



Report

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2013 ELR Addendum Note **Implications of Siemens / ABP Announcement** East Riding of Yorkshire Council April 2014

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For and on behalf of GVA

1. Introduction

- 1.1 This Addendum Note has been prepared by GVA following on from the announcement made on 25th March 2014 by Siemens and Associated British Ports (ABP) that they jointly intend to invest £310m into Hull and the East Riding to deliver wind turbine production and installation facilities at two sites in Hull and East Yorkshire. The investment will deliver a blade manufacturing plant at Paull (Hedon Haven) in the East Riding, and an assembly plant in at Green Port (Alexandra Dock) in Hull.
- 1.2 Following discussion with East Riding of Yorkshire Council (ERYC), it was considered appropriate to produce this note to add clarity to the conclusions and recommendations drawn within the 2013 ELR in light of this recent announcement.
- 1.3 The note is prepared to reflect the structure of the 2013 ELR, and takes each section in turn, referencing relevant analysis in the context of the Siemens / ABP announcement, highlighting any implications in turn.
- 1.4 No changes / implications are identified in relation to Section 2 of the 2013 ELR, Baseline Review, beyond those presented in the following section of this note being the description of the Siemens / ABP proposals as understood.
 - Section 2: Siemens / ABP proposals
 - Section 3: Commercial market analysis
 - Section 4: Employment land supply
 - Section 5: Projecting the demand for employment land
 - Section 6: Balancing supply and demand

2. Siemens / ABP proposals

- 2.1 On 25th March 2014, Siemens and ABP announced joint investment plans totalling £310m into Hull and the East Riding.
- 2.2 These plans include a £160m investment by Siemens in wind turbine production and installation facilities at 2 sites in East Yorkshire:
- Green Port Hull (Hull) – to include project construction, assembly and service facility (450 jobs). Planning permission has been secured for this development. Eventual throughput is projected to be as high as 500 turbines per annum. Planned to be operational to meet Round 3 requirements in early 2016.
 - Hedon Haven / Paull (East Riding) – rotor blade manufacturing facility (550 jobs). Start of production is scheduled to be in the middle of 2016, with full production levels reached from mid-2017 onwards. A Local Development Order (LDO) is in place on the site (extending to some 80ha) which effectively gives outline planning permission to Siemens and potential Tier 1 suppliers.
- 2.3 ABP is investing a further £150m in the Green Port Hull development to develop supply chain opportunities.
- 2.4 Siemens is now actively identifying its Tier 1 suppliers as well as looking to facilitate further direct investment into the area. It is envisaged that with major Tier 1 supplier announcements imminent, a wave of enquiries from Tier 2, 3 and 4 suppliers will be received as one tier drives demand from others. At the time of writing it is understood that 29 enquiries have been received from potential Tier 1 suppliers (e.g. turbines, towers, foundations etc), requiring up to 310 hectares of land, with the potential to deliver up to 2,900 jobs, with enquiries from potential Tier 2 suppliers (e.g. nacelle covers, blades etc) totalling 7 requiring up to 16ha of land, with the potential to deliver up to 900 jobs¹.
- 2.5 The importance of this investment within the Hull and East Riding area has been recognised from the national level to the local.
- 2.6 The Government has fully supported the Humber region's aspirations to become an internationally significant hub for the offshore wind sector and the Prime Minister, David Cameron, has been directly involved in securing a favourable investment decision. Mr Cameron was quoted on his visit to Hull on the day of the Siemens decision to invest saying: "It has taken time but it is going to be an absolutely massive

¹ Source: UKTI, ERYC, Hull CC & ABP.

industry and business for Hull, the Humber and for Britain...Now, the real challenge starts, which is making sure we get the maximum amount of the supply chain industry together in Hull and the Humber.”

- 2.7 Eric Pickles has also backed the plans with millions of Regional Growth Fund (RGF) monies to ensure the infrastructure is in place to embed the supply chain locally which includes having suitable over ready employment sites to accommodate investment from all levels of the supply chain.
- 2.8 The following sections draw out relevant text from the 2013 ELR that this announcement has an implication for conclusions drawn, including a summary position of what the implication is considered to be.

