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Portrait photography:
Simon Battensby

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Curing the UK's infrastructure malaise

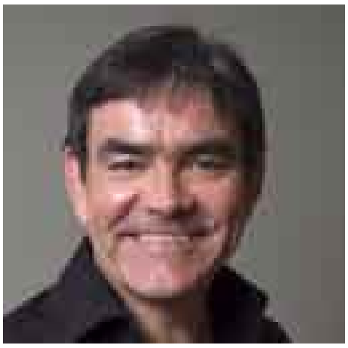
The UK suffers from some of the most congested and problematic infrastructure in the developed world. We have the most congested roads, rail and airports in Europe, while much of our energy-generating capacity is in need of urgent replacement. In the case of digital communications the need for investment in high speed broadband is vital to businesses in all areas of the country. This not only impacts negatively on our economy but also brings with it a significant environmental cost.

While demand for transport has spiralled we have failed to respond by supplying sufficient infrastructure. Surprisingly, the current recession has done little to dampen the growth in demand for transport – this is particularly true of rail. As a proportion of GDP net public investment declined from 8% in the 1970s to less than 1.5% in the late 1990s. While this has increased to around 2% it is still less than half the rate for France and the US. It's not surprising that the UK was ranked 33rd in the world for its overall quality of infrastructure.

It was against this background that the British Chambers of Commerce last year set up its Business Infrastructure Commission, which I chaired. This week the commission of experts and business leaders delivered its report on the causes of the UK's infrastructure malaise – and more importantly, what minsters can do to put it right.

First and foremost, the Government must continue to make policy decisions in the interests of the UK's long-term economic needs, not just short-term political considerations. In recent months, the Government has faced hard choices on rail fares to fund long term investment in our railways and now face a challenges on nuclear power. It must continue to put long-term economic interests at the forefront of its decisions.

Historically, the UK has always turned off the investment tap



> **'The determination of Philip Hammond to push ahead with high speed rail exemplifies everything the Commission is calling for'**

when we enter recession and public finances are tight. Transport investment is particularly susceptible to fluctuations in the economic cycle. When we turn investment spending back on we run into skill shortages, as infrastructure providers have lost their most qualified managers and technicians.

Even in the current climate with unemployment high, a third of companies are struggling to fill vacancies in the workforce, primarily due to a shortage of applicants with the required skills. We strongly recommend in our report not only maintaining investment levels, but also the establishment of a national infrastructure skills strategy and simplification of the bureaucracy surrounding apprenticeship schemes.

While our report recommends increasing investment in infrastructure, and sustaining this over the long-term, it also recognises that we have to be much more efficient at procuring, planning and building new infrastructure. The UK's track record is not good. It has been estimated that we could save between £2bn and £3bn annually through more efficient infrastructure procurement.

The UK planning system is consistently branded by business as a key barrier to investment and growth – a view strongly voiced by commissioners who felt our planning system was unpredictable, slow and inefficient, even for critical national projects.

The Government is rightly focused on the deficit but in doing so it must not neglect the UK's long-term economic interests. Infrastructure investment is crucial for economic growth, and with unemployment high and costs constrained during this time of economic austerity, this is the perfect time to turn on the investment tap.

The determination of Transport Secretary Philip Hammond to push ahead with high speed rail connecting London with the North exemplifies everything the Business Infrastructure Commission is calling for. The UK's long-term economic interest is being put before local opposition and investment is being sustained through the economic cycle.

This is a welcome deviation from our track record of the 20th century when we would have failed to increase rail capacity to cope with rising demand, and instead priced the excess demand off the trains on to other less environmentally-friendly modes of transport.

History also tells us that all too often the national interest has been put on hold as a concession to local opposition. If high speed rail is given the go-ahead this will signify that at long last we are putting the national interest before local interests, that investment is being prioritised over consumption and that there is a long term strategy to cope with spiralling demand for our rail system.

David Begg

Professor David Begg is publisher of Transport Times and chairman of the Business Infrastructure Commission

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Infrastructure planning 'must be beyond politics', says commission

Long-term infrastructure planning, reform of procurement and planning processes, a strategy to attract more private finance and a new focus on skills are all areas that must be urgently addressed to improve the provision of infrastructure in the UK.

