F7. Socio-Economic

Executive Summary: Chapter F7. Socio Economic

A review of Southampton's socio-economic baseline position indicates that the area is facing a number of socio-economic challenges including low economic activity rates, high levels of unemployment, weak business demographics and relatively high levels of multiple deprivation. Against this background, the Port of Southampton specifically, and the marine sector in general, are valuable economic assets and key drivers for the local and sub-regional economies.

The berth 201/202 works are strategically aligned to the local, sub-regional and national policy context. The proposed works will be a critical private sector investment which will allow the Port (which is recognised at national level as a key component of the nation's transport system and critical to the functioning of the system as a whole and to the economic success of the nation) to remain competitive and to continue to be a key driver of the local economy as well as a major employer. The Port's continued success is reliant on continuous investment to ensure that Southampton can continue to meet the evolving demands of seaborne world trade in what is a very competitive market.

If ABP is unable to proceed with the berth 201/202 works, there is a serious danger that the Container Terminal will become increasingly marginalised, being unable to service its existing customers and consequently being unable to attract new business, thereby losing market share. This would put many of the 2,000 jobs directly or indirectly supported by Southampton's Container Terminal at risk.

In the context of Southampton's challenging socio-economic indicators, this would be a serious issue for the local and sub-regional economies. The works would safeguard these jobs and would also support the creation of 192 additional direct jobs over the period 2014-2027. Furthermore, it would support some 360 construction person years during the construction phase which translates to 36 direct FTE jobs. Additional indirect and induced jobs would be supported through economic multiplier effects.

Based on the above, it is concluded that the proposed development would have a beneficial economic impact of major significance to the local economy and would be strategically aligned to the area's socio-economic priorities and national, sub-regional and local policy objectives.

Introduction

F7.1 This chapter has been prepared by Atkins and presents an assessment of the potential socio-economic impacts arising as a result of the proposed development. The impact assessment is undertaken with consideration to the local socio-economic context in terms of the baseline socio-economic conditions and the relevant policy objectives.

Methodology

F7.2 The assessment of the socio-economic impacts of the proposed development focuses on the jobs that will be created and safeguarded by the scheme (both directly and indirectly). During the construction phase, jobs are estimated based on the capital costs of the scheme while during the operational phase the emphasis is placed on the container-related jobs that will be safeguarded and created. The socio-economic assessment also considers the scheme's contribution to local, regional and national socio-economic policy objectives and its impact on the local economy.

Socio-Economic Baseline

F7.3 The baseline analysis considers the unitary authority of Southampton and the wider "Solent Districts" area (also referred to as "Solent sub-region" in this chapter) which includes the local authorities of Southampton, Fareham, Gosport, Portsmouth, Havant, New Forest, Test Valley, Eastleigh, Winchester, Chichester and the Isle of Wight.

F7.4 The analysis includes a range of key economic indicators for Southampton and the wider Solent sub-region such as economic activity, unemployment, qualifications levels, occupational structure, employment by industry, levels of deprivation and commuting patterns. Statistics for the South East region and England as a whole provide regional and national benchmarks. This analysis establishes the baseline conditions against which it is possible to measure the socio-economic impacts of the proposals.

Population

F7.5 Southampton has a population of approximately 239,700[1]. The combined population of the Solent Districts is estimated to be 1,536,800, accounting for approximately 18% of the total population of the South East region (8,523,100).

Deprivation

F7.6 The Indices of Multiple Deprivation (IMD) 2010 provide a range of measures relating to various aspects of deprivation including income, employment, health, education and skills, barriers to housing and services, crime and quality of the living environment. The overall index of multiple deprivation presents a combined weighted average of the above. Southampton ranks as the 81st most deprived out of 326 English local authorities and is therefore amongst the 25% most deprived local authorities in England.

