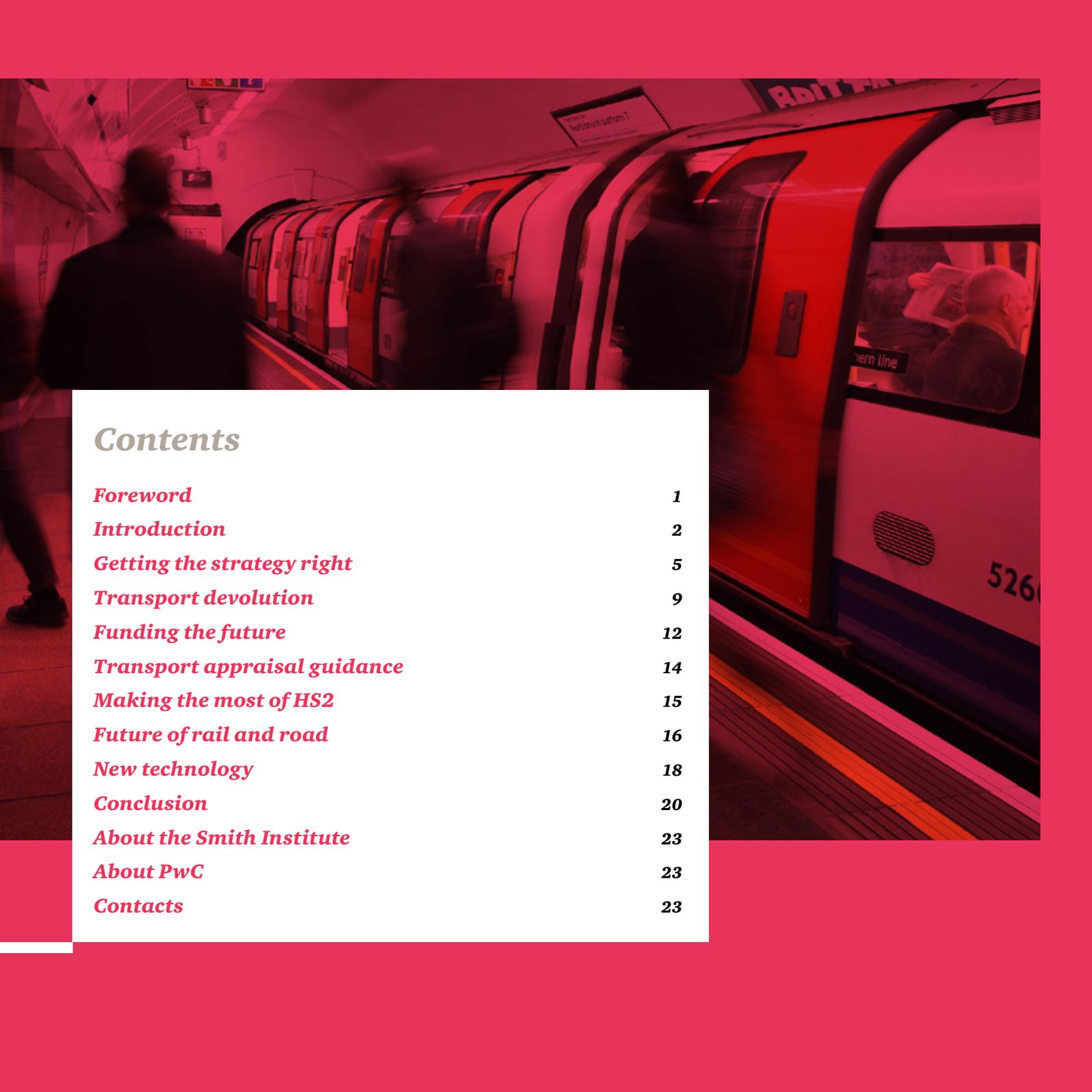


Full speed ahead

Connecting our cities
and regions

Talking Points





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Foreword

The ability to move efficiently, conveniently and reliably from place to place is something we all demand. We rely on our transport system to get us from A to B and to provide us with the goods and services we need. However, the transport system is under immense strain. Traffic congestion has increased and capacity on major rail routes is stretched. The problems are expected to get worse as demand increases, especially in our major cities and their surrounding hinterlands. The solutions are neither quick nor cheap, but as this Talking Points report makes clear, failure to invest in a more integrated and better connected transport network will leave UK plc at a distinct competitive disadvantage.

To find out more about the scale of the issue, and explore what can be done to improve connectivity between our cities and regions, we ran a series of roundtables in five major cities to hear the views of transport practitioners, experts and decision makers from the cities and city-regions themselves.

The roundtable discussions, held in London, Manchester, Edinburgh, Leeds and Birmingham, covered similar questions:

- How well connected are the UK's cities to London and to one another and what added value can we gain from better connecting our cities and regions?
- Will new rail lines and increased airport and road capacity significantly improve connectivity?
- How far should transport devolution go to best meet the needs of our citizens?
- How can we pay for the much needed investment?
- And, what will the impact be of new technologies on transport service provision?

These and other questions provoked a wide range of responses, which we have captured in this Talking Points publication. It offers a snapshot of

current opinion and, most importantly, makes suggestions as to what could be done to improve connectivity within and between the UK's cities and regions.

We would like to thank all those who participated in the five roundtable events. We hope that this makes an informed and useful contribution to the debate on improving the connectivity across the UK.

Grant Klein
Partner, PwC

Paul Hackett
Director, Smith Institute

Introduction

Transport trends are unequivocal over the next 20 years: there will be more journeys by car on the motorways and trunk roads; many more people will be using the railways; more freight traffic will be transported; and in London and other cities more people will be using the bus and rail networks. As the Government's National Infrastructure Plan shows, road traffic is set to rise by up to 57% between 2013 and 2040, and passenger miles on the rail network are set to increase by 46% between 2011 and 2033.¹ These trends will only strengthen with population growth and a growing economy. Addressing these challenges will require changes in policy, funding and infrastructure development if the UK is to maintain and improve its competitive position.