Those are the key recommendations of the British Chambers of Commerce Business Infrastructure Commission, whose report was published this week.

The commission of 17 business leaders and experts, chaired by *Transport Times* publisher Prof David Begg, was created by the BCC last year to ensure that "business views on infrastructure funding, long-term planning, and national priorities continue to be heard at the highest levels of government".

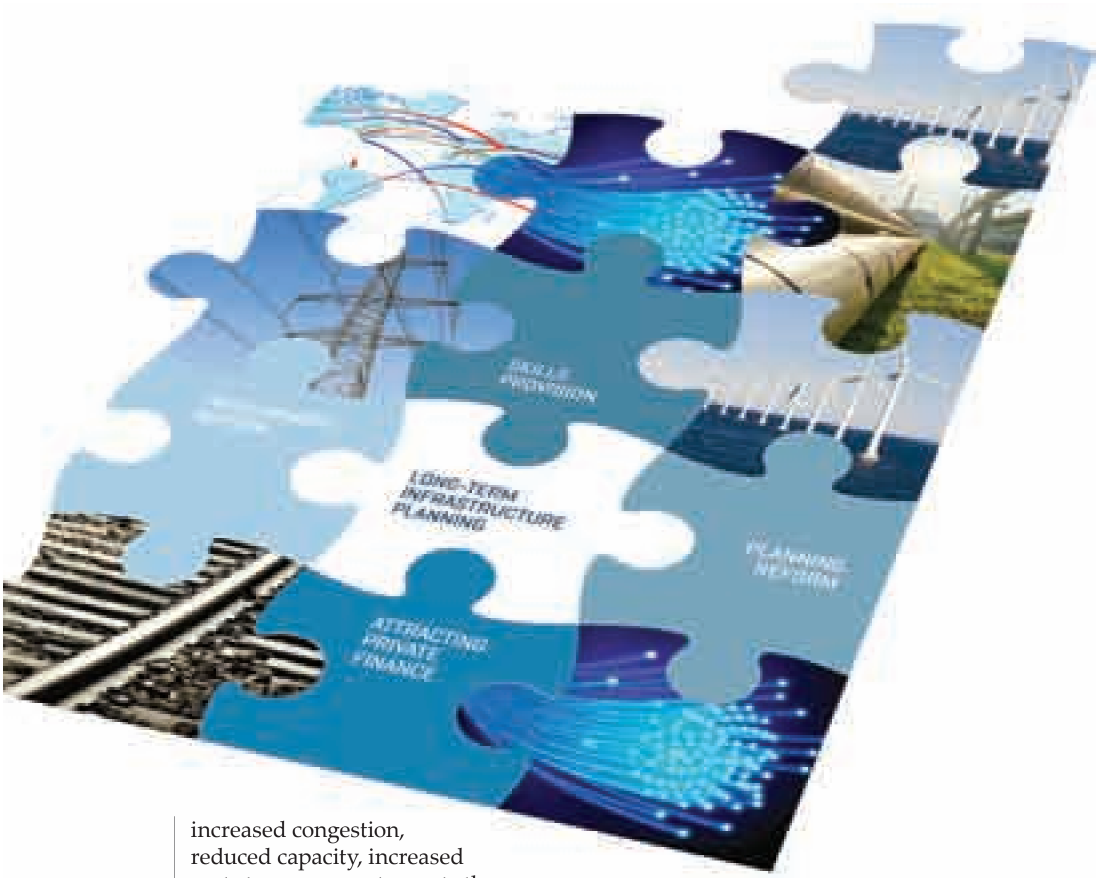
The report looks at the reasons behind the UK's haphazard record in providing infrastructure. Its recommendations centre on increasing stability and predictability in infrastructure provision, thereby increasing private sector confidence and willingness to invest, potentially benefiting the UK economy. Included in its definition of "infrastructure which supports other economic activity" are roads, railways and airports; electricity networks and generating plants; oil and gas pipelines and storage terminals; and telecommunications networks.

"Historically Britain has under-invested in its public infrastructure relative to other European countries," says the commission's report. Net public investment declined from 8% of GDP in the 1970s to less than 1.5% in the late 1990s, the report says.

