

## **“The South West’s economy and environment”**

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First of all can I say how pleased I am to be speaking at this year’s ENVEC conference, and that the South West of England Regional Development Agency has been able to sponsor the event again. I do have a confession. I have not actually been to ENVEC before but from what I have seen and heard so far I will be putting next year’s date in my diary as soon as Phil has confirmed it.

I have been asked to talk to you about the South West economy and its relationship with the South West environment. This relationship has been a little tenuous in the past and was certainly more often than not viewed as being somewhat negative. But, when the RDA published the region’s first economic strategy in 1999 it made a clear statement that the environment is a driver of economic prosperity, placing it on the same level of importance as the more well known and undeniable economic drivers of skills and learning, and innovation and technology.

The relationship has had its ups and downs since 1999 but we are now making real progress towards demonstrating the cost if we don’t integrate the economy with the environment and the opportunities if we do.

This conference comes at an important time because the RDA is refreshing the Regional Economic Strategy, alongside the Regional Assembly’s work to prepare a new Regional Spatial Strategy. The region is therefore considering carefully how it can support and encourage a dynamic growing economy to continue into the future whilst managing the economy within environmental limits. I hope that by the end of my presentation you will be even more enthused about the opportunities that this challenge offers us, and be eager to work with us to prepare and importantly implement an innovative, future proof new RES.

## Economic Prosperity

I want to start by telling you about the South West economy. Prepare to be bombarded with facts for which I apologise. My reliable script will be available on the oursouthwest website by the end of this week. I hope it will be as helpful for you as it is for me this morning!

The SW's **economy** has been doing really well lately, growing in line with the UK average over recent years at 3.2% per annum. Forecasts suggest that this trend is set to continue over the next 10 years.

**Employment and unemployment** ratios are amongst the best in the UK. Employment is over 3% above the national average while unemployment is 1.4% below. The last 10 years have seen 225,000 new jobs created in the SW, a trend that is set to continue with 460,000 new jobs being forecast over the next 20 years.

Over the last five years we have seen SW nominal GVA (Gross Value Added) growth, which is a measure of **productivity**, bettered only by the East of England region, contributing over 8% to UK GVA. The northern sub region of Gloucestershire, Wiltshire and the West of England is the 5<sup>th</sup> most productive sub region in the UK, with Swindon being the 3<sup>rd</sup> most productive area after West London and Berkshire.

Last year we had the highest level of business start-ups that used new technology than any other region including London, almost doubling in one year from 17% to 30%. Specifically, we had the third highest level of high technology patent applications per million inhabitants in the UK.

Our **exports** are increasing very slightly, with 5% of the UK total in 2004 being made up by SW businesses.

More of the region's working population have good qualifications compared with the rest of the UK.

Over the last decade, the SW's population (which has recently reached 5m) has grown faster than any other region except London and the East of England. Latest forecasts suggest the SW's population will grow by a further 700,000 over the next 20 years. This comprises of natural population growth from within the region and in-migration, mainly from London and the South East. 75% of these in-migrants are of working age.

So, in summary, we are part of an increasingly integrated global economy and the SW is responding to the challenges and opportunities that this brings.

Confidence in our economic future is high.

## Environment Driver

There is clear evidence that one of the reasons for the SW's economic success is its environment. Research a few years ago concluded that 12% of the regional economy relies **directly** on the land and landscape.

Let me give you some examples.

The South West region hosts a fifth of all **tourism** trips in England, being surpassed only by London as a tourism destination. Visitor spending contributed over £5 billion to the regional economy, with tourism supporting around 225,000 jobs. More than 10,000 businesses are involved in the provision of accommodation and attractions in the region while many others in the retail, catering and transport sectors rely on tourism spending. The nature and distribution of tourism has changed so that virtually all communities are now touched in some way by tourism.

The quality of the natural environment is the reason why **75%** of these visitors come to the South West.

- One third of the region is designated as a National Park or Area of Outstanding Natural Beauty.
- We have 3 World Heritage Sites – Bath, Stonehenge and Jurassic Coast, with Cornwall's mining heritage bidding to become the fourth.
- 80% of the region is under agriculture and forestry.
- We have the largest concentration of built heritage.
- There are 287 historic parks and gardens, and 1,509 conservation areas in the SW.
- We have over 200,000 ha of woodland and forests.
- More rivers and canals in the SW are rated in the good / fair category than in any region.
- Half the total identified bathing waters in England are in the SW, with over 90% complying with the EC Bathing Water Directive.
- Our 500 miles of coast accounts for one third of the total English coastline.

This 500 miles of coastline supports a **marine industry** in the SW that employs 20,000 people in 1,500 businesses, making a significant contribution to GDP as one of the region's priority

sectors. The region is home to some internationally significant players including Princess Yachts, Sunseeker and the European manufacturing HQ of Hunter Boats. But our real strength lies in the innovation and technical expertise of the diverse range of SMEs in the marine sector.

The rural nature of our landscape supports another important part of the SW economy, the **food & drink sector**, which contributes over £3bn to the regional economy and employs over 42,000 people in some 2,400 businesses. Sainsbury's alone sources some £500m of produce per year from the region. 42% of England's commercial fishing operations and half of the shellfish waters are here in the SW.

With these facts it is perhaps not surprising that the environment has such a direct impact on the SW economy.

But that is not all.

The **quality of life** that we all enjoy here in the SW, and which is often associated with environmental quality and cultural opportunities, is a major attractor of investment, businesses and workers. Society is valuing this more today and a recent survey, which concluded that people living in the SW were happier than in any other region, demonstrates this. It seems our secret may be out!