Transport connectivity has improved in recent years, with more trains running between our major cities. In particular, connectivity between London and the major cities has improved – although it still takes much longer to travel by train



¹ National Infrastructure Plan 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/381884/2902895_NationalInfrastructurePlan2014_acc.pdf

from London to UK cities than from London to Paris.² However, as **Figure 1** shows, the connectivity of some of the other major cities to each other (especially for rail) is well behind connectivity to and from London.

Transport campaigners argue that even with HS2 nothing less than a significant and sustained increase in transport investment in existing networks will improve connectivity and see off a future of even worse congestion and more pollution.³ Furthermore, a failing transport system with sub-optimal connectivity will undermine our national competitiveness and prosperity and exacerbate regional inequalities. Transport is an area where the UK lags internationally, being ranked just 27th in the World Economic Forum's 2014-15 Global Competitiveness Index, and falling since 2011-12.⁴

Both national and local government recognise that the stakes are high. In the PwC/Smith Institute survey of councillors with lead responsibility for transport in 2014, some 70% of respondents thought that in the near future public transport provision in their area would decline.⁵ There are also frustrations locally about the way in which central government allocates transport funding to the cities, as well as growing criticism over the way in which transport projects are evaluated.

Local government continues to call for more funding for local transport services (especially for discretionary subsidised bus services) as well as for more investment in connectivity between neighbouring towns and cities.⁶ The new combined authorities and their Passenger Transport Executives (PTEs)⁷ are also calling for more devolution of transport powers to city-regions on a similar basis to

London. The government is expected to cede more transport powers to combined authorities, like Greater Manchester, although the transfer of powers to other city-regions will be on a deal by deal basis and will now include a requirement for a directly elected mayor.

Nevertheless, central government and the national transport bodies now seem to see transport devolution as part of the solution. As we discuss in the following sections, this change in mind-set allows for a different conversation and new collaboration between local, regional and national transport bodies. These new partnerships are not a substitute for sustained investment in the nation's road and rail network, but they should help to prioritise and address local issues and allow for the development of a more integrated transport network.

2 London to Paris takes 2hr 20min, compared with London to Edinburgh (roughly the same distance) which takes 4hrs 30mins. The average travel speed of London to Paris is 127mph, compared with an average of 87.2mph for London to Manchester, Cardiff, Birmingham, Edinburgh and Leeds

3 Campaign for Better Transport briefings

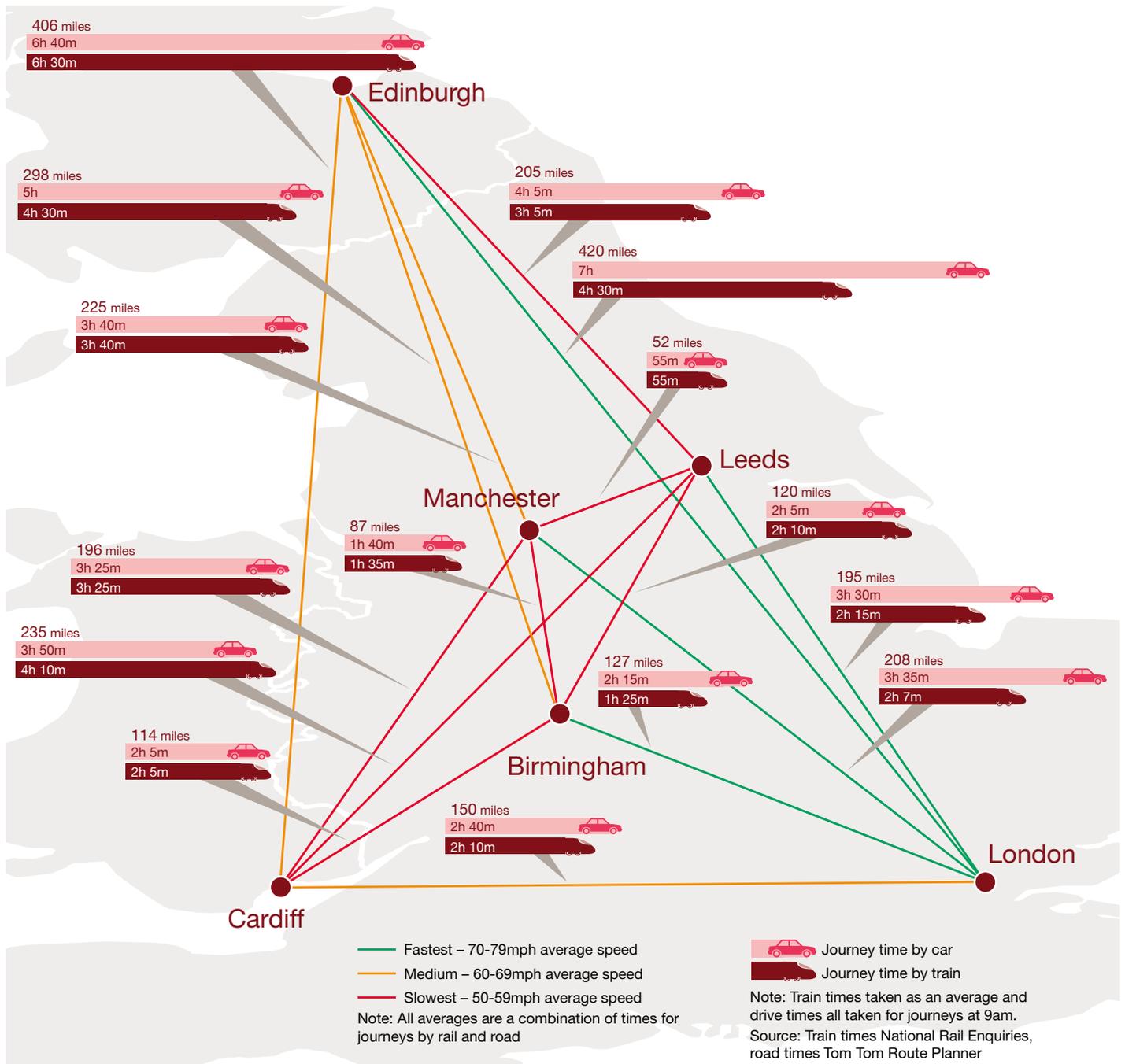
4 World Economic Forum: Competitiveness Rankings <http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>