3. Commercial market review

Market sentiment: Paragraph 3.42 – 3.43:

- 3.1 The agents consulted with as part of the ELR exercise suggested that the market across East Riding had been 'erratic and unstable' until fairly recently, with a greater level of stability now alongside improving confidence in the industry on the back of greater levels of activity in the market place including increasing numbers of enquiries and occupier deals.
- 3.2 Implication of Siemens / ABP announcement: It is considered that the recent announcement will only contribute positively to this growing confidence in the market, increasing enquiries and occupier deals, and that the scale and nature of investment planned by Siemens and ABP, including the encouragement of supply chain development, will see continued stability within the local economy.

Commercial market by FEA, Hull FEA: Paragraph 3.86 – 3.88

- 3.3 The ELR notes that the Hull FEA is typified by a number of key drivers including Hull City Centre, Beverley centre, and the eastern edge of the M62 / A63 and east-west multi-modal corridor.
- 3.4 Implication of Siemens / ABP announcement: Following the announcement it is considered appropriate that the definition of the drivers of the FEA are expanded to include Green Port Hull and Paull including Tier 1, Tier 2, Tier 3 and Tier 4 occupiers associated with the renewables industry likely to look to locate proximate to the Siemens facility. This is a key new market driver; the scale of investment planned by Siemens and ABP around renewable energy activity is unprecedented within the sub-region and will benefit the local area significantly, both directly and indirectly.

4. Employment land supply

Hull FEA Site Supply: Paragraph 4.36

- 4.1 The 2013 ELR outlines the availability of 79.06ha at Paull, reflective of the area covered by the adopted Local Development Order (LDO). This site is identified in the ELR as being a site for a specific occupier, linked to the Green Port Hull proposals.
- 4.2 Implication of Siemens / ABP announcement: The announced investment will result in the take up of circa 20 ha of land at Paull, generating 550 direct jobs.

General point

- 4.3 The announcement doesn't have any specific implications for the sites recommended in the 2013 ELR for retention, but does increase the importance of ensuring the best are available to meet the needs of the market.

5. Projecting the demand for employment land

Historic take-up: Paragraph 5.1 – 5.5

- 5.1 The 2013 ELR presents analysis of historic take-up trends from a 13 year period, 2000 – 2013. It concludes on this basis that annual take-up rates have been 18.56ha, which when projected over the plan period result in a requirement for 297ha of employment land.
- 5.2 Further analysis suggests that just under 26% of this take-up has occurred in the Hull FEA area.
- 5.3 Implication of Siemens / ABP announcement: The take-up rates considered within the 2013 ELR, that are then used as a basis for projecting forward future requirements, pre-date the announcement and future investment by Siemens and ABP. They do not include significant growth of the renewables sector – either through direct activity or supply chain growth. Nor do they take into account any uplift or growing confidence that will result from the scale and nature of investment to take place.
- 5.4 As such, these figures are seen to be pre-announcement, and therefore low estimates of this additional demand that will result in the local economy over the plan period.
- 5.5 This is particularly relevant for the Hull FEA, where it is envisaged (based on the sites being promoted alongside Green Port Hull to prospective supply chain investors) that a significant scale of activity will occur as a result of the planned investment by Siemens and ABP. As a result, it is considered likely that the proportion of total take-up across East Riding that will take place in the Hull FEA will increase over the plan period.

Commercial and industrial floorspace statistics: Paragraph 5.6 – 5.15

- 5.6 As with the historic take-up analysis, the commercial and industrial floorspace statistics from 2000 – 2012 are used as a proxy to project forward potential future requirements across the East Riding.
- 5.7 The land take-up split by FEA is used to disaggregate this analysis geographically.
- 5.8 Implication of Siemens / ABP announcement: The same conclusion is drawn in relation to this analysis as set out within paragraphs 5.3 – 5.5 above. It is important to recognise that in both cases the demand generated from these models pre-dates the growth of the renewables industry that will occur as a result of the Siemens and ABP announcement, which is therefore considered to be additional to historic levels of demand.

Labour demand scenario: Paragraph 5.27 – 5.28

- 5.9 The 2013 ELR states that the initial labour demand scenario is based on the baseline Regional Econometric Model (REM).
- 5.10 Implication of Siemens / ABP announcement: The baseline REM model does not take into account the additional growth associated with the Siemens / ABP announcement, either directly or indirectly. The recent announcement further supports the previous recommendations relating to the inappropriateness of this model as a basis for understanding potential future employment land requirements across the East Riding.