## Precious Resource

But, our environment is a precious resource that is facing some very real challenges:

The forecast population growth I referred to earlier of 700,000 people over the next 20 years equates to construction of approximately 28,000 new dwellings per annum, an increase of 7,000 dwellings per annum compared with the past 10 years.

There is a need for a balance to be struck between retaining and enhancing people's quality of life and ensuring urban and rural communities are supported by appropriate development.

Increasing globalisation is leading to a growing interdependence of different parts of the world economy which is encouraging more and more travel.

In terms of climate change, I don't think I need add too much more to what Andrew Lee said. But the nature of modern lifestyles **is** putting more and more pressure on the environment through the consumption of more natural resources and the production of pollution and waste. Recent research concluded that if our current ecological footprint continued into the future, the SW would need three planets and not just the one that we share.

There is increasing evidence that oil, as the main source of energy and power, will continue to get scarcer and more expensive. We therefore need to move towards using alternative fuel and energy sources. However, only 2% of the region's energy currently comes from renewable sources but yet we have a target to meet of 11-15% renewables by 2010 – that's just 6 years away!

In terms of waste, 11 million tonnes are produced in the region every year. But only 19% of household waste and around one third of commercial and industrial waste is recycled. We are likely to run out of landfill site in less than 8 years. And this is based on out of date population and economic growth forecasts.

Road traffic has increased dramatically over the past few years, and the fastest growth is on the rural road network. This is coupled with a lack of suitable alternative public transport, particularly in rural areas. This growth in traffic is set to continue

and even with significant investment in our transport network, congestion is still likely to be an issue in our main urban areas. And we all know the resulting environmental impact of congestion.

So, some scary statistics. And these are just a few of the environmental issues we need to manage. But the positive news is that they are now firmly on the agenda of government, and business, and individuals. Awareness has improved ten fold. The focus is now moving towards providing support to change behaviour and reduce our impact on the environment.

## Opportunity not cost

I said at the start of my presentation that I wanted you to see this challenge as an opportunity and not a cost.

We clearly need to decouple economic and population growth from the environmental impact that we have seen increase over many years. While this is clearly a challenge that national government is now beginning to tackle head-on, as evidenced by the UK government's new Sustainable Development Strategy, Securing the Future, it is also an opportunity. We have plenty of evidence of this here today in the exhibition but I want to give you a just few more examples:

Between us here today we have real evidence of the reduction in cost that **resource efficiency** can bring about, either by considering more carefully how we use electricity – turning off the stand by button on the TV at home or introducing motion sensitive lights at work - or how we generate and throw away waste – printing documents double-sided or providing recycling bins in the office – or the water we use - when we fill the kettle or wash the car.

What might be waste to you is more than likely to be a **resource** to someone else. It might be obvious that an old sofa to one family is a comfortable piece of furniture to another, and we know that our vehicles can be run on someone's used cooking oil. You will have all seen the advert that explains in just 6 weeks a metal can could be recycled and used as part of a fridge, a car, a plane "or simply another metal can!", and that glass bottles can be recycled into house insulation, plastic bottles could be made into a cosy fleece jacket, and paper could become part of a road or race-track! But did you know that 2 tonnes of batteries equates to 800kg of pure silver with a current market price of around £80,000? It is time to start thinking of waste as a resource, and the new business opportunities seem endless.

The concern about our future energy supply is encouraging government policy to really drive the development of the South West's **renewable energy sector**. We already have a number of UK firsts in the development of new technology, such as:

- the first commercial wind farm at Delabole in Cornwall;
- the first commercial pyrolysis plant in Avonmouth;

- the first large scale anaerobic digester in North Devon;
- the first experimental tidal stream turbine off the North Devon coast;

Plans are well developed to build the world's first wave farm off the North Cornish coast and we have some exciting initiatives developing in biofuels and energy from waste.

Supporting these technologies are a number of regional businesses that lead the world in renewable energy modelling, project development, and device design and installation. If we can capitalise on all of our strengths and keep one step ahead of our competitors then the SW could realise significant benefits from this emerging sector.

With population growing rapidly in the SW, recognition that we need to provide more houses to meet demand, and a commitment to addressing the stark fact that 18 districts in the South West are amongst the 40 most unaffordable in the country, the construction of new dwellings and refurbishment of old ones is central to becoming a more energy efficient and low carbon economy. But again, this is an opportunity for us to develop the skills necessary to support a booming **sustainable construction** industry in the region, an approach to building that will have to become the norm soon.

We have a lot to be proud of and many more opportunities are there for the taking. In 1999, An Environmental Prospectus for South West England was published which stated that environment related economic activity contributed at least 100,000 jobs and £1.6 billion to the South West region. I know this fact has been recycled at events such as this one frequently. Maybe it's time to review it. I have no doubt that the trend has been upwards since 1999.

## **RES Refresh**

I hope I have wetted your appetite and encouraged you to see the environmental challenge we have in an even more positive light.

The RDA has published the draft RES for consultation and I encourage you to pick up a copy from our stand in the exhibition or visit the RDA's website. Please help us to capture these opportunities in the new RES.

But, I know that I'm speaking to the converted. We need to get this message out to those that aren't thinking about their environmental impact. There is a buzzing environmental technology sector in here and out there and plenty of cost savings to be made. There is a mass of advice and guidance to help people in their homes or at work. And there is an increasing amount of investment available.

But we do need to work together in partnership to spread the word and share best practice.

The RDA certainly looks forward to working more with you in the coming months and years.

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