5 PwC/Smith Institute 'All change – delivering future city transport', 2014

6 LGA 'Funding needed to save vital concessionary bus services', 2014

7 The PTEs provide, plan, procure and promote public transport in six of England's largest conurbations: Greater Manchester (Transport for Greater Manchester), Merseyside (Merseytravel), South Yorkshire (SYPT), Tyne and Wear (Nexus), West Midlands (Centro) and West Yorkshire (West Yorkshire Combined Authority).

Figure 1: City-to-city connectivity by rail and road 2015



Getting the strategy right

A major talking point at our roundtables was the need for integrated, multi-modal transport strategies which can properly link local and national road and rail networks. It was said that progress was being made in terms of major projects like HS2 and Crossrail, but that more effort was required to ensure that connections were being made between different modes of transport and between different places across city-region boundaries.

Our roundtable attendees said that in many places transport services are too fragmented, in part due to the commissioning of services by different agencies. As the Institution of Civil Engineers comments, the divisions among transport modes, organisations and geographies are “most clearly seen in locations with competing bus operators, at the interface of rail and road-based public transport, and in the division between the local and strategic road networks.”⁸ The view from some transport

policy makers at our roundtables was that greater local regulatory control over buses in particular would help promote fair competition and better collaboration between public and private transport providers. Reference was also made to fair pricing and the need for economic regulation to ensure reasonable pricing for customers and better value for money for government.⁹

“Growth has been constrained for decades by the lack of transport capacity”

The perspective of transport practitioners at our roundtable events outside of London was that it is difficult to join up a transport network when the decision-making boundaries between the transport modes (especially between road and rail) remain so inflexible.

“

In other European cities they have 30 year transport plans. Why can't we do the same?”

The shared view at all our events was that whilst a “mosaic of public transport models”¹⁰ was inevitable, the key to improving connectivity centred around sustained investment and improving collaboration. It was said that without better integration traffic congestion would continue to increase, with harmful effects on the economy, environment and people's quality of life.¹¹

Improving inter- and intra-city connectivity must become a higher political priority. If we want to rebalance the economy and create the conditions for sustainable growth, it was agreed that there is no alternative but to invest in a multi-modal, joined up transport network. That means thinking long-term and making difficult (and sometimes

8 Institution of Civil Engineers 'Devolving powers over transport policy: ICE's prospectus', 2014

9 PwC's video review on 'Fair pricing and regulation for transport' <http://www.pwc.co.uk/economic-services/issues/fair-pricing-regulation-for-transport.html>

10 Patrick McLoughlin, Secretary of State for Transport, quoted from House of Commons bus service debate, 2014

11 The DfT estimates that congestion costs to the economy could rise from £2bn a year to £8bn within 20-30 years. Air quality in the UK, meanwhile, is improving, but many areas fail to meet EU air quality limits owing to local vehicle pollution

unpopular) decisions in support of public transport. The need for forward planning was seen as particularly acute in London, which faces a significant increase in demand.¹² It was noted that the number of journeys in and out of London had doubled since the mid-1990s, and is expected to carry on growing as London's hinterland and commuting population expand. Maintaining reliable connections with the rest of the UK is therefore seen as vital not only to London's future success but as a gateway to the rest of the UK. However, as one attendee put it, "expanding transport capacity in London where land values are high does not come cheap".

It was remarked that the projected investment needs for transport enhancements in London were "frightening" and dwarfed the other city-regions.¹³ Notably, London would benefit from national investments, like HS2, but had a long shopping list of its

own, including new rail lines and river crossings. The £15bn Crossrail project (from Reading via central London to Shenfield and Abbey Wood in the East) would make a difference, expanding rail capacity by 10%. However, given the relentless growth in demand the Crossrail 2 scheme (the high capacity rail line linking South West and North East London) was also a must have.¹⁴ In the context of economic austerity, the funding of such major schemes remains a challenge. PwC has advised TfL on the potential local sources of funding which could contribute to the circa £27bn cost of construction for Crossrail 2, and has continued to work with TfL and Department for Transport (DfT) to produce a detailed business case for the project.¹⁵

“

Investment in London is pitched as a zero-sum game, but city regions will benefit as well”

Although London is different¹⁶ and has different transport needs owing to its sheer size, a higher transport spend per head and more power to organise and regulate transport than anywhere else, it does demonstrate how an integrated transport system can work under the auspices of a city-wide transport authority. However, whilst taking the best from the 'London experience' was firmly on the local transport agenda (especially for places like Greater Manchester and Birmingham and the West Midlands), it was commented on several occasions at the roundtable events that a key issue was ensuring better connectivity – across the UK and globally. Transport policy for city-regions, for example, had to become more 'outward' looking and much more strategic.

12 According to the London Mayor's Transport Strategy around 1.6m more people are expected to live in Greater London by 2031. This will lead to millions more trips each day, including an extra 5m trips on the road network. Public transport capacity is predicted to rise by 50% between 2016 and 2050

13 The GLA's Infrastructure Plan 'The cost of London's long-term infrastructure', 2014, estimates the investment at £474bn (enhancements plus renewals)

14 PwC's 'Crossrail 2: Funding and finance study', 2014

15 <http://crossrail2.co.uk/funding/>

16 London bucks the national trends: it has higher bus use, lower car use and a much more integrated transport system



Outside of London, the idea of a ‘Northern powerhouse’ and a ‘Midlands powerhouse’ coordinating economic development and transport were seen as important drivers for growth. The new ‘Transport for the North’,¹⁷ for example, has been tasked to develop a clear, long term plan for the pan-Northern connections that will help to forge a single Northern economic growth area.

