Submission to 2020 Budget

HM Treasury

February 2020

Jonathan Bray

Urban Transport Group
Wellington House
40-50 Wellington Street
Leeds – LS1 2DE
0113 251 7445
info@urbantransportgroup.org

Content

1. Introduction

1.1. The Urban Transport Group represents the seven strategic transport bodies which between them serve more than twenty million people in Greater Manchester (Transport for Greater Manchester), Liverpool City Region (Merseytravel), London (Transport for London), South Yorkshire (South Yorkshire Passenger Transport Executive), Tyne and Wear (Nexus) and the West Midlands (Transport for West Midlands). The Urban Transport Group is also a wider professional network with associate members in Strathclyde, West of England, Nottingham, Tees Valley and Northern Ireland.

1.2. This submission to the 2020 Budget sets out our overarching views on the key funding issues facing our full members.

1.3. The key theme of this submission is the need for greater certainty of long-term capital and revenue funding for urban transport provision allied with continuing devolution of decision making. This in order that the city regions have transport systems capable of addressing wider challenges around the promotion of inclusive economies, tackling poor air quality and the pressing need for rapid decarbonisation.

2. Urban transport, the city regions and inclusive growth

2.1. There is a strong consensus that city regions are key to improving the UK's wider economic competitiveness. Transport is a key enabler of city region growth and a way of ensuring that the benefits of that growth are shared by increasing access to opportunity - be it jobs, education, leisure or healthcare. Innovations in the transport sector can also help showcase UK tech talent and know-how, attract inward investment and help create new export markets.

2.2. To deliver on their potential, city regions need efficient and effective local transport networks, as well as good connectivity with each other and the wider world. Efficient and effective local transport networks support city centres with their clusters of high value jobs, retail and cultural offerings. They also support secondary centres, high streets and suburbs by providing them with the access they need. Connectivity with other cities, and with the wider world, attracts investment and skills and enables access to domestic and international markets.

2.3. The overarching economic case for investment in urban transport networks is summarised in our 'Transport works for jobs and growth' report

2.4. The 'Transport works' report highlights that: *'…there is a strong empirical relationship between transport spending and national economic growth, greater than for most other sectors of government activity.'* Our analysis suggests that *'lower levels of transport spending between 1990 and 2004 can explain a 2% difference in GDP between the UK and Germany over the period. Schemes in congested urban areas are a particularly effective form of transport spending, offering an average economic and social return of £4 for every £1 spent'.*

2.5. More recently we have produced other reports on the overarching case for investment in urban transport. In 2018 these included:

- Our 'Banks, bytes and bikes' report on the transport priorities of the 'new economy' (finance, legal, technology, media and creative sectors) which sets out how these sectors

increasingly favour urban locations with good quality of place, as well as good access on foot, by bike and by public transport.

- 'About towns - how transport can help towns thrive' where we demonstrated how transport improvements can make a key contribution to reviving the economies of post-industrial towns.

2.6. We have also demonstrated the benefits of investing in the different aspects and forms of urban transport in the following reports set out below.

Regional and urban rail

2.7. Our 2015 'Destination Growth' report sets out the success of regional rail over the past decade and then goes on to develop two hypothetical scenarios to demonstrate how investment in regional rail could deliver even greater benefits, significantly reducing subsidy and growing the benefits delivered to our city region economies. The report looked at two investment scenarios - one for a modern fleet of diesel trains and the second for a modern fleet of electric trains. It found economic benefits of between 3.9 and 4.4 pounds for every pound invested when compared with a business as usual scenario. Lower operating costs and high passenger numbers would lead to subsidy requirements being slashed, with the possibility of the network being self-supporting.

2.8. In 2017 we published: 'The Transformational Benefits of Investing in Regional Rail: four case studies' which homes in on the benefits that derive from investing in four different types of regional rail services based on four case studies. The benefits that the report identifies from the four case studies includes the potential to generate over 2,000 jobs and up to £70m of additional GVA per annum (the rail reopening case study), the delivery of land for housing to support over 3,000 new residents (the total route modernisation case study) and a total value to the economy of around £35m of additional GVA each year (the developing inter urban links case study).

2.9. In 2018 we published 'Rail Cities - our vision for their future' which makes the case that if cities are to densify and grow economically (whilst at the same time ensure housing need is met, air quality is improved, carbon is cut and road congestion is reduced) then only significant investment in expanded urban rail networks can facilitate this. The report sets out a five point vision for 21st Century rail cities based on:

- Higher density and more reliable rail services, with a greater market share of city centre commuting and more cross city routes.
- The use of new technologies, such as tram-trains, which are able to switch from rail lines onto streets when they reach cities centres.
- Rail networks which are integrated with wider public transport, and which support housing needs and local economic development.
- Stations which act as hubs for business, housing and community purposes.
- Interconnected rail networks which emulate those of comparative city regions in countries such as Germany.