The UK has a tendency to patch up existing assets rather than systematically undertake upgrades and renewal programmes. This approach leads to asset and operational failures and makes the work more costly when it is done.

Quoting a recent report from Policy Exchange, the commission notes that taking account of proposed major capital projects and historic underinvestment, the UK's shortfall in infrastructure investment will be £434bn by 2020.

Under-investment leads to increased congestion, reduced capacity, increased costs to users, greater costs than would be the case if maintenance spending had been higher, and constrained GDP growth.



Long-term planning

Infrastructure spending in the UK is "haphazard", the result of an unconnected approach of government departments to infrastructure planning and provision, with "fragmentation of lack of coordination at the centre of the civil service", the commission concludes.

Constant reorganisation of Whitehall departments "distract civil servants from the task in hand". Since 1997, 17 departments have been created, reorganised or abolished, with responsibility for transport, energy and broadband moving between or being merged with several different ministries. This has made "a joined-up approach to infrastructure almost impossible", the commission says. Moreover, policy has been dictated by political rather than business needs.

"Private companies often cite stability as a key requirement in deciding where they will invest their money. The continued and creeping politicisation of infrastructure, and its resulting instability, is considered by commissioners to be a key barrier to plugging the £400bn infrastructure investment gap," the commission says, adding: "Without consistent government backing for a major project, it is impossible for any company to build a business case."

To address this the commission calls for a 10 to 40-year National Infrastructure Plan and a wider, more independent role for Infrastructure UK which would also have responsibility for seeing the plan through to completion.

The commission welcomes the government's initial National Infrastructure Plan but says it does not go far enough in specifying what infrastructure is actually needed. The plan must go beyond the 4-5 year political cycle, be developed in conjunction with industry and business experts and have cross-party support. "It is vital that the next iteration of the plan sets out clear and robust long-term priorities," the report

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> **'Without consistent government backing for a major project, it is impossible for any company to build a business case'**

from page 5

says.

Infrastructure UK should be put on a statutory footing as an expert body independent of government, and with a clear economic growth remit. It should be given responsibility for developing the infrastructure plan, with stronger representation from business and industry, without political interference. The plan should then be agreed by Parliament, with Infrastructure UK given responsibility for monitoring the plan and holding the Government to account.

Infrastructure UK should also be given the task of attracting new sources of private sector investment.

Procurement reform

Executing the projects in the national infrastructure plan will be hampered by an over-complex procurement process, says the commission.

"Commissioners identified the tendency of the UK to over-specify projects by applying onerous and unnecessary standards or conditions on potential contractors," it says. This inhibits innovation by the private sector. "Often a government specification will require entirely new bespoke proposals unique to the UK even when perfectly suitable off-the shelf solutions are available." This adds to cost and increases risk.

The underlying problem is the culture and capacity of the public sector: "the public procurement process does not have the right skills or capabilities to handle large infrastructure contracts." And there is "a continuing desire to achieve the lowest cost at the expense of quality or whole life-cycle costs."

The commission calls for a review, led by the cabinet secretary but calling on a team "of high quality senior experts" in project and programme management, to "strengthen the quality and procurement capability of departments dealing with infrastructure". This should be reported back to the prime minister, who should present it to Parliament.

Projects specifically identified in the national infrastructure plan should be dealt with by a dedicated procurement team working in collaboration with relevant departments under the management of Infrastructure UK.

The Treasury Green Book, which lays down broad principles for the appraisal and evaluation of public spending, should be amended to advise procuring bodies to develop proposals "with clear parameters and minimum standards" but minimising specification which goes beyond this or "constrains the creativity of tendered solutions".

Planning reform

Regarding the planning system, this "is consistently ranked by business as a key barrier to investment and is cited as a major barrier to growth", says the report.

"Without clear direction from the Government the planning system at project level becomes highly speculative. Without a clear and easily understood planning system with demonstrable time limits, investors will simply spend their money elsewhere."

Only three years after the reforms of the 2008 Planning Act, the Localism Bill is seeking to make further changes. There is concern that localism "could have the adverse consequence of slowing down decision-making for major infrastructure".

