.
 - e. In frontier sectors (e.g. digital and professional services) job creation in EM3 has been well below national trends. To an extent employment has reduced because of additional investment, innovation etc. This represents a genuine increase in productivity and is a marked shift from what has been happening since the recession in which labour has generally been retained because it is cheaper to hold on to or recruit people than to invest in kit;
 - f. More significantly, however, the relative performance of the EM3 area in creating jobs more slowly than nationally suggests that the major factor is increased competition. Some employment is moving from EM3 to other areas – including some big companies in priority sectors - and this indicates the comparative attraction of EM3 to other places has reduced.

Why It Matters

A relatively benign interpretation of these findings would focus on the very high rate of employment among EM3 residents and the strong showing of the local service economy. Unemployment and

economic inactivity are very low by national standards and jobs are available for those willing and able to commute. Indeed, commuting keeps levels of prosperity in the area much higher than might otherwise be the case. Some job losses are also the result of productivity improvements.

It is also possible to argue that other areas are catching up with EM3 and that if the economy as a whole is growing then this is an example of levelling up.

A less benign interpretation would, however, suggest that two other major factors are at play: a wider reduction in jobs including in some of the frontier sectors with some companies moving out of the area and fewer jobs being generated than has been the case in the past. Some other areas which have a high proportion of frontier sectors have been continuing to improve. So, it is not just a case of other areas catching up – EM3 is slipping back. The area does seem to be exhibiting signs of being in relative terms less attractive as a place to do business.

This raises some profound questions about the future of the economy in the EM3 area, particularly if these trends continue or accelerate and the economy continues to shift towards the creation of jobs in the local service economy

With major constraints on labour supply there seems to be what can crudely be described as a skills and employment crunch between:

- dynamic frontier industries and a thriving set of lifestyle service industries
- in-area employment and out commuting.

The net result of these forces seems to be that at least some in-area frontier sectors are losing out.

What Next

There is scope to secure a bigger share of the available labour supply but that is only going to happen if EM3 both becomes more of a location of choice for businesses and employers make the right overall offer to prospective workers.

Clearly ensuring that the education, skills and training system in the area better meets the needs of employers will be the focus for the Skills Advisory Panel (SAP - Skills Advisory Panels support LEPs leadership role in the skills system by helping them understand their current and future skills needs and labour market challenges) and the skills report and action plan which it will be developing. This activity will be integrated with the wider local industrial strategy. However, there also needs to be a particular focus on:

- horizontal interventions on housing, infrastructure and the vitality of town economies to ensure that the area remains attractive as a business location;

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- careers intelligence (including mid-career) to help the resident workforce, including 30-45 year olds moving to the area and people who are currently economically inactive, particularly carers and early retirees, to see the opportunities to work in the area
 - enhanced workforce planning by employers influencing education and training provision but also their own employment practices, benefits and job design. A good job offer to scarce talent increasingly means not just salary, not just interesting work, not just personal development but also an organisation that reflects values which have resonance with employees.

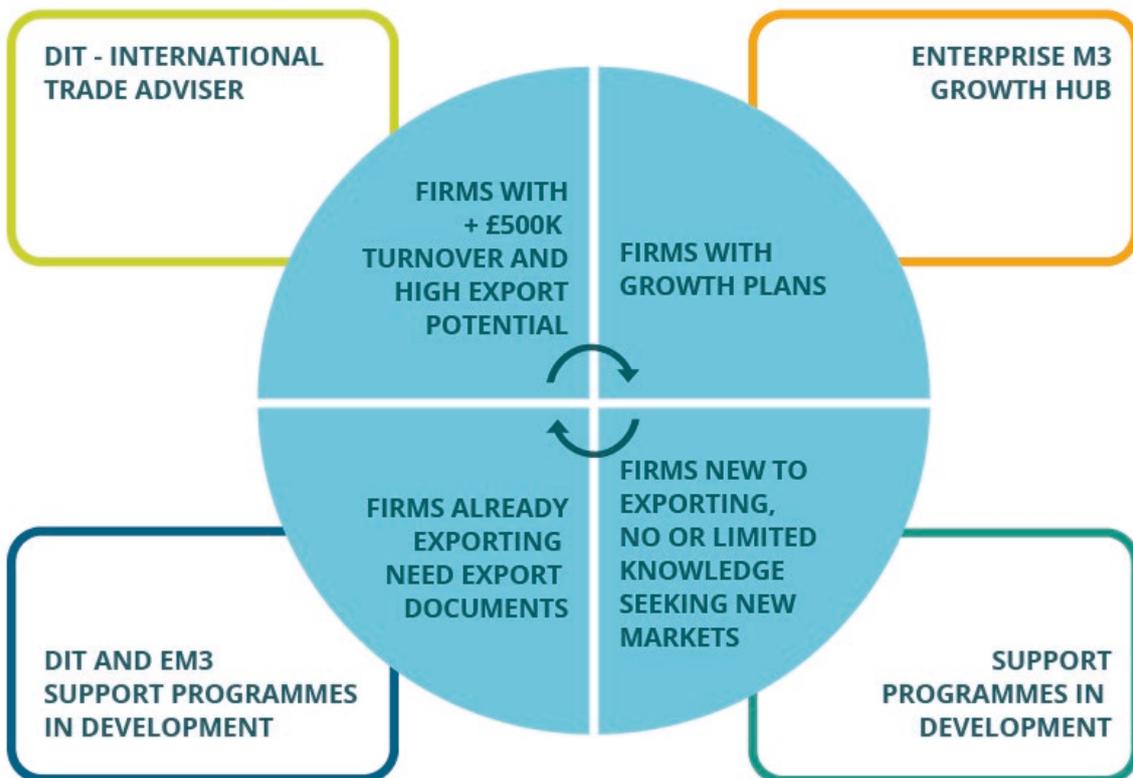
As described above, business led collaboration could design or commission some of these interventions, perhaps on a sector basis, whilst the Skills Advisory Panel will be looking at the wider position on demand and supply for people and skills.

