

promoting quality public transport.....

Transport Committee
7 Millbank
House of Commons
London
SW1P 3JA

22nd September 2010

Dear Sir/ Madam

INQUIRY INTO TRANSPORT AND THE ECONOMY

1. Introduction

1.1 TravelWatch NorthWest (TWNW) is an independent Community Interest Company representing users of all forms of public transport in North West England. We are grateful for the opportunity to be able to comment on this consultation by the House of Commons Transport Committee. It is understood that there will be a further opportunity to comment on specific DfT financial responses to the Government's Comprehensive Spending Review after this is published on 27/10/2010 and therefore the following is a general comment plus answers to the five questions posed by the Committee.

2. General Comment

2.1 We seriously question a transport projects policy which prioritises solely on a criteria of economic growth. It is essential to consider social and environmental factors¹ in parallel.

2.2 When the seminal Eddington Report was published² the perceived wisdom that good transport provision was a prerequisite of economic growth was rarely questioned. Earlier research however³ had already revealed the fragility of this presumption by demonstrating how some new transport infrastructures had the potential to actually disadvantage the economy of some of the locations they were intended to benefit. A sometimes unintended consequence has been that industry and labour can find it easier to migrate to

¹ "A New Deal for Transport" ODPM 1998

² "Transport's role in sustaining the UK's productivity and competitiveness" Eddington Sir R. TSO December 2006

³ "Trunk Roads Assessment" Standing Advisory Committee on Trunk Road Assessment (SACTRA) Reports 1980 (HMSO) and 1999 (TSO)

more prosperous locations. Paradoxically, industry can also find it easier to supply from these more economically prosperous areas the regions originally intended to gain from the initial investment!

3. Specific Questions

(i) Has the UK economy changed since Eddington? If so does this effect the relationship between economic growth and transport spending?

3.1 The Eddington Report was written in December 2006 and thus pre-dated the global economic crisis of 2008.

3.2 The relationship between economic growth and transport spending is less clear in a recession, although, noticeably there has been a slight decline in car usage, both the number of trips and overall mileage. To provide an example of changing relationships, a pre Eddington investment on **outputs** such as new roads or supported public transport links between areas of relatively high unemployment and areas with labour shortages might have several benign, and often unintended, **outcomes** such as reducing -

- DWP's unemployment benefit payments
- NHS costs of treating illness and depression associated with unemployment and isolation
- Crime rates.

3.3 As a further example, supporting a rural bus service can reduce the social and health costs of domiciliary or hospital care for elderly dependants by removing their isolation and facilitating their continued, and generally preferable, independent living⁴.

3.4 Recessions make it easier to show cross sector benefits. It is astonishing that such benefits (which are patently obvious) are generally not captured when prioritising initial proposals for transport investment. It is high time there was a universally recognised and mandatory mechanism for doing so. See also item 5 in the Bibliography – “Trunk Roads Assessment”.

(ii) What type of transport spending should be prioritised to best support Regional and National growth?

3.5 TWNW supports a number of committed major high cost transport investments in the NW such as the Manchester Hub, the expansion of Metrolink and HS2. It is regrettable that current circumstances are likely to constrain and/ or delay future spending on transport.

⁴ “Sustainability of Rural Transport Projects” Countryside Agency/Sheffield Hallam University 2004

3.6 Aside from the big schemes there are a large number of low cost interventions which could have relatively high returns⁵ and which TOWNW believes could be prioritised. These include many which have the potential to beneficially alter modal split.

3.7 Passengers value reliable and punctual public transport which makes it possible to predict travel time and to rely on making connections. They would also value Smart ticketing, ticket interavailability and through ticketing schemes which can remove the interchange penalties incurred when different operator's buses and trains are used. Associated Park and Ride provision (including increased capacity at packed out rail station car parks), cycling and walking links are not only sustainable but are also cheap by comparison with high capital cost schemes. Investment in sustainable transport creates more direct/indirect employment than investment in less sustainable modes of transport and in roads⁶. Grants could for example be made available to support experimental taxi bus services⁷ in mainly, but not exclusively, rural areas. All these integration interventions for which TOWNW has long campaigned⁸ and which often incur relatively little capital expenditure could well be prioritised.