The abolition of the Infrastructure Planning Commission was "a blow to business" though it is encouraging that the fast-track process the IPC was supposed to provide has to a large extent been retained by the new Major Infrastructure Planning Unit.

Welcoming national policy statements for nationally significant infrastructure, the commission calls for these to be linked to the national infrastructure plan, while the proposed National Planning Policy Framework must complement the plan and statements.

The decision to return final decision-making powers to ministers must not allow the process to be affected "by political whim", says the commission: "It is important that the Government creates a framework where political decision-making is not an impediment to progress." National policy statements should be ratified by Parliament and should form the basis of recommendations by the MIPU. Where a minister makes the final decision on a major project, the time to make a decision should be limited to three months. The commission also recommends that ministerial decisions that go against any recommendation of the MIPU should be subject to Parliamentary scrutiny.

Attracting private finance

The National Infrastructure Plan in 2010 identified £200bn of spending over the next five years. Mechanisms to mobilise larger amounts of private finance for infrastructure must be identified to plug any funding gap.

The commission recommends that the regulated asset base model, used in utilities and Network Rail, should be extended.

The regulated asset base allows investors a fixed rate of return on their investment, offering "long-term custody of infrastructure investment via a system at arm's length from the Government, and offering attractive returns to private investors and consumers because prices are regulated", the commission says.

Although the model has generally been applied to existing infrastructure networks, with staged milestone payments it may be possible to adapt it to new-build projects such as an extension to an existing network.

The pensions and insurance industry should also be enabled to increase levels of investment in infrastructure.

Skills

The lack of certainty and of a long-term infrastructure plan has led to a lack of investment in skills. Crossrail will require 14,000 people, with the London Underground upgrade programme continuing at the same time and competing for the same skills, while companies are already reporting skill shortages. The number of graduates and apprenticeships in infrastructure-related skills is falling.

"A long-term predictable flow of projects set out in a national plan is essential for companies to have the confidence to invest in training," the commission says.

It adds: "The UK lacks many of the skills, and certainly the numbers, of qualified individuals required to design, construct and operate major infrastructure."

It calls on the Government to extend the remit of Infrastructure UK to develop a strategy to address the long-term skills needs of the country. The commission says this is an area where business could show leadership, with support from agencies such as the Learning and Skills Council.

It calls for the merger or consolidation of the infrastructure skills bodes and sector skills councils into a single body to "enable effective engagement with infrastructure businesses, employers and education and training providers". This single body "would provide business with a credible authority with which it could engage to outline its future skills needs."

The new body would have the task of identifying potential skill gaps across infrastructure and informing education and training providers and professional bodies.

"A strong and enduring partnership between the business world and education is critically important if the UK is to ensure that it can provide the infrastructure skills it will need in the future and maintain its global competitiveness," says the commission. Bureaucracy around apprenticeship schemes should be simplified to make it easier and more cost-effective for employers to take on apprentices.

Members of the Business Infrastructure Commission

- **David Frost, director-general, British Chambers of Commerce**
- **Professor David Begg, chair of the Business Infrastructure Commission**
- **Stephen Burgin, Alstom UK country president**
- **Kathryn Oakley, director of public policy and affairs, Openreach**
- **Nigel Foster, director, ARUP**
- **Stuart Walton, director, Conspicuous CBM Ltd**
- **Kanat Emiroglu, managing director, British Gas Business**
- **Andrew Barron, chief operating officer, Virgin Media**
- **Duncan Bonfield, director of external communications, Network Rail**
- **Simon Wells, head of planning and environmental law, RWE nPower**
- **Simon Godfrey-Arnold, director of transformation, Mouchel**
- **Andy Godfrey, public policy manager, Boots**
- **Tony Collins, chief executive, Virgin Rail**
- **Mike Forster, director, Forster Associates**
- **Richard Abel, managing director, Macquarie Infrastructure and Real Assets**
- **Martyn Pellew, formally group development director, PD Ports**
- **Ian Frost, policy manager, Heathrow Airport**

Rail set to overtake air on domestic routes


Rail has a market share of 79% between London and Manchester

Catching the train could soon be more popular than going by air on the main routes between the UK's big cities if current trends continue, new figures suggest.