EXPORTING

MAIN MESSAGES FROM THE EVIDENCE

The Enterprise M3 area is amongst the top performers in the country with exports of £26.14 bn in 2017 (4.5% of the UK market): £14.56 bn of goods and £11.57 bn of services (although it is important to recognise that these totals are not constructed on the same basis and are not directly comparable). The performance by value on services is the best of any LEP area outside London and equivalent to one third of the service exports generated in the area that includes the City of London (which is the UK's single most dominant source of service exports). The average value of service exports from NUTS3 areas (excluding London) is £1.1bn: EM3 is comprised of three NUTS3 areas which average £3.85bn. More data on exports can be found on pages 23 and 24 of the Evidence Pack.

This demonstrates the significance of exports for the EM3 economy which, as described below, is both an expression of the strength of some of the businesses in the area and an opportunity which can be further enhanced. Currently only about 10% of businesses are engaged in exporting.



The LEP commissioned a [review](#) of current support arrangements for exporting which suggests that:

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- The range of available export business support offers good coverage with some degree of specialisation between organisations.
 - Lack of co-ordination rather than direct duplication is the major weakness in current provision and there is confusion about the roles of different organisations. This is exacerbated by each organisation being focussed on delivering their own services and, in the case of publicly funded activity, achievement of targets. In other words, the focus is on outputs rather than outcomes.
 - The major gap in provision is in support for those businesses new to exporting or which have never considered it. About 10,000 Enterprise M3 businesses currently export but this is only 11% of the total business population. There is a huge latent demand for export support from new, early stage or inexperienced businesses.
 - Awareness of all current schemes appears low and businesses struggle to navigate the support offer.

Why It Matters

As described in Developing Our Approach, exporting businesses are generally more productive, create more jobs, and pay higher wages than those that do not. Higher value-add and more productive businesses are also more likely to engage in exporting. The precise causal relationship between exporting and productivity is hard to demonstrate (in terms of which comes first) but the correlation is strong.

Selling beyond local markets increases demand for goods and services and as a result helps stimulate more investment. Exporting can also contribute to knowledge spill-overs through access to wider knowledge communities of other high skilled businesses which are also engaged in exporting activity.

What Next

The two main ambitions set out in Developing Our Approach were to promote:

- additional exporting by high value add (including scale up) firms; and
- integrated arrangements between EM3 (including the Growth Hub), DIT, Chambers of Commerce, local authorities and other organisations in the EM3 area to maximise the impact and efficiency of the available support mechanisms.

The findings of the review strongly support the following interventions:

-
- Additional support for new to exporting businesses: businesses need help getting ready to export and provision for such firms has been a lot more limited than for those who are more advanced in their preparations. There may well be changes to increase the diversity of support available, including nationally, to firms at all stages of development in terms of exporting. However, the local partners have been involved in developing a sophisticated tool to help such businesses: putting this on-line as an interactive resource with links on all of the partner websites would be a major step forward. Alongside this are the actions envisaged in the proposed ERDF internationalisation project: to establish an Export Academy supported by a network of Export Growth Leads; a 12-month Pre-Export Programme for SMEs; and a soft-landing zone at the University of Surrey. These need to be pursued even if the specific proposal currently under consideration is not supported through ERDF.
 - Awareness raising through a major marketing exercise in the area supported by all of the local and national partners
 - Enhancements to support for exporting by priority sectors which could be built onto the existing ITA provision but would need to be locally funded.
 - Enhanced co-operation between organisations initially through practical steps on joint working and common mechanisms and processes of the kind described above. EM3 has already started the process of recruiting a Strategic Lead for Trade and Enterprise to work with core partners across the region.

DIGITAL CONNECTIVITY

MAIN MESSAGES FROM THE EVIDENCE

The evidence base includes a detailed analysis of current **broadband** speeds across the area showing the marked contrast between the **maximum** speeds in any area (i.e. the fastest connections available) and the **average** download speed. This reinforces the need for both higher speeds and greater consistency across the area and the step change in digital connectivity suggested in Developing Our Approach.

Areas with the highest maximum speeds (100 Mbit/s plus) are mainly in the north east of the area closest to London, including Aldershot, Guildford and Woking but these are also available within and around Andover, Winchester, Basingstoke and Petersfield.

Areas with lower maximum download speeds (10 – 30 Mbit/s) are mostly in rural areas, including the area north of Andover and east of Woking with the lowest speeds being between Winchester and Petersfield and south of Petersfield (0 – 10 Mbit/s).

The pattern of average download speeds is similar but the typically available speeds much lower. Average download speeds across much of the centre of EM3 are only 0 – 10 Mbit/s or 10 – 20 Mbit/s.

In terms of **mobile connectivity**, the whole of the EM3 area has good network coverage (in the sense of being covered by at least one network). Coverage is better closer to London and being inside a building can limit the access to 4G across much of the area. Critically, however, the lived experience of mobile connectivity will vary across the area because typically individuals only have access to a single, rather than multiple, networks.

