WEST SUSSEX AND ITS ECONOMY
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1 INTRODUCTION

1.1 This note presents a high level overview of the existing evidence base on the economy of West Sussex. It was used by the commission to inform the contents of its call for evidence.

1.2 West Sussex is home to over 800,000 residents\(^1\) and just under 31,000 businesses\(^2\). The geography of the County is important in understanding the distribution of economic activity. The County has strong links to London to the north, and is adjacent to Brighton and Portsmouth to the East and West respectively. The County also has good road links to surrounding areas of Kent, Surrey and Hampshire.

1.3 In the north east of the County are the areas within the broader Gatwick Diamond, including Crawley and Gatwick Airport, a core economic asset. Crawley is home to the regional headquarters of a number of manufacturing, engineering, logistics and services firms. Surrounding Crawley are a number of smaller towns including Horsham, Haywards Heath, East Grinstead and Burgess Hill. Due to their transport links, these towns have a strong commuting element to their economies.

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\(^1\) ONS Census 2011

\(^2\) ONS (2012) UK Business: Activity, Size and Location 2012 (VAT & PAYE registered count only, so excludes sole proprietors and self-employed).
Along the south coast are a number of towns that effectively form a patchwork conurbation stretching from Shoreham through to Littlehampton, with Bognor Regis and Chichester a little further west. These towns have a long history of tourism and to a greater and lesser extent have coped with the historic shifts in the tourism industry. However, the area also has the economic asset of Shoreham Port and strengths in the advanced engineering and marine sectors.

In between the north of the County and the south coast is a large rural area which is dominated by the South Downs National Park (SDNP). SDNP is a major tourism asset, but the rural areas of the County are also home to a number of key manufacturing and agribusiness firms.

These distinctions between the three main geographies of the County are very important, have long been recognised and indeed form the basis of the three area partnerships within the County. Nonetheless it is important to recognise that this division is somewhat artificial. As 80% of the County is defined as rural, there are rural features and issues right across the County, including in Coastal West Sussex and the Gatwick Diamond. The geography of the County is also more complex than that suggested by a simple tripartite division, in that the different towns within West Sussex face different opportunities and challenges.
2 INFRASTRUCTURE IN WEST SUSSEX

2.1 In general, the County is well served by road and rail infrastructure, but east-west links are poor. However, at peak times key roads are often affected by congestion which is a major cause of concern amongst businesses and undermines the logistics infrastructure of Shoreham Port and Gatwick Airport. Whilst better road links are needed there is also a need to ensure that further development, both residential and commercial, is managed in such a way as to promote the use of existing public transport networks. Likewise, whilst rail services are generally good there is clearly room for some improvement, particularly in terms of improving the Gatwick Express rail link to London, and some links from the South Coast to London. Businesses have raised concerns about the quality of existing transport links.

2.2 As with many areas of the UK, there is a significant need for West Sussex to improve connectivity to broadband and particularly superfast broadband services. Such connectivity is low relative to other parts of the UK. There is substantial feedback from businesses and residents that this is a particular concern. Moreover, broadband connectivity is essential to nurture the many home-based businesses in the County, and to encourage investment from high value firms in a number of key sectors.

2.3 The core economic asset in the County is Gatwick Airport. Gatwick is the second busiest UK airport by passenger numbers\(^3\), generating £2bn in GVA, with 23,000 jobs on site and a further 13,000 supply chain jobs locally\(^4\). The airport supports a number of high value employers in the Crawley area. New routes to emerging economies since 2011 have enhanced the role of Gatwick as a driver of international business and trade.