According to the latest industry figures, rail's market share on the 10 most popular domestic air routes in 2010 grew to 44%, up from 29% in 2006.

Hailing the figures as a "turning point" the Association of Train Operators said that if the trend of recent years continues, rail's market share on these routes combined could rise to over 50% within the next 12 months.

The findings, published by ATOC, and based on a comparison of rail industry figures with data published by the Civil Aviation Authority, confirm a long-term change in the nation's travel patterns.

Rail has the largest market share on the London to Newcastle and London to Manchester routes and rail's overall market share on many of the remaining routes has increased significantly over the same period.

Between 2006 and 2010, total journeys by rail on these routes rose by 42%, increasing by 2m to just over 7m journeys. Over the same period, the total number of domestic air journeys on the same routes fell by 27%, or 3.25m, to around 9m in 2010. Over the last two years, there has been a surge in rail travel, with train journeys rising by 25%.

ATOC said tough financial times, the increasing availability of cheap advance fares and the fact that train travel is often seen as a greener option than flying have all prompted the shift.

Meanwhile, launching a consultation over a new, sustainable UK aviation policy, transport secretary Philip Hammond said Britain's aviation industry should be able to grow and prosper – but not at any price.

Following the decision not to support new runways at Heathrow, Gatwick and Stansted, the Government is seeking views on the shape its future aviation policy should take and the issues it needs to address. The central theme will be how aviation can support economic growth while addressing its environmental impacts such as carbon emissions as well as local noise and air quality issues.

Mr Hammond said: "Aviation is a crucial part of this country's transport infrastructure. It should be able to grow, prosper and support wider economic growth. But we are not prepared to support this growth at any price. The environmental impacts of flying – both local and global – must be addressed."

Admitting the Government "does not have all the answers" he invited views on a scoping document setting out the principles and challenges of a greener aviation policy.

The Government's objective is to develop a long-term framework for aviation which sets out the aims for aviation and the parameters within which they can be achieved; takes account of the positive and negative impacts of aviation and achieves a sustainable balance between them; and provides industry with the clarity it needs to invest in the UK over the long term. Consultation runs until September; a draft aviation policy will be published for consultation in March next year.

Review to consider reform of Highways Agency

An independent review of operation and maintenance of the strategic road network will start after Easter following publication of its terms of reference last week by transport secretary Philip Hammond.

The review – to be led by Alan Cook, non-executive chairman of the Highways Agency board – is one of a series of measures announced by the Department for Transport as part of the spending review settlement to ensure that the Highways Agency is structured in the most efficient way.

The review team will consider whether England's network of motorways and major A-roads could be more effectively operated, maintained and enhanced. The team will draw on expertise from across various sectors and organisations to provide guidance and feedback from outside the Government.

The review will formally get under way after Easter and Mr Cook will report his findings in October.

Mr Hammond said: "The strategic road network is crucial to keeping people, goods and services moving and it is vital that we consider whether we could improve how it is operated, managed and enhanced. The Highways Agency has already agreed to meet some very tough targets for efficiency improvements as part of the spending review settlement. The independent review will build on this by advising whether broader reform can generate better value for money."

The review will not consider the composition of the strategic road network itself. Nor will it consider introducing national road pricing, the DfT said.

Budget finds an extra £200m for rail projects

The fair fuel stabiliser will affect prices by at most 5p/litre over five years

A fuel duty stabiliser, an extra £200m for rail projects, simplification of planning rules and the return of the enterprise zone were among measures announced in chancellor George Osborne's Budget last month.

Most significant for transport was the unexpected new funding for rail, allowing an early start to the Ordsall Chord, linking Manchester Piccadilly and Victoria stations and a key part of the Northern Hub programme. The £85m chord is expected to be completed by 2016. Also funded is the long-sought redoubling of the Cotswold line between Swindon and Kemble.

Another £100m of new funds was allocated to local authorities for pothole repair following the severe winter.

Motorists welcomed a 1p/litre reduction in fuel duty. And the widely anticipated fuel duty stabiliser, at one time put in doubt as too problematic by the Treasury, appeared. The fuel duty escalator, which increased duty by the rate of inflation plus a penny every year, was abolished. In its place came the fair fuel stabiliser, under which duty will rise in line with inflation when oil prices are above a trigger level, planned to be $75/barrel. In years when the price of crude oil falls below this level the escalator will be reinstated.