Additional labour demand scenario: Paragraph 5.29 – 5.31

- 5.11 The 2013 ELR considers a further labour demand model, which includes a number of 'high probability' projects identified across the authority.
- 5.12 Implication of Siemens / ABP announcement: A number of the high probably projects identified within the additional labour demand scenario are identified within the Green Port Hull Prospectus (Draft) as being potential supply chain locations associated with the planned investment. The prospectus specifically identifies Paull, Brough, Melton (Melton Park and Melton West), and Capitol Park (amongst others) – all of which are identified within the project-on scenario as being high probably projects.
- 5.13 These projects are identified within the scenario as being high probability projects before the Siemens / ABP announcement. The announcement increases the likelihood of delivery of these projects, as it broadens the market potential of each. However, it is important to note that the projects are not dependent on the Siemens / ABP announcement, but rather this is additional market potential.

6. Balancing supply and demand / recommendations

Comparing supply and demand: Paragraph 6.36 – 6.40

- 6.1 The 2013 ELR identifies headline demand for between 128ha and 252ha of employment land over the plan period compared to supply of 363ha.
- 6.2 Implication of Siemens / ABP announcement: The demand resulting from the Siemens / ABP announcement, both directly and indirectly is considered to increase confidence in the recommendations made within the ELR, and specifically planning for a land requirement towards the upper end of the range of figures presented. Specifically, at the upper end of the range of demand, the calculations are based on take-up activity that does not include activity within the renewables sector which will now occur over the plan period. As such, any conclusions drawn around potential over supply of employment land across the East Riding within the ELR are considered to be overestimations and not take into account uplift associated with the Siemens / ABP announcement.

Recommendations by FEA, Hull FEA: Paragraph 6.73

- 6.3 The 2013 ELR identifies headline demand for between 33ha and 68ha of employment land within the Hull FEA over the plan period compared to supply of 134ha.
- 6.4 Implication of Siemens / ABP announcement: As above, the demand resulting from the Siemens / ABP announcement, both directly and indirectly is considered to increase confidence in the recommendations made within the ELR, and specifically planning for a land requirement towards the upper end of the range of figures presented. Specifically, at the upper end of the range of demand, the calculations are based on take-up activity that does not include activity within the renewables sector which will now occur over the plan period. As such, any conclusions drawn around potential over supply of employment land across the East Riding within the ELR are considered to be overestimations and not take into account uplift associated with the Siemens / ABP announcement.

7. Conclusions

7.1 The following bullet points summarise the key conclusions of this Addendum Note to the 2013 ELR:

- Context: The announcement by Siemens and ABP on the 25th March 2014 has a number of implications for the conclusions and recommendations of the 2013 ELR, with the importance of the announcement to the local (Hull and Humber) economy recognised at the national level by Central Government.
- Commercial market: It is considered that the announcement will only contribute positively to the growing confidence in the market, bringing more economic stability, but also potential uplift in enquiries and occupier deals both directly and indirectly linked to the Siemens and ABP investment.
- Commercial market: The planned investment at Hedon Haven / Paull and Green Port Hull is a key market driver for the Hull FEA, not previously fully recognised within the 2013 ELR. This is likely to include requirements from Tier 1, Tier 2, Tier 3 and Tier 4 occupiers associated with the supply chain for Siemens.
- Employment land supply: The announced investment will result in the direct take-up of circa 20ha of land at Paull, generating 550 direct jobs.
- Employment land supply: The announcement doesn't have any specific implications for the sites recommended in the 2013 ELR for retention, but does increase the importance of ensuring the best are available to meet the needs of the market.
- Projecting the demand for employment land: Historic trend based (land take-up and floorspace change) calculations do not take into the growth envisaged associated with the renewables sector linked to Siemens, which is seen to strengthen the case for requirements to the higher end of the range presented.
- Projecting the demand for employment land: The announcement places more confidence in the job levels generated under the additional labour demand scenario given the inclusion of a number of the high probability projects within the Green Port Hull investment prospectus.

7.2 In summary, the recent announcement places a higher level of confidence in the upper end of the range of demand presented within the 2013 ELR. The nature of the investment and potential supply chain benefits to the local area suggest that the Local Plan should allocate the best sites and ensure a flexible land supply to meet the needs of the market.