HAMPSHIRE
ECONOMIC
PARTNERSHIP

informing our **future**

Full Report 2008

An independent assessment of business trends and economic issues in the Hampshire Economic Partnership area

Foreword

*Welcome to 'informing our **future**' 2008. Prepared by the HEP Research & Intelligence Task Group and commissioned from the University of Portsmouth, it is an independent assessment of Hampshire's economy, its vibrancy as well as the current opportunities and challenges it faces.*

*This, the eighth edition of 'informing our **future**', specifically examines Hampshire's progress towards implementing the South East's Regional Economic Strategy (RES). This is particularly pertinent given the recent economic slowdown and the impact of the credit crunch, neither of which was foreseen in the aspirational RES targets set in 2006.*

*We have ensured that the 'Business Voice' has been strongly represented in 'informing our **future**' 2008. We held the very successful 'HEP Business Question Time' event, met with business sector leaders and convened a consultative Business Breakfast all with the objective of understanding business requirements relative to the RES Implementation Plan. One particular area of focus has been Global Competitiveness, where we have tested the hypothesis, 'Is Hampshire effectively competing in the Global Marketplace?' This has involved field research in a developing market and identified both opportunities and challenges for Hampshire's economy. In addition, we have added a business summary to the executive summary which summarises the key findings of the report and how these relate to Hampshire businesses.*

*A new aspect of 'informing our **future**' 2008 is the inclusion of 13 Business Case Studies, all directly linked to the RES themes of Global Competitiveness, Smart Growth and Sustainable Prosperity. They showcase how Hampshire business is capitalising on various market gaps and introducing new and innovative ways of working, thus bringing a new, added-value dimension to 'informing our **future**'.*

Due to the very favourable response to the district economic fact sheets, we have again included a Hampshire and district suite of reports. We have restructured these fact sheets to be aligned with the RES. They provide for meaningful comparisons at the sub-regional level.

*We hope that you find 'informing our **future**' 2008 both informative and an invaluable reference tool. In addition to the attached CD, which contains the full report, further details are available on our website – please see* www.hep.uk.com

Caroline Williams

Chairman, Hampshire Economic Partnership

Acknowledgements

This document has been produced for Hampshire Economic Partnership, by Portsmouth University's Centre for Local and Regional Economic Analysis.

The work has been overseen by a project team of the HEP Research & Intelligence Task Group, led by its Chairman, Simon Ward of Vail Williams and assisted by Stephen Dixon, Economic Development Manager with Business Link, Gareth Henry, Senior Researcher at Hampshire County Council, Danielle Evans, Relationship & Communication Co-ordinator at HEP and Jo Hansel, Economic Development Officer at Eastleigh Borough Council.

The authors would wish to thank all those who have provided information, support and guidance during the production of this document. Any errors or omissions are the sole responsibility of the authors at the Centre for Local and Regional Economic Analysis.

Dave Clark, Assistant Director
Jeff Grainger, Director
Pamela Dent, Research Assistant

For further information please contact:

Authors
Jeff Grainger (Director)
Dave Clark (Assistant Director) and
Pamela Dent (Research Assistant)
Centre for Local and Regional Economic Analysis
Department of Economics
Portsmouth Business School
University of Portsmouth, Richmond Building
Portland Street, Portsmouth,
United Kingdom PO1 3DE

Telephone 44 (0)23 9284 4133 or
44 (0)23 9284 4217
E-mail jeff.grainger@port.ac.uk or
dave.clark@port.ac.uk or
pamela.dent@port.ac.uk

Sponsorship support
This publication could not have been produced without the valued sponsorship support of the following organisations:

- The Economic Development Department at Hampshire County Council.
- University of Portsmouth.

HEP would like to thank each of these organisations for their valued support.
October 2008.

Foreword

Hampshire Economic Partnership

Research and Intelligence Task Group

The overall aim of the HEP Research & Intelligence Task Group is to understand, interpret and disseminate the current position and future potential of the local economy. It aims to draw attention to issues affecting business and to encourage appropriate response and action.

The membership of the core task group is based on research and policy professionals from organisations who have a broad involvement in economic intelligence, data gathering, policy and research. The membership reflects both the geographical diversity of the area as well as a range of organisational interests.

Chairman: Simon Ward
Contact details: Vail Williams LLP
Meridians House, Ocean Village Southampton, SO14 3TJ
T: 023 8082 0900
E: sward@vailwilliams.com

Task Group Manager: Danielle Evans
Contact details:
Hampshire Economic Partnership, 2 Venture Road, Southampton Science Park, Hampshire, SO16 7NP
T: 023 8076 8833
E : Danielle.Evans@HEP.uk.com

The Research & Intelligence Task Group supports the HEP Board and Executive by:

- Providing, interpreting and disseminating research and information that helps HEP and its partners to define policies, priorities and programmes.
- Drawing attention to emerging issues requiring response and action.
- Assisting HEP when consulted on regional economic policy.
- Building relations with other task groups to help define their research needs.

The group also aims to improve the effectiveness and efficiency of local economic research, by:

- Providing a forum to facilitate partnership, avoid duplication, promote understanding of research and encourage best practice.
- Encouraging a business perspective within research to help the formulation of practical and effective policies and actions.
- Organising dissemination events for the sharing and understanding of up-to-date research, policy implications and best practice.
- Publishing "informing our **future**", an annual independent assessment of business trends and economic issues affecting the HEP area.

Foreword

Table of Contents

To obtain free copies of the executive summary, district data sheets, individual chapters or the full version of 'informing our **future'** visit the Hampshire Economic Partnership website at http://www.hep.uk.com

Glossary of Acronyms

ABI	Annual Business Inquiry
APS	Annual Population Survey
ASBO	Anti-Social Behaviour Order
ASR	Annual Skills Review
AUV	Autonomous Underwater Vehicle
BAA	British Airport Authority
BCI	Business Competitiveness Index
BCS	British Crime Survey
BERR	Department for Business Enterprise and Regulatory Reform
BOD	Biochemical Oxygen Demand
CAA	Civil Aviation Authority
CEO	Chief Executive Officer
CfRC	Commission for Rural Communities
CHP	Combined Heat and Power
CIPD	Chartered Institute of Personnel Directors
CO_2	Carbon Dioxide
CPI	Consumer Price Index
DCMS	Department of Culture, Media and Sport
DEFRA	Department of the Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DSCF	Department for Children, Schools and Families
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EA	Economic Activity (rate)
EDO	Economic Development Office
EU	European Union
EU ETS	European Union Emissions Trading Scheme
FAC	Farnborough Aerospace Consortium
FDI	Foreign Direct Investment
FE	Further Education
FSB	Federation of Small Businesses
FSSC	Financial Services Skills Council
FTE	Full Time Equivalent (employment)
GCC	Gulf Cooperation Council
GCI	Global Competitiveness Index
GCSE	General Certificate of Secondary Education
GDHI	Gross Disposable Household Income
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GOSE	Government Office for the South East
GVA	Gross Value Added
HEP	Hampshire Economic Partnership
HtFV	Hard to Fill Vacancy
ICT	Information and Communications Technology
IMF	International Monetary Fund
IOW	Isle of Wight
IPPR	Institute for Public Policy Research
LEA	Local Education Authority
LEAF	Linking Environment and Farming
LQ	Location Quotient
LSC	Learning and Skills Council
LSE	London School of Economics
MAS	Manufacturing Advisory Service
MoD	Ministry of Defence
MPC	Monetary Policy Committee (of the Bank of England)
MtC	Million tonnes of carbon
NEET	Not in Education, Employment or Training
NETP	National Employer Training Programme
NESS	National Employers Skill Survey
NOMIS	National On-line Manpower Information System
NVQ	National Vocational Qualification
OECD	Organisation of Economic Co-operation and Development
OFWAT	Water Services Regulation Authority
ONS	Office of National Statistics
PDL	Previously Developed Land
PUSH	Partnership for Urban South Hampshire
QECD	Queen Elizabeth Country Park (East Hampshire)
R&D	Research and Development
RCSOR	Regional Competitiveness & State of the Regions
RED	Research Excellence Data
RES	Regional Economic Strategy
RPG	Regional Planning Guidance

Foreword

SBP	Hampshire and IOW Sustainable Business Partnership
SDA	Special Development Area(s)
SEEDA	South East England Development Agency
SEEiN	South East England Intelligence Network
SEERA	South East England Regional Authority
SEHTA	South East Health Technology Alliance
SEMTA	Science, Engineering and Manufacturing Technologies Alliance
SESETAC	South East Science, Engineering and Technology Advisory Council
SIC	Standard Industrial Classification
SGHC	Southampton Geothermal Heating Company
SME	Small & Medium sized Enterprise(s)
SSV	Skill Shortage Vacancy
TfSH	Transport for South Hampshire
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
VAT	Value Added Tax
WBL	Work Based Learning
WEF	World Economic Forum
WRAP	Waste Resources Action Programme

Section 1

Is Hampshire on Target?

Paul Lovejoy,
Executive Director, Strategy & Communications**,**
South East England Development Agency

These are testing times for Hampshire's economy. The credit crunch that first broke during Summer 2007 continues to unwind through the world's financial markets, while at the same time inflation has become more of a concern to producers and consumers alike than at any time during the past 15 years.

*At times like these, access to really first rate intelligence on conditions and prospects is vital for anyone with an interest in our prosperity. That's why I congratulate Hampshire Economic Partnership and the University of Portsmouth on maintaining their commitment to produce 'informing our **future**'.*

The focus of this year's publication is to assess performance against the Regional Economic Strategy, produced by SEEDA, in consultation with businesses and partners across the region in 2006. The Strategy sets a vision of a world class region achieving sustainable prosperity, and translates this into actions that are designed to deliver results on the ground.

*'informing our **future**' plays a key role in helping us all assess the effectiveness of those actions. The simple question 'what works?' is a fundamental focus for decision-makers, and this publication makes a valuable and timely contribution to answering that question.*

Last year's edition of 'informing our **future**' examined the targets and challenges laid out in SEEDA's Regional Economic Strategy (RES) for the South East for the period 2006 to 2016. To recap the economic targets for the region were:

- An average increase in (Gross Value Added) GVA per capita of at least 3% per annum.
- To increase productivity per worker by an average of 2.4% annually.
- To reduce the rate of increase in the region's 'ecological footprint'.

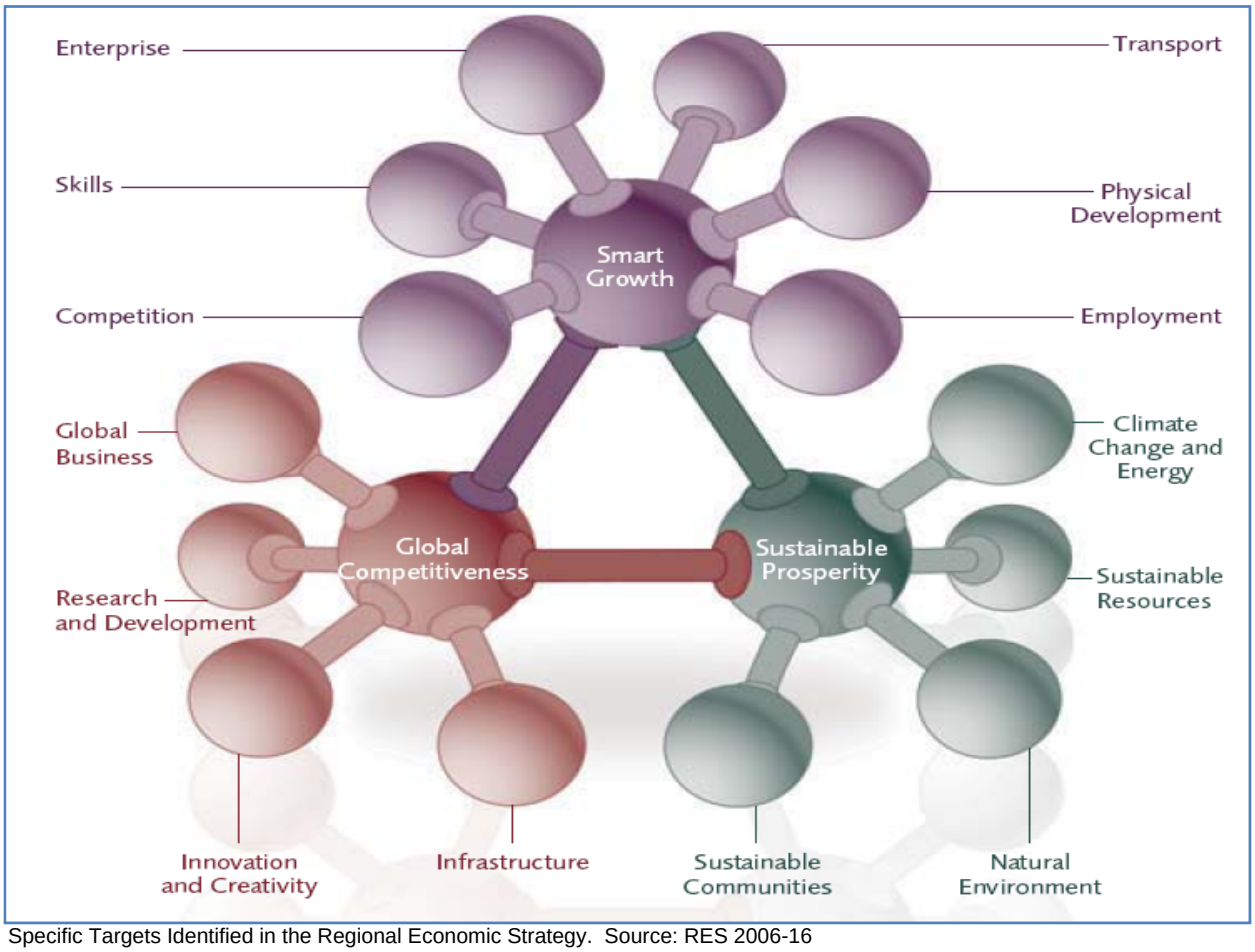
In the strategy document SEEDA recognised that these targets fall within three broader overarching goals, which are to simultaneously achieve:

- Global Competitiveness
- Smart Growth and
- Sustainable Prosperity

This raises the question: *What do these three targets actually mean to the businesses that will be so fundamental to achieving them*?

This year's edition of 'informing our **future**' will address the relevance of these challenges to the everyday decisions and issues faced by businesses in Hampshire, and how they can be applied to promote their success in the global marketplace.

Section 1



Specific Targets Identified in the Regional Economic Strategy. Source: RES 2006-16

As we are now almost two years into the timetable set out in the RES, it is appropriate to consider *how well is Hampshire doing individually, and in comparison to the wider South East, towards achieving SEEDA's targets?* In 2008 SEEDA released its 'Implementation Plan' for the RES. This document sets out details of how progress towards achieving the RES targets and meeting the identified challenges can be measured.

The RES Implementation Plan identifies 14 specific targets that can be used to measure the region's progress. However, it is also important to recognise that much has changed since the RES was released in October 2006. Economic discussion is now centred on the problems of the 'credit crunch' and the 'global economic slowdown.' *What will be the likely effect of these changed circumstances on Hampshire's firms? In the light of recent economic events are the RES targets still achievable?*

The focus of this year's edition of 'informing our **future**' is to consider these key questions and to examine Hampshire's progress towards achieving the RES targets. A range of case studies are included to provide examples of 'best practice' to show how Hampshire and its businesses can make progress towards achieving the ultimate goal of being '*a world class area with sustainable economic growth*'.

Understanding the challenges faced

Before trying to measure Hampshire's progress towards meeting the RES targets and challenges, it is imperative that these are fully understood and their relevance to business made clear. The significance of each of the three challenges - Global Competitiveness, Smart Growth and Sustainable Prosperity - is examined in turn.

Section 1

Global Competitiveness

The relevance of global competitiveness to local businesses is perhaps the easiest of the three challenges to understand. The RES states that '*the next ten years (2006 to 2016) will be marked by a radical transformation of the global economy*. Section 2 of 'informing our **future**' examines the economic context within which these changes are taking place. This shows that although there are clear indications of economic slowdown in the world's developed economies, growth continues unabated in many of the developing economies.

Chinese Textile Industry

The share of global output of developing economies such as China, India, Russia and the Middle East is expected to increase significantly from a current figure of 25% to 32% by 2015. What do these changes mean for businesses in Hampshire? The RES states that this situation will '*create both challenges and opportunities*'. Global competitiveness means that many local firms must compete worldwide both in their traditional export markets but also in home markets threatened by imported goods. The main challenges faced are those created by the lower unit costs of competing nations and their increasing knowledge base.

However, it is also important to recognise that the growth and increasing wealth of these developing economies can also provide significant opportunities for growth and trade. To illustrate this Section 3 of 'informing our **future**' examines the case of Dubai and the United Arab Emirates where growth in Transport, Construction, Aerospace and the Marine sector has provided opportunities for a number of local businesses.

What do local businesses need to do to take advantage of such opportunities? The RES implementation strategy identifies four main areas where progress needs to be made if the region is to become globally competitive.

Global Business and Foreign Direct Investment (FDI)

Being competitive means that we need to increase the number of businesses in Hampshire operating internationally and the area's share of global FDI. *How can we support firms taking their first steps overseas? How can opportunities in overseas markets be opened up?*

Knowledge Transfer and Research and Development (R & D) Expenditure

In order to be competitive we need to ensure that Hampshire's businesses are at the forefront of Knowledge Transfer and R & D. This poses the twin questions of *how to increase the links between local universities and business and how to increase expenditure on R & D?*

Innovation and Creativity

Competitiveness is a function of innovation and creativity. In dynamic and fast moving international markets, businesses must be able to improve their existing products and introduce innovative new products to keep up with, and preferably ahead of, their competitors.

Investment in Infrastructure

In addition to creating and sustaining global competitiveness through activities such as FDI, R & D and product innovation, it is essential that Hampshire's infrastructure is also improved in order to enable firms to compete. The area's communications infrastructure and its road, rail, sea and air links are all conduits to foreign markets; if these are not up to scratch, competitiveness will be hindered.

These vital questions are considered in Section 3 of 'informing our **future**' which asks *'Can Hampshire compete in the global marketplace?*'

Section 1

Smart Growth

What is meant by 'Smart Growth' and what does it mean for Hampshire's businesses? Smart Growth means that the challenges of increased competitiveness and sustained prosperity need to be achieved without increasing the area's ecological footprint. This means that growth must be met by a combination of increased productivity, improved skills and bringing more of the resident population into economic activity. The RES identifies six drivers of prosperity that are central to achieving smart growth. For the purpose of analysis these are amalgamated into three sub-sections: Employment and Skills; Physical Development and Transport; Enterprise, Competition and Business Regulation, each of which is examined in turn.

Employment and Skills

The employment and skills sub-section focuses on the quantity and quality of labour available to firms in Hampshire. In terms of achieving smart growth it is recognised that it is vital to improve the productivity of Hampshire's labour force and to increase the number of people of working age who are economically active. By bringing more of those able and willing to work into the workforce we can increase the quantity of labour available to existing and future businesses in Hampshire. The RES aim is to increase economic activity rates from the current level of 82% to 85% by 2016.

Although bringing more people into the workforce is an important step towards achieving growth, being competitive means that these people must be of the right quality with skills that are appropriate to the needs of local firms. Many employers in the area report problems in finding workers with the relevant basic, technical and specialist skills they need. Skills gaps in the current workforce of businesses are also a problem. Skills deficiencies may result in lower activity and employment rates, lower earnings and lower productivity. *The aim in Hampshire must be to increase the number of people qualified at all levels in order to meet current and future business demand, raising the question, how can this be achieved?*

Physical Development and Transport

The Physical Development and Transport sub-section examines the need to provide the physical environment to support business growth and competitiveness. In particular this means that housing needs to be available in the right place at the right price and that suitable and sufficient commercial premises are available to satisfy business demand. This is examined in the context of the credit crunch, and the impact that it is having on the construction sector. The issues of congestion and related transport infrastructure improvements are also discussed. *This poses the question how can we identify what needs to be done in terms of development and transport and put appropriate policies in place?*

Enterprise, Competition and Business Regulation

Economic growth is in part a function of levels of entrepreneurial activity. Evidence shows that in the South East and Hampshire entrepreneurial activity levels are lagging behind those of our competitors. Business start rates are low and the number of women entrepreneurs is much lower than for males. The RES aims to significantly increase the business stock and to promote new businesses run by women. If this is to be achieved we need to identify and remove barriers to starting up and provide ongoing support to new firms. Factors which influence entrepreneurship are examined, alongside the need for a sensible level of business regulation. *How can Hampshire increase the levels of entrepreneurship that are key to achieving economic growth and prosperity?*

Section 1

Sustainable Prosperity

What is meant by Sustainable Prosperity and what does it mean for Hampshire's businesses? At the heart of the concept of Sustainable Prosperity is ensuring '*long term economic prosperity*'. To achieve this Hampshire and its businesses must embrace the principles of 'sustainable development'. There is no point in meeting the twin challenges of competitiveness and smart growth if the gains made are only temporary and at the cost of the natural environment. Sustainable Prosperity requires that economic growth is pursued within environmental limits; however, the goal of long-term economic prosperity must not be overlooked in pursuit of environmental sustainability. What is required is a balance between these often competing, but potentially complementary, objectives.

At a business level it is important to recognise that whilst sustainable prosperity means that businesses must take account of their impact upon the environment and host communities, it can also provide opportunities for innovation and creativity, bringing commercial as well as environmental gains.

Section 5 of 'informing our **future**' examines Hampshire's progress towards meeting the challenges of sustainable prosperity and considers examples of how local businesses have been implementing some of the changes needed and have reaped rewards as a result.

The RES implementation strategy identifies four main areas where progress must be made in order to overcome the challenges posed in trying to achieve sustainable prosperity.

Climate Change and Energy

Following on from the Stern Review, EU policy and UK government initiatives mean that businesses in Hampshire face a commercial imperative to address their carbon footprint. In the South East the target is to reduce CO_2 emissions by 20% between 2003 and 2016. In addition, the region has a target of increasing the contribution of renewable energy to at least 10% of energy supply in the South East by 2010. *What measures can firms take in order to meet these targets and how can they benefit from these?*

Sustainable Consumption and Production

In simple terms, Sustainable Consumption and Production requires businesses to deliver goods and services with lower environmental impacts whilst keeping their costs to a minimum through efficient working practices. 'informing our **future**' examines the need for sustainable development in relation to the use of infrastructure, sustainable business practices and sustainable waste management. *Sustainable consumption and production are vital to long term growth therefore we need to consider, how can businesses make sustainability pay?*

Natural Resources and the Environment

The excellence of Hampshire's natural resources and environment are a major part of the high quality of life enjoyed by those who live and work within the county. Protecting these resources and improving the quality, bio-diversity and accessibility of green and open spaces are central to maintaining and improving Hampshire's quality of life and the advantages that it provides. *What needs to be done to ensure that these resources are protected and used to their best advantage?*

Sustainable Communities

How can Hampshire move towards making its communities more sustainable? 'informing our **future**' examines measures of quality of life set out within the RES before tackling two highly topical issues, namely the future of the rural economy within the 21st century countryside and the proposed eco-towns, highlighting the example of Bordon, one of the short-listed candidates to become a 'zero carbon development', as an example of sustainable living.

In the final section of 'informing our **future**', Hampshire's overall level and direction of progress is assessed and further actions for the future are suggested if Hampshire is to stay on course to achieve its aim of being a major player on the world stage.

Section 2

Hampshire in the Global Economic Context

John Whitley, Agent of the Bank of England for Central Southern England

The global economy has been hit by two shocks in the past twelve months; a credit shock following problems in the US sub-prime mortgage market; and a rise in commodity prices (particularly energy). The effects of these shocks have in turn been felt by the UK with output growth slowing and inflation increasing. The UK economy now faces a period of slower growth over the next two years. That presents additional challenges for companies as costs rise and demand growth falters. However many of the companies located in Hampshire have proved themselves to be well diversified in terms of their products and their customer base and should be well placed to weather the tougher conditions ahead.

This section of 'informing our **future**' puts what is happening in the local economy of Hampshire within a national and international context. As the current round of rising international commodity prices and the credit crunch demonstrate, no national or local economy is an island unto itself. Economic systems are interconnected and there is no such thing as a fully stable benign economy. The best we can hope for is that the Hampshire economy is competitive and robust enough to withstand external shocks whenever they arise.

This section begins by examining the prospects for the global economy drawing on the forecasts produced by the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF.) Whilst there is no clear evidence that major economies worldwide are in a full blown recession, there is clearly a slowdown.

From a UK perspective the evidence suggests that some industry sectors have experienced recession, whilst others have continued to prosper. It is a similar story with inflation. Detailed analysis of the Consumer Price Index reveals that inflation is concentrated on particular commodities whilst producer input prices are being sharply elevated by fuel, food and materials costs which mainly reflect world prices.

The UK's competitive position has improved in recent years and this will be particularly important if firms are to survive the current downturn and to take full advantage of the economic upswing when it arrives. All the evidence suggests that both consumers and businesses are far more pessimistic about the short term economic situation than they were last year and this section reviews several forecasts.

The section then turns to the state of the regional and local economy highlighting their structures in terms of gross value added (GVA) and employment. It concludes by looking at quality of life indicators which are also available via the HEP website.

HEP statistical benchmarks are also used to compare and contrast global competitiveness, smart growth and economic sustainability in subsequent sections of informing our **future**.

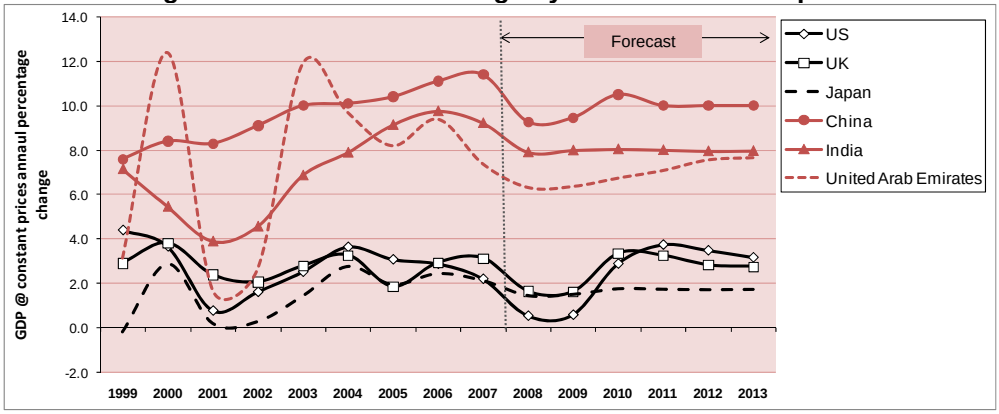
Section 2

The UK in the Global Economy

The interconnected global economy means that shocks in one part of the world inevitably have far reaching consequences. The current steep increase in commodity and energy prices internationally, provides a clear example. Rising demand in developing countries coupled with a failure to anticipate the need to increase supply have fuelled inflation. In Hampshire, HEP's Business Question Time survey showed that confidence is dented with 55% of businesses expecting a negative impact from the credit crunch and 80% expressing concerns about the current economic conditions[1].

Jørgen Elmeskov, Acting Head of the Economics Department at the OECD, warned in the June 2008 edition of the OECD Economic Outlook that "*several quarters of weak growth lie ahead*." He also suggested that headline inflation could also remain high for some time. Blaming a combination of financial market turmoil, cooling housing markets and sharply increasing commodity prices he warns that it will take time and well-judged policies to get back on course. Elmeskov suggests that past structural reforms prevented the downturn from being more severe.