Economic Activity and Unemployment

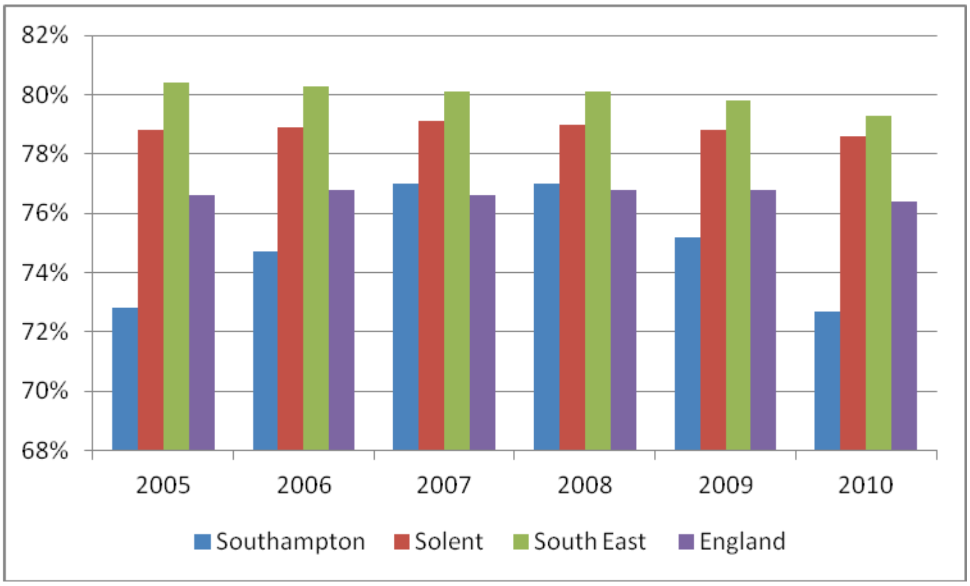
F7.7 Southampton's working age population has a low rate of economic activity, noticeably lower than the sub-regional and regional averages. As Figure F7.1 illustrates, Southampton's economic activity rate has been consistently lower than the sub-regional and regional averages

[1] Source: 2010 mid-year population estimate, Nomis

over the past 6 years. With the exception of the period 2007-2008 (which was also the period when the Container Terminal was operating at its maximum throughput), Southampton's economic activity rate has also been lower than the national average.

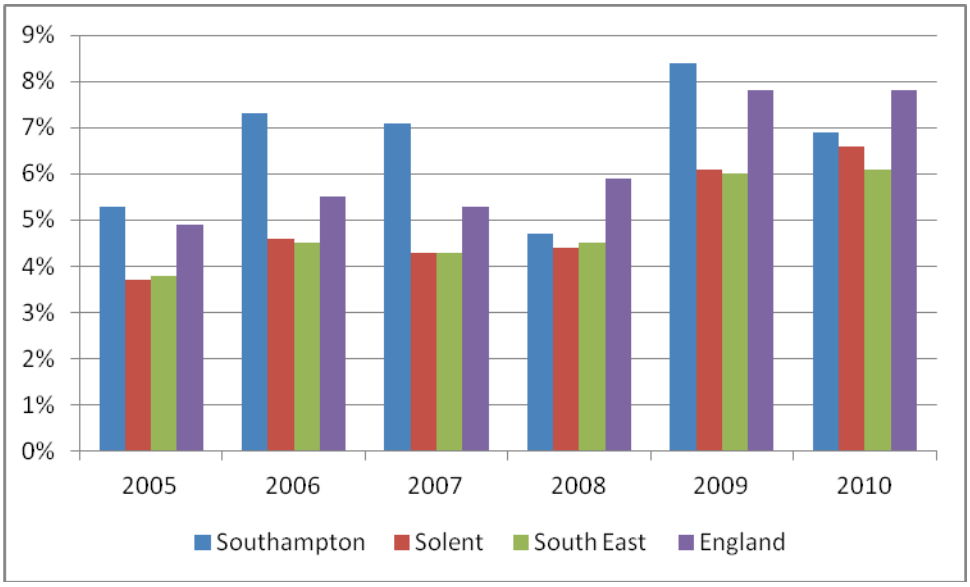
F7.8 In 2010 (latest available data), approximately 72.7% of Southampton's working age population was classified as economically active, compared to 78.6% in the Solent Districts Area, 79.3% in the South East and 76.4% across England as a whole.