The position for businesses is also likely to be different than that for domestic customers. Broadband operators tend to be less interested in individual business customers compared to multiple connections for domestic customers. As a result businesses can be left in the position of having to make the best of what is available; to seek access to commercial providers at speeds of around 60Mbit/s or to have to pay for a lease line if they want the much higher speeds (of around 1Gbit/s) which are needed for business operations. As discussions with businesses across the area have shown, this is limiting their development and the ability to fully digitise their processes.

Why It Matters

Digital connectivity needs to match aspirations for clean economic growth and productivity. Fast, reliable digital connectivity is now fundamental to the everyday economy and society as well as facilitating the rapid and efficient transmission of huge volumes of data which is essential for some frontier sectors; and for the introduction of smart, intelligent systems (such as aspects of smart mobility). Modern digital infrastructure is required for frontier sectors to be able to operate at full

capacity and for the introduction of smart systems such as those associated with the full range of smart mobility opportunities.

Currently the everyday economy is still not adequately served because of slow speeds and lack of consistent coverage. Introduction of smart systems are at an early stage and discussions with businesses across the EM3 area demonstrate the severe practical constraints that are being felt by some frontier sectors particularly VR/AR gaming, big data and machine learning. Companies of this kind have a clear business case for enhanced digital connectivity. The [research](#) that has been undertaken with firms in the area has clearly shown the way in which new business models are being held back from their full potential by inadequate connectivity:

- Virtual Reality Gaming company - remote working currently not practicable and have had to pay for their own fibre connection.
- Managed Services company - private cloud set up using a commercial provider but not able to perform back-ups in the cloud which required alterations to business practices.
- Company testing computer games and VR experiences - using a commercial provider but have major delays on transferring data.
- Big Data consulting - processing CRM and invoice data and build visualisation platforms but with geographically spread teams and communication between them needs to be better.
- Compliance testing house - unable to give remote access to customers.
- Companies not able to develop virtual private networks for individual customers.

Overall the conclusion from the evidence is that:

- Businesses, particularly in frontier sectors, are being held back by lack of sufficiently fast and reliable connectivity; so is the roll out of smart systems;
- This suggest a market failure which an intervention could correct initially mainly concerned with the provision of new fibre;
- Local authorities and public bodies can plausibly engage with this opportunity but to do so will need a very clear focus on governance and delivery models and the associated capability;
- There is also a crucial need for scale to aggregate demand in order to make the business case stand up;
- There is the likelihood of financial payback and future income, but these are not immediate and may require patient investment.

What Next

A set of measures to improve digital connectivity and 5G readiness and capability across the region.

- a. Enhanced connectivity. The LEP and partners have been working on a 'low cost' approach to the installation of ducting to connect more places across the area which could facilitate laying fibre at lower cost and open up delivery options to both public and private networks with opportunity for a neutral hosting model. The risks and opportunities associated with different business models, including for income streams and facilitating innovation, are being examined through the work with the Connected Places Catapult described below.
- b. As a first step a Low Cost Dig Route to link Guildford (5GIC) and Basingstoke is being developed in partnership with Ordnance Survey and a working group of authorities and businesses. Routing is being determined by cost, primarily highway verges and could potentially reach parts of the area, including rural communities and business locations, which would not be on a commercial route but where there is unmet demand. This approach will also help establish opportunities for connecting strategically important regional assets such as major public buildings, blue light services and major business locations.
- c. Supporting local authority readiness for 5G roll outs through involvement in the Connected Places Catapult 5G learning network. The network supports local authorities to develop their competence in commercialisation, placemaking and transformation of services enabled by 5G. The prospective outcome is an increased volume of investment in connectivity.

In particular the network will develop approaches to mapping of local authority assets through a common classification of street furniture and buildings which are viable for deployment of telecommunication infrastructure; detailed analysis of business models for deployment and roll-out of advanced connectivity; and will support authorities to be able to actively engage with communities with confidence in respect of health and safety concerns, promoting a positive dialogue on the benefits and opportunities of advanced connectivity.

- d. 5G Test Beds to increase the technological capability of the Enterprise Zone at Basing View and the wider EM3 area. Specifically, the Living Lab at Basing View will involve building an indoor and outdoor 5G network to enable start-ups, SMEs and larger businesses to trial products, services and applications and bring these to market faster. The approach also includes a Digital Growth Factory that will provide business incubation and acceleration, technical expertise and support, networking and events, commercialisation support, access to academic research, VR and AR facilities, skills development programmes, and flexible commercial space.

LOW CARBON SECTOR, CLEAN GROWTH AND NATURAL CAPITAL

MAIN MESSAGES FROM THE EVIDENCE

Low Carbon Sector

The [detailed analysis](#) of the low carbon and environmental goods and services sector (LCEGS) is split into three areas: low carbon, renewable energy, and environmental services:

- **EM3 has a 9.8% share of the overall UK LCEGS market:** activity is split 49% Low Carbon, 35% Renewable Energy and 17% Environmental Services.
- **The total value (by sales) of LCEGS in 2017/18 was £18.2bn**, which includes core and non-core activities within the sector (i.e. **all** activities and services which are relevant to the LCEGS sector and its supply chain).
- **Core activities account for 25% of total sales** (£4.6bn). Non-core is valued at £13.7bn which demonstrates how extensively the LCEGS sector is embedded in the EM3 economy.
- There is a core specialty in high-end mechanical, electrical and electronic engineering and the associated design, computing and software, particularly at the machine control level, which are all especially relevant in the mid-supply chain in many sectors.
- The **value of exports in EM3's LCEGS sector in 2017/18 was £1.3bn** about 10% of the UK's LCEGS exports in 2017/18 (in line with the EM3 share of the sector).
- **Five main [sub-sector specialisms](#) account for 64% of activity:**
 - a. **Alternative Fuels:** includes R&D functions, alternative fuel providers and process implementation accounting
 - b. **Building Technologies:** includes head office functions, building systems design and consultancy and building systems providers and installers.
 - c. **Wind:** this includes control systems development and manufacture, drive train development, manufacture and system integration.
 - d. **Alternative Fuel Vehicles:** includes process designers and consultancy, process implementation and sales and application development specialists.
 - e. **Geothermal:** includes head office functions, systems and design and international consultancy.