Figure 2.1 GDP annual change by volume at market prices



Source: The World Economic Outlook, IMF (April 2008)

It is evident that not all countries are experiencing such severe contractions in demand. The OECD and IMF both show that growth in fast developing economies such as China, India, Brazil and the Russian Federation is holding up despite inflationary pressures that are often two or three times those in the UK (see Figure 2.1, OECD Economic Outlook 83 and data sources).

Elmeskov also reports that UK GDP growth slowed from above-trend throughout 2007 to an annualised rate of 1.5% in the first quarter of 2008, and likely to slow further in the future. Both investment and consumer demand have been affected by the credit crunch. At the same time, consumer price inflation has accelerated and is expected to peak this year before falling back close to target next year. In a follow-up OECD interim assessment of G7 economies[2] the organisation forecasts that the UK could be in recession by the fourth quarter of 2008.

The general tenor of the International Monetary Fund (IMF) World Economic Outlook (April 2008) is very similar to the OECD's June assessment. The IMF states that the "*correction*" arising from loan defaults in the U.S. sub-prime mortgage market have led the U.S. economy to "*the verge of recession*". It suggests that it may be 2009, before a moderate recovery takes place. The IMF issued an update to the World Economic Outlook in July 2008 which confirms that the slowdown has spread further and growth forecasts have been pegged back so that world growth is now forecast to be only 3.0% in 2008 and 4.3% in 2009, down from 4.8% in 2007 (see also IMF update).

[1] Source: HEP Business Question Time, held at University of Winchester 12th March 2008.

[2] These forecasts use new 'improved' models and are subject to standard errors of +/-1.2% (September 2008)

The UK in the Global Economy

Table 2.1 - UK Macroeconomic forecasts				
		2007	2008	2009
Real GDP Growth	OECD	3.0	1.8	1.4
	IMF	3.1	1.8	1.7
Current Account Deficit % GDP	OECD	-4.2	-3.3	-3.1
	IMF	-4.9	-4.8	-4.4
Unemployment	OECD	4.8	5.5	5.7
	IMF	5.4	5.5	5.4
Short-term Interest Rates	OECD	6.0	5.6	4.4
Consumer Price Indices	OECD	2.3	3.0	2.5
	IMF	2.3	2.5	2.1
Wage Costs	OECD	3.9	3.9	3.5
	IMF	3.6	5.2	5.0

Sources: OECD Economic Outlook (June 2008); IMF, World Economic Outlook, (April 2008 and July 2008 for GDP)

A more detailed examination of key indicators for the UK is shown in Table 2.1. This shows that although there is broad agreement about the direction of change, there is some divergence of opinion as to the magnitude of change.

Closer to home, the Bank of England's latest Inflation Report (August 2008) reports slowing GDP growth and the clear expectation that conditions will deteriorate with output depressed for some time before an eventual upswing. Price increases in energy and import costs are identified as the main drivers of the rise in CPI inflation whereas wage pressures are reported as "moderate", although there remains a risk that this may change. The Bank's projections suggest that inflation will reduce rapidly in 2009 after peaking in late 2008.

The Bank's Monetary Policy Committee (MPC) makes it clear that the members' concern with rising inflation had to be tempered with the fear that output will fall still further. For that reason rates were held at 5%, although support for this course of action was not unanimous (see MPC minutes).

The UK Treasury also publishes regular forecasts for UK macroeconomic variables. The forecasts are compiled by independent economic forecasting organisations including most of the large banks. The medium-range forecast predicts the likely track of a range of economic variables for the current year and the following 4 years. Table 2.2 shows the average of these forecasts for GDP, CPI and the unemployment claimant count.

Table 2.2 - Average of UK medium-term independent macroeconomic forecasts					
	2008	2009	2010	2011	2012
Average GDP % change	1.5	1.3	2.2	2.6	2.6
Average CPI % change	3.5	2.8	2.3	2.3	2.4
Average unemployment (millions)	1.08	1.28	1.29	1.25	1.19

Source: Forecasts for the UK Economy; August 2008.

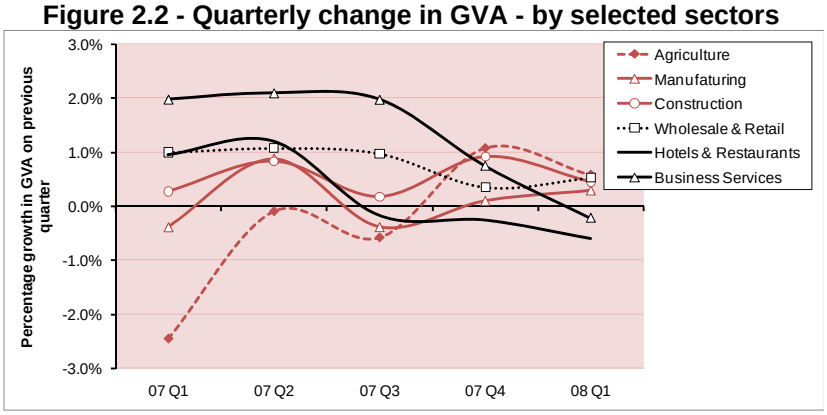
The data shows that overall GDP growth is expected to remain subdued[3] before growth returns to trend by 2010/11. Inflation, as measured by the CPI, is already above the Government's upper target limit; and unemployment predictions are higher than seen in previous editions; this suggests that the slowdown and rising prices will feed through to the labour market. Jobless figures above 1million are likely to be politically embarrassing.

There is much talk about the UK economy heading into recession. The revised preliminary estimates of Output, Income and Expenditure released in late August 2008 suggest that GDP growth in the 2nd quarter of 2008 was in fact zero. The Quarterly National Accounts published in June 2008 do not pick this up, they show that the economy, as measured by GVA growth, expanded by 0.5% in the first quarter of 2008. There are however, significant differences between industry sectors both month-on-month and over time. For instance, Finance and Business service have expanded by 50% and 35% respectively since 2003 whereas Agriculture and Manufacturing are almost flat and mining and extraction have shrunk by around 30%.

[3] The most recent ONS figures suggest a technical recession is a real possibility by the year end

The UK in the Global Economy

Figure 2.2 - Quarterly change in GVA - by selected sectors

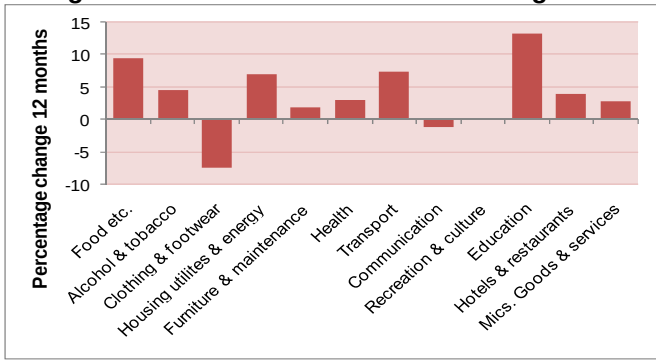


Source: ONS National Accounts, June 2008

Figure 2.2 shows the time path of quarterly change in GVA for selected sectors. The fortunes of different sectors are remarkably diverse. Agriculture has benefited from higher prices and increased production, whilst Hotels & Restaurants suffered from reduced consumer expenditure. Manufacturing has technically avoided recession. The most striking feature of the graph is that growth rates are converging at around 0-0.5%.

The consumer price indices published in July 2008 give a detailed breakdown of the differences in inflation across all goods and services within the economy (see figure 2.3). It shows that inflation in Food, Housing & Utilities, Transport and Education are all running ahead of the headline figure of 3.8%, whereas prices in Clothing & Footwear and Communications are

Figure 2.3 CPI June 2008 for main categories



Source :ONS

actually falling. Perhaps most worrying is inflation in producer input and output prices. The ONS Producer Price Index (June 2008) shows that input prices rose by more than 30% over the last year and output prices increased by 10%. The main drivers of input prices are fuel, crude oil and domestic and imported food materials. Output prices are going up due to increases in the cost of petroleum, food and chemicals

The World Economic Forum (WEF) publishes the Global Competitiveness Index (GCI) and the Business Competitiveness Index, both of which have featured in previous editions of 'informing our **future**'. The GCI measures a country's structural competitiveness relative to other nations whilst the BCI measures business competitiveness.

Table 2.3 - Global Competitiveness Index and Business Competitiveness Index for selected countries

	GCI Rank 2007 (131)	GCI Rank 2006 (125)	BCI Rank 2006 (127)	BCI Rank 2005 (121)
USA	1	6	1	1
UK	9	10	11	8
Germany	5	8	2	2
China	34	54	57	64
India	48	43	31	27

Source: WEF Note: Figures in parentheses number of countries examined.

The UK's main strengths are in market efficiency, mainly due to financial market sophistication, market size and labour market efficiency. It significantly underperforms in macroeconomic stability. The report shows that the UK still needs to improve in technological readiness, innovation, institutional framework, education & training.

The UK economy – Forecasts and Expectations

These various forecasts and reports show that the UK economy is facing rising prices and the effects of a slowdown in output not only in the UK but worldwide. For an economy long used to benign inflation and the easy availability of credit and inflation busting asset accumulation, the combination of rising prices, falling property values and the drying up of credit has hit both business and consumer confidence hard.

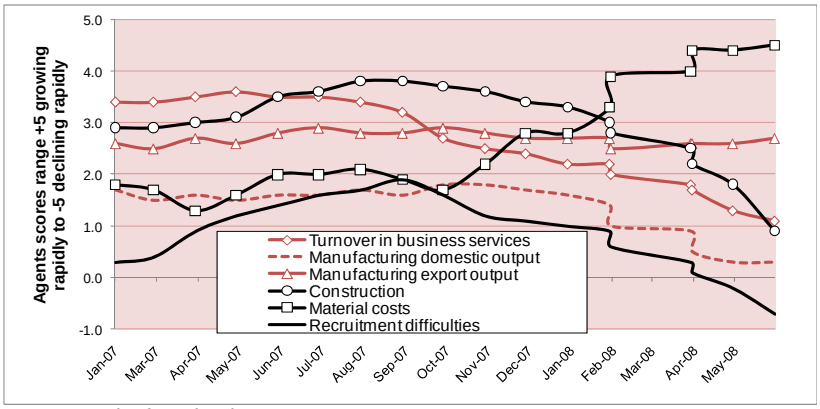
The Zoopla Index shows that in England house prices started to tumble in mid 2007 and have been going down ever since. These findings are also backed up by major lenders such as Halifax which reports that nationally prices fell by 4.7% in the second quarter of 2008 (-2.0% in June 2008). However, the lender reports that most mortgage holders (70%) have more than 50% equity in their properties. The Halifax reports that the volume of sales are falling, 100% mortgages have all but dried up and first time buyers are typically placing deposits of 10% which works out at around £18,000.

The Institute of Chartered Accountants surveys businesses every quarter. Its second quarter survey reported that despite record lows for their Confidence Index and concern at the extent of the financial shock, a UK recession remains "unlikely". They suggest that 2008 will present the "*most challenging business environment*" since the early 1990s. They show that the response is anything but even with confidence falling more rapidly in Property, Finance, Construction and Retail than in the rest of the economy. There are also significant regional differences with confidence falling fastest in the North West but holding up in the Midlands where it is higher than in the first quarter of 2008. For the South East confidence has turned from positive to negative between the first two quarters of 2008.

The most recent (June 2008) Consumer Barometer survey from Lloyds TSB Corporate Markets shows respondents are increasingly concerned about the economy. The balance of those feeling more, rather than less, secure in their own jobs declined to -14%; the figure for general employment prospects was even lower at -45%. Despite the fact that retail sales were "robust" in May; the fear is that consumer spending growth will slow significantly in the year ahead. Rising inflation has led to a sharp turnaround in interest rate expectations. The balance of consumers expecting interest rates to be higher, rather than lower, at this time next year rose to above 50% in June.

The Bank of England also takes regular soundings from around 700 businesses each month in order to gauge business conditions. Their findings help inform the decisions of the Bank's Monetary Policy Committee. The most recent Agents' Summary of Business Conditions reports that demand for consumer services, housing, construction and "domestically orientated" manufacturing have all weakened. Labour demand has "softened" and recruitment difficulties eased back. As a result capacity constraints have reduced and labour costs remain "moderate". Companies are more cautious about investment and higher input prices are squeezing profit margins (see Figure 2.4).

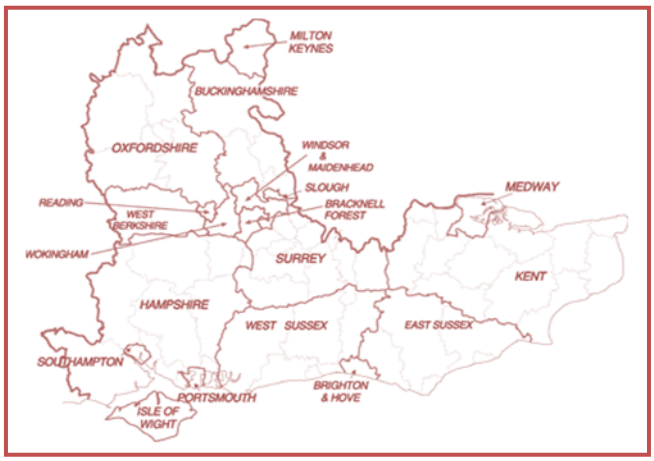
Figure 2.4 Bank of England Agents' Summary of Business Conditions



Source: Bank of England

Section 2

The South East Regional Economy



The South East region covers an area of more than 19,000sq km from the city of Milton Keynes in the north to the Isle of Wight (IOW) in the south and from Dover in the east to Andover in the west. It contains 74 county, unitary and district local authorities ranging from metropolitan areas such as Southampton and Brighton & Hove to ancient cities such as Winchester and Oxford to rural authorities such as East Hampshire and Aylesbury Vale.

The South East is a large economy. Its headline GVA[4] figure for 2006 of £177.2 billion was just under 16% of the total for the UK. This is £19 billion less than London (a slight increase on last year) but still more than Scotland, Wales and Northern Ireland combined. Regional Competitiveness Indicators show that the South East ranks highly across a range of indicators. It is second behind London in terms of workplace based GVA per head, gross disposable household income and the productivity measure of GVA per hour worked.

Investment in the economy is significant with a total of £12.4bn per year invested across the regional economy. Around 23% of all investment is by foreign-owned firms and the South East accounted for 28% of all service sector FDI in the UK during 2004 (more recent figures are not yet available). It is estimated that foreign firms accounted for around £33bn of GVA in 2006.

The region is also a key exporter with goods valued at £33bn being exported in 2007 (15% of the UK total); more than half of this goes to the EU. Exports account for around 19% of regional GVA (a noticeable fall on earlier years) with around 9,000 companies engaged in exporting goods and services. The largest service export activities are royalties & licence fees, computers & information, architectural, surveying and construction and R & D, which have a combined value of £7.6bn. Data underpinning the above analysis is drawn from the DTI's Regional Competitiveness Indicators data set.

Table 2.4 - South East Region Key Facts

Area (sq km)	19,069
Proportion of area rural	80%
No. Dwellings (2006)	3,530,000
Population (Mid 2007)	8,308,700
Population density per km^2 (Mid 2007)	436
Population change 96-06	5.6%
Working age population (Mid 2006)	5,175,700

Source: CLREA

The population of the South East region is over 8.2 million and this has grown by nearly 6% in the last 10 years. There are almost 5.2 million people of working age. With over 3.5 million dwellings, population density is higher than in any other region of the UK (excluding London). 80% of the land area of the South East Region is classified as rural, highlighting the importance of the rural economy.

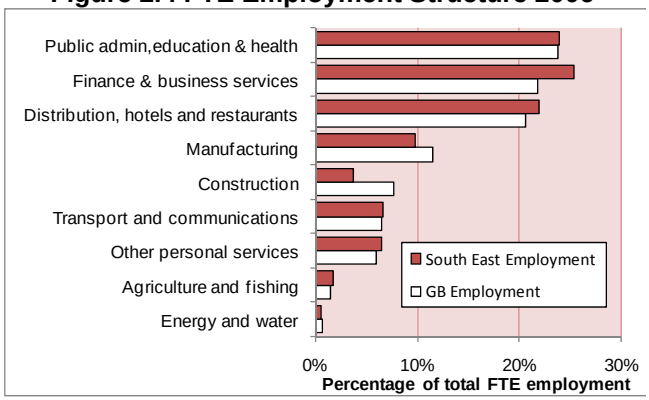
[4]Gross Value Added (GVA) is the widely used measure of added value created through business activity. Its main components are profits and wages (see ONS).

Section 2

The South East Regional Economy

The value of a region's GVA is dependent on the mix of industries that are located there. There is a strong correlation between GVA and employment because a major component of GVA is the salaries that people earn. Figure 2.4 shows the structure of South East full-time equivalent employment (FTE) in 2006. This calculation includes employees in employment, the self-employed and armed service personnel.

Figure 2.4 FTE Employment Structure 2006

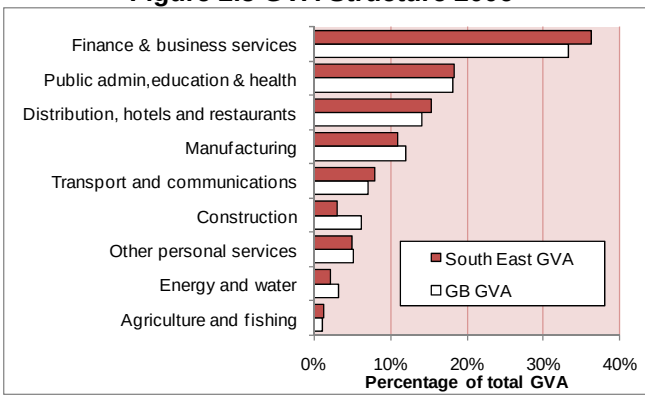


Source: CLREA 2008

Figure 2.4 shows that the largest employment sector in the South East Region is Finance and Business Services (25%), whereas in Great Britain the Public sector (which includes Education and Health) dominates. The region also has a higher proportion of employment in Distribution, Hotels & Restaurants and Other Personal Services. There are corresponding shortfalls in Construction and Manufacturing. The graph clearly emphasises the region's strengths in the service sector, particularly the commercial service sector.

The profitability of the commercial services sector is evident from Figure 2.5 which shows the distribution of GVA by industrial sector. As with employment, it is the commercial services sectors that are the main drivers of the regional economy. Manufacturing and Construction although worth an estimated £23bn per annum are proportionally less significant than the national figures.

Figure 2.5 GVA Structure 2006



Source: CLREA 2008

A major part of the region's attractiveness lies in its quality of life. It is the most wooded English region, bathing water quality has improved markedly and over 20% of waste is recycled or composted. Furthermore, poverty levels and crime rates are relatively low, whilst wages and life expectancy are high. As with all snapshots there are wide variations, and this is true within the South East.

Table 2.5 - Quality of life indicators

Indicators	SE Region	Great Britain
Life expectancy (Females - upper limit) – years[1]	82.1	80.9
Mean weekly earnings (residents) – 2007[2]	£505.8	£454.8
% of working age population drawing key benefits[3]	9.7%	14.2%
Claimant count unemployment rate[4] (%)	1.3%	2.1%
JSA claimants' 12+ months[4] (% of all JSA claimants)	12.8%	15.5%
Recorded crime BCS comparator offences per 1,000 population[5] (06/07)	54	N/A
ASBOs issued (2005) : Resident Population[5] (Index: SE=100)	100.0	N/A

Sources: [1]Neighbourhood Statistics; [2]ASHE; [3]NOMIS; [4] Claimant Count (Dec 2007) [5]Home office statistics

Section 2

The Hampshire Local Economy

The combined area of Hampshire covers almost 3,800 sq km, which is approximately 20% of the South East region. It is an area of contrasts. Urban concentrations in the north east and south of the county give way to significant rural areas in central Hampshire.

In administrative terms, there are two unitary authorities, Portsmouth and Southampton, the county authority of Hampshire and eleven district authorities; Basingstoke and Deane, East Hampshire, Eastleigh, Fareham, Gosport, Hart, Havant, New Forest, Rushmoor, Test Valley and Winchester.

Hampshire is a relatively large economy. Its estimated GVA was around £32.7bn in 2006 just over 20% of the regional total. This is larger than Northern Ireland but slightly smaller than the North East Region. GVA per capita and productivity levels are comparable with regional averages.

ONS estimates that the population of Hampshire in 2007 was 1.70 million (21% of the regional total) see link to Hampshire County Council website. Over half of this is located in the coastal area and less than 20% in North Hampshire. As a consequence, although the population density overall is around the regional average, some costal conurbations such as Portsmouth are amongst the most densely populated in the UK. The population has grown by nearly 5% over the last 10 years and the government's Actuary's Department forecasts significant population growth over the next 25 years. Much of the focus of this growth will be in the coastal areas.

There are over 1.1 million people of working age in Hampshire, although the proportion in self-employment is lower than the national average. Whilst overall economic activity rates and skill levels are comparable with regional averages, across the county there are wide variations.

Table 2.6 - Hampshire Key Facts

Area (sq km)	3,769
Proportion of area rural	82.7%
No. Dwellings (2006)	716,200
Population (Mid 2007)	1,705,700
Population density per km^2 (Mid 2007)	453
Population change 96-06	4.8%
Working age population (Mid 2006)	1,076,900

Source: CLREA

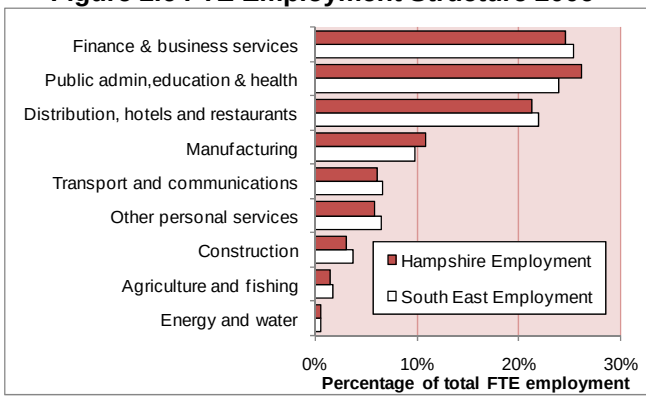
The fortunes of Hampshire's business sectors have been variable. Between 2001 and 2006 employment grew at an average of about half of one percent per annum, with the largest annualised increase in Transport and Communications (3%) and the largest decrease in Manufacturing (3.8%). The available evidence suggests that Hampshire's high-tech service sector has been expanding whilst high-tech manufacturing has been declining.

Section 2

The Hampshire Local Economy

As with the region, the value of Hampshire's GVA is dependent upon the mix of industries that are located there. Figure 2.6 shows the structure of the Hampshire FTE (full time equivalent) employment structure in 2006 benchmarked against the regional average.

Figure 2.6 FTE Employment Structure 2006



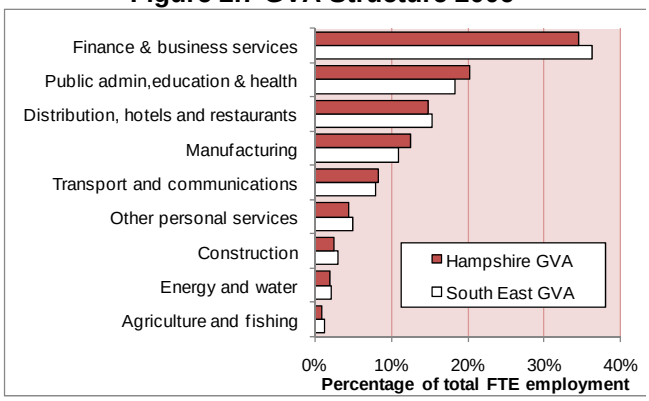
Source: CLREA 2008

The graph shows that the largest employment sector in Hampshire is the Public sector (26%) which narrowly edges out Finance and Business Services. It is noticeable that the public sector is more important to overall employment in Hampshire than both the regional and national averages; in many ways this reflects the contribution of the armed services. Manufacturing is also more important locally. Agriculture, Construction, Transport, Finance and Business Services and Distribution all lag behind the regional averages. This structure is part of Hampshire's inheritance and has slowly been moving closer to the regional average over time.

As with the regional structure, the commercial services sectors are the main drivers of the local economy; they are estimated to be worth around £20bn in GVA per annum. This is equivalent to half the GVA of Wales.

Across a range of quality of life indicators the performance of Hampshire is mixed. Life expectancy is marginally higher than the regional

Figure 2.7 GVA Structure 2006



Source: CLREA 2008

average and housing affordability is slightly worse. Earnings are below the regional average, but benefit dependency, unemployment and long-term unemployment are all fairly well in line with the regional average. Crime is above the regional average, partly driven by the two large cities of Portsmouth and Southampton.

Table 2.7 - Quality of life indicators

Indicators	Hampshire	South East
Life expectancy (Females - upper limit) – years[1]	83.1	82.1
Mean weekly earnings (residents) – 2007[2]	£462.0	£505.8
% of working age population drawing key benefits[3]	9.5%	9.7%
Claimant count unemployment rate[4] (%)	1.2%	1.3%
JSA claimants' 12+ months[4] (% of all JSA claimants)	11.1%	12.8%
Recorded crime BCS comparator offences per 1,000 population[5] (06/07)	60	54
ASBOs issued (2005) : Resident Population[5] (Index: SE=100)	152.6	100.0

Sources: *Audit Commission; **Home office statistics;
*** Neighbourhood Statistics.

Section 3

Is Hampshire Competing Effectively in the Global Marketplace?

Sir Donald Spiers, Chairman, FAC

The pace of business globally has never been greater. So how can a business ensure it remains truly competitive in today's rapidly evolving global economy? How does it stay informed? How does it protect and grow its current market share whilst accessing all new international business opportunities? These are questions that all businesses must be able to answer to succeed.

Farnborough Aerospace Consortium (FAC) has been addressing these questions in its sectoral role on behalf of the UK Aerospace and Defence industry. Innovative ways of thinking have been required to position FAC as both the UK portal for potential international customers looking to procure UK products and services but also enable us to access and penetrate new markets virtually. In the past 12 months FAC has opened virtual offices in Dubai, Abu Dhabi, Mumbai with Hyderabad next in line, securing tens of millions of pounds of contracts for UK Aerospace and Defence companies.

All businesses must be proactive and flexible in the new global market place as I'm convinced that the opportunities far outweigh the risks. Hampshire businesses need to capitalise on the current raft of global opportunities, both at home and internationally, if they are to enjoy sustainable prosperity. A global market place dictates no less.

Section 3 of 'informing our **future**' examines the progress that is being made towards meeting the challenge of achieving and sustaining global competitiveness within Hampshire. The world economy is experiencing a period of fundamental change. Whilst the economies of the UK, USA and EU are experiencing signs of economic slowdown, developing economies such as China, India, Russia and the Middle East are managing to sustain high growth rates. Forecasts from the IMF show that the world output growth rate is expected to fall to around 3.8% in 2008/9 from a figure of 5% in 2007. However, this overall figure masks the fact that in the advanced economies growth rates are expected to fall to an average of around 1.3% compared to an average growth rate of 6.7% in developing economies.

This scenario provides both opportunities and threats to businesses within Hampshire. Whilst the expanding global economy and growth in developing economies can provide new market opportunities for local companies, they also provide a competitive threat in domestic and international markets closer to home. This means that local businesses have to consider how to protect their advantages in established markets whilst simultaneously looking to benefit from new opportunities available in growing markets.

