

About this submission

- 1.1 East Midlands Airport is one of the UK's leading passenger airports and the UK's largest airport for dedicated air-freight with strategic potential to carry 10 million passengers and handle 1 million tonnes of cargo. Over 4.5 million people used the airport last year to get to around 100 destinations across Europe and North America. The number of destinations available will increase this year, including six flights a week to business hubs such as Dusseldorf and Paris, building a significant business destination portfolio. Significant value-added growth to UK PLC will come through the Midlands two international gateways and specifically its main freight hub.
- 1.2 Due to our unique geographical position in the heart of the country, equidistant from three major cities and with 90% of the population within a four drive we have become the UK's largest pure freight airport. We handled over 330,000 tonnes in 2015 and are home to the main UK base for express cargo integrators DHL and UPS as well as the largest flying base for Royal Mail. DHL have recently invested over £120 million doubling their onsite base, providing further evidence of the success of this growing market. This location between three cities, two LEPs and on the boundary of two potential devolution deals gives a unique perspective of how devolution and the Midlands Engine work.
- 1.3 The airport not only facilitates regional economic growth it is an economic hub in its own right. The airport houses the Pegasus Business Park which is home to global companies such as PWC and PKF Cooper Parry. We generate £265 million of GVA each year to the Midlands economy and our Pegasus Business Park, which was part of the Midlands Engine pitchbook, has shovel ready developments that will meet the Midlands Engine's aims of creating jobs, securing Foreign Direct Investment and improving productivity, especially in high-tech manufacturing.
- 1.4 BIS's role in delivering the Midlands Engine is four fold; ensure that the needs of Midlands businesses are considered in major government decisions, facilitate opportunities for Midlands businesses to grow on the international stage, promote the region across the globe as a good place to invest and do business and ensure that the full benefits of collaboration are realised.

The Midlands Economy

- 2.1 It is widely acknowledged that the Midlands economy was one of the worst hit by the financial downturn. However over the last year it has grown three times faster than that of London and the South East. The Midlands currently has an economy of £222 billion a year, which equates to a 14.6% GVA contribution to the UK economy. This GVA contribution to the UK economy has grown by 30% in the last decade.
- 2.2 The Midlands has a strong manufacturing sector which employs 637,400 people and accounts for 19.7% of the UK's manufacturing output. Alongside this inward investment projects grew by 130% between 2011 and 2015 and 880 Foreign Direct Investment projects.
- 2.3 This improvement in economic performance shows investment is paying dividends and that the right mix of private and public sector organisations working together can deliver good results.

Our involvement with the Midlands Engine organisation

- 3.1 The Midlands Engine has been effective at uniting business, local authorities and government departments. Local authorities are working together in new ways and holding joint promotional events at conferences, such as MIPIM, for the first time. The airport supported several Midlands Engine events at MIPIM 2016 and provided a project for the Midlands Engine pitchbook. At MIPIM 2016, the airport's discussions with investors regularly turned to the government's Midlands Engine, illustrating it had gained traction with international investors.
- 3.2 Businesses in the region, including both of the airports, are using the Midlands Engine branding to promote new business developments such as new routes and investment. This promotion includes East Midlands Airport working with partners, including UKTI, to ensure airport developments, such as new routes, have the maximum benefit for the regional economy.
- 3.3 We have also worked with UKTI to promote regional businesses including installing GREAT campaign adverts in the baggage reclaim area and the pier to some of our busiest gates.

What does the Midlands Engine mean?

- 4.1 The three most prominent pillars of the Midlands Engine are its vision for the region, its plans to improve connectivity between the East and West Midlands and create an investment fund.

Vision

- 4.2 The Midlands Engine provides a cohesive voice for the region's businesses, academic centres and our ambitions for future growth. This voice and region wide ambition is valuable to businesses, such as airports, that have to sell their locality internationally. A government backed initiative helps to illustrate the focus on economic growth and adds confidence in the region's ability to realise its ambitions.