2.4 West Sussex County Council supports the expansion of Gatwick Airport, whilst being keen to ensure that any such expansion is supported by adequate transport infrastructure without excessively infringing upon the local environment. Plans for a second runway have significant business support as do better rail links to the airport and other strategic locations including Heathrow (the so-called ‘Heathwick’ link). A recent survey commissioned by the County Council found that 48% of residents in West Sussex support the building of a second runway at Gatwick, compared to 26% against\(^5\). Amongst residents who fly on a regular basis, 73% support a second runway\(^6\). Of the businesses surveyed, 53% support a second runway with 22% opposed\(^7\). However, in Crawley the proportion of firms supporting a second runway accounted for 67% of those surveyed\(^8\).

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\(^{3}\) Civil Aviation Authority (2012) UK Airport Statistics 2012


\(^{5}\) Qa Research (2013) Attitudes to Air Travel Survey Research – Report: for West Sussex County Council

\(^{6}\) Ibid,

\(^{7}\) Ibid.

\(^{8}\) Ibid.
2.5 Shoreham Port is another key piece of logistics infrastructure, handling around 400,000 tonnes of cargo in 2012\(^8\), and providing a range of marine services. Just as important, however, is the fact that West Sussex is near to larger ports at Southampton and Portsmouth, and is also close to Newhaven Port.

2.6 West Sussex has a large amount of further education infrastructure. In terms of higher education only Chichester University is based within the County though universities at Portsmouth, Southampton, Brighton, Sussex, Surrey and Kent are within a reasonable distance and provide a range of educational options.

\(^8\) DfT (2013) Port Freight Statistics: Quarter 1 2013
3 HOUSING AND QUALITY OF LIFE IN WEST SUSSEX

3.1 Housing and quality of life are two issues which are inextricably bound to the success and functioning of the West Sussex economy. High quality of life is a factor in attracting businesses and skilled individuals, and therefore creating an environment conducive to high value economic activities. High quality of life is also a factor in attracting individuals who commute to other locations for work, particularly those individuals who live in the north east of the County.

3.2 The impact of this, though, is that average house prices are higher in West Sussex than the national average and higher than other parts of the South East like East Sussex, Kent and Hampshire. House prices vary significantly by district, with average house prices in Crawley just £192,500, compared to high average prices in Mid-Sussex (£260,000), Horsham (£275,000) and Chichester (£280,000).

3.3 High house prices, coupled with low average wages in West Sussex (see below), mean that housing affordability is particularly poor in the County. Whereas homes across England cost 7.1 times the average annual workplace salary, in West Sussex, homes cost on average 9.2 times the average annual workplace salary. In Chichester this figure rises to 11, although in Arun housing is far more affordable at 6.8 times average annual salaries.

3.4 High prices aren’t the only housing issue in West Sussex. There is a widespread perception that the County lacks a good mix of homes, and in some places there are also issues with the quality of housing. Feedback from businesses suggests that lack of suitable housing in some areas, particularly the Gatwick Diamond, is creating labour market issues as staff are being priced out of the market. It is also important to ensure that future housing development supports homeworking both to provide a boost to local start-ups and to reduce congestion resulting from future developments.

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10 CLG (2013) Median house prices based on Land Registry data, by district, from 1996: Table 582 Housing market. Note: data is for Q3 2012.

11 Ibid.

12 Ibid.
3.5 Work by the Coastal West Sussex Partnership illustrates that, assuming housing is built out at the highest achievable rate, the four districts of Adur, Arun, Chichester and Worthing have a combined shortfall of 1,100 homes over a 20 year period\textsuperscript{13}. Of these four districts, only Arun will see significant housing growth over and above its minimum requirement\textsuperscript{14}. There are similar issues in the Gatwick Diamond, where Crawley has limited capacity for growth, but current planned provision is not sufficient to meet county-wide needs. These problems are compounded by the County’s role as part of the catchment of neighbouring cities, particularly Brighton which is reliant on housing growth outside its boundaries and faces a 20 year shortfall of 4,700 homes\textsuperscript{15}. Without further intervention, therefore, the housing situation in West Sussex is likely to deteriorate further, to the detriment of the economy.