Energy and Carbon Emissions

Across the Tri-LEP area (also covering Coast to Capital and South East LEP) Enterprise M3 has the highest per capita CO2 emissions. The biggest challenge is to reduce emissions from transport systems and operations (the balance is transport 4,618 kt CO2 p.a.; compared to domestic 2,979 kt CO2 p.a.; and industrial and commercial 2,652 kt CO2 p.a.).

Other major challenges include:

- The electricity grid has network constraints across many places in the EM3 which will limit growth and development;
- Waste heat is not utilised efficiently;
- 20-30% of homes are not connected to the gas grid (around 200,000 properties) of which 65% are located within 50m of the gas network and almost a third use oil or coal;
- Air quality is very poor along some transport corridors;
- The economic value of the energy produced in the tri-LEP region is not retained.

Natural Capital

Natural Capital defines assets arising in nature that have the capacity to generate goods and services and can therefore be viewed as sitting alongside other forms of capital and which need to be reflected in decision making. Just in terms of formal designations natural capital has a huge footprint in the area and makes a major contribution to quality of life (most towns in the EM3 area are less than 10 km from an area which has been formally designated). In this context natural capital can be seen as providing:

- assets which need to be properly managed in order to secure maximum resource efficiency: water, woodland, food, energy
- support to human capital particularly in terms of physical and mental health
- ways to address externalities e.g. carbon sequestration, improving air quality and preventing flooding
- business opportunities (increasingly relevant with the Agricultural Bill which places an emphasis on public funds for public goods)

-
- a significant element of the context for business decision making and economic development particularly through the spatial planning system, land use designations and environmental regulatory systems.

Why It Matters

Decarbonisation will be a mission for all organisations nationally and locally. Government policy and the implementation of measures associated with climate emergencies declared by our local authorities will frame activity including opportunities for the development of the LCEGS sector.

The large LCEGS sector is ripe for diversification given the significance of the non-core activities such as the strong engineering capability which can be widely applied e.g. drive-shaft technology associated with advanced propulsion (in aerospace and cars) can be applied to renewable energy generation.

Improving the integration of natural capital into decision making will reduce externalities and improve the management and use of assets. It can also assist with the achievement of other objectives including decarbonisation, resource efficiency, a healthy workforce, better designed towns and smarter approaches to mobility.

What Next

On the **low carbon sector**, to work with stakeholders to identify how the sector could be supported to do more, and how best support businesses to take advantage of the future opportunities that the transition to a low carbon economy will present, and how diversification could be supported.

The approach is likely to have four main elements:

- a. Signalling a clear context reflecting a small number of strategic missions which are likely to be the subject to new policy responses which will require higher standards of compliance. For the EM3 area the two most obvious ones to pursue are decarbonising transport systems and retrofitting buildings on which EM3 has existing clusters of sub-sector expertise (for example on building technologies and geothermal which are directly relevant to retrofitting). Signalling a clear intent to push forward on these issues on the basis of this strong track record could add to the attraction for new firms in associated value chains to locate in the area (and will also help to give effect to some of the recommendations of the South East Energy Strategy)
- b. Increasing the visibility of the scale and the nature of the opportunity for new business development given the track record of activity in the area. In effect this is marketing collateral for further inward investment. In particular the sector analysis that has been undertaken can be deployed to exemplify:

-
- value chains analysis which shows how both core and non-core elements of the low carbon sector have contributed directly to technology developments that respond to the missions
 - specific exporting opportunities for those value chains again using existing examples of how both goods and services are being traded.
 - c. Strengthening the networks in the area that can foster collaboration and bring organisations together behind the missions. These will be essential to provide the connections and expertise that would be interesting to new and expanding firms. Some of the networks will be through university led collaborations but will also include new initiatives such as the Future Towns Innovation Hub which will be based on Southampton Science Park which is intended to work with businesses, academics and councils to develop connected centres of smart mobility, energy efficient housing and the circular economy.
 - d. This renewed push to maximise the way in which existing strengths can be further developed and diversified in pursuit of some clear missions and opportunities may then require some additional bespoke incubation or acceleration support.

On the **Energy Strategy** working with the Tri-LEP Energy Strategy Delivery Group and the Greater South East Energy Hub to take forward interventions in the strategy and in particular to look at:

- Potential renewable energy generation and deployment pathways given the characteristics of the area (solar and wind power in particular)
- Transmission and decentralisation and the scope for local heat networks and local power generation
- Energy use and resource efficiency, particularly in industrial processes
- Promoting self-sufficiency in new developments through greater integration of renewable energy sources and wider infrastructure such as transport, heat, water, wastewater, waste management, etc.

To increase the extent to which **natural capital** is fully reflected in decision making – at the programme and the project level - to improve scheme design and minimise the risk of economic interventions having a detrimental effect on the stock of natural capital or displacing the issue to another area.