3.8 The desperate shortage of suburban and inter Regional train rolling stock in the North of England is caused not only by a lack of capital investment but also by insufficient revenue support and by Train Operating Companies' (TOCs) not being permitted to lease existing spare stock. The problem, which is arguably more acute than in the South East, could be addressed if TOCs were to be given longer franchises, more operating freedoms and realistic revenue support⁹. (TOWNW is responding to the current DfT consultation on rail franchising.)

(iii) Should the balance between revenue and capital expenditure be altered?

3.9 The DfT has long preferred making capital grants to providing subsidy through more open ended and thus less controllable revenue support. The assumption behind programmes such as Kickstart, Urban and Rural Bus Challenge and Rural Transport Partnership Funding has been that these would pump prime innovative public transport initiatives so that they become commercially viable. This, however, rarely happens, and services become "at risk" once capital assets are fully depreciated and/or operating costs outstrip revenues.

⁵ One of the Campaign for Better Transport's five principles - Rail Magazine 28/7/10

⁶ "Employment and sustainable transport" CBT August 2010 (commissioned by PTEG - Rail Magazine 28/7/10)

⁷ Enabled by the Local Transport Act 2008 and now to become a government pilot scheme in Rural areas.

⁸ "Integration – are we getting there?" Challis G and Fawcett P, RPC for NW England May 2003

⁹ In line with government's coalition accord as reported in Local Transport Today 28/5/10

3.10 Local Transport Authorities (LTAs) often suffer “innovation fatigue” from constantly having to amend services they are funded to support to make them somehow new and different and so able to benefit from this often applied but artificial criteria governing the continuation of services! What is needed instead is certainty of longer revenue support for unremunerative but socially desirable services in recognition of the fact that many of these never will be fully commercial.

3.11 The same arguments apply to rail, viz. that longer franchises would give Train Operating Companies (TOCs) an incentive to partner investment in the infrastructure they use and which is currently provided for them by Network Rail. (See response to previous question).

3.12 Local Transport Authorities have a duty to secure by tender those bus services which are unremunerative but socially desirable¹⁰.

3.13 In the present recession operators are deregistering more and more services previously believed to have been commercial and revenue support to continue these is increasingly difficult to provide. This is true in most rural areas and also more and more often in some urban and suburban areas. Evening and Sunday services are being lost for lack of revenue support¹¹. If the cross sector benefits (including the benefits to LEAs of school buses) of these services could be captured many might be able to continue to operate. TWNW has consistently tried, but without success, to establish how many deregistrations are made “tactically” by operators planning to tender to run their replacement but now as a subsidised, rather than commercial, services?

3.14 DfT has recently consulted on ways, short of Statutory Quality Partnerships/Contracts, in which PSV operators can be better regulated. In responding¹² TWNW suggested a number of relatively low cost initiatives which might be taken to address this issue.

3.15 The current overview of Operators’ reimbursement for concessionary travel (which TWNW fully supports) and of the makeup of the Bus Service Operators’ Grant (BSOG) also suggests a number of relatively low cost initiatives. Amongst these is the proposal by the Association of Transport Co-ordinating Officers (ATOC) for the establishment of a number of Tendered Network Zones within which BSOG would be paid to LTAs.

3.16 The economics of running bus services is likely to deteriorate because of rising costs and decline in funding from LTAs, partly related to Concessionary Fares remuneration . TWNW believes that a high priority should be given to

¹⁰ Transport Act 1985

¹¹ “Sustainability of Rural Transport Projects” Countryside Agency/Sheffield Hallam University 2004

¹² “Improving Bus Passenger Services through the Regulatory Framework”: TWNW’s Response to DfT April 2010

whatever mechanisms emerge for supporting local bus services, even if this means some rebalance of funding from capital grants to revenue subsidies.

3.17 There is a counter argument to prioritising revenue spending where lack of capacity is constraining economic growth. In that situation where it is not possible to procure extras services or lease extra vehicles from revenue, capital grants should be given a higher priority.

(iv) Are current methods for assessing proposals satisfactory?

3.18 TWNW agrees with some recent criticisms of current methods of assessing proposals¹³. Events over the DfT's current time scale of 60 years cannot be accurately predicted, and discount rates will vary widely in that time. As already noted (above) they also fail to capture cross sector benefits.