Meanwhile, in the West Midlands, ‘Midlands Connect’¹⁸ has been established to enhance connectivity within, to and from the Midlands.

Whilst there was support for these initiatives it was noted that the strong focus on core cities and city-regions risked leaving other places – smaller towns, cities and rural areas – somewhat side-lined. The Key Cities group, for example, claims that for some places, like

¹⁷ Transport for the North was developed jointly by government, northern city regions and local enterprise partnerships; in co-operation with Highways England, Network Rail and HS2 Ltd as the Transport for the North Partnership Board

¹⁸ Midlands Connect is being developed in close collaboration with local authorities, LEPs and the transport industry (Network Rail, Highways Agency, transport operators)

Portsmouth and Cambridge, there is a pressing need to improve connectivity to wider economic areas by creating more efficient transport corridors between major conurbations and across rural and urban hinterlands.¹⁹ However, getting the local transport plans in these areas to fit together is hard, especially in areas outside of the big cities.

Selected regional transport initiatives in England

A range of initiatives are already underway to connect our cities and regions, including:

- **Transport for the North:** as part of the Chancellor's plans to build a 'northern powerhouse', this body was established to bring together northern transport authorities with the aim of creating a comprehensive transport strategy for the region.²⁰
- **Rail North:** a partnership of 29 transport authorities in the north of England with the aim of increasing devolution and improving rail services. The new Northern and TransPennine Express franchises are being jointly managed through a DfT – Rail North partnership.²¹
- **Midlands Connect:** a partnership of local authorities, LEAs across the West and East Midlands, Network Rail and Highways England to develop the case for strategic transport investment and connectivity in the midlands, including improved connectivity with HS2.²²
- **South West Peninsula Task Force:** a partnership of local councils, LEAs, the South West Chamber of Commerce and Plymouth University with the aim of improving rail connectivity and resilience across the South West peninsula. Government recently committed £7.2bn investment in transport in the region.²³

19 Key Cities report by Res Publica 'Power, people and places', 2015

20 <https://www.gov.uk/government/news/revolutionary-plans-for-northern-transport-set-out>

21 <http://www.railnorth.org/partnerships/>

22 http://www.wmita.org.uk/media/1069/midlandsconnect_a4brochure_final_lowres.pdf

23 <http://www.localgov.co.uk/Budget-2015-Regional-transport-strategies-unveiled/38343>

Transport devolution

The governance map of transport in England is changing, albeit in a non-uniform way, with the new combined authorities and their PTEs leading the charge for more devolved decision-making on local and city-region transport. It was noted that this would involve a commensurate transfer of accountability for those decisions. Although participants at the roundtables agreed that it was difficult to keep up with the pace of change, there was a widely held conviction at all our events that devolution was the “right approach” and would lead to better transport outcomes. It was said that the “genie was now out of the bottle” and that every time something was devolved successfully, more would be demanded. Roundtable participants also acknowledged that devolution would bring challenges of its own, for example in capability-building in local and regional bodies.

“
The goal of creating an integrated and connected transport system won't happen until further powers and funding are devolved”

At the Manchester roundtable, for example, particular reference was made to Transport for Greater Manchester's (TfGM) aspiration to take over responsibility for bus franchising. The talk in Manchester, and echoed to some degree at our other city events, was of a new era in local transport driven by a shared vision of creating integrated local public transport networks.

“
Local politicians are more in touch with local needs, and are more responsive”

The plans by TfGM and the other transport authorities in the North of England to develop regional rail strategies and manage future rail franchises was also welcomed. The view from our roundtable events was that joint initiatives like the Northern Hub²⁴ and other proposals to give the West Midlands greater control over its local rail services²⁵ will improve connectivity and help drive economic growth.

“
Devolution means we control our own destiny and can focus on what matters to us”

However, there were some words of caution at our roundtable events about how asymmetrical and complex the governance of transport was becoming. There was some disagreement, for example, on the ‘appropriate’ level to which transport powers and funding should be devolved. It was said that in some places the councils were too small and clearly lacked the resources to deliver transport planning and development. In others, like the combined authorities, devolution could lead to tensions with national transport bodies whose strategic plans may not dovetail with local and sub-regional transport plans.

Indeed, the search for a perfect transport governance system is in many ways pointless, not least because responsibility for transport is rooted in the history of local and sub-national government and the recent (and on-going) devolution

²⁴ The Northern Hub is a £560m programme of targeted upgrades to the railway in the North of England. Scheduled to complete in 2019, it will allow up to 700 more trains to run each day and provide space for 44m more passengers a year.

²⁵ West Midlands Rail (a consortium of 14 councils) are expected to deliver a new rail franchise for the region in 2017

settlements for the UK. The objective should therefore be for local and national bodies, e.g. combined authorities, Highways England and Network Rail, to work together to improve the alignment between local, regional and national networks. A few of the transport practitioners who attended our roundtables felt this was not always possible, although the point was made that local transport operators are competitors and many local councils are under financial pressure and may struggle to deliver their transport responsibilities. Indeed, this was a key finding of the ‘Local State We’re in’ survey, which reported that on aggregate across local government there is a 21% gap between the proportion of councils that prioritise additional powers on transport and those that believe they have the capacity and capability to deliver.²⁶

“
Local transport decision-makers will face similar obstacles to those faced by national government”

One participant remarked that devolution was more of an “art than a science”, and was increasingly shaped by deal making and the priorities of independent business-led agencies like the Local Enterprise Partnerships (LEPs) which are now the lead bodies for prioritising local transport investment. Other participants at the roundtables commented that the LEPs were themselves a “mixed bag” and came in all shapes and sizes, and that some were more engaged in transport planning and development than others.²⁷

“
It’s not all about new governance structures. Collaboration is the key”

The devolution of transport powers to combined authorities – particularly in the form of bus regulation – is currently linked to the local authorities agreeing to a city-wide mayor. It was asked if city-to-city transport planning and decision making might become sub-optimal if some, but not all, cities have transport

powers under the auspices of a metro-mayor. It was said that burden sharing, for example, was difficult to achieve if there was no institutional arrangement and protocols to underpin collaborative transport deals. Participants at our roundtables also commented that places should not be discriminated against because of their governance arrangements. Poorer places in urgent need of jobs and growth are often the same places that suffer from lack of transport services and inadequate connectivity. Some of these disadvantaged places may be too small or unable to take on new transport powers and responsibilities.