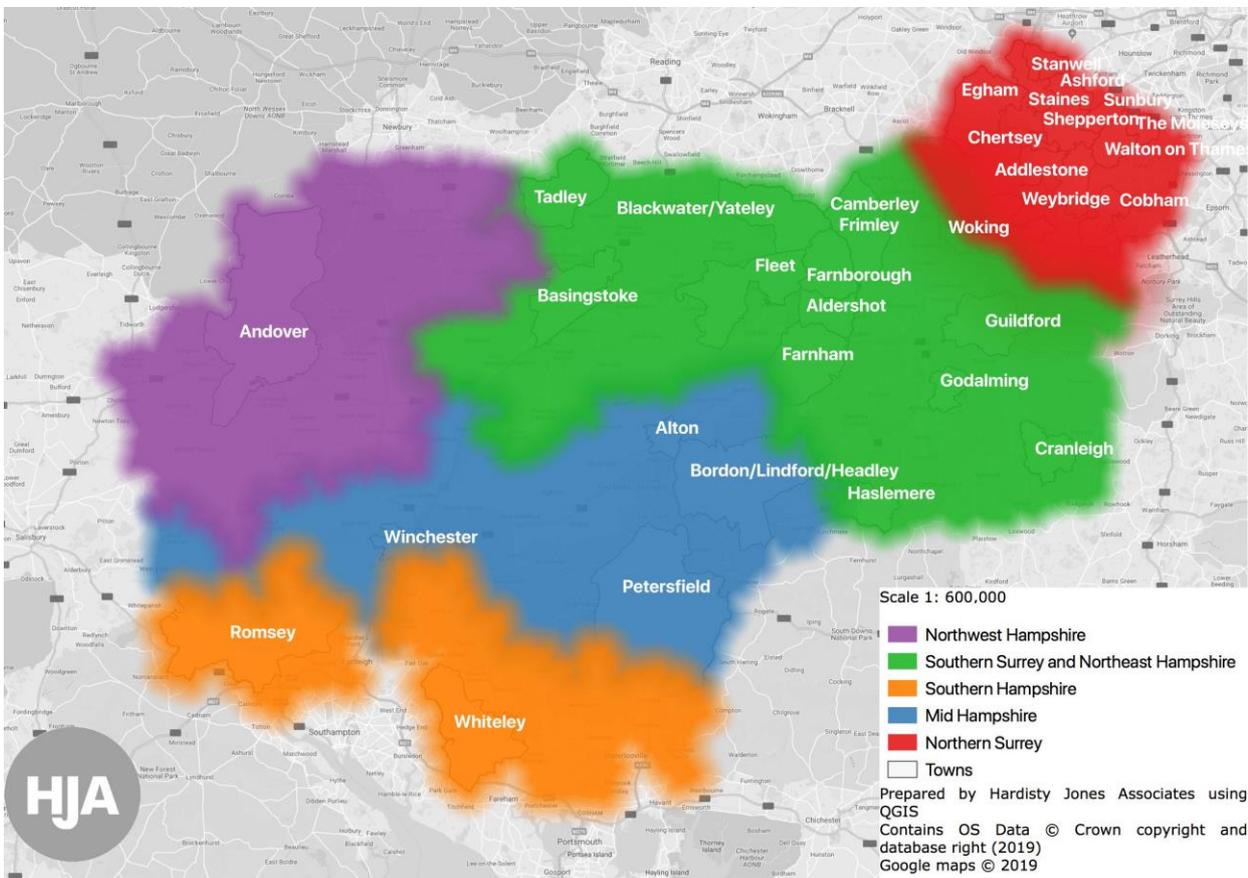
This will require a clearer **vision** reflecting the issues identified above and the inter-relationships with other forms of capital and a more comprehensive assessment (drawing on the work already underway across the area) reflected in a **natural capital baseline**. In turn this will require a collaborative effort across the range of partners including local authorities, neighbouring LEPs, National Parks, Green Halo and landowners.

To support the development of the blue and green infrastructure required to maximise resource efficiency, particularly the management and sustainability of water resources. Resilience needs to be enhanced through appropriate investment in networks and systems and the associated infrastructure to address the pressures arising from population growth and the effects of climate change and the impact of flood, water supply and quality risks on development.

TOWNS

MAIN MESSAGES FROM THE EVIDENCE

The detailed analysis of the characteristics and performance of [towns](#) provides a comprehensive assessment of their economic roles within the EM3 area and illustrates the significant differences in terms of their characteristics. This is examined in terms of metrics such as the size and characteristics of the resident population; the size and characteristics of workplace-based employment including sectoral structure; commuting; business floorspace; some measures of workforce and employment quality such as the productivity index, wages and qualifications; and the role of each town.



Towns do not operate in isolation and there are network effects which have been examined by describing five functional economic areas based on a best fit combining travel to work areas, commuting flows and commercial property data. Towns within the same area have in economic terms more to do with each other than with other places. The boundaries are deliberately fuzzy and some places such as Woking sit on the borders between areas.

- **Northern Surrey** is primarily a residential area: most towns have a residential population below 30,000 and a relatively small amounts of industrial and retail floor space.

- **Southern Surrey and Northeast Hampshire** is both a residential and employment hub with a strong, high-value innovative business base (particularly in Basingstoke, Farnborough and Guildford) with specialisms in space and satellite, games and immersive technology, aerospace and defence, as well as major anchor institutions such as the University of Surrey.
- **Mid Hampshire** has some specialisms such as technology businesses in Winchester but is also characterised by major concentrations of public sector jobs in administration, defence, and health, particularly in Winchester.
- **Northwest Hampshire** is more rural with Andover being the only significant settlement with a high employment ratio and very significant commercial and retail floorspace. This area has strong relationships with the Thames Valley.
- **Southern Hampshire** includes some settlements along the M27 corridor with a very high employment ratio indicating significant in-commuting to the area as well as the Southampton Science Park.