Table 3.1 – Forecast Growth in World Output 2007/9 (%)

Country	2007	2008	2009
World Output	4.9	3.7	3.8
United Kingdom	3.1	1.6	1.6
United States	2.2	0.5	0.6
Euro Area	2.6	1.4	1.2
Japan	2.1	1.4	1.5
China	11.4	9.3	9.5
India	6.3	5.8	6.0
Russia	8.1	6.8	6.3
Middle East	5.8	6.1	6.1

Source: IMF

This section of 'informing our **future**' examines a number of key issues related to the challenge of becoming globally competitive. The example of economic in Dubai, alongside the opportunities this may offer local firms, is examined. FAC's 'virtual office' in Dubai is considered as a model of how firms can access new market opportunities. The key roles played by knowledge transfer, R & D, innovation and infrastructure are examined as fundamental aspects of competitiveness.

Section 3

Opportunities and Threats

The rapid pace of economic growth in the developing economies provides both opportunities and threats for local businesses. A recent survey by Business Link found that for 69% of local firms questioned, one of the main challenges faced was '*finding new clients, markets or customers.'* One in three firms said it was the most important challenge that they faced. Information from the IMF on the world's largest economies, as measured by GDP, shows China as the world's second largest economy after the USA, with India fourth and Russia seventh. Not only are these now some of the largest economies in the world, they are also some of the fastest growing. In the search for new markets and customers, businesses will have to focus on these overseas markets if they are to expand their customer base.

If businesses are to make progress in entering into, and competing against, these developing economies it is imperative that they fully understand these markets and the scale of growth that is happening within them. One example of this is provided by Dubai and the United Arab Emirates. The scale of growth in this area is highlighted by the fact that in May Dubai's Emirates Airline placed an order worth $58bn for 58 wide-bodied aircraft; one of the largest orders in aviation history. This is to be accompanied by the construction of a new international airport with six runways, the whole plan taking five years from inception to completion. Heathrow airport's Terminal Five, by comparison, took twenty years in total to come to fruition.

New developments in Dubai

In June this was topped by Etihad airways, based in neighbouring Abu Dhabi, when at the Farnborough Airshow it placed an order for 100 aircraft with Airbus and Boeing, with options and purchase rights for a further 105 planes. These purchases are part of a plan to build a fleet of 150 aircraft by 2020, from the current base of just 40.

Case Study – Dubai, Seeing is Believing.

Since 2000 Dubai's economic growth has far outstripped that of its fellow GCC countries (as well as China and India) with real GDP growth increasing by around 13% per annum. This has been achieved by policies to improve the business and investment environment and the setting up of specialised zones and immense development projects (e.g. Internet City, Marine City and Dubailand) all designed to attract Foreign Direct Investment (FDI). Dubai's Strategic Plan 2015 has been devised to ensure that this growth continues. A key misconception is that this growth is driven solely by oil; in fact diversification of the economy meant that in 2005 oil provided only 5% of Dubai's total GDP.

Key Sectors: The Strategic Plan identifies Transportation, Tourism, Construction, Trade and Financial and Professional Services as key drivers of its future growth. These are all sectors in which Hampshire businesses have experience and expertise and can search out new opportunities.

Infrastructure Development: At the heart of Dubai's economic growth has been the development of state of the art infrastructure. Current plans include the construction of a four line 'above ground' metro system, due to commence operation in 2009, a new international airport with six 4.5km runways and an expanded port facility with a 'bonded link' to the new airport to enable the fast flow of transhipped goods. These developments have enabled Dubai to become a regional business hub for the Middle East, providing excellent opportunities in construction, transport management and logistics.

The scale of growth in Dubai is second to none and offers many opportunities that Hampshire's businesses can take advantage of.

Section 3

Global Business and Foreign Direct Investment

In meeting the challenge of becoming globally competitive, SEEDA identifies two important objectives that need to be met. First, the need to '*assist more businesses in the region to operate internationally'* entails increasing the percentage of businesses located in Hampshire that are selling and operating overseas. The second target identified is the need to increase the amount of Foreign Direct Investment within Hampshire

Meeting the Export Challenge

Data from the latest Regional Competitiveness and State of the Regions Report (RCSOR) 2008 estimates that the total number of companies in the South East exporting goods increased from 7,900 in 2001 to 9,050 in 2006. Interestingly, whilst the total number of companies exporting increased, the number exporting to the EU fell from just under 3,200 to just below 2,900 between 2004 and 2006. These figures provide evidence of the increasing importance of trade beyond EU boundaries.

Whilst it is difficult to get information on what is happening at a sub-regional level, a recent report by Business Link on exporting[3] amongst small-medium sized enterprises (SMEs) does provide some insights into what is happening within Hampshire. The report estimates that, in line with the South East average, around 42% of firms in Hampshire and the Isle of Wight were exporters, although this then splits into just 16% who said they were 'regular exporters' and 26% who were 'infrequent exporters'. Helpfully the report also considers the potential for exporting by current 'non exporters' and some of the challenges faced by firms that are exporting overseas.

The survey results indicate that there is a well of untapped potential for exporting amongst local SMEs. Approximately 15% of non exporters stated that their '*products or services could easily be delivered to overseas markets from our UK base*' which raises the question, *what factors are holding back these firms?*

Table 3.2 – Barriers to exporting

Export Challenge	% of Firms
Finding or accessing overseas clients	38
Language barriers	28
Competition	24
Cultural differences	19
Legal issues	18
Management time	14
Understanding tax and VAT	14
Prices overseas	14
Cost of product or service modification	14
Other staff time	8
Location	7

Source: South East Business Monitor

Table 3.2 (above) shows that the most important challenges identified by exporting SMEs in Hampshire were accessing overseas clients and language barriers. What is clear is that, these challenges, along with other barriers identified including cultural differences and legal issues, should all be possible to overcome through training, education and business support. *So how can firms access such support?*

One of the most important sources of help available to firms that are looking to export is provided by UK Trade and Investment South East (www.uktisoutheast.com.) The role of this Government organisation is to help businesses to trade overseas. Its services include:

- **Overseas Market Introduction Service** – with subsidised market research.
- **Language and international communication** – help to assist exporters evaluate how they present themselves and communicate with overseas customers.
- **Passport to Export** - a programme to help new exporters to understand and target international customers.
- **International Business Mentoring** – A follow-on programme of one-to-one support from international trade mentors.

[3] Hot Topic Spotlight: Issue 14 Exporting, January 2008

Section 3

Accessing Overseas Markets

As evidenced by Business Link's survey results, one of the biggest challenges facing potential or existing exporters is '*finding or accessing overseas clients*'. *How can businesses identify possible market opportunities overseas and in particular how can the risks involved be minimised?* One very valuable model is that provided by Farnborough Aerospace Consortium's (FAC) operations in Dubai.

In FAC's magazine Interface[4], John Ellis, FAC Business Development Director for the UAE, examines the flourishing aviation market in the Gulf States. In Dubai the government has issued a decree setting up the Dubai city of Aviation, an umbrella organisation incorporating all the aviation-related assets of Dubai. As part of this, Al Maktoum International Airport is planned to be the largest in the world with the capacity to handle 120 million passengers, almost twice the annual passenger throughput of Heathrow Airport.

Emirates Tower Dubai

An integral part of the planned Aviation City is the airport 'free zone'. Within these 'free zones' overseas companies can set up and operate and in many cases purchase freehold property, something that was previously identified as a barrier to FDI in the UAE. The operation of these 'free zones' has proved to be instrumental in the growth of traffic at Jebel Ali port. FAC Dubai provides an example of how some local firms have managed to get a foothold in this potentially lucrative market.

Case Study - Opening up Overseas Markets – FAC Dubai

Dubai and the Gulf states represent a major market opportunity for UK and Hampshire firms. Whilst many of the world's economies are facing economic slowdown, countries in the Middle East have some of the highest growth rates in the developed world. This raises the question of how firms can enter into these markets and the opportunities and challenges that operating in markets such as these provide. One useful example of how to succeed in such markets is provided by Farnborough Aerospace Consortium and its 'virtual offices' in Dubai and Abu Dhabi

Launched in July 2007, FAC has offices in the prestigious Emirates Tower building in the centre of Dubai. From these offices and working closely with UK Trade and Investment and the British Embassy, FAC provides a range of services to its clients. In return for an annual fixed fee of £10,000, services provided include; use of FAC's office in the Emirates Tower in the centre of Dubai, initial meetings with potential clients, a marketing and strategy plan for each company, access to legal assistance and language specialists, access to funding and grants and investment from UAE. (For a full list of benefits see FACDubai.com)

In just one year FAC Dubai membership has grown to 18 clients (5 in Hampshire) who between them have generated in the region of $16m worth of contracts. John Ellis, Business Development Director for FAC said '*the model has been so successful that we have opened a second office in Abu Dhabi, and are hoping to extend the model to India where we are in the process of evaluating the option of opening offices in Mumbai, Bangalore and New Delhi. In the longer term we hope to extend the operation to Singapore and possibly Hong Kong.*' Whilst FAC are primarily operating in the Aerospace sector, John claims that the FAC model can easily be applied to other industry sectors as evidenced by the South East Health Technology Alliance (SEHTA) who have also opened offices in the UAE.

FAC's Dubai model highlights the benefits of a consortium-based approach to doing business overseas and the potential gains of a pro-active approach to new markets with high rewards for a relatively small outlay.

[4] Winter edition 2008

Section 3

Attracting Foreign Direct Investment

It has long been recognised that investment in an area by overseas companies can provide a major stimulus to economic growth. FDI can promote growth by means of technology transfer, the introduction of new management techniques, new supply side opportunities, import substitution and new opportunities for export and employment.

Persuading overseas firms to invest in Hampshire requires marketing the area as a 'brand'. Firms need to be made aware of what Hampshire has to offer as a business location and what its advantages are. One recent step in this direction has been the publication of the 'Invest in Hampshire' brochure by Hampshire Economic Partnership. Providing information on key industries, educational institutions, business premises and life in Hampshire, this is one step forward in promoting Hampshire. Another platform for promoting the area is provided by www.investsoutheastengland.co.uk, SEEDA's International Business website which aims to help overseas companies wishing to set up operations in the South East. In conjunction with UK Trade and Investment the site provides information on property, business support and advice on setting up in the region.

World Class Events in Hampshire

One thing that helps to put Hampshire on the map is the number of world class events that are held here. These are events that take place in Hampshire and receive worldwide publicity while they are on. Examples of such events include:

- Farnborough Air Show
- Southampton Boat Show
- International Festival of the Sea
- Country Landowners Association Game Fair

These events attract exhibitors and customers from all over the world and thus provide an ideal platform for promoting Hampshire. It is essential that such events come to be inextricably associated with Hampshire, and not viewed in isolation by potential foreign investors.

Why Invest in Hampshire? – Ten Good Reasons

Situated centrally on the south coast of Britain, facing Europe, the very position of the area gives it an unprecedented natural advantage. Hampshire is a first rate place to do business and better still, it is a fantastic place to live.

1. Hampshire is **strategically placed**, has plenty of space, a plethora of good quality business parks with high quality accommodation at affordable prices.
2. Hampshire is a **growth area** and two areas within Hampshire have been identified as being "diamonds for growth" areas by the South East of England Development Agency (SEEDA).
3. Some of the world's **leading edge research companies** are located in Hampshire; particularly those connected to work in key technologies and advanced manufacturing.
4. There are **strong clusters** and infrastructure support in Hampshire's key sectors such as Marine, Aerospace, Pharmaceuticals, Information Technology and Environmental Technologies.
5. 83% of the area is **rural**, with 160 miles of **coastline** and 600 miles of **rivers** making Hampshire a great place to live and work.
6. Hampshire has a **large, industrious and highly skilled workforce**; the average wage rate remains highly competitive.
7. Within Hampshire **there are four Universities** and a **higher concentration of Adult Education Colleges** than can be found anywhere else in the South East.
8. Hampshire is **a major gateway** into the UK; it is home to two key shipping ports and its own international airport (with Heathrow and Gatwick airports easily within easy reach).
9. **Extensive road and rail links** make local travel and travel to London, the midlands and the north quick and easy.
10. Southampton and Portsmouth, with their outstanding shopping, nightlife and entertainment, are **two of the largest cities in the South East of England**.

Source: Invest in Hampshire, Hampshire Economic Partnership

Section 3

FDI in Hampshire

Foreign investment in an area is an indicator of its competitiveness as a location and recent examples of investment in Hampshire provide evidence that a number of major international companies consider the county to be a good place to do business. Palmer Johnson, the US super yacht manufacturer and Huawei Technologies Co, the largest networking and telecommunications supplier in China, have both recently invested in Hampshire.

Palmer Johnson

In April 2008 Palmer Johnson announced its plans to build a state-of-the-art manufacturing facility on the old Vosper Thornycroft shipyard at Woolston, near Southampton and a new manufacturing facility at Hythe in the New Forest. Together, these two new facilities will create demand for around 800 skilled jobs in South Hampshire.

Palmer Johnson is planning to construct a range of multi-million pound, bespoke super yachts, of up to 100 metres in length, which will be the largest leisure craft in production in the UK at the new Woolston site. The new facility is planned to open in 2009, with prototype vessels being built at Hythe Marine Park in the meantime. Along with its current design office at East Cowes on the Isle of Wight, Palmer Johnson's investment in Hampshire further enhances the Solent area's reputation as one of Europe's leading maritime centres.

Huawei Technologies Co

Huawei is one of leading players in the global telecommunications market. The company first established a UK base in 2001, in Whetstone London. However, in 2005/6 the decision was taken to relocate to Basingstoke where the company now has its European Headquarters.

"As a global business, Huawei has recognised the importance of the South East of England as a cluster for most of the world's biggest telecommunications companies hence our decision to base our European HQ in the region"
William Xu (Xu Wen Wei), President of Huawei (EU)

Huwaei currently employs around 500 staff at its Basingstoke headquarters. In addition to its role as European headquarters, the Basingstoke site also contains a state-of-the-art training centre and a fully-functional Technical Assistance Centre that operates 365 days a year. The training centre is designed to meet local training needs as well as providing training throughout the UK and Europe.

Both of these examples provide evidence of the advantages that Hampshire can offer international companies looking to invest overseas and how working closely with potential investors can pay dividends. Both Palmer Johnson and Huawei worked closely with SEEDA, who introduced the US marine company to the Woolston site and assisted Huawei in practical matters such as introducing them to professional service providers and helping to bridge any cultural gaps in their negotiations with property agents.

Innovation and Creativity

Innovation and creativity is a mainstay for all businesses that wish to become globally competitive. There are many aspects to achieving this including the need for a creative and innovative workforce, increased levels of research and increased collaboration between businesses.

In 2004 the Government published its ten year framework for Science and Innovation for the period 2004 to 2014. This document sets out the policies and actions required to achieve the Government's ambition of creating a knowledge based economy and identified six 'ambitions' for this period to;

- maintain the UK's ranking in research excellence and close gaps where possible.
- promote a greater responsiveness of publicly funded research to the needs of the economy.
- increase business investment in R & D and engagement with the UK science base.
- ensure a strong supply of scientists, engineers and technologists.
- ensure sustainable and financially robust universities and laboratories across the UK.
- increase confidence in, and awareness of, scientific research and its applications.

The third annual progress report, published in 2007 states that good progress is being made in delivering the programme. The UK's research base continues to improve and knowledge transfer resulting from this continues to increase.

Information in the report shows that the UK has managed to maintain its world research ranking. It is second only to the USA in six key fields of research and is third or fourth in the other four fields. Particular strengths were identified in fields such as Bioscience, Business and Environmental sciences. The report also notes that in all fields the UK has either maintained or improved its' ranking, with for example progress being made in Physical and Social sciences where the UK's ranking has improved. However, the report also recognises that the translation of this research excellence into new goods and services remains a challenge.

In the South East the targets set out in the RES implementation strategy are to '*increase the percentage of business turnover attributable to new products from 12% in 2004 to 20% by 2016 and the percentage attributable to significantly improved products from 18% in 2004 to 25% by 2016'*. Information from RCSOR 2008 shows that for the period 2002 to 2004 the percentage of turnover attributable to new or improved products for firms in the region was 23%, a figure well ahead of the UK figure of 11% and only equalled by London. The figures for the region were above average in the Electrical and Optical Equipment (51%), Transport Equipment (37%) and Financial Intermediation (31%) sectors. Figures for Hampshire were unavailable so we turn our attention elsewhere for this information.

Innovation and Creativity – Gurit UK

Gurit UK were the winners of the Bond Pearce Innovation Award at the Hampshire Business Awards in 2007. The company is located at Newport in the Isle of Wight and is a leading firm in the field of advanced composite materials. The company currently employs over 400 staff and produces products for a range of markets including wind energy, marine, sports, civil engineering and transportation.

Gurit UK won the Innovation Award for its work in adapting its existing technology to a new market. Gurit successfully developed its existing technology, traditionally used in wind turbines and racing boats to create a lighter material for use in the automotive sector. As a result of this innovation, Gurit has created an exciting new product for the industry which has since been taken up by a number of prestigious manufacturers.

The example of Gurit UK demonstrates that innovation does not always require the development of 'new products'. In some cases lateral thinking may allow successful existing products to be adapted to new markets or applications increasing a business's competitiveness and commercial success.

Section 3

Innovation and Creativity in Hampshire

A recent report by South East Business Monitor[5] examines the issue of innovation within SMEs in the South East and Hampshire. The findings of the report suggest that there is a high level of innovative activity amongst firms in Hampshire. However, the report warns that using traditional measures of innovation alone, such as Investment in R & D and patentable inventions may underestimate actual levels of innovation. Traditional measures do not capture innovations such as the development of new services, technical standards, business models or processes. This 'hidden innovation' relates particularly to firms in service sectors such as retail and banking, finance and insurance.

The table of results on innovation activities shows that three out of four businesses in Hampshire had undertaken some form of innovative activity in the previous year, the most important of these being improvements to products or services, new partnership agreements or innovations in marketing or new products. On the basis of these findings the report identifies four types of innovator (as shown below); the remaining 26% of firms were identified as non-innovators.

Table 3.3 - **Innovation activities undertaken by SME's in Hampshire in the previous 12 months**

Type of innovation activity	Per cent
Made significant improvements to products or services	53
Developed new partnership agreements with suppliers or customers	47
Marketed products or services in a new or innovative way	37
Developed a new product or service	34
Introduced measures to make significant efficiency savings	30
Developed a significant new type of client base	16
Expanded into major new geographical markets	15
Applied for a patent or other form of intellectual property protection	6
Sold the rights to a product, service or process	2
None of the above	24

Source: Hot topic spotlight, Issue 15 January 2008.

The survey also asked firms to identify barriers to innovation, the most commonly cited of which, were management and staff time, finance and the skills, knowledge and experience of both management and staff.

If Hampshire's businesses are to achieve the levels of innovation and creativity needed to become globally competitive then it is vital that assistance is provided to overcome these barriers to innovation.

Types of Innovative Businesses Identified

- **Traditional innovators (7%) -** businesses where traditional activities such as R & D and the development of new products or service are an integral part of the business.
- **Reactive innovators (26%)** – where innovation is in response to a challenge or external change such as new legislation or the loss of a market. This form of innovation is most common in markets where customer needs and technologies change less frequently.
- **Prompted innovators (14%)** – businesses that are 'prompted' to innovate through spotting a market opportunity e.g. a direct customer request for a product or service that is not currently available. This is most relevant in markets with rapidly changing customer needs and/or technologies.
- **Proactive innovators (27%)** – businesses that make a conscious decision to gain and maintain competitive advantage through innovation across a wide range of business activities.

The survey results show that proactive innovators are more common in manufacturing and business and financial services and such firms are more likely to be medium sized businesses rather than small or micro-businesses.

[5] Hot Topic Spotlight 15: Innovation, January 2008

Section 3

Knowledge Transfer and R & D Expenditure

The RES identifies the need to increase levels of knowledge transfer and expenditure on R & D as key elements of its drive towards achieving global competitiveness in the region, but what does this mean for Hampshire's businesses?

BERR, the Government's Department for Business Enterprise and Regulatory Reform, defines knowledge transfer as '*the transfer of good ideas, research results and skills between universities, other research organisations, business and the wider community to enable innovative new products and services to be developed'*. As seen in the previous section, the UK is second only to the US on most indicators of research excellence so we need to ensure this is translated into commercial success and that 'good research becomes good business'. The key to this must be greater collaboration and communication between universities and business.

Within Hampshire there are four universities all of which have areas of specialism and are engaged in commercial work and collaborative projects with industry and employers. Recent examples of collaboration include the Autosub developed by the National Oceanography Centre at Southampton and The University of Portsmouth's work with Bac2 Conductive Composites Ltd.

Southampton University's Autosub

The Autosub is a long range, deep diving, autonomous underwater vehicle (AUV). The Autosub carries a range of sensors allowing scientists to monitor the ocean in ways that are not possible with conventional research ships.

Universities in Hampshire

University of Portsmouth (www.port.ac.uk)
The University's 'Purple Door' service provides support functions, advice, resources, recruitment and research facilities to businesses. The University currently engages with over 2,000 local businesses including IBM UK Ltd, IRACROFT Ltd and Eaton Aerospace.

University of Southampton (www.soton.ac.uk)
Southampton is one of the top ten research universities in the UK and has strong links with business and industry. Over 150 international businesses have worked with the University on research and development in fields such as engineering, law, medicine and oceanography.

Southampton Solent University (www.Solent.ac.uk)
In 2006 Solent University launched its Community and Enterprise Office, which works closely with the business community. The University has strong connections with leading companies including Shell, BP and the Carnival Group.

The University of Winchester (www.winchester.ac.uk)
The University runs a Research and Knowledge Transfer Centre which offers consultancy, research and business support. The focus of the centre is on the Cultural and Creative industries.

The Autosub has been employed in a number of projects related to the oil, gas and sub-sea cable markets and the mapping of manganese distributions in a sea loch.

Bac2 collaborated with the University of Portsmouth's electro chemistry experts to form shaped polymer composite electrodes in a low-cost, room temperature process. A prototype cell was developed to electrochemically remove dissolved metal from a waste stream. The university's Research and Knowledge Transfer Department also helped to put together a consortium of six companies to apply for a development grant from the DTI.

'We found the University to be extremely commercially aware. They were very instrumental in getting the DTI project off the ground'
Mike Stannard, CEO, Bac2 Conductive Composites Ltd

Section 3

Working with Hampshire's Universities

There are benefits that can be gained by Hampshire's businesses from linking with local universities and centres of research excellence. SEEDA's target is to increase the proportion of businesses in the region reporting R & D links with universities from a base of 11% in 2005 to 15% by 2016. However, the quality and accuracy of information on this is currently poor, making it difficult to assess progress.

What is clear is that, in order to achieve this target, there needs to be a better dialogue between universities and business in relation to knowledge transfer and an improved monitoring of such links. On the one hand there needs to be more effort on the part of universities to market their skills and expertise and to tailor these to the needs of local business, whilst on the other, businesses need to recognise that collaboration with universities can provide significant commercial gains. One way in which this can be progressed is through the work of the South East Science, Engineering and Technology Advisory Council (SESETAC). Through the advisory council SEEDA is working collaboratively with the region's businesses and universities to promote knowledge transfer, innovation and training. Services provided include:

- **Knowledge Networks** – there are currently eight knowledge networks designed to bring business and research together. The eight networks include autonomous systems, digital content and energy technologies.
- **Collaborative Research and Development** – at the moment there are four business-led projects in fields such as nanotechnology, healthcare and sustainable energy.
- **Research Excellence Data (RED) Directory** – RED is a searchable directory to help businesses access information on areas of local research excellence. The directory contains listings on over 200 areas of research excellence and can be searched by subject, sector or geographic area providing for example, thirty links in Hampshire ranging from Maritime Shipping to Optoelectronics.

Table 3.4 – UK Research Rankings

Research Field	World ranking	Trend 95-04	Examples of economic and social impact:
Bioscience	2	↑	In the 1970s, UK researchers, supported by the forerunner of the BBSRC, developed environmentally friendlier insecticides.Today, these compounds account for 17 per cent of global insecticide sales – a market worth more than $7 billion per annum.
Environmental	2	↑	The hole in the ozone layer was discovered by a team from the British Antarctic Survey, a part of the Natural Environment Research Council.
Social science	2	↑	Evidence from the National Child Development Study (NCDS) and the 1970 British Cohort Study (BCS70) helped put the warning about smoking in pregnancy on cigarette packets.
Business	2	↑	Research from the Economic and Social Research Council contributed to the auction of the 3G mobile phone spectrum raising £20 billion more than forecast.
Clinical	2	↔	Medical Research Council research means that four in five children with leukaemia now recover, compared with only one in five 25 years ago.
Pre-clinical	2	↔	Researchers have developed models to help understand the causes of human Down Syndrome.
Humanities	2	NEW	Funded by the Arts and Humanities Research Council, scientists researching touch sensitive interfaces have enabled artists and designers to get the best use from computer-aided design software.
Mathematics	2	↔	Mathematical modelling from EPSRC research helps drivers to avoid congestion and traffic lights respond automatically to traffic volume.
Physical	3	↔	The World Wide Web arose from physicists needing to share huge volumes of data. The Internet has a substantial effect on the UK economy with UK online shopping growing by 27.5 per cent in 2004.
Engineering	4	↔	New materials for aircraft are more efficient, more reliable and cheaper. Aircraft maintenance has improved and costs have fallen.

Source: UK Research Rankings and Knowledge Transfer (BERR)

Table 3.4 shows that there are many ways in which research excellence can benefit business, but this can only happen if R & D is fully funded. SEEDA has set a target of increasing expenditure on R & D in the South East from 3.2% of GVA in 2003 to 4% by 2016. The latest figures from RCSOR show the extent of this challenge as the percentage of GVA spent on R & D fell from 3.4% of GVA in 1998 to 2.7% in 2005. Although this figure puts the South East ahead of the UK average of 1.8%, the region is trailing behind the East of England (up from 3.8% in 2004 to 4.3% in 2005) and moving in the wrong direction. *These figures show that not only do Hampshire and the South East need to stimulate more expenditure on R & D, we also need to reverse the downward trend of recent years. In the current climate of a feared economic recession and business 'belt tightening' this is likely to be one of the most difficult of the RES targets to achieve.*

Investment in Infrastructure

Hampshire's Infrastructure

Achieving and sustaining global competitiveness depends not only on producing new and innovative products but also on the infrastructure that supports business. An important element of Hampshire's success on the world stage is its strategic importance as a gateway to Europe and beyond. If Hampshire is to continue to attract and retain investment and business then it is imperative that the infrastructure that businesses require to be able to compete globally is in place.

This is a view supported by the findings of the Eddington Transport Study (2006). The study noted that whilst transport links have historically been the key to economic growth, it is now transport constraints, such as overcrowding and congestion, which are more likely to impact upon productivity and competitiveness. Hampshire has four main transport gateways: the port and airport at Southampton, Farnborough business airport and Portsmouth commercial port. These are more than just transport hubs they are, as Eddington points out, key economic gateways.

Southampton International Airport is owned by British Airport Authority (BAA), which also owns Heathrow and Gatwick airports. The airport supports the growing commercial, leisure and cultural success of the area and currently serves 46 destinations. Passenger numbers in 2007 reached record levels with over 1.96 million passengers using the airport, up 2.6% on 2006.

Within Southampton Airport's master plan it is recognised that '*the ongoing economic evolution towards more high tech and knowledge-based sectors as seen in Hampshire, will further increase reliance on air services in the future. These sectors will operate increasingly in the global market where rapid access to clients, suppliers, partners and markets is vital*'.
The plan forecasts that demand will continue to grow reaching 3.05 million by 2015 and 6 million by 2030 (an annual growth rate of 4.8%).

Destinations served by Southampton Airport

However, economic slowdown, rising fuel costs and diminished consumer confidence is likely to affect these forecasts in the short to medium term.