However an economic briefing produced by consultant Steer Davies Gleave says that though the stabiliser will slow down increases if oil prices remain at current level or higher, "most of the increases in fuel prices witnessed in recent years is due to the link between duty and inflation rather than the escalator. Over the course of five years the stabiliser will make a difference of no more than 5p/litre, and much less if crude oil prices come down from current highs."

The stabiliser will be paid for by an additional supplementary charge on the profits of UK oil and gas producers, increasing the tax on their profits to 32%. The tax will remain at this level unless the oil price falls back below the trigger level.

A number of measures were aimed at removing delays in the planning process, estimated by the Treasury to cost the UK economy around £3bn annually.

The Government committed itself to guarantee a fast-track process for major infrastructure applications through the Major Infrastructure Planning system; imposing expectations on local planning authorities to prioritise developments promising growth and jobs; introducing a presumption in favour of developments unless they break "sustainable development principles"; and removing targets for the use of brownfield land.

In addition there were a number of measures to streamline the planning application process and remove bureaucracy, with a guarantee that all applications will be dealt with within a year. A new auction model aimed at capturing a greater share of the increase in land value created by granting of planning permission will be piloted.

The role of local enterprise partnerships was clarified. Responsibilities are expected to include providing a voice for business in the planning system; leading the production of plans that identify strategic economic priorities and guide infrastructure provision; providing a strong business voice to facilitate key infrastructure investment; and aiding decision-making on complex applications.

Enterprise zones, introduced in the 1980s with relaxed planning laws to stimulate development of areas such as London Docklands, will be reintroduced to encourage investment across the UK in LEP areas. There will be 21 in all. In the zones all business rate growth for at least 25 years will be shared by the local authorities of the LEPs. The Government will also consider promoting the use of tax increment financing in the zones.

There will be a 100% business rate discount up to £275,000 over five years for firms moving into an enterprise zone during this parliament. Planning approaches will be simplified and superfast broadband will be introduced throughout the zones.

The first 11 zones will be in England's main conurbations, including one in London. The remaining 10 will be competed for, with a decision in summer.

Steer Davies Gleave's briefing says that similar schemes in the past were criticised for poor economic impacts. The estimate of the cost per job created by the old EZs has been estimated at around £26,000.

Critics also argue that the zones "can simply result in a shirt of economic activity from one location to another" rather than creating genuinely new opportunities.

SDG adds: "In the rush to provide a boost to developers and streamline the planning process, there could be problems providing adequate finance for investment in infrastructure where government policy reduces the ability of local authorities to raise funds through section 106 agreements."

Towards a fairer fuel price, p17

HS2 will mean better services on existing rail, says Hammond

Many towns and cities cold benefit from a huge rise in direct trains to London once a new high speed rail network is built, said transport secretary Philip Hammond.

With intercity services transferring to a new high sped line, significant extra space would become available on the existing network, meaning towns such as Milton Keynes, Northampton and Rugby could become much better connected to London.

The transport secretary has in the past few weeks been spelling out the benefits of high speed rail for different parts of the country. The DfT and High Speed 2 Ltd have established that an extra 11 services could be run on the West Coast main line every hour once the first phase of HS2 is built from London and the West Midlands. Completion of the second phase to Manchester and Leeds could bring similar improvements for commuter locations on the East Coast main line such as Luton, Bedford and Stevenage.

For the East Midlands, being positioned at the heart of the network would bring much quicker journeys to London, Birmingham and Yorkshire, he said.

Mr Hammond announced that an industry-led group headed by Passenger Focus and Network Rail would be established to investigate how best to use the extra capacity.

He said: "Our proposed new high speed rail network would free a huge amount of space on the current railways for more trains to operate. Building a whole new line would create scope for people who live on the current lines to have more frequent services that are less crowded – I would also hope that this additional competition could mean cheaper fares as well."

"By bringing in the expertise of Passenger Focus and Network Rail at this early stage in the process, we can ensure that best possible use would be made of this new capacity," he added.