From our roundtable in Edinburgh it was clear that Scotland has benefited from devolution, and that there is an appetite to seek more powers from Whitehall. However, it was pointed out that many powers over transport investment are held by the Scottish government, rather than being devolved to local government.

²⁶ PwC’s ‘The Local State We’re in’, 2015

²⁷ Smith Institute report on LEPs for PwC, ‘Delivering growth: where next for Local Enterprise Partnerships’ 2015

²⁸ See the Smith Commission (2014) and the government agreement in 2015 to devolve the power to “the Scottish Government to allow public sector operators to bid for rail franchises funded and specified by Scottish Ministers”, ‘Scotland in the UK: an enduring settlement’

In Scotland people were generally more satisfied with the quality and range of their bus services than in England. This was particularly the case in Edinburgh where the council-owned bus company dominates. Some Scottish cities, like Aberdeen, were struggling with more fragmented services, high fares and transport spending cuts, but overall urban transport was felt in good shape and a major upgrade of the motorway network and the rail network is underway.

It was said that Scotland's transport authorities understood how important transport is to unlocking growth and that the Scottish government had led the way on using innovative funding tools e.g. Tax Increment Financing to secure upfront investment in transport schemes. The focus of Scotland's long term transport strategy is firmly on improving journey times and connections.²⁹

In Scotland, HS2 was seen as less of a priority – although it was thought that it could boost trade links with the North and both preserve and free up much needed air capacity for vital air links from Scotland to London.



Funding the future

The rising cost of transport infrastructure concentrated minds at all our roundtable discussions. Participants were reminded that transport investment would compete with other infrastructure needs, such as health, energy and housing and that the scope of transport investment is also broad and geographically uneven, which could lead to conflict between cities competing for capital funds (and subsidies).

Attention was drawn to the potential funding gaps that might emerge. It is estimated, for example, that London government, including TfL and the boroughs, faces a gap of some £89bn related to transport operating and capital costs for 2016-50 (before debt service costs and other central overheads),³⁰ and that the projected decline in revenues from fuel duty and vehicle excise duty would make it all the harder to balance the national transport books.³¹ It was mentioned that there could be an increase in foreign direct investment in major transport projects. This was welcomed, although it was noted that the vast

majority of overseas investment was targeted on London.

A key funding issue highlighted in relation to devolution was that while in some cases local and regional bodies have received large capital budgets (capital expenditure) allocated to transport scheme developments, they do not have the revenue budgets (operational expenditure) or organisational capability to develop the business cases and then commission these developments. This posed the question of whether a portion of capital spend could be diverted to build the capability that would enable those organisations to carry out the requisite strategy, planning and design work.

The expectation among both national and local transport officials who attended our roundtable events was that private financing would fill more of the future funding gap for capital projects than in the past. However, it was also noted that private finance was less suited to the revenue/operations side of public transport where costs were rising, in part

owing to subsidised concessionary fare schemes (particularly on local buses). Although capital spending on transport overall had increased, councils were still struggling to maintain local transport services because of deep cuts in support grants and other revenue funding.

“

We are going to need the whole shebang: higher fares, user charges, TIFs, debt and grants to pay for transport improvements”

Several financial decision-makers at the roundtables noted that in the current low interest economic climate, more public borrowing (and match funding) was feasible but that the appetite among the business community to contribute to transport schemes by way of levy on the Business Rate Supplement as was the case for Crossrail in London was uncertain in other cities.³² It was said that business was more open to the idea of funding time limited capital projects via a levy than make on-going commitments to fund year

30 Arup's estimate in the Greater London Authority (GLA) report 'The cost of London's long-term infrastructure', 2014

31 HMT revenues from fuel duty and vehicle excise duty are forecast to fall by £13bn by 2029

32 The London Mayor introduced a business rates supplement levy of 2p, which affected one in five London businesses and raised around £4bn.

on year revenue subsidy. Reference was made to Transport for the North's proposals to secure local contributions to regional transport plans via transport levies on major housing developments.

Mention was also made of the Workplace Parking Levy introduced by Nottingham City Council to part fund the city's tram extension. It was said that the council had shown that such schemes can work but that user charges remain highly controversial. A traditional barrier is seen as the lack of hypothecation of such funding.

“

User charging will only work if the public and business can see where the money raised is being spent”

The question was put to attendees at the roundtables as to how much extra they thought transport customers might be willing to pay for transport improvements? The general view was that customers had experienced prolonged fare increases, and that it would be difficult to fund future investment by

significantly raising prices and would still rely heavily on government support.

Perhaps congestion charging is a way forward? Attendees were far from convinced. It was said that while Londoners might be willing to accept congestion charging schemes, other places (where public transport is patchy and private car use is much higher) are a “different story”. Public transport alternatives would have to improve (and be seen to be demonstrably better) before extra charges can be introduced.

“

The congestion charge plan in Manchester was misunderstood. We need to be better at putting forward the case for user charges”

However, attendees also spoke of the need for a more “grown up” conversation between the government and the public over future funding requirements. It was felt that this will happen anyway as congestion intensifies and councils close more bus routes. At the London event, it was said that fiscal devolution could allow

London to self-finance transport projects. The question was also asked, if in a more devolved scenario other cities should contribute towards London's transport costs given that the city brings economic benefit to the country as a whole?