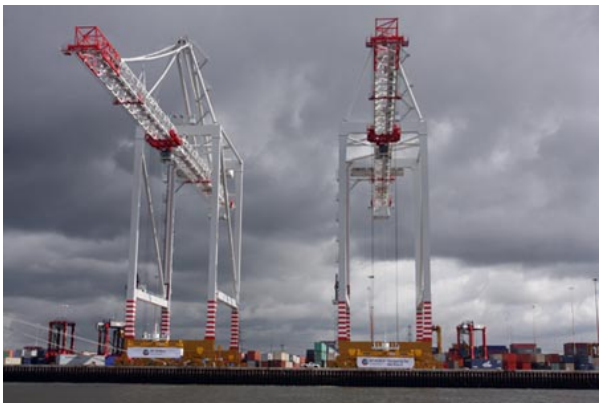
Farnborough Business Airport, owned and leased by TAG Aviation, is one of the most modern business aviation airports in Europe. The airport's location close to the M3 and M4 corridors and within easy reach of the M25 has made it a global gateway for the London business market. The significance of the airport is evidenced by the large number of high-tech multinational companies that are located in the area around the airport. The airport is also home to the Farnborough International Airshow; one of the most important in Europe and a key event for generating new orders and premiering new products and services.

Farnborough Airport is a major asset in Hampshire's Inward Investment offer and a major driver of economic growth in the north of the county. This was recently recognised in the Government's decision to back TAG's application to increase the number of weekend flights allowed from 2,500 to 5,000. This was an important decision with the government supporting TAG's argument that '*the economic benefit of allowing an expansion of weekend activities outweighs any environmental impact in the surrounding area*'.

Section 3

Hampshire's transport gateways

Hampshire's two other main transport gateways are the ports of Southampton and Portsmouth. Portsmouth is an important passenger ferry and cargo port for both imports to and exports out of the UK. In addition to being the UK's second largest container port, the Port of Southampton enjoys two-thirds of the cruise market for journeys that start or finish in the UK.



New gantry cranes at DP World Southampton

Although Portsmouth's commercial port is much smaller than Southampton, it is a highly successful multi-user port. The port attracts cruise ships and freighters as well as luxury cruise ferries, fast craft and modern passenger ferries with its focus clearly on Europe.

The continental ferry port attracted 2.16m passengers and 650,000 vehicles in 2007. Although these figures represent a decline in demand over the past decade, the port is looking to develop new business and invest in enhanced capacity and facilities. LD lines will be introducing a new ship on its Portsmouth to Le-Havre route from November 2008. The new ship, currently being built in Italy, will double LD's capacity on this route and enable it to offer daytime sailings. A master planner has been appointed to review the port's existing passenger and freight facilities and develop plans for a new, modern terminal to enhance services and meet predicted passenger growth to 2040. The new terminal is due for completion in 2010 and will house state-of-the-art facilities for port customers.

Whilst the Eddington Report recognised the economic benefits of expanding the region's port capacity, it also points out that this needs to be part of a '*whole-journey approach.*' This means that additional surface transport provision is needed to fully realise the economic benefits of the area's ports and airports. The upshot of this is the area's transport infrastructure priorities need to be identified and this is examined next.

Case Study - The Port of Southampton

Southampton is one of the UK's busiest and most important ports and plays a significant role in the regional economy and Hampshire's business infrastructure. The port handles more than 42 million tonnes of cargo each year and is the main gateway into the UK for imports from the Far East. It is a major car handling port and the sole port for the importing of fresh produce from the Canary Islands.

DP World Southampton is the second largest container terminal in the UK and is now operated as a joint venture between DP World and Associated British Ports. DP World is one of the world's largest marine terminal operators with 45 terminals and 13 new developments across 29 countries. As part of Dubai World, which is owned and controlled by the government of Dubai, DP World has huge resources at its disposal. DP World currently has a global capacity of 54 million TEU's (twenty-foot equivalent container units) and this is expected to increase by around 30 million TEU's by 2017.

July 2008 saw the commissioning of two new super post-panamax gantry cranes at Southampton. The two cranes, which are the first of their type to be in operation at the terminal and are capable of reaching across 22 containers, represent a significant investment in the port's future capacity and development.

The port of Southampton provides an example of the fact that global competitiveness encompasses more than just trade and investment. It also has implications for activities such as joint ventures, partnerships, technology transfer, acquisitions and mergers demonstrating that firms do not always have to 'go it alone'.

Section 3

Hampshire's Infrastructure Priorities

'Transport corridors are the arteries of domestic and international trade, boosting the competitiveness of imports and exports.'
The Eddington Report

One of the main recommendations of the Eddington Study is the need to '*deliver sustained and targeted investment'*. This is in line with SEEDA's objective of '*securing investment in infrastructure priorities to maintain international competitiveness'*. This raises the question, what should these priorities be?

Despite the success of both Portsmouth and Southampton ports, over 70% of respondents at HEP's Business Question Time were concerned that Hampshire's port infrastructure would not be able to cope with future growth. Also alarmingly, more than 90% of respondents expressed concerns about the growth capacity of Hampshire's road and rail infrastructure. These figures show the extent of business concerns about Hampshire's transport problems and the need to tackle these problems.

Transport for South Hampshire (TfSH) was established in 2007 as the transport delivery agency for South Hampshire bringing together the local transport authorities, transport operators, business interests and government agencies. In April 2008 TfSH published its statement on transport for South Hampshire entitled 'Towards Delivery'. The document recognises that supporting economic growth whilst at the same time relieving traffic congestion is a major conundrum. It identifies over 50 potential transport schemes in South Hampshire, with a total cost of around £2.5bn. Limited funds mean that schemes with a real chance of success must be identified.

Improving access for passengers and freight to and from the ports of Portsmouth and Southampton and Southampton Airport are key to maintaining Hampshire's global competitiveness. Increased container traffic at Southampton means a greater need for the onward movement of freight. Movement by road has widespread environmental consequences and is less commercially viable as the cost of fuel continues to increase. The introduction of rail facilities for use by some of the port of Portsmouth's traffic has helped to reduce heavy vehicle movements and plans for gauge improvements between Southampton and the Midlands will hopefully help in Southampton. Plans to increase passenger throughput at Southampton Airport will also increase road traffic movements, although plans for the construction of the Eastleigh Chord will allow more trains to access the airport.

Another priority must be the M3 which is the main access route to Hampshire from the Midlands and the North and the principal access from London and much of the South to the west of the county. A number of schemes to alleviate the resulting congestion here have been examined including grade separation at M3 Junction 9, additional capacity at M27 junction 3 and at the start of the M271. Progress towards capacity improvement needs to be made in this important transport corridor in order to support the economic growth planned for the area. Other specific projects mentioned as possible priorities include access to the Hedge End and North Fareham Special Development Areas (SDAs) and Tipner. Road improvements adjacent to Southampton Airport would also facilitate access to employment land.

In the north of the county, Hampshire County Council is working with Basingstoke & Deane Borough Council to develop an evidence based transport strategy. This is vital to support the case for investment in both local and national transport networks needed in the area.

Economic growth means that increases in traffic movements are inevitable. Whilst policies to 'reduce the need to travel' and 'manage the existing transport network' must be at the heart of Hampshire's transport strategy, there is still a need for significant investment in public transport and highway capacity. As new funding streams emerge, the Hampshire community must lobby government to ensure the area receives the share of funds required to achieve its objectives.

Section 3

Communications Infrastructure

Whilst the transport infrastructure includes not only the road network, but also the area's rail, airport and port infrastructure, the broader business infrastructure also includes information and communications technologies which are also a vital element of competitiveness in today's global business environment. In order for Hampshire to be globally competitive there is a need to provide a high speed data distribution infrastructure to replace the existing telephone infrastructure. The existing 'copper wire' infrastructure was not designed to carry high speed broadband and needs replacing by optical fibre, which is able to meet the highest specification bandwidth requirements. This, in conjunction with wireless networking, can provide mobile services and fill in gaps where wired provision may be difficult or not economically viable.

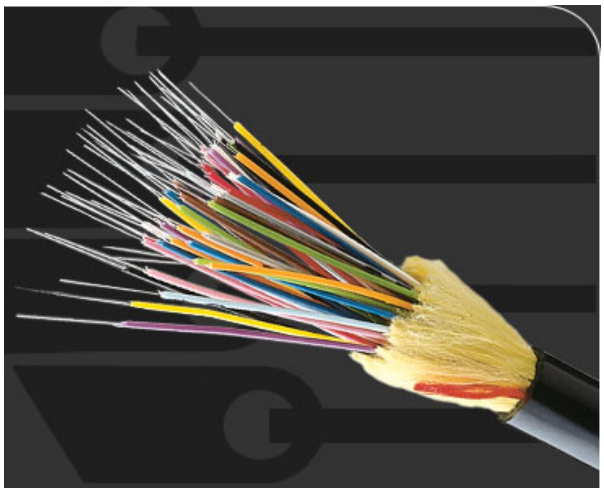
The eHampshire Partnership which consists of 25 key organisations across Hampshire (see www.ehampshire.org) was set up in March 2007 and has produced a 3 year programme to promote the use and take up of broadband and ICT technologies.

ICT Infrastructure and Competitiveness

'*In the competitive context of globalisation, key ingredients for success include a highly developed ICT infrastructure, capable of ongoing and continuous improvement as new technologies emerge, business investment and management capable of capitalising on the opportunities for e-commerce, e-systems and productivity, and a workforce which adapts its skills to suit new ways of working*'.

Statement from eHampshire Business Plan

One of the key work packages in eHampshire's business plan relates to the need for infrastructure improvements. The target set is for a minimum of 10MBpS (Megabytes per second) to be available to at least 90% of the premises in Hampshire by 2010 with take-up levels approaching 50%. As a comparison, South Korea is spending £1.06bn to upgrade its ICT network with the aim that by 2010 the top speed of South Korea's core broadband infrastructure will be 100MBpS.



A fibre optic cable

The importance of the ICT and Broadband infrastructure to Hampshire's ability to achieve the RES targets is shown in the table from the eHampshire business plan. It identifies four key areas where ICT can help to achieve the prescribed targets.

ICT and the RES

Global Competitiveness – Broadband enabled e-business provides the single most effective method for businesses of all sizes to enter new overseas markets and provide quality services to customers abroad.

Economic Inclusion – Broadband access will enable individuals who, for reasons such as care responsibilities, can only work from home.

Sustainable Development – Broadband is the key to more flexible and remote working, reducing the need for commuting, congestion and office space. Teleworking can also help to overcome localised labour shortages, a significant problem for many companies.

Rural Economies – with access to Broadband, rural businesses are able to compete effectively with businesses in urban locations.

Source: eHampshire Business Plan 2007 - 10

Section 4

Is Hampshire's Business Growth Smart?

Jonathan Morris, Managing Director,
Business Link Hampshire and Isle of Wight.

Business Link is the primary access point for publicly funded business support. It provides the information, advice and support needed to maintain and grow a business.

In Hampshire and the Isle of Wight Business Link is working closely with local partners to support economic development through Smart Growth. Together our activities deliver increased levels of business support, encourage knowledge exchange and innovation, improve efficiency and sustainability, develop an enterprise culture and promote public procurement opportunities.

Across Hampshire and the Isle of Wight in the financial year 2007/8 Business Link provided general support to some 26,000 business customers with high customer satisfaction. This included established businesses and those starting a business. There was individual intensive support to over 2,800 established businesses.

This fourth section of 'informing our **future**' looks at the topic of smart growth. Smart growth is the buzz phrase used in the RES when talking about the need for greater efficiency within businesses.

Smart growth means that the challenges of increased competitiveness and sustained prosperity should be achieved without increasing the region's ecological footprint. Such growth must be met by a combination of increased productivity, improved skills and increased working age economic activity rates. The RES identifies six drivers of prosperity that are central to achieving smart growth which, for the purposes of this analysis, are amalgamated into three sub-sections, namely Employment & Skills; Physical Development & Transport; and Enterprise, Competition & Business Regulation.

The employment and skills sub-section focuses on the quantity and quality of labour available to firms in Hampshire. In terms of achieving smart growth it is vital to improve the productivity of Hampshire's labour force and to increase the number of people of working age who are economically active. Although bringing more people into the workforce is an important step towards achieving growth, being competitive means that these people must be of the right quality with skills that are up-to-date and appropriate to the needs of Hampshire's firms. This section studies the continuing business problem of skills gaps amongst both the current and future workforce, and how to tackle it.

The Physical Development and Transport sub-section examines the need to provide the physical environment to support business growth and competitiveness. The likely effect of the credit crunch on the housing supply is also considered alongside the issue of congestion and related transport infrastructure projects.

Economic growth is, in part, a function of levels of entrepreneurial activity. The RES aims to increase the business stock and to encourage the participation of women in business. The Enterprise, Competition and Business Regulation sub-section investigates those factors which influence the extent of entrepreneurship within Hampshire, alongside the need for a sensible level of business regulation.

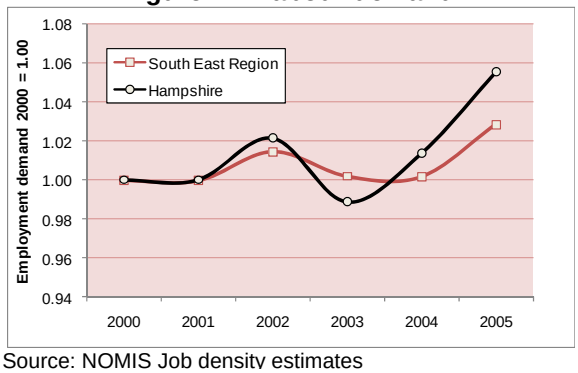
Section 4

Skills and Employment

The skills and employment sub-section focuses on the quantity and quality of labour available to firms within Hampshire. Labour demand is a 'derived demand' as it is dependent on the health and competitiveness of the economy. The demand for labour increases with growth and vice versa and this demand is therefore constantly in flux. The mix of demand for labour alters in line with technological and organisational changes. Scarcity of key skills drives up wages, and wage inflation tends to spread throughout the economy. High relative wages may be an important factor in driving employers to seek alternative locations for their businesses as they try to remain competitive.

Technically, labour demand should include all the filled jobs and unfilled vacancies in the economy. Filled jobs represent satisfied demand and consist of all those people that are either employed or self–employed, whereas unfilled vacancies represent unsatisfied demand. Figures for overall 'satisfied' labour demand are derived from the job density figures produced by NOMIS. These include all those in employment, the self-employed, government supported trainees and HM forces personnel. As Figure 4.1 shows, overall demand for labour in Hampshire has risen in recent years at twice the regional average.

Figure 4.1 Labour demand



Source: NOMIS Job density estimates

The level of 'unsatisfied' labour demand in Hampshire has been increasing steadily since 2005 and currently stands at around 12,300 jobs[3]. This figure equates to around 25% of all notified vacancies in the region. The reality is that this figure is in fact likely to be significantly higher as not all vacancies are reported to Job Centre Plus.

The most recent data available suggests that over 85% of vacancies are in just seven industrial categories; health and social work, hotels and restaurants, retail, public administration, construction, other business services and recreational and cultural services. Looking at the types of jobs on offer, it is apparent that the bulk of demand is for low skilled occupations such as cleaners, drivers, care assistants, building labourers, sales and call centre operatives or catering and waiting staff.

Floodgates or Turnstiles?

Last year's 'informing our **future**' reported how inward migration was helping to alleviate skills shortages in some occupations where employers were struggling to find staff. In April 2008 the Institute for Public Policy Research (IPPR) published a detailed study of inward migration; entitled "Floodgates or turnstiles?" The study concentrates particularly on Polish migrants (the largest cohort) who came to the UK after the EU's eastern enlargement.

The report suggests that migration peaked in 2006. Around a million A8 country migrants arrived in the UK after 2004, but around half have since returned. Many work in the UK on a temporary or seasonal basis and most come for economic reasons. A large number also want to learn English and start a business. Most are young, economically active and work long hours. Migration is expected to slow in the future because of a combination of developing home economies, devaluation of the pound, the pull of alternative destinations and changing demographic patterns.

As one of the largest recipient cities in the UK this could have profound effects on the economy of Southampton.
A more recent SEEDA report 'Migrant Workers in the South East Regional Economy' was completed in August 2008.

[3] Acording to Job Centre Plus figures, June 2008

Section 4

Employment

The supply of labour includes all those who are working or who are looking for work. The key determinant of the labour supply is the number of people of working age. The supply of labour locally may be topped up by inward commuting and short-term inward migration. However, if other areas offer more attractive employment opportunities then significant outward commuting may occur. The labour market periodically experiences both "shortages" and "surpluses" of labour, as demand increases or falls; these movements are exacerbated by skill mismatches, lack of mobility and incomplete information about job opportunities.

SEEDA's stated aim is to *'improve the productivity of the workforce and increase economic activity from 82% to 85% by bringing 110,000 net additional South East residents of working age into the labour market by 2016 (as a step towards bringing up to 250,000 residents into the labour market by 2026.)'*

The latest population statistics (June 2008) show that almost 1.7 million people live in Hampshire. Forecasts suggest that this number will increase by almost 18% to over 2 million by 2031. Forecasts of working age population growth are more subdued with an expected increase of 6.5% from 1.08 million to 1.15 million. These figures indicate that the combination of an ageing population and minimal growth in the working age population will constitute a significant challenge for local businesses as they seek to attract staff from a labour pool which is almost static.

Table 4.1 - Economic activity

	Hampshire	South East
Economic activity rate (% working age)	82.1%	82.0%
Proportion economically inactive (% working age)	17.9%	18.0%
Employment rate (% working age)	78.7%	78.4%
Proportion of employees in higher skilled occupations	44.8%	47.3%

Source: APS (NOMIS) – December 2007

In December 2007, there were over 850,000 economically active people across Hampshire and the IOW. This gives an economic activity rate 0.1% above the regional average of 82%. Rates for males are higher at 86.8%, compared to just 77.0% for females. Since 2004, economic activity rates have remained fairly static, peaking in 2006 at 82.9%. More consistent increases in the economic activity rate in future years will be required to achieve the RES target of 85% by 2016.

Established urban areas traditionally contain substantial numbers of people who are economically inactive, often equivalent to more than a quarter of the working age population. At the opposite end of the scale new and growing settlements such as Basingstoke and Fareham exhibit low levels of economic inactivity.

One way that local and sub-regional labour markets could tackle unmet labour demand is to draw new workers into the labour force from the 187,000 people in Hampshire who are of working age but who are economically inactive. The most effective strategy towards achieving this is likely to involve targeting the 47,000 economically inactive individuals who are classified as wanting a job. The fact that approximately 60% of these are women suggests that an appropriate strategy might include the promotion of self-employment, which offers those with dependents a more flexible working life. At present, Hampshire's self-employment levels are around one percentage point below the regional average but in Southampton and Gosport the figures are significantly lower than this.

What is clear is that with a labour force whose growth rate is failing to keep pace with an ever ageing population, using the available working age population to its fullest potential is becoming increasingly important if Hampshire is to achieve the levels of growth that it is aiming for.

Section 4

Skills

Skills levels and the 'quality' of labour are equally as important as the supply or 'quantity' of labour available. The RES states that its aim is to *'maximise the number of people ready for employment at all skill levels and ensure they are continually equipped to progress in the labour market.'* Table 4.2 shows that approximately 69% of Hampshire's working age population are qualified to NVQ level 2 or above and almost 30% have a degree or equivalent qualification (NVQ Level 4 or above.)

Table 4.2 – Qualifications and Skills

	Hampshire	South East
Proportion of working age qualified to NVQ Level 2 and above[1]	68.9%	68.2%
Proportion of working age qualified to NVQ level 4 and above[1]	28.7%	30.8%
Proportion of working age who received job related training in last 13 weeks	23.1%	21.5%
Proportion of working age with no qualifications[1]	9.9%	9.6%

Source: [1]APS (NOMIS) – December 2007

The qualification figures for Hampshire are comparable with the regional average. It is important however to make a distinction between workers having qualifications and possessing the skills that are actually required within the modern workplace. The Leitch Review highlighted that becoming a world leader in skills would enhance the UK's global competitiveness, and prevent a decline in competitiveness and economic growth.

The 2007 National Employer Skills Survey (NESS) places a strong emphasis on recruiting young people into the workplace. Around a quarter of employers (27%) said that they had recruited directly from schools, colleges and higher education in the last year. This suggests that around 3,700 firms in Hampshire recruited school leavers, 6,700 recruited college graduates and 5,700 recruited university graduates. Three out of four firms thought that employees coming straight from school or college were well, or very well, prepared for work; that figure rose to nearly 90% for university graduates.

Despite these comments, respondents identified a number of problems with new recruits. With regard to school leavers these problems included lack of motivation, little life experience and poor education. For college graduates the issues were again a lack of motivation, poor technical skills and weak oral communication. Even university graduates were said to be lacking somewhat in people skills, confidence and oral communication aptitude.

Case Study: Aimhigher, Hampshire

Aimhigher is a publicly funded partnership charged with managing links between universities, colleges, schools, LEAs, Connexions South Central, and other agencies.

Working with groups in geographical areas where progression to college and university has traditionally been low, it focuses on students about to enter further study, people in employment and those who want to develop skills which will enable them to return to the labour market. It aims to raise awareness of further and higher education, raise aspirations and attainment as well as sharing good practice.

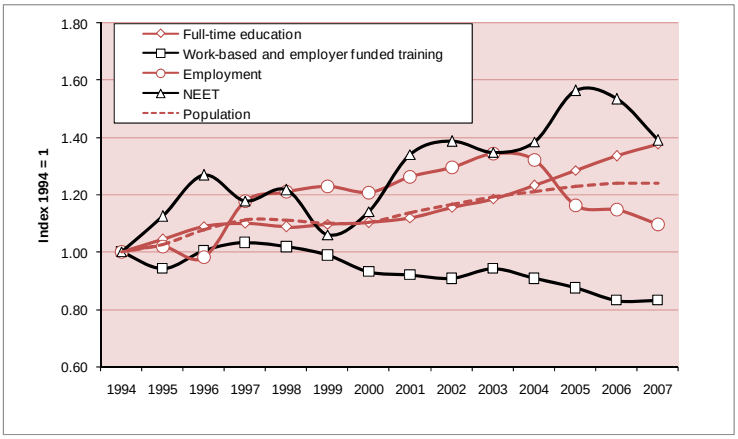
Whilst there will inevitably be a flow of beneficiaries from the scheme into and out of Hampshire, it should result in a larger pool of high skilled labour, with up-to-date skills, for local businesses to draw from. As such, raising participation in such schemes would be a major step towards enhancing the global performance of Hampshire-based businesses.

Much of the government's attention has been directed into reducing the number of young people not in employment, education or training (NEET). Not only is this seen as a waste of young people's potential but it is linked to a number of other poor outcomes, including low levels of attainment and high levels of teenage pregnancy. The Department for Children, Schools and Families has an overall target of reducing NEETs by 2% by 2010; the current national figure is 9.4%.

Figure 4.2 shows that, nationally, the population of 16-18 year olds has been rising steadily since 2000. The number in employment rose

significantly in the early 2000s, but has been falling since 2003. Since 1994, the numbers receiving work-based, or employer funded training off-site has declined by around 17%; the number in full-time education has risen year-on-year to a figure of 38% above the 1994 base.

Figure 4.2 National trends for activity of 16-18 year olds



Source: DfCSF; Note: 2007 figures are provisional

The headline figure of a 1% increase in the number of NEETs since 1994 (9.4% compared to 8.4%) is deceptive, as the actual number of people not in employment, education or training has risen by 39%, peaking at over 213,000 in 2005.

The latest figures for Hampshire (2006) show that approximately 36,000 16 – 17 year olds were either in education or work-based learning. Table 4.3 shows that the proportion in education and training has been increasing over the last two years, most notably amongst 16-year-olds in Portsmouth and Southampton where the increases are much above the regional trend.

Table 4.3 - Proportion of 16 & 17 year olds in education or work-based learning in 2006 (2004 figures in parentheses)

Area	16 year olds	17 year olds
South East	88% (85%)	78% (76%)
Hampshire	87% (84%)	77% (75%)
Portsmouth	90% (83%)	76% (74%)
Southampton	90% (82%)	78% (74%)

Source: ONS with data from FCSF & DIUS

A recent report by the London School of Economics (LSE) suggests that the actual NEET figures could be double the Government's estimates. The report argues that the figures might be an underestimation because they do not include young people who have only undertaken a brief period of training or employment over a specific number of weeks, but who may now have returned to NEET status.

As a key part of Local Area Agreements (LAA) local authorities have the lead responsibility for reducing the NEET figures in their district. In November 2007, the Department for Children, Schools and Families published its NEET Strategy and in May 2008 the NEET Toolkit emerged. This sets out key roles, good practice tips and case studies to support delivery. As part of this package the Education Maintenance Allowance provides means-tested cash support of up to £30 per week for those undertaking post-16 education.

The Government has stated that within five years it wants every school leaver who has achieved basic skills in maths and English (Level 1) to have the right to an apprenticeship. It is estimated that a decade ago, around 75,000 people started apprenticeships; that figure has now doubled. There are over 180 types of apprenticeship available across more than 80 industry sectors. These range from accounting to the water industry (see link). Unlike previous types of apprenticeship, that were linked to traditional trades and occupations, modern apprenticeships are aimed predominantly at the service sector including business administration, retail, hospitality, child care and health and social care.

The Learning and Skills Council (LSC) publishes data on apprenticeship completions by local authority area. The data shows that there were over 3,150 completions in Hampshire in 2005/06; an increase of 170% on the figure for three years earlier. This compares favourably with a national increase of 135% over the same period.

Section 4

Further education (FE) has for a number of years been the main destination of school leavers. Time series data from the LSC shows the number of students attending courses by learning area. In Hampshire and IOW there were nearly 371,000 enrolments in 2005/06. Success rates are not published by area but by FE institution. The data suggests that there is variation in success rates; vocational subjects achieve around 70% but for academic subjects it is significantly lower; see link to individual colleges.

Table 4.4 - Enrolments in FE in Hampshire and IOW LSC area 2005/06

Construction	1.8%
Engineering, Technology And Manufacturing	2.5%
Hospitality, Sports, Leisure And Travel	5.0%
Business Administration, Management And Professional	5.0%
Visual And Performing Arts And Media	5.9%
English, Languages And Communication	6.3%
Information And Communication Technology	6.6%
Health, Social Care And Public Services	7.3%
Science And Mathematics	7.5%
Humanities	8.4%
Foundation Programmes	11.2%
Not Known	29.0%
Grand Total	370,884

Source: LSC

By improving the standard of the workforce, businesses are less likely to be hindered by skills gaps and labour shortages. It is possible to track progress towards the RES targets of maximising the number of people ready for employment at all skill levels. Figures published in May 2008, show that 19.3% of firms in Hampshire and the IOW had vacancies and 7.05% had hard to fill vacancies (HtFVs). Around 17% of all vacancies in Hampshire were said to be the result of skill shortages. Perhaps more worryingly, 16.4% of employers reported that some of their employees were not fully proficient at their jobs.

Table 4.5 - Hard-to-fill vacancies in firms (2007)

	% with vacancies	% who had HtFV's	% with staff who are not proficient
South East	18.2%	6.76%	14.7%
Hampshire & IOW	19.3%	7.05%	16.4%

Source: NESS 2007

Approximately 15% of firms with skills shortage vacancies reported that they were having a major impact on their business. The most commonly cited reasons given by employers in Hampshire for their difficulties in recruiting personnel were a lack of applicants, compounded by an absence of relevant skills amongst applicants, too little work experience and motivational problems.

