

Economic Role of National Highways

Role 1: SRN-Reliant Sectors



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1. Introduction

Resilient, reliable and value for money connectivity for SRN-reliant sectors

The strategic road network (SRN) is vital to the success of the UK economy. The SRN is the largest part of a wider integrated transport system that businesses rely on every day to operate successfully, in order to access their workers, suppliers and customers. The SRN is also the physical backbone to the UK's freight, logistics and distribution system upon which all sectors of the economy rely to varying degrees¹.

As the custodian of the SRN, National Highways makes a significant economic contribution to the UK economy in terms of:

1. Connecting the country by providing strategic connections across the UK.
2. Enabling international and domestic trade.
3. Reducing delays and providing safe, reliable journeys for businesses and people.
4. Facilitating the sustainable delivery of new development in the right places.
5. Capital investment in transport and supporting infrastructure.

In performing these roles, the SRN directly supports the functioning of key sectors of the economy (identified collectively as 'SRN-reliant sectors'). The SRN is central to the operation and success of the businesses which make up the SRN-reliant sectors by:

- Increasing productivity and reducing operational costs – improving the ability of businesses to compete.
- Providing critical access to suppliers – helping businesses to strengthen their supply chains by ensuring fast and reliable delivery of goods and services and other core inputs.
- Improving access of workers to employers – giving people access to job opportunities and opening up skilled labour markets for employers.
- Facilitating deliveries to customers and providing connections to new markets – helping businesses to satisfy and expand their customer base.
- Facilitating agglomeration (clustering of businesses) – strengthening business performance through partnership, competition, and efficiencies.

The SRN plays different roles for different types of businesses and locations. However, businesses in all areas require good connectivity to other parts of the UK and international gateways to facilitate access to markets, suppliers and labour markets.

¹ Vivid Economics for National Infrastructure Commission, *The Value of Freight*, 2019.

2. What are SRN-reliant sectors?

Research carried out by Cambridge Econometrics for National Highways defined those sectors which have a significant reliance on the SRN, and in turn measured their contribution to the national economy².

These fell broadly within the following four 'super sectors' which were further sub-divided into 22 specific economic activities³:

1. Freight & logistics
2. Primary materials
3. Manufacturing
4. Construction

The majority of these sectors were identified as being 'SRN-reliant' because they are heavy users of the SRN in fulfilling the supply or distribution of goods. Some of these sectors are also reliant on the SRN to deliver key services which require road transport. Other sectors are related to the use of the SRN for the transport of passengers, workers and customers.

The analysis shows that these sectors represent an estimated £410bn of Gross Value Added (GVA) annually (equivalent to 2.5 times the value of the SRN itself), and 7.6 million jobs; by the end of our long-term strategic plan period (2050) this is forecast to increase by 41% to £578bn GVA and 8 million jobs.⁴

Case Study: Freight and Logistics Sector

Freight and logistics industries represent the most prevalent SRN-reliant sector. The freight and logistics sector alone is worth an estimated £127bn of GVA⁵ supporting at least 2.6 million jobs which are reliant on the SRN. 99% of all freight in Great Britain uses the road at some point, and the total is increasing by 1.1% each year⁶.

From a jobs perspective, reliance of the sector on the SRN is growing. Over 600,000 new jobs were created in the logistics industry between 2012 and 2021, and it is estimated that for every 1,500 logistics jobs, a further 1,000 are supported in the wider supply chain through indirect and induced effects⁷.

Some 70% of all road freight uses the SRN and DfT survey data shows the tonnage load of each Heavy Goods Vehicle increased from 6.2 to 8.4 between 1990 and 2019⁸. This trend is linked to the rapid development of a sophisticated network of national and regional distribution centres accessible from the SRN and connected to

² Cambridge Econometrics for National Highways, *Refresh of the contribution of SRN-dependent sectors to England's economy*, 2023

³ Selected sub-sectors of the 22 have been combined in the diagram for presentational purposes.

⁴ Cambridge Econometrics for National Highways, *Road Reliant Sector growth up to 2030 and 2050*, 2022

⁵ DfT & DLUHC, *Freight, logistics and the planning system – Call for evidence*, 2023.