3.6 The government’s National Planning Policy Framework (NPPF) requires local authorities to objectively assess housing needs in their area and to work together to meet cross-boundary housing needs (the ‘duty to cooperate’). Local authorities in parts of West Sussex and adjoining areas have already begun to work together to consider how to deliver more homes. Likewise private developers are considering schemes that could help alleviate the housing crunch.

\textsuperscript{13} Coastal West Sussex Partnership (2013) A Local Strategic Statement for Coastal West Sussex and Brighton and Hove: Delivering sustainable growth 2013-31 – July 2013 Draft

\textsuperscript{14} Ibid.

\textsuperscript{15} Ibid.
4 THE LABOUR MARKET

4.1 The labour market across West Sussex contains significant variation. In skills terms, West Sussex compares favourably with the national picture, but compares less well when compared with the South East as a whole. However, there is significant difference between different locations within the County. Chichester, Horsham and Mid-Sussex have relatively high proportions of residents with degree level skills, whilst Adur, and Crawley, have relatively low levels of such skills. There are also pockets of low skills in Crawley and along the coast outside of Chichester.

4.2 Businesses have identified a number of issues around skills. One set of issues is the need to ensure that local residents have the skills to respond to high value sectors and improve productivity more generally. This includes promoting the uptake of ICT, engineering and other STEM training, and also providing better employability support for young people, focussing on attitudes, workplace preparation, etc. Another set of issues is the need to enhance the further and higher education offer in the County, both in terms of more widespread provision and through linking existing provision to business needs. A third set of issues concerns young people’s employment and training. Businesses recognise the importance of supporting young people into work and opening up apprenticeships and other skills training opportunities.

4.3 Employment levels in the County are generally high. The latest data for West Sussex show that the County has employment levels / rates, which are significantly above both England and the rest of the South East. Employment rates are highest in Adur, Arun and Mid-Sussex. In Adur and Arun this likely reflects very high levels of self-employment, whilst in Mid-Sussex it is more likely to reflect both a skilled population that has access to employment opportunities in London, and high levels of self-employment. Employment rates are much lower in Crawley and Worthing, though still much higher than the national average and similar to the South East average.

4.4 With high employment, levels of unemployment and economic inactivity are relatively low, below both the national and South East averages, though there are differences between districts. Unemployment in Crawley and Chichester is higher than the South East average. Economic inactivity in Worthing is higher than the South East average.

4.5 Average wages of residents in the County are higher than the national average but lower than the South East average. Resident wages are lowest in Adur and Arun and highest in Horsham and Mid Sussex, reflecting the commuting opportunities in the latter areas and the distribution of skills.

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16 This is a particular issue for Crawley, where low skills levels also equates to low earnings and residents’ lack of access to affordable housing.
4.6 Average wages of workers in the County are lower than both the regional and national averages. Workplace wages are lowest in Adur and Arun and highest in Crawley, which is the only district in West Sussex to have a higher average workplace wage than the national average. This reflects the fact that, on average, employment opportunities across the majority of the County is relatively lower value than other parts of the country and the South East (see below).
5 THE LOCAL ECONOMY AND BUSINESS BASE

5.1 The West Sussex economy generates a gross value added (GVA) of £16.6bn for the UK economy, or 1.2% of the national total\(^\text{17}\). The economy employs just over 355,000 people\(^\text{18}\) and is home to just under 31,000 businesses\(^\text{19}\).

5.2 West Sussex has seen relatively low economic growth over the past decade or so. GVA growth has been slower than the national average and significantly slower than the rest of the South East. Most sectors have grown more slowly than the UK average, though agriculture and other primary industries – two sectors which nationally have seen significant decline over the period - have not declined so severely in West Sussex. Manufacturing activity has also held up relatively well over the period.

5.3 One driver of this slow economic growth has been relatively slow growth in the number of jobs in West Sussex, with County-wide growth lower than the South East and England over the period 1998 to 2011. As a result of this, the County’s share of regional employment and economic output has declined over the past decade. Due to population growth, the number of jobs per resident has also declined.