Active travel

2.10. In our November 2016 report, 'The Case for Active Travel', we set out the fivefold economic benefits of investing in active travel highlighting cost savings to the health sector, the economic value of active travel trips, the economic benefits of an improved urban realm, the benefits to inclusive growth and direct employment benefits in related industries.

Buses

2.11. There is a particularly strong case for increasing revenue support for bus services given the very wide cross-sector benefits that accrue from public support for bus, meeting the stated priorities of many Government departments.

2.12. The bus is the main form of public transport. It gives people access to employment and opportunity and is a relatively low cost and rapid way to enhance transport provision, for example to serve new development areas.

2.13. Our March 2019 report 'The cross-sector benefits of backing the bus' demonstrates in detail the cross-sector benefits of supporting bus services, revealing that investing in bus services contributes to the policy goals of 12 out of 25 Ministerial Departments, covering 29 policy priorities in total.

2.14. Whilst showing the exception value for public money that supporting bus services provides the report also shows how complex and inefficient current funding arrangements are with three Government departments involved but with no effective overall coordination, or cumulative understanding, of the impacts on bus services of their respective decisions on relevant funding flows. The report also shows that all these funding flows have been in decline which has contributed to a continuing overall reductions in service levels and patronage which in turn undermines the ability of Departments across Whitehall to achieve their wider policy goals.

2.15. The report goes onto make the case for reform of bus funding through a new enhanced, simplified, ring-fenced and devolved 'connectivity fund' which could be more effectively and efficiently targeted to meet the very different needs of very different local markets.

3. The need for a stable and sustainable funding framework for urban transport

3.1. The need for higher levels of capital investment in urban transport systems (something which the National Infrastructure Commission has highlighted) makes it vital to have greater funding certainty and the ability to explore new potential funding streams.

3.2. Long-term funding certainty allows a considered approach to ranking and delivering priorities; it means that business and investors in city regions can plan ahead with more confidence; it allows expertise and capability in the planning and delivery of schemes to be built up and retained; and it reduces the inefficiencies inherent in oscillating between 'feast and famine' for contractors and suppliers.

3.3. The greater certainty that has been brought to rail and road spending through five year funding periods and investment programmes is welcome, as is the creation of the National Infrastructure Commission. However, funding for local transport capital spending has proved

less stable and more subject to year-on-year fluctuation, which is made worse where block grants (allocated by formula) have been replaced by competition funding.

3.4. The case for longer term and more stable funding settlements for local transport in cities is a key recommendation of the National Infrastructure Commission's National Infrastructure Assessment.

Revenue funding

3.5. Transport revenue funding was one of the main victims of the deficit cutting measures of recent years. Yet, this can be a highly effective form of public spending, which is also vital for the efficient and effective delivery of capital schemes large and small.

3.6. Revenue funding supports the services which make use of new capital transport infrastructure as well as sustaining key public transport - in particular bus services (see para 2.13)

3.7. Revenue funding also pays for the planners and staff that develop and implement capital projects. Our 2015 report 'Revenue v Capital mismatch' analyses the impact of revenue funding cuts on the capacity of Local Transport Authorities to deliver capital schemes.

3.8. A further area to highlight is that of travel behaviour change/smarter choices programmes, for example those aiming to deliver higher levels of walking and cycling or to support job-seekers into work. As a rule, these programmes depend entirely on revenue funding and have therefore been at the mercy of local government funding cuts. Yet, they can be highly effective and are often complementary to larger scale infrastructure schemes. Our 'Small but mighty' and 'Ticket to thrive' reports provide some concrete case studies of the impact which these types of intervention can have.

3.9. A further critical factor in relation to revenue funding is the rising cost of the national concessionary travel scheme. This is a statutory scheme mandated by national government, where the costs are driven by factors outside of local government's control (ridership and fares levels) but which local government has to fund. With overall revenue funding for local transport cut back, spending on this mandatory scheme squeezes out discretionary spending on retaining the skilled staff necessary to develop and implement capital schemes as well as spending on other key services such as socially necessary bus provision.

Competition funding and oversight

3.10. The proliferation of competition funding creates additional pressures on declining resource funding in terms of uncertainty around when such funding competitions will emerge, what they will cover, and whether or not a local authority's bid will be successful. Bidding for grant funding has a non-negligible cost and creates unpredictable peaks and troughs in workloads which are difficult to resource and plan for efficiently. We explore this in our 2020 report on 'The Local Transport Lottery – the costs and inefficiencies of excessive reliance on competition funding.'

3.11. The main findings of the report are that:

- The costs of competition funding are high in absolute terms (the costs of bidding for the Transforming Cities Fund is in the region of £1 million for some authorities).
- The costs of preparing a bid for a small scheme is disproportionately high when compared with the costs of preparing a bid for a large scheme (the cost of bidding for a £5 million project is typically three to five times less than bidding for a £100 million project, despite the reward of the latter being twenty times greater).
- Bidding for short-term projects is a major drain on limited available staffing which could be far better deployed as part of a longer term strategic approach to urban transport planning and delivery.