The analysis classifies towns which are significant on one or more the following economic characteristics:

Population and Employment Centres	Employment Centres	Residential and Service Centres	Economic Vitality (e.g growing employment, productivity, business units)
	Aldershot		Aldershot
	Andover		
		Ashford	
	Basingstoke		Basingstoke
Camberley	Camberley		
	Cobham		
Egham	Egham		Egham
	Farnborough	Farnborough	Farnborough
Frimley			
	Godalming		
Guildford	Guildford		
		Romsey	
Staines-upon-Thames			Staines-upon-Thames
			Stanwell
	Weybridge		
	Whiteley	Whiteley	Whiteley
Winchester	Winchester		
	Woking		

Why It Matters

The analysis gives a consistent account of the role being played by towns across the EM3 area and allows for a more fine-grained assessment from an economic perspective than the simpler classification of growth towns and step-up towns in the original strategic economic plan. In addition to those places previously designated as growth and step up towns the analysis suggests that towns such as Ashford (Surrey), Egham, Farnham, Frimley, Romsey, Whiteley, Weybridge and Winchester are also significant for the economy of the area.

What Next

In addition to the main report, the [towns analysis](#) also includes a statement on the economic growth opportunities that have been identified in most of the towns. These include Bordon where 5,000 new jobs are planned in digital, space and clean technology; town centre and Enterprise Zone growth in Basingstoke; Blackwater/Yateley where growth could be driven by Crossrail Two; potential for further development of the film studios at Shepperton; a town centre masterplan and light rail link to Heathrow from Staines-upon-Thames; the development of the cultural quarter in Andover; and future growth of the Science Park in Chilworth.

To accompany or facilitate such development, many of the towns need investment in roads and transport infrastructure, ranging from walking/cycling paths to new motorway junctions. Other infrastructure requirements include new or upgraded rail infrastructure; digital connectivity; public transport; flood defences; and town centre regeneration projects.

The next stage of the work is to knit these specific assessments into the broader patterns of growth and development that are being considered including the strategic interventions proposed by Transport for the South East and the five relevant strategic opportunity areas identified in the Surrey Place Ambition statement: Longcross-Staines-Heathrow Corridor; Woking Hub; Guildford Hub; Blackwater Valley (Surrey/Hampshire); and Cranleigh–Dunsfold Corridor.

This would provide a clear spatial expression of the nature and focus for further investment including in those areas which are relevant for housing (briefly considered in the next section).

In addition, there will be further engagement with stakeholders on the main characteristics of successful towns in the EM3 area; what towns should offer to residents and workers to be successful and how these characteristics can be promoted.

HOUSING

Main Messages from the Evidence

Housing is fundamental to the character and nature of the area and the success of the economy.

The analysis in the Strategic Economic Plan that housing is unaffordable across most of the EM3 area has been further refined in the development of the evidence base which shows how the pattern of unaffordability has changed over time across the area (although the data is quite lagged). There are some marked differences with affordability actually improving in some areas, but the most unaffordable places have seen their relative lack of affordability increase sharply.

The towns analysis has sharpened this further using more recent data to develop a housing affordability ratio calculated by dividing the lowest median house price in each town by the annual median gross earnings data of the town residents. This shows that only two towns (out of 33) – Andover and Aldershot – have a ratio below the England average and Cobham which has the highest ratio is three times the comparable figure for England.

Why It Matters

The implications of the lack of affordable and suitable housing on businesses and in particular on attracting and retaining skilled labour, on making the area an attractive business location and on inward investment remain fundamentally important particularly given the wider analysis that the area as a whole is becoming less competitive.

Next Steps

In terms of housing developments, the LEP will continue to work with groups of authorities across the area to develop their narratives about place, the role of housing within them and the relationship with other plans such as the priorities of Transport for the South East which may support development along strategic corridors. As the new government develops its approach on housing there may be opportunities to which the partners will need to be ready to respond.

In that context, a number of recent announcements have been made about additional Government support for the development of new garden communities in Basingstoke, Hart and at Longcross.

Housing will also be significant for other elements of the local industrial strategy, particularly supporting the viability and vitality of towns and settlements and in supporting rural areas; clean growth, particularly in terms of retrofitting existing housing; and the way in which the South East energy strategy is taken forward.

SMART MOBILITY

MAIN MESSAGES FROM THE EVIDENCE

The LEP is focused on promoting decarbonisation and innovation in transport systems to achieve cleaner, smarter mobility. Harbingers of the future are already being seen. New vehicle registrations, particularly diesel, are falling; digital connectivity is increasing; fewer young people are learning to drive or own a car; travel needs are increasingly being met using technology, such as ride sharing apps.

Local action has a national context (set out in the Road to Zero Strategy and the Future of Mobility Strategy for measures to decarbonise road transport and the potential impact of technological change on service models) and a regional framework in the draft TfSE strategy to guide investment decisions and support for initiatives to make sustainable travel easier and more attractive to people and businesses.

The LEP supports and will seek to give effect to the priorities included in the TfSE strategy in respect of better connectivity, reliability, resilience, integration between land use and transport planning and the development of a smart transport network.