According to NESS, firms with hard-to-fill vacancies are often forced to put increased pressure on other employees (64%), delay developing new products (27%), lose business (25%) and experience increased operating costs (24%). Employers' general response to dealing with hard-to-fill vacancies was to increase their recruitment and advertising expenditure (48%) and to increase the training within their own workforce (13%). Few were considering using part-time or agency staff or recruiting from abroad.

Table 4.6 – Percentage of employers in Hampshire and IOW citing a lack of skills in:

	2007	2005
Technical and practical skills	48	51
Customer handling skills	23	39
Problem solving skills	18	34
Management skills	18	25
Written communication skills	16	31
Team working skills	14	33

Source: NESS various years

Despite this rather bleak picture, Table 4.7 shows that fewer employers are reporting problems across both hard and soft skills compared with the figures for 2005. Although not included in the table, problems with numeracy, literacy and general IT skills are also significantly reduced with only around 10% reporting these as a problem against a figure of almost 25% two years ago. The survey shows that more employers within Hampshire are actively committing themselves to incorporating training into their business plans and to investing in training plans and budgets.

Whilst promoting the acquisition of academic qualifications is an important step towards achieving a skilled and motivated workforce, an equal emphasis must be placed on workplace skills, perhaps allowing individuals to build up a 'portfolio' of employer accredited skills, in order to raise productivity in Hampshire.

Section 4

Physical Development and Transport

The Physical Development and Transport sub-section examines the need to provide the physical environment to support business growth. More specifically, this involves ensuring that there is sufficient and sustainable premises for both business and domestic use, and that people and goods can move inside and outside the area, without encountering significant congestion costs. These issues have a particular resonance for Hampshire, which prides itself on being a transport hub, an important gateway for imports to and exports from the rest of the world. However, this major selling point to businesses worldwide will only remain effective and viable if the supporting transport infrastructure is up to scratch.

Table 4.7 – Housing Statistics

	Hampshire	Portsmouth	Southampton	South East
Ratio of median house prices to median income (2007)[1]	8.66	6.22	6.23	8.47
Ratio of lower quartile house prices to lower quartile income (2007)[1]	9.04	7.38	7.22	8.89
Proportion of new and converted dwelling on previously developed land (2006/07)[2]	82%	100%	100%	82%
Proportion of commercial and industrial floorspace built on previously developed land (2006/07)[2]	54%	100%	100%	73%

Source: [1]CLG [2]South East Regional Assembly

The RES aims to *'ensure sufficient and affordable housing and employment space of the right quality, type and size to meet the needs of the region and support its competitiveness.'* The physical development section begins by examining the supply of affordable housing within Hampshire, before focusing on the availability of sustainable business land and premises.

Housing

An adequate supply of affordable housing is crucial in order to attract and retain skilled workers at all levels within the Hampshire economy. This was reflected in the responses given at HEP's Business Question Time. 98% of the businesses present identified a lack of affordable housing for younger people within Hampshire as an issue; almost 70% of these reported that the problem inhibits their ability to attract and retain high calibre younger workers. It is therefore unsurprising that when asked about what sort of new housing needs to be built within Hampshire, just under 70% of the businesses cited affordable starter houses, whilst a further 25% selected mid-range family properties.

Statistics for 2007, suggest that house prices within Hampshire are less affordable than those within the wider South East region. The ratio of median income to median house prices within Hampshire is 8.66 compared to 8.47 in the South East as a whole.

Within Hampshire, the most affordable district is Rushmoor with a ratio of 5.93, whilst the least affordable district is East Hampshire with a ratio of 10.87. Hampshire's house price to income ratio has consistently increased year-on-year since 1997, when the figure stood at 4.39. For those on low incomes, houses are even less affordable with the lower quartile house price to income ratio standing at 9.04 in Hampshire in 2007. This ratio has increased consistently since 1997, although the rate has been slower in the last three years.

The recent slowdown in the housing market has led to an estimated 6.4% drop in house prices across the South East during the second quarter of 2008 (compared to a fall of 4.7% nationally[2]); however, with tighter lending conditions, housing is unlikely to be any more affordable as a result. Hampshire is performing well in relation to the RES targets relating to the proportion of houses built on previously developed land (PDL.) As well as matching the regional average, several urban districts including Portsmouth, Southampton, Havant, Rushmoor and Gosport built 99% or more of new housing on PDL during 2006/07. However,

[2]Halifax House Price Index

Hampshire performs significantly below the regional average for commercial and industrial floor space built on previously developed land.

Table 4.8 contains data from Hampshire County Council showing the results of the annual surveys of the supply of land for housing, industrial, commercial and retail and leisure uses within Hampshire (including Portsmouth and Southampton.) The surveys identify land with planning permission granted (or on appeal) and sites permitted subject to legal agreements and commitments in local development documents or policy statements. Trend data shows that the last 3 years (up to 2006/07) have seen the highest number of housing completions since 1996.

Table 4.8 – Land supply and completion data within Hampshire

	Industrial and Office (m^2) (April 2006)	Retail and leisure (m^2) (April 2006)	Housing completions (2004-07)
Hampshire	1,513,199	202,250	21,977

Source: Hampshire County Council

In 2007, the Government set a target of building 240,000 new homes a year by 2016, in order to reach the longer-term target of 3 million new homes by 2020. The Regional Housing Strategy (April 2008) aims to ensure that 35% of all new homes built in the South East are affordable. At a sub-regional level, the South East Plan has set the target of building 7,158 new affordable homes in South Hampshire[3], and 7,833 new homes in the Western Corridor and the Blackwater valley[4] between 2006 and 2011.

In July 2008, the South East Plan was amended to increase the overall provision of housing in the South East to 662,500 by 2026. For South Hampshire, the original plan to build 80,000 new dwellings over that period remains; whilst for the Western Corridor and Blackwater Valley the provision has been earmarked to increase from 89,520 to 102,100. Within Hampshire, this increase is set to affect Hart and Basingstoke and Deane, but not Rushmoor. The level of affordable housing provision is also set to increase[5].

These targets come when tighter lending conditions, the so-called credit crunch, have led to a large drop in mortgage approvals and house sales. The National House Building Council suggests that in May 2008 there were 6,890 house starts in the private sector, down 56% from the 15,713 starts in May 2007. With large house builders announcing around 5,000 job losses nationally during the first three weeks of July 2008[6], it is important to recognise that the impact of this slowdown spreads beyond the estimated 300,000 people directly employed by the construction industry, to include thousands more who are employed in related sectors such as estate agency and material supplies.

In June 2008, the Government published the 'Strategy for Sustainable Construction' which aims to use innovation, design, training and regulation to reduce the environmental impact of the construction industry, as well as promoting safer working environments and better skills levels. As well as its wider benefits, this strategy may help to increase profitability in the construction industry at a time when many companies, particularly those focused on house building, are struggling due to the slowdown in the housing market.

The impact of this slowdown on the construction industry will almost certainly affect the delivery of government and regional house building targets. When the market eventually recovers, there may still be a lag before the construction industry has the necessary workforce in place to build at the rate required to meet Government targets. Ultimately, this may result in fewer affordable homes being built within Hampshire, at least in the medium term, which may have further consequences for businesses within Hampshire aiming to recruit suitably skilled workers.

[3] South Hampshire sub-region includes the districts of Eastleigh, Fareham, Gosport, Havant, Portsmouth and Southampton, and parts of East Hampshire, New Forest, Test Valley and Winchester districts

[4] The Western Corridor and Blackwater valley sub-region includes Hart, Rushmoor and Basingstoke and Deane extending into Berkshire, Buckinghamshire and Surrey

[5] Source: Amended South East Plan

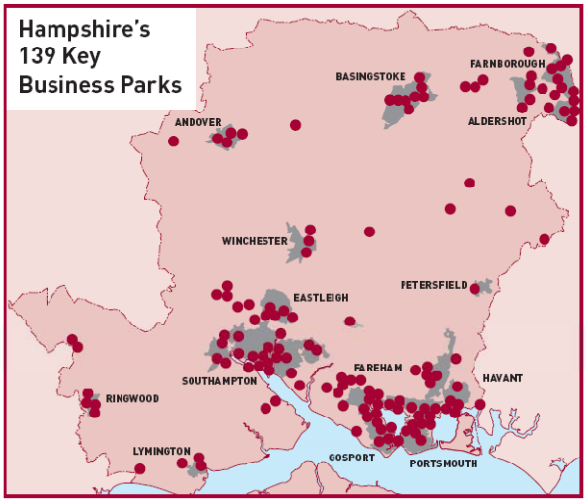
[6] Source: SEEDA

Efficient Use of Land Resources

In order to achieve its target of promoting global competitiveness and economic growth within the South East, the RES aims to *'create the climate for long-term investment through the efficient use of land resources, including mixed use developments'.*

Due to its convenient geographical location, and diverse range of transport links, Hampshire is a strategically important location for many businesses. A significant number of business parks and developments have been constructed within the county, primarily along the southern coastal strip between Portsmouth and Southampton, and in the north-eastern corner of the county around Farnborough and Basingstoke. Three-quarters of these business sites have facilities rated as 'A class'.

Grouping businesses together within modern business parks helps to facilitate inward investment and enables clusters to develop where resources and expertise can be pooled and used efficiently. The advantages of this are clearly illustrated by the success of the Farnborough Aerospace Consortium (see Section Three). The grouping of businesses is particularly important for sectors such as marine, where companies face restricted land availability due to their requirement to be located on a waterfront, where land is often at a premium. On a smaller scale, the case study of Hewlett Packard (below) shows how individual businesses can derive commercial benefit from making more efficient use of their land and facilities.



Source: Invest in Hampshire, HEP

Case Study – Hewlett Packard

Recent advances in technology have led to a global trend towards business mobility, with increasing numbers working away from the office. This trend led Hewlett Packard to measure the utilisation of its offices around the world, including at their UK Headquarters in Bracknell, Berkshire. The company used a device called a 'mote', a wireless sensor attached to office chairs which records when the chair is in use. These low-cost devices were placed on chairs around the workplace from offices to conference rooms to cafeterias, in order to produce a reliable estimate of the usage rates of their various facilities. The results showed remarkably low utilisation rates, with dedicated working space in their Houston offices being used only 38% of the time from 8am-6pm on Monday to Friday. The results allowed HP to design their offices to suit the needs of their highly mobile workforce. At their Bracknell facilities, HP was able to reduce its floor space by 63% and make energy savings of 49%. Such reductions have allowed the company to create a modern working environment adapted to the needs of its employees, and crucially to reduce its costs, both financially and in terms of its environmental impact, without adversely affecting its output.

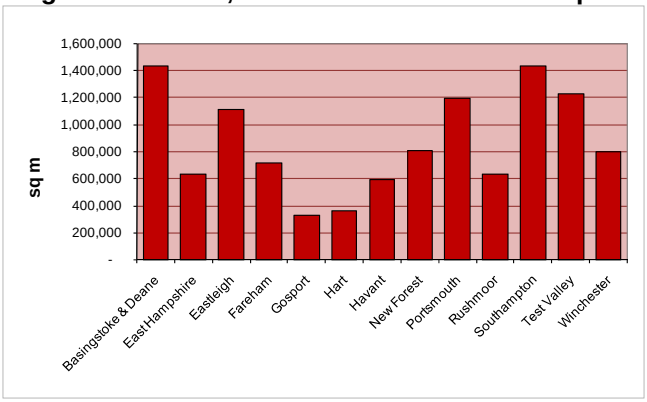
For businesses in Hampshire, increasing the efficiency of their workplace can generate a number of commercial advantages including reduced operating costs, and increased productivity and may present part of the solution to a perceived shortage of suitable business land in certain sectors.

Section 4

Demand and Supply of Commercial Property

Last year's edition of 'informing our **future**' highlighted the need to sustain an adequate supply of suitable sites and premises in order to meet growth targets and to facilitate business development. It identified a fair choice of premises in quantitative terms but also revealed an emerging downward trend in vacancies accompanied by a slight increase in demand. Looking ahead, key issues include: the quality and type of premises; current viability of speculative development and delivery of the infrastructure necessary for development.

Figure 4.3 Office, factories and warehouse space



Neighbourhood statistics/Simon Ward/Vail Williams Research

Variations in the nature of supply just within Hampshire are noticeable. Figure 4.3 shows the distribution of offices, factories and warehouses around Hampshire. Notably, the largest concentrations are to be found in Basingstoke and Southampton. However, the significance of Urban South Hampshire is very apparent; when the districts along the M27 corridor are grouped together they account for almost half of the total floorspace.

Hampshire's share of office space is greatest in Basingstoke and Southampton. Basingstoke has a significant opportunity to upgrade its stock with the redevelopment of Basing View; subject to careful financial modelling and viability studies. Factory space is mainly to be found in the south at Southampton and parts of the Test Valley, as well as Portsmouth. Warehousing is predominant in Eastleigh/ Test Valley and Basingstoke with far less in Havant and Hart. The opening of the Hindhead tunnel may stimulate demand for more B8 warehousing to the east of the county. Growth in port-led activity may also be a spur to this sector of the property market. SEEDA's Waterfront Strategy stresses the importance of safeguarding land for the marine industry.

Table 4.9 Commercial space & availability 000's sq m

	Office stock	Office space available	Industrial stock	Industrial space available
B'stoke & Blackwater Valley	1,036	161	1,400	220
Central Hampshire	351	12	449	16
East Hampshire	100	8	536	17
Test Valley & New Forest	293	18	1,741	108
Urban South Hampshire	1,246	223	4,141	394

Simon Ward/Vail Williams Research/Focus

The availability of vacant space compared to stock, analysed by market areas is shown in Table 4.9. This shows that actual available space is relatively small compared with the stock of commercial property, especially in rural districts.

HEP's publication, "Invest in Hampshire", highlights numerous business locations in the county and these vary from Science Parks to office orientated business parks and industrial estates. Towns and cities that successfully pursue "quality" in their built environment and ensure that their business premises and infrastructure are "fit for purpose" will outshine the competition.

The viability of speculative development remains a balancing act. Rental growth in the office sector is especially important and effective transport links are still critical to all land uses. Some construction has been facilitated by mixed use development, with residential land values helping to cross-subsidise business space that may not otherwise have been viable. However, the recent "credit crunch" and associated falls in house prices have dramatically altered this equation.

Ongoing research by local authorities in support of their "Local Development Frameworks" is helping to define land use priorities. "Employment Land Reviews" are especially important as a means of assessing whether the supply of office, industrial and warehousing space is fit for purpose.

Section 4

Transport

Congestion presents not only an environmental challenge but also a significant business cost for both employers and employees. The RES reiterates the need to '*reduce road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts'*.

Transport Statistics released in December 2007, suggest that in the autumn of 2006 approximately 73% of people in the South East commuted to work by car, down 3% from autumn 2004. Over the same period, the proportion of journeys undertaken by rail and on foot both increased by 1%, to 7% and 11% respectively. Road traffic volumes in the South East grew by 14.8% from 1996-2006 compared to an average of 14.6% for England as a whole for the same time period.

Results from HEP's Business question time suggest that over 90% of the firm's present at the event had concerns about whether or not Hampshire's road infrastructure will be able to cope with future economic growth. Almost all of the respondents were concerned about the impact of road congestion upon their businesses.

This is a view support by the findings of the Eddington Transport Study (2006) which noted that whilst new transport links have historically been the key to economic growth, it is now transport constraints, such as overcrowding and congestion, which are more likely to impact upon productivity and competiveness in developed economies such as the UK. Recommendations in the Eddington report included:

- Introducing pricing systems across all modes of transport to reflect their true cost to society and the environment and to make best use of existing networks.
- Encouraging changes in travel choices and exploiting the opportunities provided by new technologies.
- Delivering sustained and targeted investment.

The use of pricing schemes is designed to encourage behavioural change, such as increased car-pooling or off-peak travel, which in turn should ease congestion and overcrowding on existing transport networks. Whilst, nationally, road pricing appears to be an unpopular policy, with just under 2 million people signing a Downing Street petition against it in 2007, according to a recent MORI survey, 43% of people in the South East support the concept, the highest of any region in Great Britain. Road charging receives its greatest support if people know the finance raised is used to improve public transport[7] provision.

Within Hampshire, 43% of the businesses present at HEP's Business Question Time reported that city centre congestion charging would be their preferred form of road pricing. Toll roads and priority lanes for paying vehicles were supported by a further 36% of respondents. Despite lingering public opposition to road pricing schemes, the Local Transport Bill will increase flexibility for local authorities to introduce such schemes as part of measures to tackle local congestion problems.

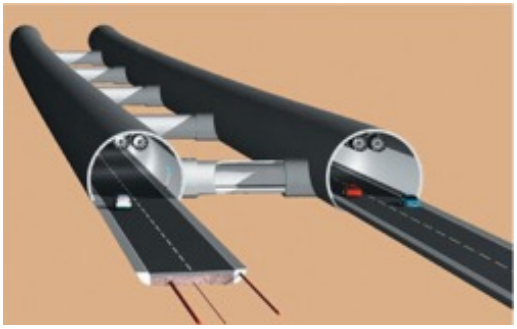
The Eddington report highlighted the need to consider infrastructure developments as part of the '*whole-journey approach*,' where additional surface transport capacity would be required to fully realise the economic benefits of improvements to existing port and airport infrastructure. The report also suggests that by targeting investment to relieve existing bottlenecks, significant economic growth can be achieved, with returns as high as £5-10 for every pound spent.

These recommendations are being implemented within Hampshire, where work has begun on the Hindhead Tunnel (due to open in 2011) which at a cost of £371m will relieve the congestion problems along the A3 linking Portsmouth to London, and according to Eddington principles may bring as much as £1.86bn in economic

[7] Source: Ipsos MORI – 'Road Pricing At The Crossroads'

benefit to the region. The South Coast, Havant (which is targeting receiving approximately 10% of the total economic return of the scheme) and the eco-town proposals at Bordon will all benefit economically from the tunnel as improved road access after completion should facilitate business growth and encourage inward investment.

The Government has outlined its plans to act on the problems of road congestion and increasing traffic volumes by making more efficient use of the existing road infrastructure, by means of traffic management schemes such as driving on the hard shoulder of motorways. One such scheme that is underway is the widening, or using the hard shoulder, to ease congestion on the gridlocked M27 around Southampton and Portsmouth.



Artist's impression of the A3 Hindhead Tunnel

However, road improvements are unlikely to be the solution to the congestion seen along the main A32 access road into and out of Gosport. In July 2008, the £20m plan to connect Fareham and Gosport with a high speed bus link was shortlisted, alongside 35 other schemes nationally, to benefit from a £200m transport infrastructure fund for new housing developments. Under this proposal buses would avoid the congested A32 by travelling along Gosport's disused railway tracks. The project would be the first phase of the £175m Bus Rapid Transit Scheme which will eventually link Gosport, Fareham (including a new 10,000 home development to the north of the town), Queen Alexandra Hospital and Portsmouth. However, any long term solution to congestion must target increasing the number and diversity of jobs located within Gosport.[8]

DEFRA has produced noise charts for the UK showing levels of noise pollution from transport infrastructure. Within the central south coast area, the entire M27, the M3 to Basingstoke and A3M-A3 to Petersfield all generate noise levels in excess of 75dB; the highest level recorded. Using the charts as a proxy for congestion confirms that both the main arterial routes and many of the feeder routes into the main towns and cities are heavily congested. These include the M271 and M275 and the links from major junctions along the M27 to North Gosport, Titchfield, Totton and Portsmouth's Eastern Road which all have noise pollution levels in the highest category.

The rail noise pollution corridors are narrower and less widespread. Along the main Southampton to London route most of the area adjacent to the line itself has very high levels (>75dB) but secondary noise pollution at the 55 to 65 dB level is only widespread around Winchester and to the north east of Portsmouth. Southampton Airport has measures in place to reduce its noise pollution so that even at its highest level (70dB within the airport perimeter) it generates less noise pollution than the surrounding road and rail infrastructure (for sustainability measures being implemented at Southampton Airport see Section Five).

Within Hampshire a broad transport strategy, considering both the causes and effects of congestion, is required to facilitate sustained economic growth. Increasing the capacity of transport infrastructure must be targeted to the locations where it will be most effective, whilst elsewhere tackling the problems which have caused such an insupportable volume of traffic is more likely to be the solution.

[8] 'Commuting, congestion and employment in Gosport' – MVA Consultancy (2007)

Section 4

Enterprise, Competition and Business Regulation

Section Four concludes by investigating enterprise, competition and business regulation. If economic prosperity is to be achieved then there is a clear need to engender a sense of enterprise within a highly competitive economy. This sub-section concentrates on progress towards spreading entrepreneurship generally, as well as specifically amongst non-traditional groupings such as women. The health of sectors with high growth potential and a changing regulatory framework will also be examined.

Table 4.10 - Location of top companies within Hampshire

District	No.	Turnover (£'000s)	Pre tax profit (£'000s)
Rushmoor	6	£50,625,299	£478,493
Basingstoke	32	£12,329,753	£764,249
Eastleigh	9	£5,571,735	£126,668
Portsmouth	9	£4,993,774	£48,117
Southampton	22	£4,906,219	£497,636
Hart	5	£3,634,105	£110,819
New Forest	4	£3,437,011	£124,145
Test Valley	7	£3,347,754	£148,508
Winchester	5	£1,101,686	-£4,066
Fareham	6	£891,011	£104,604
Havant	5	£789,204	£39,909
Gosport	2	£265,971	-£7,649
East Hampshire	1	£116,241	£2,319
Total	113	£92,009,763	£2,433,752

Source: Hampshire County Council; Note: No turnover and profit figures for one company in Basingstoke.

Hampshire is home to a number of world class companies. Hampshire County Council regularly publishes figures on the top companies drawn from the 500 largest companies in the South East Region. The 2007 edition lists 113 top companies within Hampshire, with a further two companies on the Isle of Wight. These companies have an estimated annual turnover in excess of £92bn and profits of more than £2.4bn.

The RES aims to *'increase the business stock by 35% from 35 businesses per 1,000 inhabitants in 2005 to 44 per 1,000 inhabitants by 2016, including 10,000 new businesses run by women by 2010.'* Table 4.11 shows suggested measures for these targets.

Table 4.11 shows that the wider South East made only slight progress towards the RES targets during the first year of the 2005-2016 timescale with the business stock increasing from 35.3 to 35.4 units per 1,000 inhabitants. Whilst the density of the business stock within Hampshire is significantly lower than that for the region as a whole, over the same one year period it increased by a greater amount, resulting in a business stock of 31.4 per 1,000 inhabitants in 2006.

Table 4.11 – Measures of enterprise

	Hampshire		South East	
	2005	2006	2005	2006
Start of year VAT registered business stock (per 1,000 inhabitants)[1]	31.1	31.4	35.3	35.4
Self employment rate for working age females (Dec 2007)[2]	4.8%		6.5%	
Self employment rate for working age males (Dec 2007)[2]	13.2%		15.0%	

[1] BERR [2] NOMIS - APS

Women in business

The RES uses the self-employment rate of women as a proxy to measure any increase in the number of businesses run by women. Data for December 2007 (see table 4.11) shows that far fewer women are self employed than men in both Hampshire and the wider South East. The self-employment rates for men and women for Hampshire are 13.2% and 4.8% respectively, which are significantly lower than the figures for the South East of 15.0% and 6.5%. However, the difference between the two self-employment rates in Hampshire is broadly equivalent to that of the South East (8.4% compared to 8.5%.) Trend data shows that self employment rates amongst working age females within Hampshire have dropped from 5.7% in 2005, whilst in the wider South East the rate fell from 6.1% in 2005, to 5.8% in 2006 before recovering to 6.5% in 2007.

Figures from the Global Entrepreneurship Monitor (GEM) show that levels of female entrepreneurship in the Region have increased from 2.8% in 2002, which was below the UK average, to 4.2% in 2006, which exceeds the UK average of 3.6%.

Table 4.12 – Management of businesses by gender (2007/08)		
	Hampshire	South East
Majority female managed business (%)	21	23
Majority male managed business (%)	61	61
Management genders equal (%)	17	16

Source: South East Business Monitor[11], combined dataset waves 7, 8 and 9. Unweighted base excluding don't know: Hampshire=604, South East=3,529

Table 4.12 gives data published by Business Link in June 2008, showing the management of businesses within Hampshire and the South East by gender. The data shows that within Hampshire, in common with the rest of the South East, approximately one third of the number of businesses are managed by women, as are managed by men. The figure for female owned or managed businesses in Hampshire is marginally lower than the figure for the South East.

Research from the South East Business Monitor carried out in 2006, suggests that 88% of women-led SMEs are in just two sectors – retail and tourism (52%) and business and financial services (36%). Retail and tourism was the only sector for which female ownership was more prevalent than both male and mixed-gender ownership. This preference for relatively low value-added sectors might explain why a far greater proportion of female-owned businesses (31%) failed to reach the threshold for VAT registration compared to those run by their male counterparts (17%). The research also found that 91% of SMEs run by women have 10 or less employees.

Whilst the report highlighted the fact that women-led businesses are less growth orientated than those run by men, this might be explained by the relatively higher share of female-owned businesses that have been running for under two years. This relatively high start-up rate is clearly a move in the right direction towards the RES target.

Table 4.13 shows the occupational breakdown of both men and women in employment within Hampshire and the wider South East region. The data shows that whilst women are under-represented in managerial occupations, significantly more women are employed than men in retail, administrative and personal service occupations. These figures may explain why relatively fewer women run businesses than men, in that they often have a lack of managerial training, and the fact that many of their skills bases, such as administrative skills, are not easily converted into self-employment. When women do start a business, significant proportions of them target sectors such as service or retail, as this is where they may have the most experience.

Table 4.13 – Occupation by gender (Dec 2007)				
	Hampshire		South East	
% of people in employment who are:	Male	Female	Male	Female
Managers and senior officials	19.1%	11.0%	22.2%	12.1%
Professional occupations	15.3%	12.1%	15.5%	13.4%
Associate professional & tech occupations	14.8%	16.6%	14.5%	16.4%
Administrative and secretarial occupations	4.8%	21.1%	4.4%	20.9%
Skilled trades occupations	18.2%	-	17.6%	2.0%
Personal service occupations	1.7%	14.6%	2.1%	13.9%
Sales and customer service occupations	3.9%	11.1%	4.4%	10.2%
Process, plant and machine operatives	10.0%	1.8%	8.4%	1.4%
Elementary occupations	11.9%	10.0%	10.7%	9.6%

Source: NOMIS APS

Other factors influencing the likelihood of women starting up a business include a lack of start-up capital (perhaps due to lower wages for women than men on average) and a perception that they will be unable to access finance.[12] Women have also been found to have a slightly higher fear of failure than men (36.7% of women compared to 31.9% of men in 2005). Research has shown that whilst both men and women are at their most entrepreneurial between the ages of 25-44, the next most common age range for men to be entrepreneurial is 18-24, whilst for women it is 45-54.

[11] The South East Business Monitor, is a quarterly survey of business owners, conducted by the region's Business Link Providers.

[12] BERR – "Exploring Gender Differentials in Access to Business Finance: an econometric analysis of survey data" (December 2006)

Section 4

Since the publication of the 'Strategic Framework for Women's Enterprise' in 2003, a number of steps have been taken to promote enterprise amongst women. One of these has been the establishment of the UK Women's Enterprise Task Force. Within the South East, SEEDA has been a leading regional development agency in promoting women's enterprise, and has launched Women's Enterprise South East which offers advice and support to women seeking to run their own business. The service shows women at a local level where to access the mentoring, financial support and the social 'network,' which research has shown are the key elements required to boost female entrepreneurship[13]. Support for female run business needs not only to take into account their family commitments but to promote entrepreneurship as an avenue for women with such commitments to rejoin the labour force by taking advantage of flexible working patterns and home working. It is precisely because a lot of women starting a business are re-entering the labour force, that it can play such a pivotal role in increasing economic activity rates, and boosting productivity and growth, both of which are key targets within Hampshire and the South East.