Figure F7.1 - Economic activity rate - aged 16-64



Source: Nomis, Annual Population Survey, 2010

Figure F7.2 - Unemployment rate - aged 16-64



Source: Nomis, Annual Population Survey, 2010

F7.9 Unemployment rates (Figure F7.2) also follow a similar pattern, with Southampton's unemployment rate being consistently higher than the sub-regional and regional averages over the past 6 years and often higher than the national average too. Over the period 2005 to 2010 Southampton's unemployment rate averaged at 6.6% compared to 5% for the Solent sub-region, 4.9% for the South East and 6.2% for England as a whole. This suggests that Southampton faces a chronic challenge in providing sufficient numbers of jobs for its labour force.

Occupational structure

F7.10 Southampton has a low proportion of people in senior and managerial occupations compared to the sub-regional, regional and national averages and a relatively high proportion of people in professional occupations or working as process, plant and machine operatives.

Table F7.1 – Occupational structure

Occupation	% all in employment
Managers and senior officials	12.6
Professional occupations	17.5
Associate prof & tech occupations	15.3
Administrative and secretarial occupations	8.4
Skilled trades occupations	9.7
Personal service occupations	8.3
Sales and customer service occupations	8.9
Process, plant and machine operatives	8.5
Elementary occupations	10.2

Source: Nomis, Annual Population Survey, 2010

Sector Analysis

F7.11 According to the Business Register and Employment Survey there were approximately 111,900 jobs in Southampton in 2010, with the biggest employment sectors being health and education (17% and 12% of all jobs respectively). The transport and storage sector (which is related to the Port's commercial activities) accounted for 6% of all jobs in Southampton (Table F7.2).

Table F7.2 – Southampton's main employment sectors[2]

Industry	Jobs	% of all Southampton jobs
Health	18,900	17%
Education	13,600	12%
Retail	12,200	11%
Business administration & support services	9,900	9%
Professional, scientific & technical	7,400	7%
Information & communication	6,600	6%
Transport & storage	6,500	6%
Accommodation & food services	6,500	6%
Financial & insurance	5,400	5%
Manufacturing	5,200	5%

Source: Nomis, Business Register and Employment Survey

Business Demography

F7.12 According to the Office for National Statistics, Southampton has a weaker business birth / death ratio than the South East and England as a whole. This means that more businesses close for every new business that starts in Southampton than they do across the region and the country.

Table F7.3 – Business start-ups and closures

Year	Southampton business start-ups	Southampton business closures	Southampton start-ups / closures ratio	South East start-ups / closures ratio	England start-ups / closures ratio
2004	825	750	1.10	1.13	1.15
2005	845	765	1.10	1.17	1.19
2006	780	680	1.15	1.20	1.23
2007	785	805	0.98	1.21	1.24
2008	720	665	1.08	1.19	1.21
2009	590	855	0.69	0.85	0.84

Source: ONS, Business Demography

F7.13 Southampton's count of active enterprises also rose at a slower rate than the regional and national averages between 2005 and 2007. Between 2007 and 2009 the number of Southampton's active enterprises declined year on year while they kept growing in the South East and England as a whole.

[2] Numbers and percentages are rounded

Table F7.4 – Active enterprises

Year	Southampton count of active enterprises	Southampton rate of growth of active enterprises	South East rate of growth of active enterprises	England rate of growth of active enterprises
2004	6,215	-	-	-
2005	6,285	1.1%	0.6%	1.0%
2006	6,300	0.2%	0.4%	1.0%
2007	6,395	1.5%	2.6%	3.3%
2008	6,315	-1.3%	1.7%	1.9%
2009	6,255	-1.0%	0.7%	0.7%

Source: ONS, Business Demography

Commuting

F7.14 Commuting patterns indicate that the Solent labour market is largely self-contained. Some 93% of people working in Southampton live in the Solent Districts and approximately 86% of people working in Hampshire live within the county (including the unitary authorities of Portsmouth and Southampton).