Political and business leaders from the Midlands and the North have thrown their weight behind the high speed rail plans. In Yorkshire 90 leading figures including academics as well as 21 MPs and 14 council leaders signed a letter urging ministers not to be "blown off course" by protesters opposed to the scheme cutting through the Chilterns.

Gary Williamson, chief executive of Leeds, York and North Yorkshire chamber of commerce, said: "High-speed rail is a vital part of the long-term vision for the UK economy and it is important that Yorkshire's commitment and support for the line is strongly maintained. The protests of the few are jeopardising prosperity for the many and the propagation by some rural communities that the business case for HS2 is flawed is incorrect."

Meanwhile the Rail Freight Group said a shift in freight transport from road to rail, with a five to sixfold increase in the amount carried by rail, is needed to contribute towards emission reduction targets and warned that some of the capacity freed by HS2 must be reserved to allow a significant change in the balance between passenger and freight traffic on the railway.

The Government's proposed Y-shaped route from London to the West Midlands with onward legs to Manchester and Leeds is estimated to cost £32bn. Consultation on the high speed rail proposals runs until 29 July.

Jim Steer, page 10;
Tony Berkeley, page 24.

Nottingham tram operator loses out as extension gets green light

Construction of phase two of Nottingham's tram network could begin later this year after a rapid series of developments in which ministers gave the project the go-ahead and Nottingham City Council announced its preferred bidder for the contract.

Nottingham City Council named Tramlink Nottingham as preferred bidder to build two new lines and operate the expanded network. The consortium, which includes local bus company Trent Barton, French transport operator Keolis, tram builder Alstom and construction firm Vinci, was favoured over rival Arrow Connect. The city's contract with the current operator, Arrow Light Rail, will be terminated. Arrow Light Rail includes Nottingham City Transport, 82% owned by the city council, and Transdev.

Earlier, transport minister Norman Baker gave the project the green light after savings were identified.

The savings in the extensions to Chilwell and Clifton comprising NET phase two were identified in negotiations between the city council and the two consortia without alteration to the scope of the project.

Subject to final negotiations and the contract being awarded in late summer 2011, construction could start by the end of the year. Passenger services could be fully operational by the end of 2014.

Norman Baker said: "Following the spending review last year, we challenged Nottingham City Council to look again at the cost of the Nottingham light rail extension, to ensure we get maximum value for every pound we spend. The department has been working with the local authority involved to ensure this project is affordable. I am delighted that the council has risen to the challenge."

NET phase two comprises two new tram lines to Chilwell and Clifton connecting with the existing line one at the redeveloped hub interchange at Nottingham railway station. The extensions will serve locations such as Queen's Medical Centre, Nottingham University and Nottingham Science Park. 20 of the 30 largest employers in Greater Nottingham will be within 800m of a stop.