In order to unlock the potential of female entrepreneurs, training in Hampshire and elsewhere needs to be targeted to address their skills gaps, especially in managerial skills. Such training has been shown to be particularly effective when delivered in schools and colleges, targeting the age group where women lag the most behind men in entrepreneurial activity.

What does it take to be an entrepreneur?

Hard evidence of successful entrepreneurialism has often relied on imperfect measures such as the number of VAT registered companies per capita and changes in the self employment rate. In addition to surveys on the subject published since 2001 by BERR, GEM has examined worldwide entrepreneurship, defining it as "a process" with different phases, moving from gestation through to an established successful business."

The Small Business Service recognises that entrepreneurial potential may divide into various categories ranging from 'doers' who have made the commitment to go into business, 'thinkers' who are considering the prospect and 'avoiders' who are risk averse and are unlikely to start a business. According to the 2007 report, 15% of the working age population in the South East are classified as 'doers,' a higher proportion than most other regions including London.

Aside from gender, other factors known to influence entrepreneurial activity include educational attainment, location (entrepreneurial activity is more prevalent in rural than urban areas) and wealth, or lack of it, as evidence suggests that people living in the least deprived areas of the country are twice as likely to be doers as those in the most deprived areas. Other motivational factors include the opportunity be in control of your own creativity and working environment and, to a lesser extent, following a family tradition. Major push factors include unemployment, potential redundancy and current job dissatisfaction. Perceived barriers to entrepreneurship include difficulties in securing finance, worries about falling into debt and self doubt.

Despite individual entrepreneurial spirit, only around one sixth of people preparing to start a business will have created a business plan or secured financing, although most will have done some market research. Almost 60% of entrepreneurs aim to locate their new business either at home or within the local neighbourhood, emphasising how important this is to local economic development.

The indicators suggest that there is latent potential for entrepreneurship with Hampshire. Understanding what motivates individuals to start a business, and then providing the necessary support required for start up and for longer term success is the key to realising this talent.

[13] Source: UK GEM Womens Report 2005

Section 4

Promoting Enterprise in Hampshire

Within the RES, SEEDA identified a number of high-growth sectors at which business support should be targeted in order to promote the region's overall economic growth. These sectors included promoting the success of SMEs in the rural economy, the cultural, leisure, sporting and visitor economy and the creative industries, which is the highest growing sector in the South East.

SEEDA particularly highlighted the need for the region to take full economic advantage of the 2012 Olympic and Paralympic Games, designating prime responsibility for this to Tourism South East. With Hampshire due to be home to an Olympic training camp at Aldershot in the run-up to the games, and being conveniently located between Dorset, where the sailing events are due to take place, and London, this global event will be an unparalleled opportunity to market Hampshire as both a business and tourism destination. The key will be to distinguish and promote the location of Hampshire in its own right, without allowing its merits to fade into the background of the sporting action.

More generally, SEEDA proposed *'providing an integrated approach to business support'* in order to tackle the perceived problem amongst many businesses that existing support is somewhat fragmented. Business Link, which is funded by SEEDA and is a key body of local support for small businesses, has been modelled especially to achieve this aim. A range of other business support organisations are listed on Hampshire County Council's website[12] and include e-hampshire, Enterprise First and the FSB. Many of the business support bodies are targeted at particular sectors, such as the marine and rural economies. The trend to target business support to local areas is useful for potential entrepreneurs wanting to develop a range of local contacts. However a global mindset must be maintained, to ensure that businesses, once established, do not cling to their local network, and in doing so, fail to realise their global potential.

The need to establish a *'stronger infrastructure of specialist business advice'* and to engender *'closer links with other economic development priorities such as tourism'* was identified by a recent report[13] into creative industries in the SHIPS area. Whilst praising the success of recent public investments in culture, it emphasised that the potential economic returns from such developments are not being fully realised and criticised the lack of a *'strategic, place-based approach'* for support from publicly funded cultural organisations for smaller firms.

Attempting to pick winners

In March 2008 the Partnership for Urban South Hampshire (PUSH) published the results of a study which aimed to identify potential wealth creating growth sectors in the PUSH area. The study found that the sectors currently driving growth are Advanced Manufacturing, Business Services and Creative and Media. It recognised that other sectors may have increased growth potential in future as new technologies develop.

Key barriers to growth identified by businesses across each sector were the supply of high quality labour, the availability of business-to-business support and a limited relationship between the public and private sector. The use of local supply chains varied considerably between sectors. Whilst advanced manufacturing businesses were coming under increasing commercial pressure to switch from the use of local supply chains to cheaper suppliers overseas, local supply chains for the Creative and Media sector had yet to be properly established.

The report produced a business support action plan with initiatives including R & D and innovation facilitation, reputation building and location branding, networking and rationalising business support alongside cohesive sector support initiatives, and measures to promote better skills and local procurement.
The report provides a generic model that could be used in other parts of Hampshire, demonstrating how good-practice might be "spun out" to other locations, using cluster and sector development techniques.

[12] See: Hampshire County Council
[13] 'Creative Returns - The Economic and Social Impact of Cultural Investments in Hampshire and the IOW' (Jan 2008)

Section 4

In their bid to encourage entrepreneurship, much of the focus of the available business support is on start-ups and SMEs. SEEDA stated its additional aim to ***'increase the level of participation of South East businesses (especially small businesses and social enterprises) in tendering for public sector contracts.'*** This goal clearly links into the targets relating to benefitting economically from the 2012 Olympics, and the key to achieving this is to ensure that SMEs are made aware of the existence of such contracts and the processes involved and are encouraged, where appropriate, to pursue them. A range of advice and support for business particularly relating to this issue is available from Business Link. However, this particular target does raise the question of whether favouring SMEs to apply for such contracts is a case of 'positive discrimination' and whether or not it is in the best interests of the economies of Hampshire and the South East as a whole.

Case Study: Infosec Technologies Ltd

Infosec Technologies Limited, based in Basingstoke, specialises in IT Security products. Their team of technical staff tailor bespoke security products to fit their clients' individual business needs. Its founders, Pete Sherwood and Steve Malone, won the Young Entrepreneur of the Year award at the Basingstoke Business Awards INSPIRE 07. The pair launched Infosec in 2005, aiming to become a reputable IT Security reseller, providing excellent levels of customer service. Since then Infosec has grown and is currently turning over in excess of £1m per annum.

Business link has played a key role in the development of the business; Pete Sherwood said, *'[Business Link] has provided tremendous support and advice, including attending an industry best practice seminar on setting employee sales targets. This model has been adopted and is working well*.'

The example of Infosec demonstrates that through tapping into available, and often completely free, business support networks, budding entrepreneurs can benefit from the expertise and knowledge that they need to start their own business and to see it prosper.

Competition and Business Regulation

The need for clarity extends beyond the realm of business support to include business regulation and taxation. Owners of businesses in Hampshire have lamented the increasing levels of business regulation which is perceived to be inhibiting their ability to compete with overseas competitors, particularly those located closest to the UK.

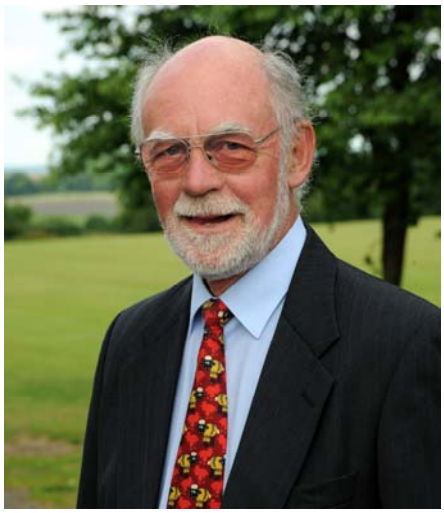
Much regulation and taxation is currently linked to promoting sustainable working practices amongst businesses, by placing financial pressure upon them to reduce their environmental impacts. Whilst many of these initiatives originate at EU level, it is vital to consider how they are being implemented in other European countries to ensure that UK firms are not being unduly disadvantaged in the pursuit of European targets.

Hampshire's businesses need only to look to the example of Farnborough Aerospace Consortium, to see how by forming clusters and sector groups, they may have a greater lobbying voice. Through such groups businesses would be able to better highlight the effect that discrepancies between UK and international regulatory and taxation policy is having upon their global competitiveness. This is likely to be one of the most powerful tools that the business community is likely to have at its disposal in campaigning for a sensible level of business regulation.

In terms of achieving the RES targets, a climate of increased regulation and bureaucracy is likely to be a disincentive for many individuals seeking to start their own business within Hampshire and the South East. This may be especially true for those that lack confidence in their skills and business knowledge, particularly following a lengthy absence from the labour force. Yet these people belong to some of the key target groups which SEEDA aims to promote entrepreneurialism amongst. Consequently, by tackling the issue of overregulation, Hampshire can benefit from a double dividend of increased competitiveness for its existing business, and fewer barriers inhibiting the creation of new businesses.

Section 5

Is Hampshire's Local Prosperity Sustainable?



Robert Benford, Partner, GK Benford & Co

The issue of sustainability has added an extra dimension to every business and political decision. At a time when things we took for granted are being challenged, this certainly adds complexity and controversy. It is important to remember that our responsibility to future generations not only entails there being good quality air, water and food, in sufficient quantities, but also that we leave a legacy of sufficient economic activity to pay for them.

In turn this means that we have a duty to ensure security of energy supplies, while we strive to reduce the impact of using those supplies. We live in exciting times, but I am confident that the business and public sectors in Hampshire, working in unison through bodies such as HEP, will rise to the challenge. Fortunately, HEP has attracted a diverse and dynamic group of people; we have an excellent record of identifying future trends, and the ear of those who set policy.

The goal of Sustainable Prosperity involves facilitating a lastingly competitive economy, whilst safeguarding and promoting the diversity and well-being of the surrounding natural environment, in order to enrich our quality of life today and into the future. Promoting social and economic sustainability is just as crucial to the overall objective as environmental issues.

The Sustainable Prosperity section begins by looking at **Climate Change and Energy** firstly by examining the major findings of the Stern Review and how these relate to Hampshire, particularly with regard to support for innovators. Carbon emissions data for Hampshire is then set into the context of the latest UK and EU targets and policies in relation to Climate Change.

The cost of energy is an increasingly hot topic in business today. Measures which can be taken to reduce energy consumption are set out, alongside examples of the use of renewable energy within Hampshire. Energy statistics for Hampshire are examined, as part of our contribution towards the latest international, national and regional targets and policies relating to energy.

This is followed by the issue of **Sustainable Consumption and Production.** The case study of Southampton Airport is used to illustrate sustainable investment in transport infrastructure. Progress towards RES water consumption targets is measured, alongside two business-led case studies concerning environmental sustainability from Southern Water and Vitacress Salads. Data for the sustainability of Hampshire's businesses is provided, along with examples of measures which might be implemented to improve these figures. One such measure is Sustainable Waste Management which is considered in detail.

The **Natural Resources and the Environment** section benchmarks the quality and quantity of the biodiversity and green space found within Hampshire, which are crucial to the high standard of quality of life within the county, against the regional average.

Finally, within **Sustainable Communities** the focus is on the RES measures of quality of life within Hampshire, before tackling two highly topical issues, namely the future of the rural economy within the 21st century countryside and the proposed eco-town at Bordon.

Section 5

Climate Change and Energy

Climate Change

The move towards international policies on Climate Change reflects the fact that a cumulative effort will be required to deal with this global phenomenon. Enforceable policies from the EU, followed by Government initiatives, will increasingly influence the commercial need for businesses in Hampshire to address their carbon footprints. The most recent research and policy relating to Climate Change which, to a large extent, follows on from the widely acclaimed 'Stern Review on the Economics of Climate Change (2006),' are outlined below.

The Stern Review targeted achieving stabilisation of carbon emissions at 500-550 ppm by 2050. This will require developed nations to cut their emissions by 60-80% compared with year 2000 levels. The Review estimates that the cost of climate change, if no action is taken, will be between 5-20% per annum of global GDP by 2050 depending on the severity of the scenario modelled. Conversely, the cost of stabilising emissions would be significantly lower at around 1% of GDP per annum by 2050. Stern emphasised that the sooner action is taken, the more effective it will prove to be.

Whilst some sectors of the UK economy will be harder hit by the changes made than others, Stern highlighted the need for all economies to be adaptable and to take advantage of the opportunities for innovation that moving to a low-carbon economy presents. It is estimated that global markets for low carbon energy products are likely to be worth at least $500bn per year by 2050.

Stern suggested that policies to reduce emissions should be adaptable but should be broadly centred on **carbon pricing**, **technology policy**, and promoting **behavioural change**.

Hampshire's businesses, in common with many UK businesses, have expressed concerns that increased environmental taxes and regulations are likely to adversely affect their global competitiveness. However, if carbon pricing is implemented fairly at an international level, these fears may be to some extent allayed.

Businesses within Hampshire agreed with Stern's findings that there is a need for increased public spending in order to assist innovators developing new low-carbon technologies who are often put off due to the perceived high costs and risk involved. Whilst new technologies may be expensive to develop, they are likely to be highly marketable in future because they will help to reduce operating costs particularly with the onset of carbon pricing.

The changes in business behaviour needed in this climate can be encouraged through the provision of information, regulation, and financial support to meet upfront costs associated with converting to low-carbon technologies. This is particularly important given current tighter lending conditions and the problems many businesses are having trying to raise capital. One model of best practice is the interest-free Energy-Efficiency Loans offered by The Carbon Trust. Small-medium size enterprises (SMEs) that have been trading for over one year are eligible to apply for these Government-funded, unsecured loans of £5,000-£100,000 in order to upgrade to more energy efficient equipment.

The South Downs Sustainable Development Fund offers grants of up to £25,000 to individuals, businesses and community groups for projects which will support sustainability in East Hampshire and the Sussex Downs areas of outstanding natural beauty (AONBs). Projects supported in the past include Wood Fuel Development and rainwater harvesting systems.

Nationally, funding is also available for not-for-profit community-based organisations from the Community Sustainable Energy Programme, and for households from BERR's Low Carbon Buildings Programme.

Climate Change Bill Proposals

- Domestic and international action to reduce UK carbon dioxide emissions by at least 60% by 2050 and 26-32% by 2020, against a 1990 baseline;
- To set a ceiling on aggregate CO_2 emissions over five-year terms ('carbon budgets.') Three carbon budgets will be set ahead to assist business planning;
- An independent 'Committee on Climate Change' will advise on carbon budgets and progress towards the 2050 target, reporting annually;
- The Government will have the legislative power to introduce new trading schemes increasing the policy options available to meet emissions targets;
- The Government will respond to the annual reports of the Committee on Climate Change, assessing the risks that climate change poses to the UK, and reporting to Parliament on these risks and on its plans to address them.

The Government published and revised its Climate Change Bill during 2007. The proposals are designed to enable the UK to meet its share of the emissions targets set by the European Council in March 2007 to reduce greenhouse gas emissions by 20% by 2020. The EU Emissions Trading Scheme (EU ETS) will play a key role in the long-term strategy for reducing emissions.

The Energy White Paper *'Meeting the Energy Challenge'* sets out plans to introduce the Carbon Reduction Commitment; an emissions trading scheme for large non-energy intensive businesses and public sector organisations[1]. Affected organisations will be subject to an emissions cap, and would be able to purchase (or sell) the right to more (or less) emissions through auctions. In the Climate Change Bill, the Government has paved the way for the introduction of further trading schemes affecting other businesses.

The 'King Review of Low-carbon Cars' (2007/8) reported that the target of almost complete decarbonisation of road transport by 2050 is realistic, if a strong market for low emission vehicles can be developed. Since the UK generates only 3% of global road transport CO_2 emissions, international cooperation from both policymakers and vehicle manufacturers will be needed for this to be effective.

The main recommendations of the King Review are to develop cleaner fuels and more efficient vehicles, to encourage smarter driver choices and to invest in research and development. The Review highlighted that much worthwhile technology has already been developed, but is not in use due to a lack of a market for it[2]. Conversely, biofuel has been pushed primarily because it is one of the few low carbon fuels compatible with the existing vehicle stock. However, the technology is still young, and consideration must be given to its adverse characteristics, particularly relating to the amount of production land required. The Review recommends that the focus should be longer-term, developing the use of electricity and hydrogen alongside less land-intensive biofuels.

Within its 2007 *Biomass Strategy*, the Government has expressed its intention to support the development of more efficiently produced 'second generation' biofuels, as part of its ambition to expand the UK's supply of sustainably produced biomass, including woodfuel and energy crops, to be used for heat, electricity, fuel and as raw input materials. This will ensure security of energy supply, utilise untapped woodland potential and help meet EU targets including the agreed minimum target for 10% of all EU petrol and diesel consumption to come from sustainably produced biofuels.

With such Government and EU support, Hampshire's farmers may shortly be joining the surge to grow crops for biofuels, which has contributed to increased grain prices and a more buoyant agricultural economy, and shows no sign of abating any time soon.

[1] The CRC has been designed not to overlap with existing measures such as the EU ETS.

[2] This may be partly addressed through the Government's Low Carbon Transport Innovation Strategy.

Section 5

Hampshire's Carbon Footprint

In the face of rising fuel prices, most of Hampshire's businesses can take simple but effective measures to reduce their consumption, these include:

- The use of more fuel-efficient or low-carbon technologies.
- Making the most of technologies through driver efficiency to reduce fuel consumption (one example is ensuring tyre pressures are maintained).
- Using car pooling to reduce emissions and congestion.

The latest CO_2 emissions data for Hampshire shows that Industrial and Commercial, Domestic and Road Transport emissions for the county compare favourably to those for the South East region as a whole. The Hampshire district with the highest total emissions per capita is Winchester (12.1 mt per capita) whilst the district with the lowest is Gosport (4.9 mt per capita).

Total annual emissions (after allowance for natural effects[3]) amount to 8.17 mega tonnes per person in Hampshire, compared with 8.38 mt per capita in the South East. The RES sets a target of '*reducing CO_2 emissions attributable to the South East by 20% from the 2003 baseline by 2016 as a step towards the national target of achieving a 60% reduction on 1990 levels by 2050*.' Establishing how close Hampshire is to achieving that target is difficult as current emissions data is 'experimental' preventing comparisons of emissions year on year[4].

Table 5.1 – Emissions of CO_2 in Hampshire in mt per capita (2005)

	Industrial and Commercial	Domestic	Road Transport	Total after allowance for natural effects
Hampshire	2.98	2.49	2.72	8.17
IOW	2.48	2.64	1.63	6.85
South East	3.01	2.55	2.84	8.38

Source: Netcen (2007)

The general consensus amongst the reports published is that climate change is an issue which is best dealt with sooner rather than later. Whilst the biggest savings are likely to result from international schemes, these can only be successful if individuals and businesses implement measures to reduce their own carbon footprint. The next section looks at how such policies can make commercial sense in the face of rising energy prices.

Fawley Power Station, Hampshire

Rapeseed oil used in the production of bio-diesel

[3] 'Natural effects' include the emission (removal) of carbon from the atmosphere as a result of land use, land use change and forestry. As these sources (sinks) of carbon are different in nature from the other listed carbon sources (which primarily result from fuel consumption), they have been excluded from the figures. Please note that given the experimental nature of this data set, no valid trend analysis can be conducted using figures published in previous editions of 'informing our **future**'.

[4] This issue is anticipated to be resolved from the 2006 dataset (due for publication in late 2008) onwards.

Section 5

Energy

Ever higher fuel and energy costs are increasingly affecting the ability of Hampshire's businesses to be globally competitive due to disparities between prices in the UK and those overseas. The expected further price increases, and the recent rise in the Climate Change Levy, a tax on the use of non-renewable energy by businesses and the public sector, aimed at encouraging increased energy efficiency and reduced emissions, together mean that saving energy is an increasingly important item on the business agenda.

The Business and Enterprise Select Committee reported in July 2008 that the competitiveness of UK businesses is being affected by higher energy prices in the UK than those faced by businesses in much of Europe. This may have serious consequences for jobs, particularly in the manufacturing sector. The report raised concerns about the efficiency of UK energy markets, particularly with regard to levels of competition between the major energy suppliers.

Recent research by The Carbon Trust suggests that, across the country as a whole, SMEs can make up to £1.3bn of savings by improving their energy efficiency, much of which can be achieved through inexpensive measures[5]. The commercial necessity for all businesses to reduce their consumption, or to find alternative energy sources, will be a factor in the UK achieving its European energy targets.

The European Council, in March 2007, agreed to save 20% of the EU's energy consumption in 2020 compared with current projections and to ensure that 20% of the EU's energy comes from renewable sources. The European Commission has proposed that the UK's contribution to this latter target should be to increase the share of renewables in our energy mix ten-fold from around 1.5% in 2006 to 15% by 2020. It is estimated that this will cost the UK between £5bn and £6bn per year in 2020 (at 2008 prices.[6])

The Government set out its energy strategy in the Energy White Paper (2007) which aims to promote energy efficiency and saving, encourage cleaner energy supplies, support related investment in research and development (through the establishment of the Energy Technologies Institute) and ensure security of energy supply. Proposals affecting businesses include the introduction of the Carbon Reduction Commitment and the obligation to provide Energy Performance Certificates for all business premises when they are built, sold, or rented out. The Government also proposed the provision of more advanced metering services for businesses (with some exceptions) within the next 5 years.

It is estimated that the measures outlined in the White Paper will save annually 23-33 million tonnes of carbon (MtC) in 2020. If the measures achieve the upper end of this range, the Government would be just within the 2020 target range of a 26-32% reduction in carbon emissions on 1990 levels set out in the draft Climate Change Bill.

The Government will set out proposals designed to allow the UK to achieve its EU renewable energy targets though the publication in Spring 2009 of UK's renewable energy strategy. The proposed measures may include:

- Providing more effective financial support for small-scale heat and electricity technologies in homes and buildings.
- Requiring all bio-fuels to meet strict suitability criteria to minimise their impact on food prices and other environmental concerns.
- Promoting the development of new renewable technologies.

[5]Source: http://www.carbontrust.co.uk/News/presscentre/220708_UK-energy-efficiency-waste.htm

[6] Renewable Energy Strategy.

Section 5

Energy within Hampshire

In the South East, the RES target is to '*increase the contribution of renewable energy to at least 10% of energy supply in the South East by 2010 as a step towards achieving 20% by 2020*.' Although final energy consumption per head is higher in Hampshire than the South East region as a whole, the New Forest (2.54%) and Basingstoke and Deane (2.05%) are the second and third highest districts in the region for the percentage of final energy consumption from renewable sources. This compares to the typical figure of less than 0.5%. These figures suggest that Hampshire, and the wider region, need to make significant progress over the coming years in order to reach the RES target.

Table 5.2 Energy Statistics (2005)

	Final energy consumption per head (MWh per head)	% final energy consumption from renewable sources
Hampshire	34.2	1.19
IOW	22.1	1.31
South East	28.7	0.71

Source: BERR

Utilising sustainable energy sources has long been on the agenda for businesses within Hampshire. The Southampton District Energy Scheme has been providing sustainable energy supplies for over 21 years and its city-centre based consumers include RSH hospital, West Quay, Southampton Solent University and various residential developments. The scheme, run by Southampton Geothermal Heating Company (SGHC) in partnership with Southampton City Council, uses large-scale Combined Heat and Power (CHP)[7] and renewable energy sources such as biomass (woodchips) and solar thermal heaters, alongside conventional boilers and grid power. The scheme is continually looking to expand, and it is estimated that developers can make savings of up to 20% on capital costs during construction, as well as ongoing annual savings of 5-10% on energy bills.

Southampton geothermal heating company

On a smaller scale, the Queen Elizabeth Country Park (QECP) in East Hampshire has recently completed the installation of a woodfuel boiler, which will provide an annual heat load of 270,000 kWh in the form of central heating and hot water to the visitors' centre and surrounding buildings.

Woodfuel boiler at QECP

The aim of the woodfuel boiler is to make the park self-sufficient for its heating needs. To achieve this will require up to 80 tonnes of wood chip per year from QECP's beech woodland. The boiler was installed as part of the Forestry Commission's woodfuel strategy which aims to bring an additional 2 million tonnes of woodfuel to market, annually, by 2020, which is approximately 50% of the estimated unharvested available material in English woodlands.

Encouraging business to take steps towards energy efficiency, whether on an individual basis, or in collaboration with others, is nothing new. However, what is more pertinent nowadays is the increasing need for all businesses to incorporate such measures as a matter of commercial necessity in the face of ever increasing energy prices. With the current range of expertise and financial support that business can draw on to upgrade their facilities, and the commercial opportunities that exist, there has never been a better time for Hampshire's businesses to 'go green.'

[7] CHP recovers and uses the heat energy from electricity generation (this energy which typically constitutes over 50% of the total energy input is normally wasted) for purposes such as central heating, water heating and air conditioning.

Section 5

Sustainable Consumption and Production

Hampshire, with its coastal southern districts, is long-established as a strategically important location for the global marine sector. Yet the county has a number of other diverse and attractive features, including its extensive rural areas, its major economic hubs of Basingstoke, Southampton and Portsmouth and its close proximity to Greater London.

Marketing Hampshire as a prestigious business location is increasingly important in the current climate when businesses may otherwise seek to achieve a competitive advantage through lower operating costs by locating abroad. To attract and retain businesses in Hampshire, and thus for the county to prosper globally, will require sustainable investment to develop and integrate existing physical infrastructure within a broader framework of a local workforce equipped with the skills and experience which modern businesses demand.

How can sustainable investment be achieved in Hampshire within the context of an increasingly environmentally conscious society, and the need to keep business costs to a minimum?

The Stern Review recommended that land-use planning and performance standards should encourage both private and public investment in buildings and other infrastructure to take account of climate change. Enabling reduced energy consumption will become increasingly important given rising fuel costs, and the likely implementation of carbon pricing. It is possible to consider how sustainability is fundamental to existing infrastructure in Hampshire, looking in this instance at initiatives at Southampton airport.

Case Study – Southampton Airport

Currently serving 43 European destinations, attracting 1.96m passengers in 2007, Southampton airport plans to sustain an annual growth rate of 4.8%, increasing passenger numbers to over 3 million by 2015, and approximately 6 million by 2030. This growth, which is anticipated to increase the airport's local economic contribution from £86m in 2005 to £260m by 2030, is to be achieved within the context of sustainability targets.

Managing Noise: Measures which reduce noise levels include a ban on night flights, careful routing of flights by all types of aircraft and the encouragement of the development and use of quieter aircraft.

Surface Access Strategy 2006-2011: The airport aims to encourage an increasing percentage of journeys being made to and from its facilities, by both staff and passengers, on public transport or by walking or cycling. It aims to derive maximum benefit from the proximity of Southampton Airport Parkway Station, one of the closest rail-to-air links in Europe, as well as from the use of the two major bus routes to the airport. The Staff Travel Plan offers incentives to workers to travel sustainably. To improve road access, the airport is working with the planners of the Chickenhall Lane link road.

Managing Air Quality: An independent 2005 air quality report found that only 5.5% of total pollutants in the local area surrounding the airport came from airport related activities. The airport plans to improve air quality through implementing its travel plans, using more environmentally friendly vehicles, minimising the distance aircraft taxi on the ground and monitoring its energy consumption. In 2008, the airport introduced electric baggage vehicles which with reduced maintenance and fuel costs are around 80% cheaper to run than the diesel vehicles they replace. Energy efficient measures already in place include an electronic Building Management System which ensures that the airport is heated and cooled in the most energy efficient way, and the use of self-sufficient road signage leading to the airport.