⁶ Lichfields, MDS Transmodal, Cushman & Wakefield, *Freight and Logistics Study*, 2023

⁷ Lichfields, MDS Transmodal and Cushman & Wakefield, *Freight and Logistics Study*, 2023

⁸ Continuing Survey of Road Goods Transport (2021/22), cited in the *Freight and Logistics Study*, 2023

international gateways (rail, ports, airports). A comprehensive study⁹ of the freight and logistics sector prepared for National Highways concluded:

1. The SRN is fundamentally critical to the national economy through its role as the physical backbone to the country's freight and logistics sector.
2. The national economy relies on the SRN to facilitate inter-regional, long-distance trade including international freight traffic.
3. The SRN contributes to the competitiveness and productivity of businesses which depend on cost effective and reliable movement of freight.
4. The SRN represents the single most important factor in the location decisions made for the development of national and regional distribution centres.

The primary concern of cargo owners and freight operators is to maintain or enhance productivity by minimising costs. The faster and more reliably a transport network allows traffic to operate, the more productive assets and labour become. The SRN is therefore central to enabling productivity gains within the freight and logistics sector.

⁹ Lichfields, MDS Transmodal, Cushman & Wakefield, *Freight and Logistics Study*, 2023

3. What are the characteristics of road reliant businesses?

To understand in more detail how businesses in specific sectors use the SRN, a comprehensive, empirical business survey of over 1,000 businesses operating within the defined SRN-reliant group of sectors was undertaken¹⁰. The survey provided a statistically significant sample of businesses which was representative of the range of SRN-reliant sectors, business size, turnover and region.

A key output of the survey was the development of a Road Reliance Index (RRI). This measured the degree to which individual businesses rely on the SRN for their operations based on three factors – time criticality, intensity of use and availability of alternative transport options.

The analysis concluded that while high SRN-reliant businesses can be found in all sectors of the economy, five key sectors stand out as being particularly SRN dependent:

1. Transport / distribution (freight and logistics).
2. Retail / wholesale (freight and logistics).
3. Accommodation and food services.
4. Manufacturing.
5. Agriculture.

In general, the survey found that ‘production’ sectors tend to have higher RRI scores relative to ‘service’ sectors. Those businesses demonstrating a high degree of SRN reliance were typically those with some of the following characteristics:

- larger businesses with multiple sites;
- operating longer and more complex supply chains;
- engaged in higher import and export activity; and
- make use of Heavy Goods Vehicles (HGVs) and vans, either by their own fleet or through third parties.

Whilst a significant proportion of businesses with high RRI scores are involved in the freight and logistics industries (i.e. those requiring major use of HGVs), the analysis also showed many other sectors which do not make significant use of HGVs also rely on the SRN for operational purposes.

SRN-reliance is not just about movement of goods. For example, our business survey indicated that businesses in the construction sector report high intensity of SRN usage for transporting workers between sites, while the healthcare and medical sector reported the highest proportion of businesses using the SRN exclusively to transport staff. The tourism and leisure sector – for example, theme parks, sports venues, and festivals – is dependent on movement of people including by coach and typically seasonally or for specific large-scale events. The ability of the SRN to cope with these more sporadic peaks of movement is a key challenge for National Highways.

Case Study: Alton Towers Theme Park and Resort

¹⁰ Jacobs and BMG Research for National Highways, *Strategic Road Network Business User Survey, 2023*

The largest theme park in the UK, Alton Towers attracts up to 20,000 visitors per day during peak periods which generally fall during the school holidays. These numbers can rise to 25,000 when there are special events¹¹. Despite the lingering impact of COVID19, the resort welcomed a total of 2.3 million visitors in 2022¹². Situated between the M1 and M6 and served by the A50 corridor, it is estimated that around 88% of journeys to the resort are by private car with 8% by private hire coach or bus, demonstrating use of the SRN for the vast majority of journeys. The nearest train station (Uttoxeter) is ten miles away with an infrequent service and is accessible only by taxi or through a once per day return bus.



The resort also attracts coach holidays from several UK regions, and the SRN is also relied upon for freight movements to service the restaurants, shops, hotels as well as construction and maintenance. Investment in new rides and attractions, as well as extended opening periods will increase demands on the SRN.

Business priorities

Our business survey confirmed that delays and unreliable journeys directly affect productivity by impacting business operational costs. When asked about the priorities for the SRN, businesses prioritised adding capacity to the network (29% of respondents), improving safety and the way incidents/delay handling (18%), improving real time information (16%) and generally improving predictability/reducing congestion (14%).