Local action also needs to be seen in the context of:

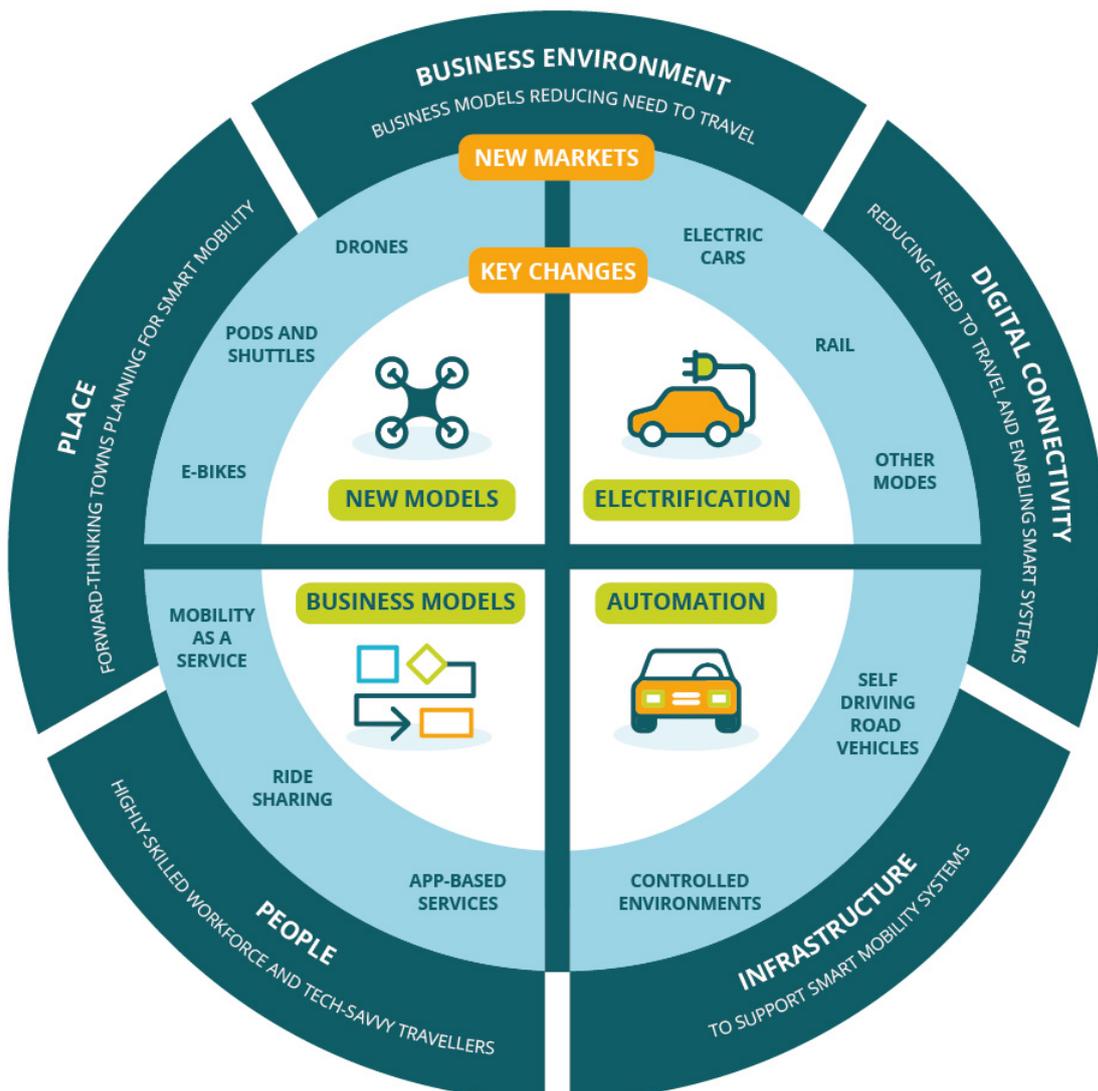
- comparatively poor levels of investment and service in east/ west routes compared with radial north/south connectivity to London. Orbital trips have lower speeds and road and rail networks are not aligned along corridors. There are gaps in orbital connectivity, bottlenecks and limited capacity for expansion along some corridors, including the M25;
- congestion on radial routes particularly around Guildford on the A3 and on the M3/South Western Main Line Corridor. Capacity constraints on the M3 may affect Basingstoke's ability to support economic growth;
- congestion on the highway network and the experience during peak hours. The highest levels of congestion are on roads closest to major urban centres. Congestion is concentrated to the north east of EM3 in Elmbridge, Woking and Guildford area and in the south west of EM3 to Southampton
- forecast growth in road traffic: likely to be greatest in Basingstoke, the Blackwater Valley and the Winchester area.

Why It Matters

Smarter approaches towards connectivity and mobility – **described on the diagram below** - are critical because:

- transport represents the largest source of emissions in EM3, accounting for around 50% of the total;
- the EM3 area (and neighbouring LEP areas) are losing jobs because they are now in comparative terms seen as less attractive business locations, in part because of problems of mobility and connectivity (which manifests as congestion)
- the importance of supporting international trade and inward investment through connections to the gateways which are so crucial to the EM3 area such as Southern Access to Heathrow and the improvements needed to support expansion at the port of Southampton
- the interaction with enhancements to digital connectivity in developing smarter ways of working, reducing the need to travel and introducing smarter systems for managing mobility particularly where final mile connectivity is crucial
- growth and development, including on housing and the future viability and vitality of our towns, depends on suitable connectivity infrastructure and mobility services.

A systemic approach to smart mobility



What Next

In the context of wider approaches to place and development as described in preceding sections, the LEP will support:

1. Enhancing planning for smarter approaches to mobility through localised improvements in and around some of our towns and in rural areas with a combination of smart infrastructure and new services including automated vehicles, connected vehicles, electric vehicles and Mobility as a Service.
2. Improvements along major corridors such as A33 Basingstoke – Reading, A34, A320 and A31, particularly where these will promote or facilitate development. These are shown on the **map** below which sets out the **12 priority interventions for the EM3 area**.
3. Longer term strategic infrastructure interventions along major corridors which are reflected in the TfSE strategy (which are also included on the **map**).