F7.15 The implication of the above is that the income of workers employed in Port related activities is likely to be mostly retained within the Solent Districts given that the vast majority of jobs are filled by local residents.

Table F7.5 – Southampton commuting patterns, 2008

Local authority	Place of residence of Southampton workers
Southampton	56.9%
New Forest	12.3%
Eastleigh	8.6%
Portsmouth	4.3%
Test Valley	3.9%
Fareham	3.9%
Winchester	1.5%
Havant	1.2%
Arun	0.9%
Isle of Wight	0.8%

Source: Annual Population Survey, ONS

The Economic Value of the Port of Southampton

F7.16 The Economic Impact of the Port of Southampton report produced by Atkins for Marine South East in 2011 estimated the GDP contribution of the Port of Southampton to the UK economy to be in the region of £1.75 billion, confirming the Port's role as a major driver of the local and sub-regional economies.

F7.17 In terms of the economic significance of the Port's container operations, the Container Terminal currently employs approximately 570 employees and uses around 250 permanently assigned contract stevedores to support its business bringing the total number of people employed at the Container Terminal to 820[3]. Adopting the same methodology used in the Solent Waterfront Strategy that was produced for SEEDA, the indirect and induced jobs supported by the Container Terminal's operations can be calculated using appropriate Type I and Type II multipliers.

Table F7.6 – Indirect and induced container-related jobs

Container terminal direct jobs	**820**
Type I multiplier (for indirect employment)	1.99
Total direct and indirect jobs	**1,632**
Type II multiplier (for indirect + induced employment)	2.49
Total direct, indirect and induced jobs	**2,042**

Source: The Scottish Government, Atkins

F7.18 In total, it is considered that over 2,000 direct, indirect and induced jobs are supported by the operation of Southampton's Container Terminal. It should be noted that whilst the Type I and Type II multipliers used in this section are based on the Scottish economy, they provide one of the few reliable sources of detailed sector-based multipliers at a regional level. Whilst the Scottish economy is larger than the Solent economy, it can be broadly compared to that of the South East region as a whole and therefore as a consequence these multipliers can be reasonably used for the purposes of this assessment.

F7.19 Based on information collected from a survey of Port businesses and data gathered from companies' Annual Reports, the Economic Impact of the Port of Southampton report established the weighted turnover per employee for businesses linked to the operation of the Port of Southampton to be approximately £150,000. Applying this average turnover per employee figure to the 820 jobs directly supported by the operation of the container terminal, its GDP contribution is approximately £123 million. Applying the Type II output multiplier, the total GDP (direct, indirect and induced) generated by the Container Terminal is approximately £245 million.

Table F7.7 – Container-related turnover / GDP

Container Terminal jobs	820
Average turnover per employee	£150,000
Container Terminal direct GDP	£123,000,000
Type II multiplier (indirect + induced output)	1.99
Total direct, indirect and induced GDP	£245,000,000

Source: The Scottish Government, Atkins

[3] http://www.dpworldsouthampton.com/careers/index.htm

Baseline conclusions and implications

F7.20 Southampton's economy is characterised by relatively low economic activity rates and high levels of unemployment. Southampton is also ranked amongst the 100 most deprived local authorities in the country. Against this economic background, the presence of a major local employer like the Port of Southampton carries even greater weight and importance as it is a key generator of jobs and GDP.

Policy Context

South East Plan

F7.21 Regional Spatial Strategies are in the process of being revoked by the Government, however at the time of writing the South East Plan is still an element of the development plan. The Plan states that the region's ports play a vital role in supporting the UK economy. It emphasises the importance of investing in port infrastructure and puts the onus on the port sector to bring forward and justify proposals for future investment in individual port infrastructure that support existing port operations and, where justified, their expansion.