Southampton Airport shows how effective sustainability measures can be for any business when they are successfully integrated at every level into the business model.

Section 5

Water Infrastructure

Future commercial and residential development in Hampshire, must be undertaken with due regard for the suitability not only of existing transport infrastructure, but also water infrastructure, and more specifically, the carrying capacity of local rivers or estuaries to accept further treated wastewater. This is particularly imperative on new-build, fringe developments as opposed to the redevelopment of existing Brownfield land. Early stage consideration of the adequacy of existing infrastructure is vital to the planning process.

According to Southern Water, typically less than 10% of water supplied to households and most businesses is actually consumed as drinking water. Many everyday tasks, which are currently carried out using drinking quality water, could be more efficiently done, perhaps through the use of collected rainwater.

The 'Water in Hampshire' project was established in 1999, and is one of the first initiatives in the UK aimed at highlighting the issues surrounding the environmental, management and planning issues associated with the water environment. In conjunction with a large number of local and national businesses and agencies, it aims to raise the profile of water and present sustainable solutions. One of its major events is the annual Hampshire Water Festival, which explores the social and cultural links between people and water.

Hampshire Water Festival

Case Study: Southern Water

Southern Water provides water and wastewater services to over 4 million consumers in Kent, Sussex, Hampshire and the IOW.

Metering: Almost all of its business customers and approximately 40% of its residential customers have their water supply metered. As it operates in an 'area of serious water stress,' Southern Water is entitled to introduce compulsory household metering across its supply area from 2010. The company aims to achieve full metering by 2015, which it believes would significantly contribute towards reducing water consumption.

Leakage: In 2006-07, Southern Water lost 82Ml of water per day through leakages. The company estimates that almost three quarters of total leakage occurred within its network (as opposed to within customer-owned supply pipes). The company aims to reduce leakage to approximately 10% of supply by 2035, by increasing the renewal rate of piping, increasing metering (most households successfully identifying leaks within their supply pipes are metered), and taking over responsibility for supply pipes up to the property wall by 2020 to facilitate repairs and to prevent leaks occurring.

Water Efficiency: Southern Water promotes water efficiency through educating children in the school environment and by supporting community water efficiency events such as the Hampshire Water Festival.

Pollution Incidents: Pollution occurs when sewage and/or stormwater escapes into the environment. Southern Water plans to eliminate the most environmentally damaging pollution incidents, category 1 and 2 incidents, by 2015. This will be achieved by increased sewer renewal and by improving the resilience of pumping stations, which should also prevent any losses of clean water supply during severe flooding, as seen in Gloucestershire in July 2007, from occurring within Hampshire.

Recycling Waste: Southern Water derives approximately 10% of its energy requirements from wastewater treatments. The company aims to double its reliance on renewable energy sources by 2020.

Significant investment by water companies will be required to achieving RES water consumption targets and to modernise the existing network; through metering customers should recognise that water is a scarce commodity that needs to be conserved where possible.

Section 5

Water in Hampshire

The Regional Economic Strategy set the target of '*reducing per capita water consumption in the South East by 20% from 169 litres per day in 2003-04 to 135 litres per day by 2016*'. Table 5.3 presents the latest estimates of household water consumption provided by the various water companies operating within Hampshire and the immediate surrounding area. The figures show that in general consumption fell between 05-06 and 06-07 except in the Portsmouth Water Company supply area.

Salad washing in pure spring water at Vitacress Salads

Table 5.3 - Company estimates of household consumption (litres/head/day)

Water Company	Metered		Unmetered		Average	
	05/06	06/07	05/06	06/07	05/06	06/07
Southern	139	136	157	149	153	146
Portsmouth[1]	149	136	161	163	160	161
Bournemouth & W Hampshire[1]	155	150	159	155	158	153
South East[1]	166	149	166	155	166	154
Thames	154	143	167	157	164	154
Wessex	136	138	157	154	151	149

[1]Water supply companies only; Source: OFWAT

All of the companies reported lower water consumption amongst their metered customers compared to their unmetered customers, with both Southern Water and Portsmouth water being only 1 litre per head per day away from attaining the 2016 RES water consumption target for metered customers.

Making Sustainability Pay
Case Study – Vitacress Salads Limited

Based near Andover, Vitacress Salads is one of the UK's foremost growers, packers and distributors of salads. In response to growing consumer demand, the company began producing organic crops in 2000; these now constitute 15-20% of its total output. Vitacress incorporates a range of environmental sustainability measures into its operations, which have reduced both its environmental impact and its operating costs and have contributed to it winning a number of awards including the 2008 SEEDA Sustainable Business Award for the Environment. The company's farms are all LEAF (Linking Environment and Farming) accredited.

- Vitacress has pioneered a chemical-free salad washing technique. Salads are washed in pure spring water, which is then recycled to irrigate its watercress beds. The net result is a reduction in water abstracted for watercress production of 2,500 cu.m. per day (an equivalent consumption of 700 households) and a significant reduction in the amount of (previously chemically tainted) discharge to sewer, which has reduced the company's operating costs by more than £50,000 pa.
- According to the company's 'follow the sun' philosophy, crops are grown on farms in the UK, Europe and Africa only when seasonal, reducing the need to use artificial light, heat and coverings to grow crops out of season.
- Vehicles are run on bio-diesel, and where possible, are full on return journeys.
- Vitacress promotes bio-diversity, for example by constructing two otter holts at its farm in Arlesford.
- The company's buildings are designed to be shaded from the sun, reducing the need for air-conditioning during summer months. Equipment when not in use is switched off.
- Vitacress provides its staff with a range of facilities including transport to and from the site, short-term/seasonal accommodation on site, bike sheds and an on-site gym.
- The company offers work experience, apprenticeships and supports PhD students.

The success of Vitacress demonstrates that sustainability measures, when effectively incorporated into the normal operations of a business, offer real commercial benefits reducing operating costs and raising the company's profile.

Section 5

Sustainable Business Practices

Sustainable business practices are measures which reduce waste and the environmental impact of firms, but equally, allow businesses to reduce costs and ultimately to prosper long term. In this section 'informing our **future**' considers how these measures can be incorporated into business models to demonstrate that these objectives can be complementary.

Table 5.4 shows whilst the 3 year survival rates for new businesses within the county of Hampshire and the Isle of Wight are slightly higher than those seen across the South East as a whole, both Portsmouth and Southampton have survival rates significantly lower than the regional average. The density of VAT registered businesses is lower across Hampshire than for the South East in total. Both the county of Hampshire and the Isle of Wight have a lower percentage of younger businesses than the South East on average. However, a far greater proportion of businesses within Portsmouth and Southampton are less than 4 years old suggesting that whilst there is significant entrepreneurial activity within Portsmouth and Southampton, a lower proportion of new businesses survive beyond 3 years. This raises the key question of *how can these figures be improved?*

Table 5.4– Measures of sustainability amongst Hampshire's businesses

	Portsmouth	Southampton	IOW	Hampshire	South East
3 year business survival rates[1] (2005) (first registered in 2002)	70%	70%	74%	75%	73%
VAT registered business stock per 1,000 resident adults[2] (2006)	25.5	25.5	32.1	43.8	44.3
Percentage of VAT registered businesses <4 years old (2007)	35.5%	34.2%	29.8%	31.6%	31.9%

[1] BERR [2]Enterprise Directorate [3]Neighbourhood Statistics

A key driver behind competitiveness and sustainability is not the quantity of business land available, but the effectiveness of the use to which it is put. Promoting the benefits of 'lean production,' or encouraging the already evident shift towards increased home working, might present the answer to a perceived shortage of suitable business premises.

Could increased competitiveness and sustainability be achieved through more efficient use of existing business developments rather than devoting further land and investment to creating more?

Business clusters and consortia have a major role to play in improving the sustainability of Hampshire's enterprises. Such schemes allow businesses to pool resources and knowledge, including facilities, skilled labour and expertise. Businesses co-operating together can benefit from joint marketing, a more powerful lobbying voice and increased local procurement, can reduce their environmental impact and can lower costs which is critical for ensuing sustainability and international competitiveness. Both Cowes Marine Cluster and Farnborough Aerospace Consortium are successful Hampshire-based examples of business clusters (see Section 3).

Lean production techniques aim to increase efficiency within businesses through streamlining the production process, whilst maintaining product quality. Any activities which do not 'add value' to the product such as unnecessary holding of stock, wasted space within facilities and excessive movement of stocks or people are avoided. By increasing the functionality of the workplace, the amount of space required to produce goods is decreased, which in turn, reduces waste, and lowers costs.

Section 5

Sustainable Waste Management

As part of the Government's attempt to reduce the amount of waste that local authorities and businesses send to landfill, it was announced in the March 2008 Budget that landfill tax charges would increase in April 2008, from £24 to £32 per tonne of waste sent to landfill, and will continue to increase by £8 per annum until at least 2010/11. With such increases, can businesses achieve a competitive advantage through adopting sustainable waste management?

The RES set the target of '*achieving a 30% increase over the 2003 baseline in GVA generated per tonne of materials entering the waste stream by 2016*.' This section looks at the current targets surrounding waste management, and the incentives and support in place for businesses to help attain these goals.

The *Waste Strategy for England 2007* aims to '*break the link between economic growth and waste growth*.' This is to be done through raising awareness, offering financial incentives and, where necessary, regulation. Businesses and retailers are to be encouraged to employ a multifaceted approach towards reducing waste including such measures as:

- Building resource efficiency into business models.
- Producing less waste, including packaging waste.
- Designing less wasteful products and using recycled inputs.
- Using their influence on consumers and the supply chain.

There is evidence that such measures are already being implemented amongst Hampshire's business community. Slightly fewer than half (45%) of the businesses which attended Hampshire Economic Partnership's Business Question Time identified reducing their waste generation as their main approach towards sustainability, whilst an additional 14% selected reducing their material inputs.

Established in 2001, the Waste Resources Action Programme (WRAP) uses the financial support of its Government sponsors to promote recycling (such as through their nationwide Recycle Now campaigns), to commission research into improving waste management and to support local authorities, businesses and individuals to better manage their waste. WRAP aims to help businesses to make savings through better waste management, in part through their series of nationwide workshops targeted at specific industrial sectors. A supporter of the Strategy for Sustainable Construction, which aims to reduce the amount of construction, demolition and excavation waste sent to landfill by 50% by 2012, WRAP offers guidance to assist building companies with sustainable waste management. Despite continuing to target improving sustainability practices amongst businesses, the Government plans to significantly reduce WRAP's funding, alongside that of other environmental advisory agencies, in the next tax year.

Project Integra is a long-established partnership between Hampshire's 14 local authorities and a private waste contractor, which works to find integrated waste management solutions for residents, businesses and local authorities within the county. The scheme, which often works in partnership with WRAP, has set the target of achieving household recycling rates of 50% by 2010. This compares to targets set by the Waste Strategy for England 2007 to increase household recycling rates to 40% by 2010 and 50% by 2020.

recycle for Hampshire

Table 5.5 sets out current household recycling rates within Hampshire and the South East. Recycling rates within the Hampshire County Council collection and disposal area are well in excess of the regional average. With recycling rates of only 23%, Portsmouth is less than halfway towards achieving the Project Integra target of 50% by 2010. Within Hampshire, the district with the highest recycling rate is Fareham (38.4%) and the lowest is Basingstoke and Deane (19.9%). Hampshire performs exceptionally well compared to all other areas in the South East in terms of the percentage of municipal waste which is sent to landfill. The Project Integra initiative has worked to compost, recycle or recover energy from over 80% of Hampshire's waste.

Table 5.5 - Household Waste and Recycling rates[1] (2006/07)

	Residual[2] household waste per head (kg)	Household recycling and composting rate (%)	Municipal Solid Waste sent to Landfill (%)
Hampshire County Council	327	36.7	18
Portsmouth City Council	328	23.0	16
Southampton City Council	345	25.5	18
Isle of Wight Council	410	29.8	60
South East	349	28.6	58

[1] Defra [2] Waste which is not re-used, recycled or composted

In April 2008, the Government and the Environment Agency introduced mandatory site waste management plans for construction projects worth in excess of £300,000, designed to reduce the amount of construction waste sent to landfill by 100m tonnes annually. SEEDA's '*Zero Waste Region'* initiative, launched in 2008, is a 3 year project in partnership with WRAP and the Environment Agency, which aims to achieve zero waste to landfill ahead of the national targets. The scheme will focus on construction waste initially, before targeting food waste in later years.

The RES aims to 'maximise re-use and recycling as an economically profitable venture' for businesses. However, a recent study carried out in affiliation with the University of Southampton, the Federation of Small Businesses (FSB) and the Hampshire and Isle of Wight Sustainable Business Partnership (SBP) suggests that SMEs and micro-businesses in the Wessex region lacked the necessary information and initial investment capital to implement Sustainable Waste Management schemes. The study highlighted a lack of awareness surrounding waste legislation, the financial cost of waste and the availability of support from organisations such as the Carbon Trust and WRAP. The report cited the example of businesses spending £150 to hire a skip, which will contain raw materials worth, on average, £1200.

Notable examples of sustainable waste management in Hampshire include Marwell Conservation, winner of the 2008 Winchester City Council Award for Green Innovation, which in 2007 managed to recycle or compost 90% of its waste as part of its highly integrated sustainability strategy. Other nominees were commended for the use of 100% renewable energy, lobbying suppliers to reduce packaging and finding new business opportunities through the adoption of environmental management systems.

Case Study - Recresco

Recresco is an innovative recycling company which, with support from WRAP, has managed to expand its operations from its original base in Norfolk, to set up new facilities in Southampton, Nottingham and the Wirral. In the six years to 2007, demand for its glass recycling services increased from 15,000 tonnes to 160,000 tonnes per annum. With the assistance of WRAP, the company was able to source the financing it required to invest in new glass recycling technology, which has enabled it, uniquely within the UK, to produce 99% pure recycled coloured glass. In addition, WRAP's business support team assisted the management in developing a long-term business plan, to better focus on the business's future direction.

By tapping into available support mechanisms, Recresco shows how through innovation and clear business management, firms can generate significant commercial returns from the opportunities provided by the need for sustainable waste management.

Source: WRAP Case Studies

Section 5

Natural Resources and the Environment

With rural areas covering approximately 83% of Hampshire's total area, the county has a wealth of natural resources that make it an attractive place to live and work. The RES aims to *'achieve measurable improvements in the quality, bio-diversity and accessibility of green and open space'.* This applies just as much to improving the environment within urban areas, as it does to protecting the quality of the natural environment within rural areas.

Approximately 95% of the respondents at HEP's Business Question Time rated the quality of the environment in Hampshire as either excellent or good. Respondents did express concerns about how the quality of the environment in Hampshire might change over the next 20 years, with 80% expecting it to deteriorate either a little (53%) or a lot (27%). Only 6% of respondents suggested that the quality of the environment might improve.

The benefits of well-designed and well-managed public spaces – including their positive impact on physical and mental well-being, their promotion of biodiversity, their encouragement of cycling and walking and their impact on community cohesion – are well documented. In addition to this, such open spaces within town centres can bring economic benefits including increased land values, greater private investment and have been estimated to increase business trading by up to 40 per cent.[8]

Table 5.6– Measures of environmental quality

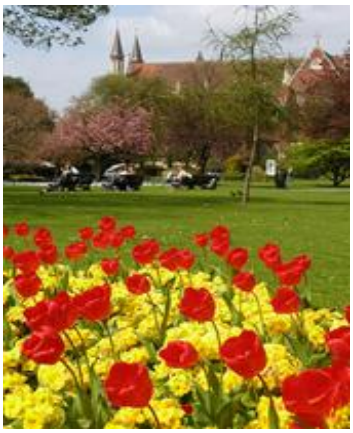
	Hampshire and IOW	South East
% of rivers rated 'good' or 'very good' for biological quality (2006)[1]	77.6%	77.3%
% of rivers rated 'good' or 'very good' for chemical quality (2006)[1]	74.3%	65.0%
Green space (% total area) (2005)	85.1%	84.8%

[1]Defra [2]Neighbourhood Statistics

Table 5.6 shows that in 2005, 85.1% of the total area within Hampshire and the Isle of Wight was green space which was marginally higher than the South East figure of 84.8%. Unsurprisingly, the figures vary considerably within Hampshire with Winchester and Test Valley the leading districts for green space (91.9% and 91.8% respectively) and Portsmouth the lowest district at 23.9%.

River quality statistics for 2006 show that the biological and chemical quality[9] of Hampshire's rivers is better than the regional average with 77.6% and 74.3% respectively rated at least 'good' compared to 77.3% and 65.0% respectively in the wider South East. Within Hampshire, Test Valley has the best biological river quality with 95.5% rated at least 'good,' whilst East Hampshire has the best chemical river quality with 94.1% rated at least 'good.'

Trend data shows that, in line with the South East figures, the proportion of Hampshire's rivers rated at least 'good' for biological quality has improved since 2000 (71.7%), but is currently lower than in 2004 (80.1%). The proportion of Hampshire's rivers currently rated at least 'good' for chemical quality is slightly lower than in 2000 (75.1%) but significantly higher than in 2004 (68.1%). For the wider South East, this figure has improved slightly since 2000 levels (64.7%).



Victoria Park, Portsmouth City Centre

[8] DoE and The Association of Town Centre Management (1997) Managing Urban Spaces in Town Centres – Good Practice Guide. London, HMSO.

[9]To measure chemical quality samples are tested for ammonia, biochemical oxygen demand (BOD) and dissolved oxygen. Rivers rated at least good have natural or close to natural ecosystems within them. To measure biological quality, the level of macro-invertebrates within the river is measured. Rivers rated good have biology similar to or slightly below that expected within unpolluted rivers. The monitoring network only covers rivers and streams with a flow greater than 1 m³/second (a total of 40,000km of river network are monitored in England and Wales out of an estimated total river length of 150,000km.) More information is available from the Environment Agency.

Section 5

Sustainable Communities

The RES aims to '*enable more people to benefit from sustainable prosperity across the region and reduce polarisation between communities'.* Progress towards this target is measured by statistics which indicate the quality of life within a particular area, and residents' satisfaction with the area in which they live.

The first indicator is community participation in volunteering over the last 12 months. A survey conducted in 2005, and reported in Hampshire Strategic Partnership's Quality of Life in Hampshire Report 2008, indicated that in all districts within the county over 30% of residents claimed to have volunteered their services to those other than their relatives over the preceding year. Winchester had the highest volunteering rate (69%) and Rushmoor the lowest (32%). In all districts, more individuals volunteered, than were in receipt of volunteered services.

The average percentage of 16-18 year olds not in employment, education or training (NEET) in Hampshire (including Portsmouth, Southampton and IOW) in 2007 was 6.2% which was almost 1% higher than the regional average. The figure varies considerably with Southampton and Portsmouth having figures of 10.4% and 9.6% respectively, whilst the Isle of Wight and Hampshire had figures of 6.0% and 5.2%.

The percentage of school children eligible for free school meals is used as a proxy for the prevalence of children living in low-income households.

The figures show that whilst the county of Hampshire has fewer children eligible for free school meals than the region as a whole, Portsmouth, Southampton and the Isle of Wight each have figures significantly higher.

The percentage of the over 60 population claiming Pension Credit is used as a proxy for the proportion of pensioners living in low-income households. Once again, the county of Hampshire performs better than the regional average, whilst the unitary authorities of Portsmouth, Southampton and the Isle of Wight each have a significantly higher proportion of pensioners claiming pension credit, with the figure reaching almost one in four in Southampton.

According to the latest Hampshire residents' survey (2005), 89% of those living within the county are satisfied with Hampshire as a place to live. This is remarkably close to the results from a Government survey carried out in 2005/06 and 2006/07 which shows that 88% of residents in the South East are satisfied with the characteristics of the area in which they live.

Quality of life in Hampshire is a significant asset both to business and the resident population. It is an asset that must be protected and nurtured, however as with many such situations the key is how to find the right balance between protection and development.

Table 5.7– Measures of quality of life

	Hampshire	IOW	Portsmouth	Southampton	South East
% of 16-18 years olds not in employment, education or training (NEET) (2007)[1]	5.2%	6.0%	9.6%	10.4%	5.3%
% of nursery and primary school children eligible for free school meals (2008)[2]	8.3%	16.5%	16.4%	20.6%	9.4%
% of secondary school children eligible for free school meals (2008)[2]	6.4%	15.0%	14.0%	16.5%	7.8%
% of people aged over 60 claiming pension credit (Nov 2007)[3]	13.7%	19.5%	23.6%	24.4%	15.8%

[1]Connexions [2]DSCF [3]DWP/Nomis (Population figures are for 2006)

Section 5

Rural Economy

Over 23% of businesses in the South East are based in rural areas; fewer than 50% of these are involved in farming. Nationally, retail and manufacturing are the most significant rural employers, with increasingly large numbers of self-employed workers, home workers and SMEs.

In terms of land area, Hampshire is 83% rural,[12] and has a long tradition of economic activity within its countryside. When considering the route towards sustainable economic growth within Hampshire, it is important to address the issues affecting the contribution made to this growth by rural industries.

Over the last decade, significant inward migration to rural areas has created a high demand for housing, pushing up average prices. The upshot of this is that for many rural workers, and particularly for young workers, living and working within their local community is no longer affordable.

Unlike in the traditional model, significant numbers of those now resident in rural areas derive little economic benefit from rural industries and businesses, instead commuting to work in nearby towns and cities. Many of these individuals are averse to increased rural economic activity due to concerns that it will have a deleterious effect upon both their surroundings and their lifestyles with commonly cited objections to traffic and noise generated by the transport of goods from local businesses through village centres.

Rural businesses face the dilemma of not wanting to disturb their neighbours, whilst also needing to adapt and grow their businesses to vie with their competitors. Whilst they understand and recognise the concerns of local people, their businesses inevitably have a visual presence. Many of these businesses have been operating in their current locations for decades, and their produce is world-renowned and satisfies demand for locally grown foodstuffs. The rural economy helps to raise Hampshire's profile, and brings other economic benefits, including tourism.

If concerns for the environment were to drive agricultural or manufacturing businesses out of Hampshire, the alternative may be that production is switched overseas, and produce would then have to be transported back to the UK, with known and measurable environmental and economic costs. This appears to be counter to recent consumer driven demand for locally produced goods.

Hampshire's rural community needs to consider what measures can be implemented to reconcile the vision of a thriving and vibrant rural economy, with the need for local people to be able to maintain their quality of life?

There currently appears to be a lack of cohesion between on the one hand, national and regional economic development policies which strive to achieve increased economic growth and competitiveness, including in rural areas, and on the other hand the criteria used by planning bodies to assess planning applications. According to the *'Taylor Review of Rural Economy and Affordable Housing'*, when considering rural applications, planning authorities often take a narrow view of the concept of 'sustainability', too often considering only environmental issues, and not social or economic sustainability. Whilst emphasising the need for sufficient planning restrictions to protect the environment, Taylor is against placing unreasonable limitations on the rural economy stating that *"…our rural communities can only prosper and survive if we nurture a living, working countryside."*

[12] Includes Portsmouth, Southampton and IOW; CLREA calculation based on GOSE figures

Section 5

The provision of relevant information is vital to allow informed discussion between rural businesses and their surrounding communities. Rural firms need to be receptive to concerns and use these to inform their business plans. The goal must be to minimise disputes with an independent mediator to diffuse problems arising from conflicting points of view.

Local people are likely to be more accepting of business if they see benefits within their community, perhaps through community events, or more importantly, the recruitment of a locally based workforce. This latter is likely to require the provision of affordable housing within the host rural communities.

The Government is aiming to build three million new affordable homes nationwide by 2020, with a specific target to build 10,300 new homes in smaller rural communities (those with populations of less than 3,000) by 2011. Whilst recognising that this target does represent an increase on current building rates, Taylor highlighted that it will not be sufficient to meet the recommendations for affordable housing provision from both the Affordable Rural Housing Commission and the Commission for Rural Communities and suggested that it may need to be re-examined. It is unclear at the moment to what extent the current slowdown in the housing and construction markets will impact upon Government house building plans. However, given the higher costs of borrowing, and a potential standstill in construction, the present climate is likely only to exacerbate housing problems in rural areas despite any slight drop in house prices.

Regardless of the number of houses delivered, Taylor emphasises that the key to achieving sustainable prosperity within rural communities lies in establishing the most appropriate location for the dwellings so that they can have the greatest beneficial impact on the quality of people's lives.

The alternative, according to Taylor, is the decline of rural communities, as larger towns see so-called 'doughnut development' where towns gradually expand in rings of residential development around their perimeter. Such development puts increased pressure on transport infrastructure, and fails to recreate the sense of community seen in smaller rural neighbourhoods.

Whilst the RES does aim to *"deliver a mix of housing and employment space to support sustainable rural communities"* and recognises that the provision of affordable housing is of *'critical'* importance, such targets can only be meaningful if the strategy to achieve them is appropriate to the day-to-day realities of rural life.

The perceived image of the rural economy as predominantly agricultural is far removed from the reality which is diverse and often as technically advanced as in more urban sectors. Consequently, it is vital to ensure that rural areas are equipped with the same level of services as their urban counterparts, including universal access to modern technologies such as broadband as discussed in Section Three.

Policies for sustainable economic growth can no longer afford to sideline the issues affecting the economic contribution of over four-fifths of Hampshire's area. Taylor suggests that the planning system should take a more long-term view of prosperity within rural communities, considering what could be achieved, not simply attempting to preserve the status quo.

The appropriate provision of affordable housing, leads to a local pool of families and workers to fill local jobs, to staff local services, to maintain the viability of local schools and ultimately to promote a better quality of life for all within the rural community.

What is clear is that business and community cooperation and integration in rural areas is a necessity to ensure the continued growth of rural industries which are fundamental not only to Hampshire's future economic prosperity, but to its whole identity.

Section 5

Eco-Towns

Eco-towns are designed to be zero carbon developments which will promote sustainable living. In April 2008, the Government shortlisted 15 potential sites for such developments (two of which have since pulled out), from which '*up to 10*' are due to be selected by the start of 2009 to become 'Eco-towns.' Each site is to have between 5,000-20,000 new homes, 30-50% of which are to be affordable housing. Each town is to be developed to include a '*good range of facilities'* incorporating schools, business and leisure developments. Transport links to neighbouring towns are also key to the plans. The development of each town is due to be overseen by delivery organisations and financed by a mixture of public funding from the Government and local authorities, and through the encouragement of private investment.

Whilst overall the proposals have received very mixed reviews, the plans to develop an 'eco-town' at Bordon in Hampshire have been viewed more favourably.

Aerial view of Bordon and Whitehill

Case Study: Bordon and Whitehill – An Eco-town in the making?

Background

The town of Bordon, and the neighbouring village of Whitehill, have to a large extent developed around the Bordon Garrison, and the military enjoys a strong presence within the local community. This is set to change however, as the majority of military activity at the training base is due to relocate by 2013 to new tri-service training facilities at St Athan in South Wales, as part of the Defence Training Review Programme. As a result, approximately 258 hectares of MoD land is likely to be released for development. At present, approximately 14,000 people live within the community, which suffers from a lack of facilities, no distinct town centre and no further education or training establishments. Achieving eco-town status is being marketed as an opportunity not only to bring about much needed improvements to the town's amenities and infrastructure, but also to ensure that the development of the released land is done in an integrated and sustainable way, avoiding disjointed, piecemeal development over many years.