There is an interesting nexus between commuting patterns, the labour market and the long-term economic growth of cities such as London. As PwC's Good Growth for Cities blog has shown,³³ since 2005 we have witnessed a shift in commuting patterns towards longer-distance journeys, particularly in cities with a strong labour market. One potential interpretation of these trends is that some of the labour market resilience is driven by people travelling further for work. The rise of overall commutes could place substantial pressure on transport infrastructure, and underlines the argument that regional connectivity is critical to sustaining our cities' long-term success.

“

Fiscal devolution is coming, albeit in a very piecemeal fashion”

³³ PwC's blog 'Transport strains: rising commuting times put city success at risk' <http://pwc.blogs.com/publicsectormatters>

Transport appraisal guidance

Participants at the roundtables in England and Scotland were critical of the current system of transport appraisal guidance, which was said to be “no longer fit for purpose”. Transport campaigners commented that large transport project evaluation and scheme prioritisation had become overly focused on narrow cost benefit analysis, which was skewing investment towards places with higher populations and higher incomes. This failure to give enough weight to wider social and economic benefits was seen to be undermining efforts to improve connectivity and deliver smart growth. An example of the wider social and economic benefits is that of the UK bus networks; in PTE areas alone bus networks are estimated to generate over £2.5bn in economic benefits by providing access to opportunities, reducing pollution and accidents and improving productivity.³⁴

“

The measures used for evaluating schemes are too narrow”

It was said, for example, that the appraisal of many national road and rail schemes are more concerned with congestion than with the broader impacts on GVA. The call was for a multi-criteria analysis, with greater recognition of long term socio-economic factors and the connections between cities and regions.

“

We urgently need to incorporate economic growth into the models on which transport decisions are made”

There was widespread recognition that existing approaches to appraising transport infrastructure had been useful when assessing marginal improvements to capacity that are funded by central government, but are less suited the more transformational the projects are and the

more they are funded by bodies who are interested in metrics other than cost benefit analyses. Two of the biggest issues identified were how WebTAG fails to capture interactions between transport infrastructure on the one hand and economic performance on the other, and how many decision makers are increasingly interested in the impact of infrastructure on economic activity (GDP, jobs) and prices (of assets such as land and houses, and on the cost of living more generally).

³⁴ Pteg 'Policy Futures buses', 2014

Making the most of HS2

The Government is moving ahead with its plans for the first phase of HS2 from London to the West Midlands, with work expected to begin in 2017. HS2 is set to provide much needed capacity and reduce journey times. The journey between London and Birmingham will be cut by 40 minutes by the first phase of HS2 and the subsequent phase linking cities in the North would see journey times reduced from 90 to 40 minutes between Birmingham and Manchester.³⁵

Many participants at the roundtables in those regions that are set to benefit from HS2, shared the view that HS2 could significantly improve inter-regional connectivity. Comments at the Leeds roundtable confirmed the appetite for reductions in travel times between Leeds and the West Midlands, a journey that currently exceeds two hours (see [Figure 1](#)).

A consistent and prevalent theme stood out amongst participants in the roundtable sessions; the overarching need to capture opportunities that HS2 presents to the regions. Participants were eager that perceived mistakes in relation to past infrastructure projects must be avoided, and specifically that local housing and business development should capitalise on the new connectivity and additional capacity that HS2 affords. Participants identified the challenges in achieving the right balance between maximising growth and development, including around new stations, yet avoiding the displacement of economic development elsewhere.

“
.....
HS2 is the region’s mega Olympics”

There was much excitement around the proposals for the so-called HS3, providing east-west connectivity. There was clear appetite to understand the visions for HS3, and particularly the plans for its interfaces and connectivity with the plans for HS2.

“
.....
HS2 is a significant project and could be transformational”

³⁵ <https://www.gov.uk/government/publications/high-speed-rail-investing-in-britains-future-phase-two-the-route-to-leeds-manchester-and-beyond>

Future of rail and road

Given that HS2 will not be completed until 2032, there was a widely held view that continued investment was needed to meet the rapid growth in demand (with rail travel double what it was in the mid-90s and rising at 5% a year³⁶). It was said that the government now saw the need to significantly increase investment in the rail network, but that London was expected to carry on taking a bigger share of the cake.³⁷

Those involved with the One North project³⁸ argued that the road network cannot meet the burden of expected growth and that more investment has to be made in additional rail capacity, including improved intercity rail networks and HS3. It was believed that plans for a TransNorth network, linking Liverpool, Manchester, Leeds, Sheffield, Newcastle and Hull, would double the number of trains and cut journey times in half.³⁹

Figure 2: Proposed HS2 and HS3 routes



36 Office of Rail and Road

37 Rail spending per capita in London is more than three times that of the North West and five times that of the West Midlands (Comparative tables in HoC Transport Ctee report 'Investing in the railway', 2015)

38 One North (led by the city regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield) 'A proposition for an interconnected North', 2014

39 The TransNorth 'Rail and Road Plan' was launched in 2015

Similar pleas for more investment in rail were made at the roundtable discussions in London and the Midlands. It was agreed that the challenge facing the sector was how to sustain investment levels without pushing up rail fares and rail subsidies, which have fallen over the past decade, but remain significantly higher than in the 1990s.⁴⁰ With the government extending the freeze on rail fares, participants at the roundtables warned that subsidy levels may begin to rise again. It was commented that passengers would be very resistant to paying more after such a prolonged period of fare increases.⁴¹

The roundtable discussions in the cities outside of London placed a much higher priority on reducing congestion on the roads. At the Manchester and Leeds events attendees said that congestion on

the Strategic Road Network (SRN) was “getting worse by the day”.⁴² The consensus view was that government had to substantially increase investment in the road network over the long term. And indeed this is already starting to happen, as demonstrated by Highways England’s £11.3bn five year funding allocation which was set out in their Delivery Plan published earlier this year.⁴³ It was noted that the UK currently ranks 24th in the world for roads⁴⁴ and that the next generation of road improvements must connect better with the rail network.