F7.22 In this context, the Port of Southampton is recognised as a major international deep-sea port with significant global and economic importance. The Plan states that the Port of Southampton's infrastructure and development needs, both short and long term, require further consideration. Policy T10 of the Plan supports maintaining and enhancing the role of the region's gateway ports including Southampton.

Draft National Planning Framework

F7.23 The Draft National Planning Framework (DNPF) aims to make the planning system less complex and more accessible and to promote sustainable growth. It states that the Government is committed to securing sustainable economic growth and that there is an urgent need to restructure the economy, to build on the country's inherent strengths and to meet the twin challenges of global competition and of a low carbon future.

F7.24 In order to achieve sustainable economic growth a key objective is to plan proactively to meet the development needs of business and support an economy fit for the 21st century. DNPF states that investment in business should not be over-burdened by the combined requirements of planning policy expectations. DPNF also states that the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. Planning must operate to encourage growth and not act as an impediment. Therefore, significant weight should be placed on the need to support economic growth through the planning system. In considering applications for planning permission, local planning authorities should apply the presumption in favour of sustainable development and seek to find solutions to overcome any substantial planning objections where practical and consistent with the Framework.

DfT's Interim Report on the Ports Policy Review

F7.25 The Department for Transport's review of its policies regarding ports (undertaken in 2007) confirms the crucial contribution of ports to sustaining the UK economy and the standard of living of the British people. It states that Britain's success in globalised markets depends, in part, upon the ability of ports to adapt and operate efficiently as gateways to international trade.

F7.26 The Department confirms its view that commercial port operators are best-placed to make decisions about where and when to invest in the port sector with no additional benefit from locally or regionally determinative ports policies.

Modern Ports: A UK Policy

F7.27 The paper highlights the importance of ports to the UK economy stating that our national economy needs a thriving ports industry. It stresses the reliance of the UK economy upon international trade and states that ports serve the national interest and should be able to remain competitive and able to handle current and future trade requirements.

F7.28 The paper recognises the importance of gateway container ports, such as Southampton, to their local and regional economies and supports a balanced policy on development which makes best use of existing and former operational land and supports sustainable projects that are clearly needed.

Delivering a Sustainable Transport System

F7.29 The Department for Transport's DaSTS emphasises the importance of the country's international gateways stating that as a trade-dependent island, our prosperity depends on our ability to export services and high-value manufactured goods and import goods and raw materials. It recognises the need to address capacity constraints around a number of key ports and airports and their associated road and rail links in order to avoid damaging economic growth. DaSTS states that there is no doubt that the UK will continue to be dependent on imports and that the vast majority by volume will arrive by sea with the movement of containers through our ports remaining a central requirement for our transport system.

Solent Waterfront Strategy

F7.30 The Solent Waterfront Strategy (June 2008) is an in-depth research into the Solent marine sector. It highlights that marine industries contribute significant economic benefits to the local area (£3.6 billion), providing 25,000 direct jobs and making up around 20% of the Solent economy.

F7.31 The Strategy states that the Solent's importance for marine industries is founded on three key activities: the commercial port of Southampton, the defence port of Portsmouth and the marine leisure and recreational business based on Lymington, the River Hamble and Cowes. These three activities are identified as being of national importance and the very essence of the marine asset in the Solent, their continued growth and prosperity being directly linked to the economic prosperity of the sub-region.

F7.32 The Strategy states that the Solent marine cluster is high value in nature, with marine businesses achieving high turnover per employee ratios. But the continued growth and prosperity of the marine sector is constrained by the limited availability of coastal land. The Strategy states that without the ability to expand, it is possible that the Port of Southampton will lose its current status as a successful port. Overcoming constraints to growth and ensuring continued prosperity of the marine industry are identified as real and pressing requirements.