Connectivity

- 4.3 The Midlands Engine also aims to secure £5.2bn to create a modern, interconnected transport network which will help to maximise the impact of the UK's largest pure freight hub and will make the site even more desirable to the freight industry.
- 4.4 The Midlands Engine provides the opportunity to create regional investment frameworks to enable economic growth. An example of an investment framework aimed at enabling regional economic growth is Midlands Connect. Midlands Connect has consulted with hundreds of stakeholders to ensure that business and community needs are pulled together to deliver real improvements. This approach could also apply to issues such as skills.
- 4.5 Midlands Connect's priorities of reduced journey times between the East and West Midlands, improved reliability between key centres and regional interventions that better connect the Midlands to its international gateways will benefit the regional economy. However to maximise these benefits and generate significant growth it is important that international connectivity into

the region improves. To help secure this international connectivity and facilitate this growth the Midlands needs to secure more direct routes to the USA, Asia and Middle East. This could be done through reform to Air Passenger Duty that incentivised new routes from regional airports. This would also help stimulate growth in the Midlands as capacity restraints London airports.

Investment Fund

4.6 The government's £250 million Midlands Engine Investment Fund was a welcome initiative. Its recognition of key industries including £16m for research and development in the East Midlands Aerospace sector will have a real impact. Ensuring that this and future funds strengthen specific industries will create more competitive advantages for the Midlands Engine as well as ensuring that key UK regions complement rather than compete with each other.

What is the Department for Business, Innovation and Skills role in delivering the Midlands Engine?

5.1 BIS's role in delivering the Midlands Engine is four fold;

- Ensure that the needs of **Midlands businesses are considered in major government** decisions and businesses in the region can benefit from new funding streams.
- **Facilitate opportunities for Midlands businesses to grow on the international stage** and export more of their products and services to new international markets. Midlands businesses, of all sizes, should be present on trade trips to new and emerging markets.
- **Promote the region across the globe as a good place to invest and do business.** East Midlands Airport is continually selling our region across the globe both in terms of its culture and business. Many of the international stakeholders the airport engages with want to understand how the region is going to deliver on its ambitions and what the future holds. The Midlands Engine illustrates the determination of senior politicians to deliver these ambitions and grow our region.
- For businesses in the Midlands Engine it is important neighbouring LEPs, devolution deals and combined authorities have the flexibility to work together on shared assets such as airports to **ensure the full benefits of collaboration and devolution are realised.**

5.2 The establishment of a clear governance structure and permanent secretariat is also important to the project's success and will make it easier for businesses to feed into the Midlands Engine and provide more organised feedback on developments. There are further opportunities to extend the reach of the Midlands Engine to the CBI, Chambers of Commerce, FSB and IoD to cement business engagement into its developing architecture.

How does the Government investment in the Midlands Engine compare to London and the South-East? Is it sufficient to offset the pull of London?

6.1 While financial investment is a key metric it is not the most useful for monitoring the success of the Midlands Engine at this stage. Comparing financial investment in an established global city to that of a relatively new regional initiative is unlikely to provide the most meaningful insight.

6.2 The amount of time invested and promotion is key to the success of the Midlands Engine. Businesses from the Midlands Engine should be included in all government arranged trade missions and UKTI promotional activity. The Midlands region has many advantages over the

South East and London; including the UK's largest pure freight airport, a diverse highly skilled workforce, several world class universities and one of the nation's fastest growing economies. If the region is given the opportunities, time and resources to promote itself alongside London it is confident these benefits will lead to an increase in FDI, jobs and exports from the region.

Conclusions

- 7.1 We want to the Midlands Engine to succeed and the regional economy to grow. We want to help facilitate Foreign Direct Investment, job creation and improve productivity in the Midlands. East Midlands Airport's Pegasus Business Park, which was part of the Midland's Engine pitchbook, has shovel ready developments that will create jobs, secure Foreign Direct Investment and improve productivity, especially in high-tech manufacturing.
- 7.2 Growth within the Midlands Engine will be delivered through many different industries and initiatives. However the truly new value added growth to UK PLC will come through its two international gateways and specifically its main freight hub. To help secure more international connectivity and facilitate this growth the Midlands needs to secure more direct routes to the USA, Asia and Middle East. This could be done through reform to Air Passenger Duty.
- 7.3 BIS's role in delivering the Midlands Engine is four fold; ensure that the needs of Midlands businesses are considered in major government decisions, facilitate opportunities for Midlands businesses to grow on the international stage, promote the region across the globe as a good place to invest and do business and ensure that the full benefits of collaboration are realised.
- 7.4 Time invested and promotion is key to the success of the Midlands Engine. Businesses from the Midlands Engine should be included in all government arranged trade missions and UKTI promotional activity.

27 May 2016