Protecting bus services is also a high priority for local transport authorities, despite the fact that transport officials see it as a ‘Cinderella service’. It was said that government spending cuts are having a very damaging effect on bus services, in urban and rural areas.⁴⁵ Advocates of

transport devolution at our roundtables were encouraged by the Government’s announcement to allow TfGM to move from a deregulated bus market to some form of London-style franchised services. It was suggested that the move would allow TfGM to better integrate the city-regions transport services, although securing adequate long term funding would be key.

40 According to the then Office of Rail Regulation government support to the rail industry in 2013-14 was £5.3bn, compared with a peak of £6.3bn in 2006-07

41 According to the DfT rail fares rose by 66% between 1997 and 2010. Between 2004 and 2013 annual rises in regulated fares were limited to an average of RPI+1 per cent; since 2014 this limited has been set at RPI

42 The DfT says England’s motorway and large A-roads saw traffic grow by 14% in 2013/14. They predict traffic levels on the SRN to rise by 46% by 2040

43 Highways England Delivery Plan 2015-2020

44 DfT ‘Action for roads: a network for the 21st century’, 2013

45 The Better Transport Campaign’s report ‘Buses in crisis: a report on bus funding across England and Wales 2010-15’, shows that since 2010 local authorities have cut or reduced more than 2,000 routes

New technology

The debate at some of our roundtables covered the emergence of new technologies, such as smart ticketing and autonomous vehicles. The use of smart phones in particular was highlighted as a way that previously unthinkable ways of charging transport passengers was now becoming feasible.

New technology has had a significant impact on navigation systems and real time travel information. The pace of technological change is such that in the near future people could be using single devices such as smart phones to seamlessly pay for and access multi-modal (public and private) journeys.

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Commuting patterns are only changing at the margins. Most people don't work at home

The issue of smart ticketing, for example, was raised at all the roundtables events. While participants recognised the

benefits of smart ticketing, not least in terms of boosting public transport use and improving connectivity, not everyone was convinced that it was suitable. In Edinburgh, for example, there was scepticism about the cost of introducing smart ticketing and some reservations as to the value it could add in places where passengers didn't use more than one mode of transport.

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Over time everywhere will move towards multi-modal smart ticketing

This mood of cautious optimism was also evident in Birmingham and Leeds, where multi-modal ticketing was seen as problematic because local transport authorities lack the powers to introduce London-style regulation. However, the prospect of the West Midland's 'Swift' smart travel card being extended from buses only to the Midlands rail network was cited as a sign of positive change.

At the London event, TfL spoke about Oyster and the subsequent introduction of contactless payment cards.⁴⁶ The view was that one ticketing system wouldn't just give way to another, and that contactless payment will continue to run alongside Oyster. The London experience also showed that the introduction of smart ticketing needs incentives, such as price discounts. This is a view borne out by the PwC smart ticketing survey, which considers a range of incentives to encourage passengers to adopt smart ticketing.⁴⁷

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Maybe we should be thinking about jumping straight to a contactless payment system

The prospect of the widespread introduction of driverless vehicles creating a 'transport revolution' was discussed at most of our roundtable events. It was suggested that such vehicles could emerge quickly alongside major changes in fuel substitution and engine technology.

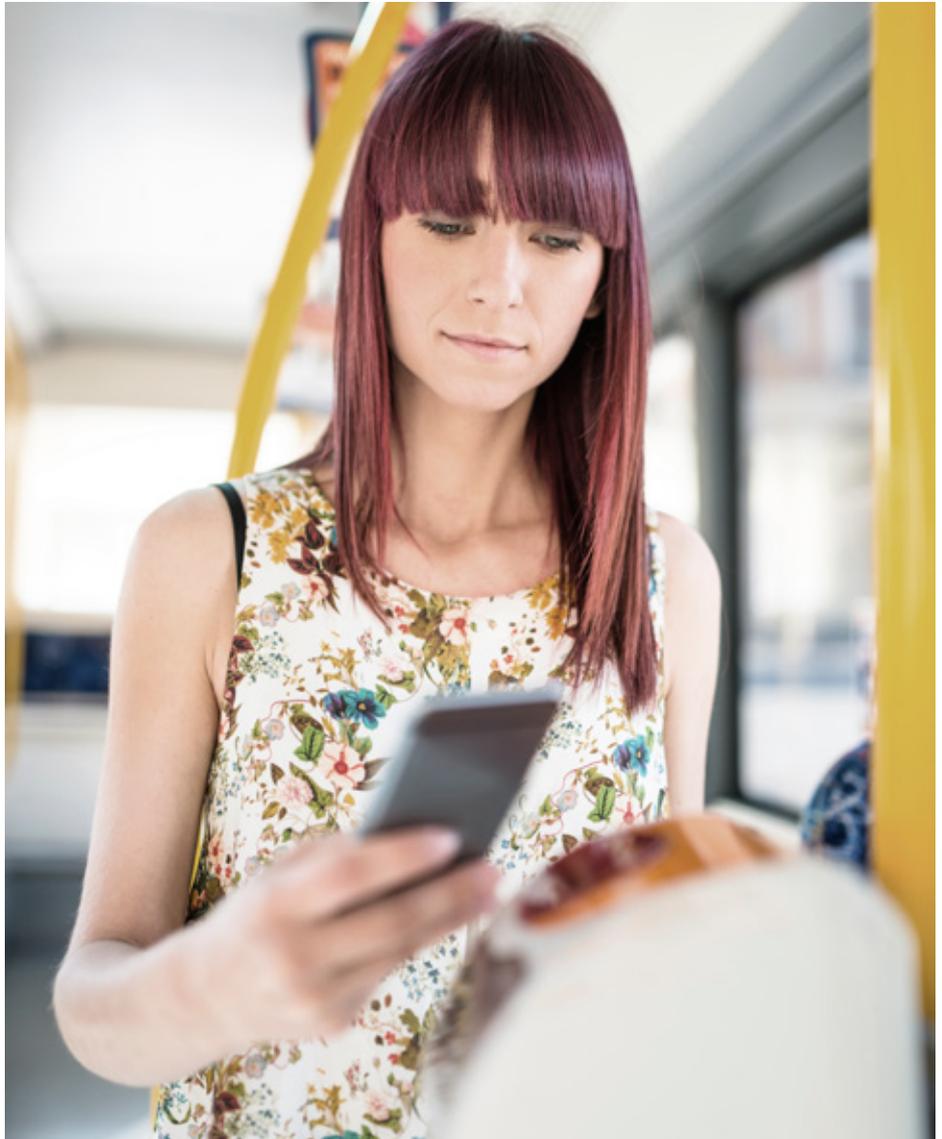
⁴⁶ More than half of transport users in London use smart ticketing, compared with only 12% in the rest of the UK. See PwC's 'Smart moves: tapping into growth in public transport', 2014