Solent Local Enterprise Partnership Outline Proposal

F7.33 The newly formed Solent LEP's vision is to create an environment that will better facilitate economic growth and private sector investment in the Solent area. Amongst the LEP's eight key areas of work over its first 18 months (as detailed in the Outline Proposal submitted in September 2010) is the development of a growth hub and strategic sector based clusters which can deliver export-led growth in high value employment. The LEP is keen to ensure that the Solent continues to be recognised as a leading location for transport and logistics and names the Port of Southampton as a key asset for the area.

Partnership for Urban South Hampshire

F7.34 The Partnership for Urban South Hampshire (PUSH) in collaboration with its partners aims to deliver sustainable, economic-led growth and regeneration to create a more prosperous, attractive and sustainable South Hampshire. Its economic objectives are outlined in a series of documents including its Economic Development Strategy, its Business Plan 2011-2013, its advice to SEERA in terms of the South Hampshire Sub-regional Strategy and the South Hampshire Multi Area Agreement. Its priorities include:

- Promoting economic success by seeking to create a diverse economy where business, enterprise and individuals can flourish
- Promoting business sectors with the potential to perform well and address under performance in others including through increased inward investment.
- Investing in infrastructure and sustainable solutions
- Reducing inequalities and closing the gap between deprived areas and the economic performance of the PUSH sub-region

Southampton City Council Core Strategy

F7.35 The Strategy identifies the Port of Southampton as a major international deep sea port with significant global and economic importance that makes a vital contribution to the national, regional and local economy. The port and marine industries are also identified as significant direct and indirect sources of employment.

F7.36 To achieve the required levels of growth Southampton will need to maintain and enhance its competitiveness in a number of key industries including port and port related activities. The Spatial Vision for 2026 states that Southampton will be providing jobs in new and growing businesses, including the Port of Southampton.

F7.37 The Strategy's Strategic Objective S4 is to support the varied operations of the Port of Southampton as a facility of global significance and as an international gateway in which role it makes a vital contribution to the national, regional and local economy. The Strategy states that it is important to plan positively for the Port's growth

F7.38 Policy CS9 states that the Council will promote and facilitate the growth of the International Gateway Port of Southampton with operational port growth taking place within the existing port boundaries.

Policy conclusions

F7.39 The proposals for berths 201/202 are strategically aligned to the key policy objective of achieving sustainable economic growth. The Draft National Planning Framework makes it clear that investment in business should not be over-burdened by the planning system. Instead the planning system should do everything it can to support and encourage sustainable economic growth.

F7.40 The proposals are also aligned to the Solent Local Enterprise Partnership's aim of encouraging further private sector investment in the sub-region and ensuring that the Solent continues to be recognised as a leading location for transport and logistics.

F7.41 The proposals are similarly aligned to the Solent Waterfront Strategy which identifies the Port of Southampton as a key economic driver whose continued growth and prosperity is directly linked to the economic prosperity of the sub-region. The consequences of inaction and failure to overcome constraints to growth will inevitably lead to decline and jeopardise the continued prosperity of the sub-region's valuable marine industry.

F7.42 The proposals are also completely aligned with Southampton's Core Strategy which supports the varied operations and growth of the Port of Southampton as a facility of global significance that makes a vital contribution to the national, regional and local economy.

Impact Assessment

F7.43 This section considers the likely socio-economic impacts of the proposals during both the construction and operational phases of the scheme. It also considers the potential impacts of not proceeding with the proposed works.

Construction phase

F7.44 The main socio-economic benefit during the construction phase of the scheme will be the additional temporary employment generated as a result of the construction works (deepening of the berths, reconstructions of the quay walls and disposal of dredged materials). This will include direct construction jobs as well as further indirect jobs that would be supported through supply linkage and income multiplier effects. This includes firms supplying construction materials and equipment and construction workers spending part of their wages in the local economy.

F7.45 The projected capital costs of the proposed project are approximately £75 million. The average construction sector revenue per employee is approximately £210,000[4]. This means that the project would support some 360 construction person years. It is anticipated that at peak times up to 100 construction workers would be employed on the site.