Priority Transport Schemes



A VISION – AND SOME SCENARIOS – FOR THE EM3 ECONOMY

The evidence and analysis that has been undertaken and is summarised in the preceding sections gives a good sense of specific aspects of a vision for the area. However, these can also be drawn together as **strategic narratives which reflect systemic relationships**. Amongst the most significant of these narratives are the following:

- **A good place to do business** with appropriate infrastructure in place for the resident population and the scale of economic activity which reflects adaptation and transformation towards clean growth. Digital and physical connectivity meets every-day needs for residents and businesses and offers frontier sectors the level of capability that they require to flourish. Energy needs are managed and met through measures including low carbon heating, renewable energy generation, energy saving and efficiency, smart energy systems and transport. The natural capital of the area is fully reflected in decision making with blue and green infrastructure in place to maximise resource efficiency
- the **Greater South East Gateway Region** maximises access to global markets through our ports and airports and the potential of the sub-regional economies associated with those gateways. There are fast, reliable connections to ports and airports; effective linkages between the major centres and the transport hubs within the South East and rest of the UK and improved orbital and east-west movement across the EM3 area; and the relationship with London focuses on promoting mutual economic interests;
- **Growth, innovation and productivity in our frontier sectors** is supported with digital infrastructure that is consistent with their needs; thriving networks of businesses and other organisations are able to influence the way in which their needs are met and they in turn provide prospective employees with the mix of job design and lifestyle opportunities which attract them to the area;
- Investment, particularly on **infrastructure**, is focused on an agreed view on the future spatial pattern of growth and economic activity which reflects the roles played by places across the area and those which have the greatest potential for additional development or enhancing connectivity between those places
- **Towns** have the digital and other infrastructure needed to support an increasingly multi-functional mix of flexible workspaces, housing, leisure, culture, public services and local services which allow more people to live and work locally reducing their need to commute whilst maintaining access to wider economic opportunities. As a result, more people in the middle part of the careers choose to both live and work in the area. There is active planning for intensification of activity in towns to maximise their productive capacity but with a focus on high quality development and sustainable housing, green spaces, climate change adaptation, smart mobility and practical steps to implement the circular economy.

-
- High speed broadband and mobile connectivity is available across the more **rural** parts of the area; smart mobility approaches have been introduced to support movement, including to and from the towns in which many more rural residents work or visit and the supply of affordable housing and flexible workspace is distributed across the area allowing more people to work from closer to home
 - The **health and well-being of the population** is a central focus for economy and society being a reflection of, and a contribution to, both. This reciprocal relationship is recognised in the collective focus on a healthy workforce through addressing the wider determinants of health including well planned and well-functioning towns in which more people live and work, good employment practices and well located, accessible, integrated health and related services which promote public health, staying healthy and early intervention.

FUTURE SCENARIOS

The vision set out in the preceding section is the desired state for the EM3 economy which the LEP will be seeking to promote in the local industrial strategy. However, as described at the start of this document, the area is at something of a cross-road with one direction characterised by a highly competitive, outward facing economy and the other by an increasingly strong focus on local services for the resident population.

To illustrate this further the following scenarios describe the two ends of the spectrum in terms of the future comparative advantage and resilience of the area:

Scenario 1: A Globally Competitive Economy

- a highly skilled workforce
- major focus on exporting particularly in-service industries,
- very strong frontier sectors which are organising as effective clusters and communities to promote their interests and meet their needs;
- workforce demand is met including through high levels of participation from the resident workforce and people in mid-career
- reduced out-commuting;
- intensification of activity in existing settlements which attract more people in the 30-45 age group given the combination of good quality of life and a strong job offer
- infrastructure – including digital connectivity – is in place to create an environment which attracts inward investment

-
- excellent, reliable connectivity to London, airports and ports and the rest of the UK.

Scenario 2: A Local Service Economy

- a greater proportion of the workforce is working in non-traded sectors
- resident employment remains high but job losses in the area continue and commuting increases putting more pressure on transport systems
- the infrastructure deficit is not fully corrected, investment in digital connectivity and the connections to London, the airport and ports is slow or insufficient with investors saying that the business case is no longer sufficiently compelling;
- frontier sectors become less prominent and some firms move to other locations or abroad;
- exporting becomes less significant because the relevant sectors are less well represented in the EM3 area;
- over time inward investment reduces;
- some towns become largely residential settlements with the proportion of residents over 65 increasing to well over 30%.

FURTHER ENGAGEMENT ACTIVITY

In accordance with the approach set out in the introduction the LEP envisages the following elements in taking this work forward:

- a. the LEP would be pleased to hear from partners and stakeholders using the email address lis@enterprisem3.org.uk about any aspects of the approach set out in this document and in particular:
 - the main propositions for further work and interventions and how they might be given practical effect;
 - the vision and the scenarios;
 - offers to help with the next stages of the development of the strategy.
- b. a series of deliberative events, including through the existing LEP Action Groups, and workshops to which relevant partners and stakeholders will be invited. This will include the Skills Symposium on 24 March (which will be specifically aimed at how the analytical work that has been undertaken can help inform the curriculum for education and training organisations in the area).
- c. a 'summit' for a wider audience which is likely to be in late April or early May which will present the further work that has been done and the main elements of the emerging strategy.
- d. a call to action for all partners and stakeholders to take forward the final strategy at the LEP's AGM on 24 June.