⁴⁷ PwC's 'Smart moves: tapping into growth in public transport', 2014

Any such change would impact on car ownership and road use. However, most participants felt that legal and regulatory barriers would inhibit sudden change. It was claimed though that the status of the car in society is less than it was and that the growth of car clubs and pay at the point of use services may provide a platform for the introduction of autonomous vehicles. It was also observed that company car use had fallen sharply since the 1990s, with some evidence of drivers switching to rail.⁴⁸

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Innovation in vehicle technology could change everything”



⁴⁸ See the discussion in Rand Europe's, 'Evidence review of car traffic use in Britain – a rapid evidence assessment', 2014

Conclusion

Predictably, participants at the discussions held different views on how to tackle the transport challenge. However, despite their differences there was a shared understanding at all our roundtable events that different solutions were required for different places. As far as local and regional transport was concerned “Whitehall doesn’t know best”. The future is about localised decision-making, with the policy focus on city-regions and combined authorities and single regional transport plans and funds.

However, it was evident from our discussions that transport devolution is about more than improving local transport systems. It is also about connecting local and city-region transport networks. The view from our roundtable discussions was that better connectivity between places will be sub-optimal if the process is piecemeal and disconnected from a long term national transport strategy.

Furthermore, progressive transport planning and funding must also seek to integrate transport with local and city-region plans for jobs, housing and growth. The aim is not only to improve connectivity, but also to maximise the socio-economic benefits of all types of transport investment, including more jobs. This approach is gaining ground, not least through new regional transport organisations, like Transport for the North.

Expectations are high and the mood in the city-regions is that transport planning and development is changing for the better, despite on-going cutbacks in travel subsidies and local government grants. The biggest challenge is now perhaps less around governance and planning, and more about securing the capital investment that is needed. Meeting future demand will not be cheap, especially in London where costs are so much higher and demand is set to increase dramatically. Major projects,

like HS2 and Crossrail, will help create extra rail capacity, but there is now a consensus that higher rates of investment will be needed across all transport modes and in all parts of the country.

Against a backdrop of continued fiscal austerity and falling fuel tax revenues, securing extra public investment will be difficult. There does seem to be a local and national commitment to boosting investment in the transport system, albeit with some disagreement over where to invest the most first. However continued cuts or limited growth in capital budgets may mean locally elected politicians need to look for (and be given powers to raise) alternative sources of funding. Politicians will have to persuade local users and/or businesses that additional user charges or levies will result in benefits that they recognise and are prepared to pay for. Increased local taxes or business rates linked to the development of specific transport

investments in addition may support the greater use of private finance where financiers need ring fenced funding to support repayment. However finding the right balance of developing new transport projects and maintaining and improving existing transport is a difficult choice which will require improved transport appraisal and analysis to help make better decisions.

Advancements in transport technology, like smart ticketing, will help lower investment costs and improve services. Whether other innovations in engine and fuel technology completely change the way our transport system works is hard to tell. What was evident from our roundtable discussions is that connectivity between places will continue to be critical to our future prosperity, even if we are travelling in driverless vehicles or on high speed trains.

Based on the rich and fruitful discussions at all of our roundtables, we have developed four key recommendations which, as devolution gathers pace, we believe will aid the cause of effectively connecting our cities and regions. As power and responsibility is transferred into the regions, new ways of working, of appraising and developing schemes, and of governing transport are bound to emerge. Our recommendations are intended to put this change on a solid footing.

A call to action: key recommendations for change

1. Developing a framework and principles for devolved decision-making:

we recommend DfT develop guidelines for how local transport governance can support best practice through early collaboration with other stakeholders. These would include:

- a required form of consultation with other local, regional and national stakeholders to make sure that transport schemes are integrated where relevant before they are commissioned
- a process for establishing who should be responsible for making what decisions, when and how – for example in respect of the identification and development of new investment proposals, their appraisal and their implementation
- a system of appeal to resolve issues that cannot be resolved at the local level
- a process whereby transport projects with nationally significant implications are referred to DfT or a relevant body to make sure that broader interests are served.

2. Revising the approach to scheme appraisals:

we recommend the Government develop a flexible and context-specific approach to appraisal that takes account of:

- the wide range of different schemes being considered (particularly those which are potentially transformational)
- the cross cutting nature of many projects which means that their links to other sectors need to be taken into account
- the inevitable shift in responsibility for who will be carrying out appraisals and for what purpose
- the increased demand for appraisals to consider impact on economic performance rather than solely costs and benefits
- the increased focus on issues which relate to the environment and sustainability.

3. Rebalancing capital and operating budgets:

the Government should establish a mechanism to allow local/regional transport bodies to allocate a portion of devolved capital spend (capex) towards their operational budgets (opex) to enable them to carry out the strategy & planning activity required before schemes are commissioned, including the development of business cases.

4. Building a knowledge transfer network:

there is a consensus that transport devolution would proceed asymmetrically and lead to a variety of governance structures. While this effectively rules out a 'one size fits all' approach, we recommend setting up a knowledge transfer network to enable local and regional bodies to share good practice as they formalise and develop new arrangements. This could be spearheaded by the LEPs and combined authorities.

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