F7.46 It is commonly accepted that 10 employment years equate to one full time equivalent (FTE) job, therefore the construction phase would generate 36 direct FTEs. In addition, further indirect jobs would be supported locally and regionally through supply linkage and income multiplier effects during the construction phase of the project. This includes firms supplying construction materials and equipment and construction workers spending part of their wages in the local economy.

F7.47 In conclusion, the construction phase of the project is expected to provide a temporary beneficial employment effect of minor significance for the local economy.

Operational phase

F7.48 The deepening of berths 201 and 202 would allow the Port of Southampton to accommodate the latest generation of large container ships currently being brought into service by the world's major shipping lines. This would ensure that the Port remains a 'port of choice' in the UK for Far Eastern shipping lines. Furthermore, it would safeguard the existing jobs at the Container Terminal and it would create additional direct, indirect and induced jobs in the longer term.

F7.49 If ABP is unable to proceed with the berth 201/202 works, there is a serious danger that the Container Terminal will become increasingly marginalised, being unable to service its existing customers and consequently being unable to attract new business, thereby losing market share. Any loss of market share would inevitably lead to the loss of local jobs with a significant proportion of the more than 2,000 container-related jobs being put at risk. The proposed project would safeguard these jobs which would otherwise be at risk of being lost.

F7.50 As analysed in the baseline section, Southampton's economy faces a variety of challenges including relatively low economic activity rates and high levels of unemployment. Against this context, the potential loss of container-related jobs would be a severe blow to the local economy and would have an adverse impact on Southampton's relatively high levels of deprivation. The proposed project would safeguard the existing container related jobs and would create additional jobs. It is estimated that the proposed works would generate 36 additional direct jobs in the year of opening (2014) and then create 12 direct jobs per year from 2015 to 2027, i.e. 192 jobs in total. These jobs would likely be taken up predominantly by local people and would support further indirect and induced jobs through economic multiplier effects.

F7.51 In addition to safeguarding existing container related jobs and providing for further jobs, the proposed project would also make an important contribution to key national, sub-regional and local policy objectives such as facilitating economic growth and prosperity, encouraging private sector investment in infrastructure, maintaining the area's status as a leading location for transport and logistics and creating and safeguarding jobs in an area suffering relatively high

[4] Based on the average turnover per employee that appears in the company reports of a sample of 40 of the UK's top construction firms

levels of unemployment and multiple deprivation. Overall it is concluded that the proposed development would have a beneficial economic impact of major significance

Conclusion

F7.52 The berth 201/202 works are strategically aligned to the local and national economic policy context. They will be a critical private sector investment in Southampton which will allow the Port to remain competitive and to continue to be a key driver of the local economy as well as a major employer. The Port's continued success is reliant on continuous investment to ensure constraints to growth are overcome. The international container market is very competitive with Southampton facing competition not only from ports elsewhere in the UK but from other European ports as well.

F7.53 Without the berth 201/202 works there is a serious danger that the Container Terminal becomes marginalised, losing market share to other facilities having the capability of handling the larger vessels entering the market. This would inevitably lead to job losses.

F7.54 Against a socio-economic background of low economic activity rates and relatively high levels of unemployment and deprivation, this would be a serious blow to the Southampton and Solent economies. The proposed project would safeguard the existing Container Terminal related jobs and would support the creation of approximately 190 additional direct jobs over the longer term. Furthermore, it would support some 360 construction person years which translates to 36 direct FTE jobs. At peak times during the construction phase up to 100 construction workers will be working on the site. Additionally, both the temporary jobs created during the construction phase and the permanent jobs created during the operational phase would support further indirect and induced employment.

F7.55 The opportunity cost of not proceeding with the proposed project would be the marginalisation and gradual decline of a key economic driver for the area and the likely loss of several hundred local jobs. Based on the above, it is concluded that the berth 201/202 works would have a beneficial economic impact of major significance to the local economy. No adverse socio-economic impacts are expected and therefore no mitigation measures need to be considered.

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