The Eco-town Vision

The Masterplan for the Eco-town at Whitehill-Bordon is being developed during 2008. At present, the plans include the construction of approximately 5,000-5,500 new homes on Brownfield land; these homes will vary in price range with an estimated 2,000 of them likely to be designated as 'affordable housing.' Additionally, existing housing may benefit from efficiency improvements. It is envisaged that the development of new housing will drive improvements to the facilities and infrastructure within the town, including community, leisure and business facilities, a new town centre, provision of green space and improved transport links. The aim of the proposals is to create jobs, improve the skills base of residents and to make Whitehill-Bordon a more attractive place for people to live in and for businesses to invest in.

Unlike other eco-towns, the Whitehill-Bordon plans have received widespread local support with 77% of respondents to a survey by East Hampshire Council in late 2007 agreeing that the release of MoD land offers *'real opportunity to develop the kind of town that serves the community and protects the environment.'*

Section 6

The Hampshire Health Check

Simon Ward – Vail Williams

The Hampshire economy has impressive scale – a critical mass of commercial services (equivalent to half the GVA of Wales), a large stock of commercial property (20% of the South East) and significant growth plans. But how well informed are we about the county's "economic health" when judged against the Regional Economic Strategy?

Out of 22 RES targets we appear to be improving on the baseline in the case of product development, some skills, enterprise, and use of water. However, only marginal improvements can be seen so far and we are losing ground on R&D, skills progression, productivity and housing affordability. These are priority areas for action if net growth is to be achieved. Furthermore, we lack data to measure Hampshire's progress on 45% of the targets. If policies and plans are to make sense, more research is required on R&D, infrastructure, business formation, sources of energy, optimum use of waste, crime reduction and community development.

This final section of 'informing our **future**' assesses the progress that Hampshire has made towards meeting the challenges set out in the RES. As stated in Section One, SEEDA's headline targets are to achieve:

- An average increase in GVA per capita of at least 3% per annum.
- To increase productivity per worker by an average of 2.4% annually.
- To reduce the rate of increase in the region's 'ecological footprint'.

A key question that needs to be asked first is whether, in the current climate of economic slowdown and rising commodity prices, these targets are still achievable? This question has recently been addressed in a joint statement published by SEEDA, BERR and HM Treasury. The background to this statement is the Bank of England's revised growth forecast for this year of 1.5% falling to 0.75% in 2009, with the real possibility of zero growth next year.

This scenario throws doubt upon the viability of SEEDA's target of an average of 'at least' 3% growth in GVA per annum. This is not to say that a figure of 3% growth in a year is not achievable post 2010, *but* attaining an average growth of 3% over the whole period 2006 to 2016 is more likely to be the maximum that can be achieved rather than a minimum target. In a scenario of low or zero growth, inflation at 5% p.a. and rising costs, the aim must be, as far as possible, to mitigate the impact of these economic conditions upon businesses and consumers.

The joint statement argues that business and Government agencies must work together to put firms in a position where they are able to respond to economic downturn and benefit from any opportunities that may arise. Examples of such opportunities include the advantage that 'locally' produced goods may have over 'imported' goods that must incur increased transport costs and tariffs. Similarly, exported goods and services may have a price advantage where the value of sterling has fallen against other currencies. One example of this is the buoyant tourism market, which has experienced increases in both inbound and domestic tourism demand as the value of sterling has fallen against the Euro. Against this economic backdrop, 'informing our **future'** next examines the progress that Hampshire has made in relation to each of the three challenges.

Section 6

The Global Competitiveness Challenge - Summary

The current economic conditions that Hampshire's firms face increases the need for them to be globally competitive and succeed in those markets where demand is still buoyant. This means that firms must be pro-active and seek out new market opportunities, and at the same time agencies need to support these firms and to market 'Hampshire'.

Data on competitiveness at a sub-regional level is limited and mainly derived from ad hoc local surveys rather than from regular governmental or regional surveys. This means that information can only be indicative rather than consistent. Global competitiveness requires that more of Hampshire's businesses operate internationally and foreign investment is attracted into the area.

The South East Business Monitor Survey found that 16% of firms were 'regular exporters' and 26% were 'infrequent exporters'. These figures are in line with those for the South East and are a good baseline for Hampshire. However, it is also clear from the report that there is a well of untapped potential with 15% of non-exporting firms stating that their products or services could 'easily be delivered to overseas markets'.

Many of the factors preventing firms from accessing overseas markets e.g. language barriers and cultural and legal obstacles could be overcome by means of support and assistance. The other major obstacle of 'finding or accessing overseas clients' means that firms must take advantage of support services such as those provided by UK Trade and Investment South East. The work of Invest South East England has been influential in attracting overseas firms to the region and Hampshire. This is a model that could be extended and adapted to Hampshire as shown by HEP's recent Invest in Hampshire brochure.

Whilst the willingness and desire of Hampshire's businesses to be, or become, internationally active is important, this cannot happen without the necessary levels of innovation and creativity, knowledge transfer and R & D required and the appropriate transport and communications infrastructure.

Innovation and competitiveness are inextricably linked. Whilst information shows that three out of four Hampshire firms had undertaken some form of innovative activity in the past year, there still exist significant barriers to innovation. The key barriers identified were management and staff time, finance and the skills, knowledge and experience of both management and staff.

With regard to knowledge transfer and R & D, the information that is available suggests that there needs to be progress made in this area if Hampshire is to move forward. Although the UK is ranked in the top two or three countries in the world for research excellence, much of this is the result of research undertaken in universities. This excellence and knowledge needs to be transferred from academia and applied to business in order to maximise potential commercial gains.

Research also needs to be funded both in the public sector and the private sector in order to maintain current levels of excellence. However, information from RCSOR shows that expenditure on R & D as a percentage of GVA in the South East has actually fallen in the past few years moving away from SEEDA's target figure.

Finally, achieving global competitiveness requires an effective transport and communications infrastructure. One of Hampshire's key advantages is its location and transport gateways. However, without the links needed to open up and join together these gateways their full potential cannot be recognised. Similarly, without the requisite quality of communications infrastructure needed to support Hampshire's businesses, our firms are likely to fall behind their international competitors. An appropriate quality of communications and broadband infrastructure is important as it facilitates business and smart growth; it also increases business flexibility allowing people to work from home and whilst on the move.

Section 6

Global Competitiveness – Suggested Actions

With an increasingly global marketplace, and especially in the current economic climate, firms in Hampshire must be encouraged to look to overseas markets where demand is buoyant. Key markets include: China, India, Russia, Brazil and the Middle East.

- In order to assist businesses to access overseas opportunities there should be enhanced marketing of Hampshire. One way of doing this could be through renowned international events such as the Farnborough Air Show and Southampton Boat Show.
- Businesses can 'work together' in order to access overseas markets. The success of Farnborough Aerospace Consortium's offices in Dubai and Abu Dhabi provides a model that can easily be replicated in other sectors.
- Business support agencies need to provide services to help firms overcome barriers to exporting. Key barriers include languages, cultural differences and legal problems.
- These services need to be targeted to firms that have 'untapped potential' i.e. firms that have goods and services that could 'easily be sold overseas' with the right support.
- Overseas firms must be encouraged to invest in Hampshire. As shown by the examples of Palmer Johnson and Huwaei, working closely with potential investors can pay dividends.

Innovation and Creativity

Being, or becoming, globally competitive means that firms need to be innovative to keep ahead of international competitors.

- Firms need to develop products and services suited to international markets.
- These can either be new products or, as shown by Gurit UK, adaptations of existing products to new markets or applications.
- Figures for the South East show that the percentage of turnover attributable to new products or services was above average in the Electrical and Optical Equipment (51%), Transport Equipment (37%) and Financial Intermediation (31%) sectors. Hampshire needs to identify its innovative firms, build on these advantages and highlight examples of 'best practice'.
- Barriers to innovation identified include management and staff time, finance and the skills, knowledge and experience of staff and management. Support agencies must provide assistance to overcome these barriers.

Knowledge Transfer and R & D

Innovation and creativity require investment in Research and Development. But this also means that the knowledge and research excellence contained within the area's universities must be 'transferred' to Hampshire's businesses and developed commercially.

- For knowledge transfer to be successful there needs to be more effort on the part of universities to market their skills and expertise and to tailor these to the needs of local business. Businesses also need to recognise that collaboration with universities can provide significant commercial gains.
- Knowledge networks, collaborative R & D and the Research Excellence Directory are all examples of schemes designed to facilitate the flow of knowledge between Hampshire's businesses and research providers; such schemes need to be supported and extended.
- Expenditure on R & D as a percentage of GVA has declined in recent years in the region, even before the onset of the current slowdown in economic growth. Without investment in research and development, businesses are likely to slip behind their international competitors in the development of cutting edge products and services.

Investment in Infrastructure

One of Hampshire's key advantages is its location as a main transport gateway.

- In order to remain competitive it is essential that this advantage is maintained and enhanced. Thus, Hampshire's transport needs must be identified and prioritised.
- Improvements must also be targeted at Hampshire's communications infrastructure so that firms are not disadvantaged.

Section 6

Challenge One – Global Competitiveness Health Check						
Action Point	**Challenge**	Res Target for 2016	Hampshire Baseline	Hampshire 2007/08	Progress	Comments
1	**Global Business and FDI**	Increase the percentage of businesses operating internationally from 10 to 15%.	N/A for Hampshire	16% of Hampshire businesses said they were 'regular exporters' [1]	→	Only limited information available at sub-regional level
		Maximise share of global FDI	No quantifiable regional or local information available.	No quantifiable regional or local information available.	→	Recent successes include Palmer Johnson and Huawei, but difficult to measure accurately.
2	**Knowledge Transfer and Research and Development.**	Increase percentage of businesses reporting links with universities from 11% to 15%	Information only available at regional level, but of poor quality. Regional baseline = 11%	Little information on this currently available at sub-regional level. Information on links currently under revision.	N/A	On-line Research Excellence Data Directory (RED) provides information on over 200 areas of research excellence.
		Increase expenditure on R & D from 3.2% of GVA to 4%	Information only available at regional level. Regional baseline = 3.2% (2003)[2]	Information only available at regional level. Regional average = 2.7% (2005)[2]	↓	R & D figures for the region moving away from target. Comparable figures for East of England show an increase from 3.8% to 4.3%.
3	**Innovation and Creativity**	Increase percentage of turnover attributable to new products from 12% to 20%	RCSOR data for 2004 shows percentage of products attributable to new or improved in South East was 23%. UK average was 11%	Survey by South East Business Monitor reports that 34% of Hampshire firms developed a new product or service or made significant efficiency savings	↑	RCSOR data for the South East shows that percentage of turnover attributable to new products or services was above average in the Electrical and Optical Equipment (51%), Transport Equipment (37%) and Financial Intermediation (31%)
		Increase percentage of turnover attributable to significantly improved products from 12% to 20%		Survey by South East Business Monitor reports that 53% of Hampshire firms made significant improvements to products or services	↑	
4	**Infrastructure**	Secure investment in infrastructure priorities to maintain international Economic Competitiveness	No quantifiable regional or local information available.	No quantifiable regional or local information available.	N/A	Some evidence of progress re. Hindhead tunnel and widening of M27. Transport for South Hampshire statement published April 2008.

Notes: [1] Source: South East Business Monitor, Issue 14, Hot Topic Spotlight, Exporting.
[2] Source: Regional Competitiveness and State of the Regions Report (RCSOR)

Key: Improving on baseline ↑ Static → Under achieving against baseline ↓

Section 6

The Challenge of Smart Growth - Summary

The key to the smart growth challenge is for Hampshire's businesses to be globally competitive and economically prosperous without creating increased environmental and ecological consequences. Achieving this means that firms' must 'grow smartly' by increasing productivity, skills levels and economic participation rates.

The level of 'unsatisfied' labour demand in Hampshire has been increasing steadily since 2005 and currently stands at around 12,300 jobs[3]. This figure equates to around 25% of all notified vacancies in the region. The bulk of these jobs are in low skilled occupations, which for the past few years have been satisfied by inward migration; however, evidence suggests that many of these migrants are now returning to their home countries. This trend, in conjunction with an ageing workforce and minimal growth in the working age population, means that satisfying labour demand is likely to remain a problem for local businesses. Solutions include increasing economic activity rates by drawing in those of working age who are currently not working.

Increasing skills levels and labour productivity are central to smart growth. Whilst slightly less than 70% of Hampshire's working age population is qualified to NVQ level 2 or above, it is vital to ensure that these skills are the ones that are actually required by Hampshire's businesses. Hampshire's labour force also needs to have key skills such as communication, people skills and an appropriate attitude to work. One key target has been to try and reduce the number of young people not in employment, education or training, now an important part of Local Area Agreements.

As an integral part of smart growth the RES aims to ensure that there is sufficient and affordable housing and employment space of the right quality, type and size to meet business needs. Without this Hampshire's businesses will be inhibited in meeting the twin challenges of competitiveness and smart growth.

A lack of affordable housing for workers in the area is seen as a major problem by many firms. Looking back at the problem of unsatisfied labour demand, the link between these two problems is clear. The current slowdown in the housing market and tighter lending conditions is unlikely to help this situation and even when the housing market comes out of its current slump there is likely to be a time lag before new and affordable houses are released onto the market.

Traffic problems are seen by many firms as a significant barrier to growth and, as the Eddington Report notes, congestion impacts upon both competitiveness and productivity. Although schemes such as the widening of the M27 and the construction of the Hindhead tunnel are in place, problems still exist elsewhere e.g. M3 and A32.

Enterprise and competition are a key element of economic and smart growth. Efforts are in place to extend levels of entrepreneurship in Hampshire both generally and in under-represented groups such as women. The density of business stock in Hampshire is lagging behind the regional average and the reasons for this need to be identified. Levels of female entrepreneurship in Hampshire are slightly below the regional average and where this does occur it is mainly concentrated in the retail and tourism and business and financial services sectors. It is important to try and unlock this potential source of entrepreneurship and extend it to other industry sectors as well.

Barriers to setting up a business amongst females include a lack of start-up capital, a perceived inability to access finance and a fear of failure. The work of support agencies such as Women's Enterprise South East needs to focus on potential winners and research suggests that mentoring, access to financial support and social networking are key elements for increasing levels of female entrepreneurship. The promotion of enterprise in Hampshire is an important part of smart growth and the work of agencies such as SEEDA and PUSH in identifying wealth-creating sectors and best practice are a significant step forward.

[3] Acording to Job Centre Plus figures, June 2008

Section 6

Challenge Two – Smart Growth - Healthcheck						
Action Point	**Challenge**	Res Target for 2016	Hampshire Baseline	Hampshire 2007/08	Progress	Comments
5	**Skills**	Maximise the number of people ready for employment at all skills levels	% WA qualified to NVQ Level 2+ (2006): 68.0%	% WA qualified to NVQ Level 2+ (2007): 68.9%	↑	Marginal increase but may be attributed to sampling in APS; there are also wide disparities across the County
		Ensure people are continuously equipped to progress in the labour market	%WA qualified to NVQ Level 4+ (2006): 29.3%	%WA qualified to NVQ Level 4+ (2007): 28.7%	↓	Hampshire includes Portsmouth and Southampton and wide disparities exist
6	**Employment**	Improve the productivity of the workforce and increase economic activity rates from 82% to 85%	Econ Activity(2006): 82.9%	Econ Activity (2007): 82.1%	↓	Marginal decrease but may be attributed to sampling in APS; there are also wide disparities across the County
7	**Physical Development**	Ensure sufficient and affordable housing and employment space of the right quality, type and size	Median house price to median Income ratio(2006) - Hampshire (8.12); Portsmouth (5.76); Southampton (6.32)	Median house price to median Income ratio(2007) - Hampshire (8.66); Portsmouth (6.22); Southampton (6.23)	↓	Mixed picture with only marginal improvement in Southampton
		Ensure efficient use of land resources	N/A	Proportion of new and converted dwellings on previously developed land (2006/07) - Hampshire (82%); Portsmouth (100%); Southampton (100%)	N/A	No baseline for comparison
8	**Transport**	Reduce road congestion and pollution levels by improving travel choice and promoting public transport	N/A	Road transport CO_2 emissions(2005): 2.7 mt per capita	N/A	No time series data analysis is valid as data is currently experimental
9	**Enterprise**	Increase the business stock from 35 businesses per 1,000 inhabitants to 44 businesses per 1,000 inhabitants	Start of year VAT registered business stock (per 1,000 inhabitants)(2005): 31.1	Start of year VAT registered business stock (per 1,000 inhabitants)(2006): 31.4	↑	Only a marginal increase. Hampshire includes Portsmouth and Southampton
		Increase number of new businesses run by women by 10,000	N/A	N/A	N/A	Data currently unavailable
10	**Competition and Business Regulation**	Increase level of participation of businesses (especially SME's) in bidding for public sector contracts	N/A	N/A	N/A	Data currently unavailable

Key: Improving on baseline ↑ Static → Under achieving against baseline ↓

Section 6

Smart Growth – Suggested Actions

In order to become and remain competitive, Hampshire's businesses must strive to increase productivity, improve skills levels and economic participation rates. Strategies to address skills and employment include:

- Tackling unmet labour demand by attracting those who are currently economically inactive. The most effective strategy is likely to be targeting the 47,000 economically inactive individuals classified as 'wanting a job'.
- 60% of these individuals are women; the promotion of self employment may be a way of encouraging them to be economically active, whilst at the same time offering a flexible way of working that suits their needs.
- Whilst training is becoming increasingly important in firm's business plans, there is a need to ensure that workplace skills are developed as well as academic skills. The 'skills passport' may be one way of allowing employees to build up a portfolio of skills.
- Firms must seek to establish links between themselves and local schools, colleges and universities, offering work experience, apprenticeships or graduate jobs. The work of Aimhigher is a valuable model for building such links and raising awareness of the benefits of further and higher education.

Physical Development and Transport

For businesses to prosper and grow there must be a sufficient supply of affordable housing and commercial premises of the right quality, type and size. Additionally, the problems caused by traffic congestion need to be managed and dealt with:

- The slowdown in the housing market will almost certainly affect the delivery of regional house building targets including the provision of affordable housing. The likely time lag in delivering new houses 'post recovery' means targets for affordable housing provision may need to be reviewed.
- The Government's new strategy for sustainable construction aims to use innovation, design and training to reduce the environmental impact of the construction industry, promote safer working environments and better skills levels. This strategy may provide a means of developing a competitive edge and increasing profitability in the construction sector at a difficult period of time.
- As shown by the Hewlett Packard case study, increasing the efficient use of workspace can help to reduce operating costs, increase productivity and help solve the shortage of suitable business land and premises in some areas and sectors within Hampshire.
- Hampshire must heed the warnings of the Eddington Report and employ a broad transport strategy to consider the causes and effects of congestion. These problems need to be tackled in order to facilitate sustained economic growth. Increasing the capacity of transport infrastructure must be targeted to the locations where it will be most effective.

Enterprise, Competition and Business Regulation

Levels of entrepreneurship and competitiveness need to be enhanced and business regulation reduced if firms are to grow and be more productive and effective:

- By promoting and encouraging female entrepreneurship, Hampshire can encourage into work the thousands of women who are currently out of the labour force because they cannot find work that offers the flexible hours that they require to fit around their family lives.
- Training for women needs to be targeted to address skills gaps, especially in managerial skills and this may be particularly effective if aimed at 18-24 year olds.
- Overregulation of businesses within Hampshire impacts upon global competitiveness and is likely to be a disincentive to potential entrepreneurs. Tackling this problem can generate a double dividend of increased competitiveness for existing businesses and reduced barriers to new business creation.
- One way that Hampshire's firms may have a more powerful lobbying voice and greater impact is if sectoral clusters are formed and supported, as shown by the success of Farnborough Aerospace Consortium.

Section 6

Achieving Sustainable Prosperity - Summary

The key to the challenge of sustainable prosperity is achieving a lastingly competitive economy, whilst simultaneously protecting the diversity and wellbeing of the natural environment. Crucially, the promotion of economic and social prosperity is just as important as environmental issues.

EU and UK Government policies for dealing with climate change are creating an increasing commercial imperative for Hampshire's businesses to reduce their carbon footprint. The Stern Review highlighted the need to be adaptable and take advantage of the opportunities that moving to a low-carbon economy presents; the global market for low carbon energy products is likely to be worth at least $500bn p.a. by 2050.

Increased taxes and regulations may adversely affect the global competitiveness of Hampshire's businesses. Finance is needed to assist innovators, who may be put off by perceived costs and risks of developing low-carbon technologies.

Saving energy is increasingly high on the business agenda as raised fuel and energy costs are affecting the international competitiveness of Hampshire's businesses. Research suggests that, across the country, SMEs can make up to £1.3bn of savings through energy efficient measures.

The need for sustainable consumption and production raises the question of how sustainable investment can be achieved within the context of an increasingly environmentally conscious society and the need to keep business costs to a minimum? Vitacress Salads show that by incorporating sustainability into their operations, businesses can generate commercial benefits through lower costs and a raised company profile.

Hampshire leads the way in promoting the environmental management and planning issues associated with the water environment. One example of this is the innovative Hampshire Water Festival. The county is likely to achieve the RES target of daily water consumption of 135 litres per head by 2016.

Sustainable business practices and sustainable waste management are measures designed to reduce waste and the environmental impact of businesses. Significant commercial and environmental gains can be made by focusing on more efficient use of existing premises, as well as building more energy-efficient buildings. Programmes in place to assist businesses to achieve waste targets include WRAP, and Project Integra, an initiative which has worked to compost, recycle or recover energy from over 80% of Hampshire's waste.

Whilst the natural environment is a key facet of the high overall quality of life in Hampshire and an asset to both business and the resident population alike, the RES measures indicate significant discrepancies between the quality of life enjoyed in different districts within the county.

The Taylor Review suggests that the planning system should take a broader and longer-term view of prosperity within rural communities, considering what could be achieved - economically, socially and environmentally – and not simply attempt just to preserve the status quo.

Whilst Taylor suggested that an upward review of the target to build 10,300 new homes in smaller rural communities by 2011 may be needed, the key to sustainable prosperity within rural areas lies in the appropriate provision of affordable housing in those locations where it can most improve the quality of people's lives. Business and community co-operation and integration is crucial to promote the growth of rural industries which, with over 80% of Hampshire's area being rural, are essential not only to its future economic prosperity, but also to its whole identity.

Eco-towns are zero carbon developments designed to promote sustainable living. The proposals in Bordon to build over 5,000 homes, alongside transport and community infrastructure, have been welcomed by the community as an opportunity to ensure that former MoD land is developed in an integrated and sustainable way.

Challenge Three – Sustainable Prosperity - Healthcheck						
Action Point	**Challenge**	Res Target for 2016	Hampshire Baseline	Hampshire 2007/08	Progress	Comments
11	**Climate Change and Energy**	Reduce CO_2 emissions by 20%	N/A	Total CO_2 emissions(2005): 8.2 mt per capita	N/A	No time series data analysis is available as data is currently experimental
		Increase contribution of renewable energy to at least 10% of energy supply	N/A	% of final energy consumption from renewable sources : 1.19%	N/A	Hampshire does not appear to be on track to achieve the RES target. No time series data analysis is available as past data sets were classified as experimental
12	**Sustainable Consumption and Production**	Reduce per capita water consumption from 169 litres per day to 135 litres per day	Company estimates of average household water consumption (litres/head/day) (2005/06) - Southern: 153; Portsmouth:160; Bournemouth & W Hampshire: 158	Company estimates of average household water consumption (litres/head/day) (2006/07) - Southern: 146; Portsmouth:161; Bournemouth & W Hampshire: 153		Hampshire is well placed to meet the RES target, particularly amongst metered customers
		Achieve a 30% increase in GVA generated per tonne of waste materials	N/A	N/A	N/A	Data currently unavailable
13	**Natural Resources and the Environment**	Achieve measurable improvements in the quality, bio-diversity and accessibility of green and open spaces	Percentage of rivers rated 'good' or 'very good' for biological quality (2004): 80.1%; Percentage of rivers rated 'good' or 'very good' for chemical quality (2004): 68.1%	Percentage of rivers rated 'good' or 'very good' for biological quality (2006): 77.6%; Percentage of rivers rated 'good' or 'very good' for chemical quality (2006): 74.3%		No overall improvement or deterioration as biological river quality has declined whilst chemical river quality has improved. Hampshire includes Portsmouth, Southampton and the IOW
14	**Sustainable Communities**	Ensure more people benefit from sustainable prosperity and reduce polarisation between communities	N/A	N/A	N/A	Measures show a high overall quality of life within Hampshire but indicate that significant polarisation exists between the different districts

Key: Improving on baseline  Static  Under achieving against baseline 

Section 6

Sustainable Prosperity – Suggested Actions

Achieving sustainable prosperity is a key challenge for Hampshire, requiring a balance between protection of the environment, quality of life and promoting economic development.

Climate Change and Energy

- The changes in business behaviour required by climate change can be encouraged through the provision of information, regulation, and finance to meet the costs of converting to low-carbon technologies.
- The King Review highlights that much worthwhile environmental technology has already been developed, but is not widely used. In contrast, biofuel is more widely used even though it can be land-intensive. The review recommends that the focus should be on developing the use of electricity, hydrogen and less land-intensive biofuels.
- Whilst using sustainable energy sources has long been on the agenda for businesses within Hampshire, such measures are now a matter of commercial necessity in the face of ever increasing energy prices.

Sustainable Consumption and Production

- Sustainability measures can be effective for many businesses when they are successfully integrated at every level into the business model as shown by Southampton Airport.
- Commercial and residential development in Hampshire must take account of the existing transport and water infrastructure and the carrying capacity of local rivers or estuaries to accept further treated wastewater.
- Significant investment by water companies will be required to achieve and maintain RES water consumption targets and to modernise the existing network; through metering customers should recognise that water is a scarce commodity that must be conserved.
- Business clusters and consortia allow businesses to pool resources and knowledge, e.g. facilities, skilled labour and expertise. By co-operating businesses can benefit from joint marketing, a more powerful lobbying voice and increased local procurement, reducing their environmental impact and costs.
- Lean production aims to increase efficiency within businesses by streamlining production whilst maintaining product quality. By increasing the functionality of the workplace, the amount of space needed for production is decreased, reducing both waste and costs.
- Through innovation, clear business management and by tapping into available support mechanisms, Hampshire's firms can generate significant commercial returns from the opportunities provided by the need for sustainable waste management.

Natural Resources and the Environment

- Rural areas cover approximately 83% of Hampshire's total area making it an attractive place to live and work. Well-designed and well-managed public spaces can help to promote biodiversity, encourage cycling and walking and improve community cohesion. The provision of open spaces within town centres should be promoted as they provide economic benefits, potentially increasing business trading by up to 40 per cent.

Sustainable Communities

- Planning bodies need to take a wider view of sustainability when considering rural planning applications, looking at economic and social sustainability, as well as the environment.
- The provision of relevant information is vital to informed discussion between rural businesses and host communities. Rural businesses need to be receptive to concerns and use these to inform their business plans.
- Rural businesses should aim to share their economic growth with their local communities through community events and the recruitment of a locally based workforce. This will require the provision of affordable housing within the host rural communities.
- It is vital to ensure that rural areas are equipped with the same level of services as their urban counterparts, including universal access to modern technologies such as broadband to facilitate the development of important parts of the rural economy such as self-employment and home working.

‘informing our **future** 2008’ was sponsored by Hampshire County Council, and the University of Portsmouth.

To obtain another copy of ‘informing our **future** 2008’ please contact:

Hampshire Economic Partnership
2 Venture Road
Chilworth Science Park
Southampton SO16 7NP

T: 023 8076 8833
F: 023 8076 9780
E: info@hep.uk.com
W: www.hep.uk.com

HAMPSHIRE
ECONOMIC
PARTNERSHIP