Resilience is one of our delivery aims and in 2022-23 we ensured that 96.2% of the network was in good condition and that 95.3% of roadside technology was available at all times, thereby meeting our target¹³. Our investment in the SRN is based on achieving robust value for money.

¹¹ Alton Towers Resort, *Transport Assessment* (Ref SMD/2018/0141), 2018

¹² Statista, 2024

¹³ National Highways, *Annual report and accounts 2023*

4. What are the future trends affecting SRN-reliant sectors?

The degree and nature of road reliance within the economy will evolve, generally and between different sectors, including because of changing patterns of economic and travel behaviours. This will have spatial implications (linking to Role 3) with certain road-reliant sectors likely to grow or contract in different locations, including in response to new inward investment.

Key trends impacting on the future role of the SRN and National Highways include:

- 1. Ongoing growth in demand for warehousing and distribution capacity in strategic locations which require SRN investment serving major settlements and international gateways.**
- 2. Increasing modal shift from road to rail and water for the distribution of goods and other products, requiring investment in SRN capacity around new warehousing clusters and inter-modal hubs.**
- 3. Changing patterns of demand in the retail, tourism, leisure, cultural and heritage sectors.**
- 4. Changing patterns of international trade and the associated competitive position of the UK's advanced manufacturing sectors.**
- 5. Food supply patterns will continue to change driven by net zero, UK eating trends and the ongoing impact of Brexit. The SRN will be important in both meeting demand and contributing to a competitive food sector.**
- 6. Growth of the 'carbon economy', evolving energy supply sources and changing business practices required to deliver shared net zero objectives, will change how and where the SRN is relied upon.**
- 7. Increasing demand for SRN capacity serving east coast ports and the UK's core logistics corridors including M20-M25, M25-M1, M25-M6 and M62.**
- 8. Potentially growing high-speed passenger transport options provided by strategic rail investments.**
- 9. Domestic and global need to deliver net zero transport and development solutions and to nurture resilience to the impacts of climate change.**

We will use our engagement with customers and governmental bodies to understand the changing economic demands and ensure a dynamic flow of intelligence through our route strategies and other investment processes.

5. The role of National Highways supporting SRN-reliant sectors

Current activities

Working closely with Government and other key stakeholders, National Highways plays an important role in supporting the productivity and competitiveness of businesses operating in SRN-reliant sectors. This includes:

1. Providing the transport network required to enable businesses to trade and operate efficiently and productively.
2. Through our role in the statutory planning process, we are helping to facilitate sustainable development and provide access to key development locations and clusters of economic activity.
3. Continuing to prioritise our Road Investment Programmes around places where SRN connectivity will add greatest value in terms of supporting the national and local economies. This includes a rigorous process whereby we have identified over one hundred 'Economic Opportunity Areas' (EOAs) targeting areas of both 'Levelling Up' need and those with significant growth potential.
4. Building on our first strategic economic growth plan¹⁴, we have taken significant steps in generating an up-to-date evidence base which better explains and rationalises which sectors are most reliant on the SRN and why. This research is being conducted through the company's ongoing Economic Development Programme, and the Overarching Narrative and supporting papers for each of the four roles draw upon some of the outputs that have been produced to date.

Future priorities

As the lead organisation responsible for the SRN, National Highways will ensure that the SRN operates as well as it can in supporting economic productivity for the SRN-reliant sectors as they evolve. Our priorities in this regard include:

Evidencing - National Highways will continue to develop an evidence base and understanding of RRS, including future demand and resulting impacts on the SRN, to shape our investment decisions and work with road reliant sectors to unlock future growth.

Collaborating - National Highways will work collaboratively with public and private sector organisations to support growth in road reliant sectors and explore opportunities for modal shift and innovative technology to boost UK growth potential.

Operating - National Highways will ensure that the Strategic Road Network (SRN) is part of a seamlessly integrated transport system and meets our customers' needs by connecting the country safely and reliably, delivering economic prosperity.

¹⁴ National Highways, *The Road to Growth: Our strategic economic growth plan*, 2017

Investing - Work to improve our network where SRN connectivity is weakest to support SRN reliant sectors in the right locations using existing funding packages such as Lorry Parking and EV rapid charging funds.

Catalysing - National Highways will seek to minimise disruption to road reliant sectors caused by road works by supporting innovative design and build solutions to improve efficiency.

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