5.4 Economic performance varies across the County. Employment growth has been very strong in Horsham and Adur, and better than the national average in Chichester and Crawley. However, employment growth in Arun and Worthing has been poor, whilst Mid-Sussex saw a decline in the number of jobs between 1998 and 2011.

5.5 Employment patterns across West Sussex as a whole are similar to the wider South East. However, West Sussex has a much larger proportion of employment in agriculture and logistics than either the South East or England as a whole. West Sussex has a higher proportion of employment in manufacturing than the South East, though less than the national average. The County also has a higher proportion of employment in hotel & accommodation sectors, healthcare, and business support services than either the South East or the national average. Conversely, the County has a lower proportion of employment in IT & communications, professional services, public administration and education.

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\(^{17}\) ONS (2012) Regional Gross Value Added (Income Approach), December 2012: Table 3.1. Note: data is for 2011.

\(^{18}\) ONS (2012) BRES. Note: data is for 2011. Figure doesn’t include people that are self employed.

5.6 Within West Sussex there are some important sectoral concentrations. As might be expected, logistics employment is particularly high in Crawley, accounting for nearly 25% of total jobs in the borough\(^{20}\). Crawley also has a high concentration of employment in business support services. Healthcare accounts for just over 25% of employment in Worthing, reflecting both the presence of the hospital and a large care sector. Manufacturing employment in Adur accounts for almost double the proportion across the County as a whole. Arun has a large concentration of hotel and accommodation employment. Horsham has a relatively large concentration of both agricultural employment and employment in arts and cultural sectors. Due to the presence of the County Council, public sector employment in Chichester is significantly higher than average. Mid Sussex has relatively high concentrations of employment in wholesale and financial industries.

5.7 West Sussex as a whole has a relatively high number of businesses per resident compared to England. Chichester and Horsham have especially high numbers of firms relative to the population. The County’s business base has a greater proportion of micro businesses (firms with fewer than 10 employees) than the national average, though a slightly lower proportion of such businesses than the South East. Crawley has a notably different business base from the rest of the County, with a much bigger proportion of large and medium sized firms.

5.8 West Sussex is home to a number of large firms with concentrations in Crawley and close to key transport links, many of whom are internationally significant players in their respective sectors:

- **Key finance and professional services employers**: include Deloitte, Grant Thornton, KPMG, Lloyds TSB, Norwich Union, RBS and Santander.

- **Key manufacturers and engineering firms**: include B&W Speakers, MG Duff, Motorola, Ricardo, Rolls Royce, Siemens, Thales, Varian Medical Systems and Vent-Axia.

- **Key aviation and logistics firms**: include: BA, Easyjet, Emirates, Gatwick Airport, Rockwell Collins, Shoreham Port, Virgin.

- **Key agricultural and food processing firms**: include: Higgidy Pies, Natures Way Foods Nestle, Princes Foods, Tangmere Airfield Nurseries and Unilever.

- **Other major employers**: include: Body Shop, Butlins, EDF, GlaxoSmithKilene, Kate’s Cakes, Novartis, Serco, TUI.

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\(^{20}\) Logistics sector includes freight transport, warehousing and public transport / airport activities.
5.9 As well as the above firms, there are a number of other major employers. For example in Mid Sussex the major companies include Edwards Vacuum, CAE Electronics, Roche, Flowserve and Icon Live. In rural areas the many large estates - such as Angmering Park, Cowdray, Goodwood, Leconfield and Norfolk - are important sources of local employment. There are also a number of large agricultural firms that specialise in growing a variety of agricultural and horticultural products. Many of these firms are using techniques which are at the cutting edge of their field. Contrary to outdated views of the sector, these firms employ a small number of highly skilled people and utilise an increasing array of technology to operate, generating a high value output.