3.12. The report also found that:

- The unpredictability and short-term nature of excessive reliance on competition funding can distort priorities with sub-optimal projects being brought forward on the basis they meet competition criteria rather than that they would be the best scheme overall.
- The constant and unpredictable churn of competition funding disrupts and distracts from the task of developing and implementing longer term integrated planning and delivery and from building up a pipeline of schemes.
- The number of small competitive pots has increased dramatically over recent years, increasing the burden on local authorities for relatively small gains.
- The need to respond quickly to ad hoc competitions leads to higher consultancy spend which takes funding away from supporting, developing and maintaining the levels of in-house staff.

3.13. The way in which national government satisfies itself that local government transport spending is being carried out efficiently and effectively is inconsistent and can be overly prescriptive as well as subject to 'clawback' (i.e. asking for further reviews, options or approval centrally - even after approval for funding the project has already been given). This is wasteful in terms of duplicated resources as well as the costs associated with project delays.

3.14. A review of good practice on oversight might be helpful in moving towards new guidelines for Whitehall departments on appropriate, consistent and proportionate oversight which strikes the right balance between devolutionary principles and the need to ensure that public money is properly accounted for.

Responding to transformative change

3.15. Local transport authorities are also having to respond to new, complex and far reaching challenges which include:

- Improving air quality through the rapid introduction of packages of measures which are both effective and publicly acceptable.
- Reducing carbon emissions from urban transport systems as well as improving their resilience to more extreme weather events.
- Responding to the opportunities that arise from technological change which includes making the best use of the exponential growth in data; preparing the road network for connected and autonomous vehicles; facilitating greater electrification of road vehicles; and moving forward on Mobility as a Service. There are also challenges in responding to

waves of new business models which capitalise on wider social and technological change such as the recent explosion in PHV use, dockless bike schemes and now potentially of electric scooters and personal mobility devices.

3.16. All of these challenges have implications for staffing, hiring in expertise and resources.

Income generation

3.17. Local Transport Authorities have some powers in areas like road user charging and parking, however there are other potential new funding streams that could be better realised depending on local circumstances and aspirations - including in relation to land value capture and work place parking levies. We further explore some of the issues around this in our 2019 report on 'The Place to Be: How Transit Orientated Development can support good growth in the city regions' which looks at the key role that local transport investment can play in opening up sites which will help meet the UK's significant housing need.

Maintaining the momentum on devolution

3.18. Decisions on urban transport networks are best made at the appropriate tier of devolved governance so synergies can be realised between decisions on transport and those on decarbonisation, housing, local economic development, public health and so on. Progress has been made in recent years with new powers on buses and a degree of devolution of powers over local rail services as well as the creation of new and more focussed formats for city region governance. However it is important that momentum is maintained, in particular in relation to extending and deepening the benefits of devolution of powers over urban and regional rail services to more people and more places, on full implementation of the 2004 Traffic Management Act in relation to the de-criminalisation of moving traffic offences, and on the shared prosperity fund.

Maintaining existing transport assets

3.19. Alongside the need for new infrastructure there is also a need to ensure that existing infrastructure is properly maintained. Dealing with the backlog of road maintenance is one example of this but there is also a need for a rolling programme of renewal of existing mass transit systems in urban areas. This needs to be factored in to both revenue and capital settlements on local transport. Ensuring existing urban transport assets are well maintained (and periodically renewed) ensures they are safe and reliable, reduces running costs and supports good jobs and a healthy UK supply chain. It is also worth bearing in mind that as transport infrastructure, vehicles, control systems and so on become more technologically sophisticated the costs of maintaining and renewing these assets can also increase.

Making the connections between health and transport

3.20. We believe there are opportunities to ensure that this funding also delivers wider benefits through greater coordination of the policies of the NHS with the goals of urban transport authorities to reduce congestion, improve public health, reduce road danger and accidents, improve air quality, realise efficiencies and cut carbon emissions.

3.21. It is important to recognise that the functioning of the NHS as an organisation has a huge impact on how people travel, and not always for the better. Some five percent of daily road

traffic is related to health and social care activity (the equivalent of driving around the equator over 1,000 times a day). Something that contributes to the NHS being the largest public sector contributor to climate change in Europe, with all the poor health impacts this entails. Indeed, using the Sustainable Development Unit's Health Outcomes Travel Tool, the Royal College of Physicians quantified the impact of NHS-related traffic as being associated with:

- 753 deaths from air pollution.
- 8,844 life years lost from air pollution.
- 85 deaths and 772 major injuries from accidents.
- £650 million NHS expenditure.

3.22. These measures could include:

- An independently chaired government review to examine the efficiency and effectiveness of non-emergency patient transport (NEPT) services and potential reforms.
- Requiring the NHS to consult with transport authorities when making decisions on healthcare locations. The DfT and DHSC should co-commission good practice guidance on ensuring sustainable transport access to healthcare to support this.
- A study into the scale of road traffic associated with the health and social care sector and the implications for air quality, carbon, road congestion and safety, and how this could be tackled.