3.19 The original Cost/Benefit Analysis model (CoBA) failed to capture non user benefits. It was a useful tool which relied on quantifying aggregations of a multiplicity of small savings, but was also quasi objective in that it assigned subjective and often disputed monetary values to events such as a traffic fatality or a few minutes time saving.

3.20 CoBA's incorporation into the DfT's New Approach to Appraisal (NATA 1998¹⁴) was an improvement, as this allowed non user benefits and other unquantifiable data to be used to help rank competing schemes. NATA was "refreshed" in 2008 to enable further "drivers" such as opportunity costs and costs of "better use options" to be taken into account.

3.21 TWNW considers NATA to be the best currently available appraisal tool but believes that work on refining it should be ongoing, particularly on the assessment of time savings which tend to benefit road investment. It could be said that some schemes are so patently deserving of prioritisation as to not need elaborate and expensive assessment exercises to be conducted on them. Some of these may be schemes of national importance (such as HS2), and with the demise of the Infrastructure Planning Commission¹⁵ mechanisms need finding which can protect these where a region's 'balkanised' local government has difficulty in doing so.

(v) How will schemes be planned in the absence of regional bodies and the abolition of RSS?

3.22 TWNW is very concerned about the demise of Regional Assemblies and now Regional Development Agencies. By developing Regional Spatial Strategies (which included Transport Strategies) and Regional Economic Strategies together with robust mechanisms for prioritising spending of their

¹³ Local Transport Today No 527 28/8/09 "consultants claim current appraisal models have intractable problems"

¹⁴ "A New Deal for Transport" ODPM, TSO 1998

¹⁵ Decentralisation and Localism Bill TSO 2010

Regional Funding Allocations (RFAs) they put in place a system of regional planning which gained the approval of the sub regions and whose advice the Regional Government Offices (themselves now to be scrapped) clearly valued. This action seems to be contrary to government policy of decentralisation.

3.23 There appears to be no obvious replacement for RFAs. – granting LTAs their own planning powers will not fill the vacuum except perhaps in newly designated city regions¹⁶. It is possible that Local Enterprise Partnerships may come to offer co-ordinated approaches to planning when the promised national planning framework is revealed but this is presently very unclear¹⁷.

3.24 What is clear from a public transport perspective is that the present “localism”¹⁸ trend is unlikely to be helpful where services need to be co-ordinated within wide sub regions including “city regions”. There is a clear need for a regional co-ordinating body to resolve cross border issues.

3.25 It is also clear that Local Transport Authorities will need to be more imaginative in developing new funding packages (like the exemplary Greater Manchester Transport Fund). There now exists an extensive and confusing menu from which they can assemble funding packages, including, in no particular order, the following:-

- Congestion charging, road pricing and work place parking levies with revenues hypothecated to public transport (Local Transport Act 2009)
- Supplementary Business Rates and Land Value Capture (Business Rates Supplements Act 2009)
- Planning Gain – non site specific and site specific developer contributions and Community Infrastructure Levies (Highways Act 1980 s 278; Town and Country Planning Act 1990 s 106 and Community Infrastructure Planning Act 2008 respectively)
- Urban Challenge (replacing TIF)
- PFIs and PPPs
- Bonds supported by revenue streams and judicious borrowing.

The list is not exhaustive, and each can be used jointly or separately to assemble an LTA's individual funding packages.

4. Summary

4.1 Priority for Transport Funding should be given to mainly **revenue** support for low cost projects with predictable high value outcomes.

¹⁶ PTEG favour “single capital pot” funding in newly created city regions, where it anticipates its member ITAs will be subsumed into “combined authorities”. Local Democracy etc Act 2009 TSO 2009

¹⁷ Guardian 6/8/10

¹⁸ Decentralisation and Localism Bill TSO 2010

4.2 High Cost projects of national importance where funding is not already committed should be protected and progressed when affordable, or where there is a clear high CBR – for example as with the Manchester Hub.

4.3 Local Transport Authorities will need to assemble imaginative funding packages from a variety of government and private sources.

4.4 Mechanisms should be created for capturing cross sector benefits

5. Bibliography

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Yours faithfully

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