5.10 It is important to recognise that although large firms are important in terms of output and employment they make up just 0.4% of the business base. SMEs are therefore an important contributor to the County’s economy. For example, along the south coast there are a number of smaller specialist firms in the marine sectors. Smaller digital and creative sectors also make an important contribution to the County’s economy.

5.11 There is also a large homeworking element to the West Sussex economy. Some of these individuals are in relatively low-value sectors, but many are high skilled individuals working in high value service sectors. For the latter group, ensuring that broadband access is improved is just as important as for the multinational corporations located in Crawley.
6 OPPORTUNITIES FOR COMMERCIAL DEVELOPMENT

6.1 There are a range of sites and development opportunities in West Sussex, which could strengthen the local economy and encourage inward investment. It is important to distinguish between the major strategic level opportunities that would generate impact across the County, and more local opportunities for development that could support growth in their immediate localities.

6.2 In the West Sussex area there are a number of developments which fall into the former category, including: Gatwick Green, Enterprise@BognorRegis, Shoreham Harbour and development at Shoreham Airport. These sites would be transformative if they could be brought forward, generating employment in high value sectors. However, a number of these sites are currently stalled due to a combination of poor development viability, planning issues and lack of public sector funds.

6.3 Feedback from businesses in the County suggests that there is significant demand for better science park/R&D facilities to support growth. There is no science or technology park development in the County area. A number of such schemes have been proposed, but all of these have stalled. These schemes include: Gatwick Green, a proposed science park development at South Hickstead, a proposed University of Brighton development near Burgess Hill, and a proposed University of Sussex site at Pease Pottage. Therefore a significant issue for the County is how to support major schemes and drive transformative growth across West Sussex.

6.4 At a local level there are a number of proposed and potential development sites which could be brought forward. Many of these involve the development of small, high quality workspace to replace some of the existing stock, much of which is tired and doesn’t match the requirements of firms.
7 SUMMARY: KEY CHALLENGES AND OPPORTUNITIES

7.1 West Sussex is an area of contrasts. Whilst large parts of the County are rural areas of special beauty, the primary economic asset is the UK’s second busiest airport. Whilst the County has a number of well-known multinational firms, there are large numbers of small businesses, sole traders and homeworkers.

7.2 These contrasts within the County point to the need for a multifaceted approach to economic development. West Sussex’s key strengths are obvious: it is well connected and offers a high quality of life which has attracted many skilled individuals and prominent companies to locate in the area. At the same time, West Sussex punches below its weight in terms of job creation and output. Its success in attracting skilled workers has not been matched by an appropriate level of residential development, leading to high house prices and labour market tensions.

7.3 The County’s core challenge is how to reverse the pattern of the last decade or so and ensure that West Sussex contributes a growing proportion of the South East’s economy. Related to this are a number of other challenges:

¬ Securing growth without harming the local environment or quality of life.
¬ Supporting key development opportunities in terms of transport infrastructure, broadband, and residential and commercial development. In particular, supporting the development of science and technology assets which can drive economic growth.
¬ Supporting the emerging plans for expansion at Gatwick Airport and maximising the economic benefits of such expansion.
¬ Promotion of growth and development opportunities in the towns of coastal West Sussex, and in rural towns.
¬ Ensuring a broad mix of employment for local people and helping residents to develop and refresh their skills.
¬ Supporting enterprise start-up and growth, and building on strengths in a variety of sectors, including: advanced manufacturing, agribusiness, business services, digital & creative, logistics and tourism.
However, it is important to recognise that there is a great deal to build on. West Sussex is home to a large number of skilled people and growing firms. It boasts one of the highest standards of living in the country and fantastic environmental assets. It has the UK’s second busiest airport and is near to the world city that is London, and the exciting digital hub of Brighton and Hove. The goal of the IEC is therefore not just to respond to the challenges identified above but to build on these many strengths.