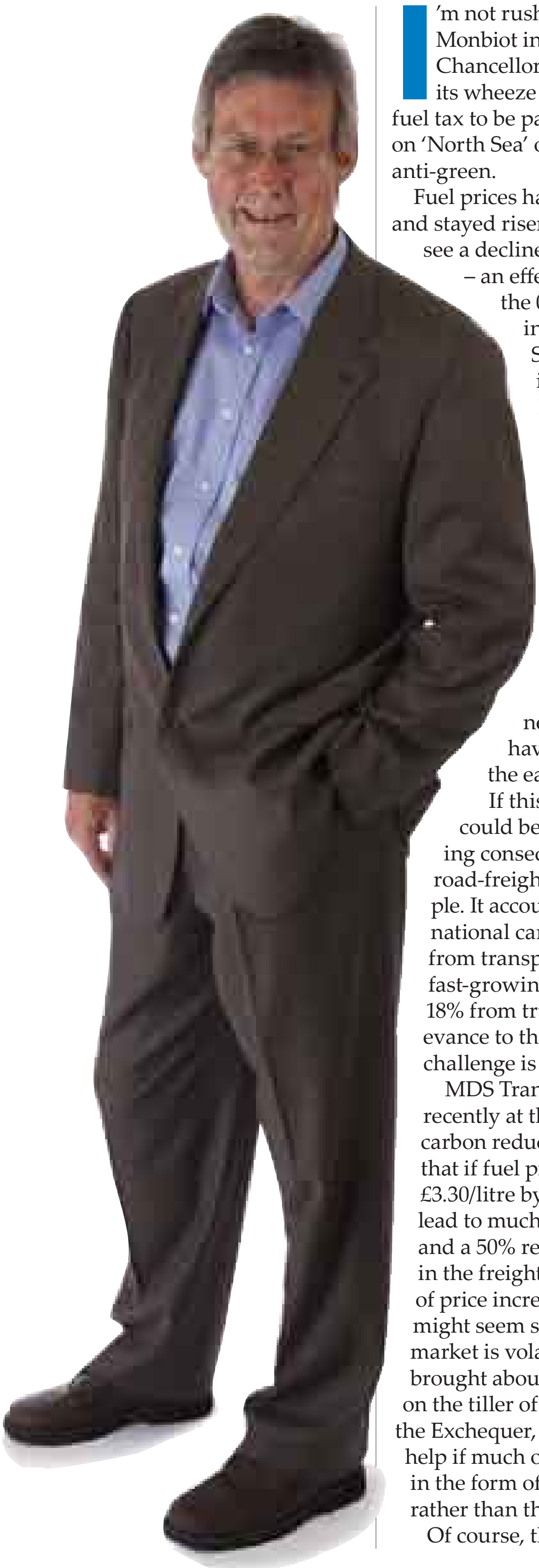

New extensions will run to Clifton and Chilwell

Three other PFI projects – highway maintenance improvements in Sheffield, Hounslow and the Isle of Wight – also gained the green light to continue to the next stage of the approval process after savings were identified.

At the same time Mr Baker also announced a £150,000 grant to South Yorkshire Passenger Transport Executive for further development work on a pilot tram-train service. Tram-trains could potentially run on the existing rail freight route from Rotherham before joining the Sheffield Supertram network at Meadowhall South.

Expand rail freight for huge carbon savings

High speed rail will free enough capacity on existing lines to allow a massive shift of freight from road – with a dramatic contribution to emission reduction targets



I'm not rushing to join George Monbiot in condemning the Chancellor's budget, with its wheeze of a penny off fuel tax to be paid for by a levy on 'North Sea' oil companies, as anti-green.

Fuel prices have risen sharply and stayed risen. Already, we can see a decline in traffic volumes – an effect magnified by the 0.8% drop in real incomes in 2010.

Short term smoothing is fine: it's what happens over the long term that really matters. What we have right now for the first time is the prospect of a sustained and significant increase in real fuel prices and lower incomes, neither of which have happened since the early eighties.

If this continues, there could be some interesting consequences. Take the road-freight sector, for example. It accounts for 30% of our national carbon emissions from transport (12% from the fast-growing light van sector, 18% from trucks), so its relevance to the global warming challenge is not in doubt.

MDS Transmodal looked recently at the question of carbon reduction and showed that if fuel prices reached £3.30/litre by 2030, this would lead to much less road freight and a 50% reduction in carbon in the freight sector. This level of price increase from today might seem steep, but the fuel market is volatile; or it might be brought about by a steady hand on the tiller of tax treatment. For the Exchequer, it would of course help if much of the increase was in the form of tax increases, rather than the price of crude.

Of course, that wouldn't stop the usual suspects whingeing at any attempt to restore price levels by additional tax rates when fuel prices soften. But since we have binding carbon reduction targets, the amount of road freight is going to have to come down somehow: electric lorries are not on offer. Wouldn't it be good if the way it was achieved allowed other taxes to be reduced?

A 50% reduction in the road freight sector would lead to a five or six-fold increase in rail freight. As the Rail Freight Group points out, this means some important policy shifts, especially around planning policy on freight terminal provision and the availability of electrified railway capacity. The Government should feel reassured: its position on high-speed

> **We can and should aim to switch 80% of the freight that travels over 150km to rail if we want the 50% carbon reduction prize**

rail is probably the only way to create affordable freight capacity on the scale and timescale needed, and its adoption of rail electrification is helpful too. Less happily, the liberalisation of planning and the continuing absence of a National Policy Statement for transport don't look so helpful.

In practice, new freight terminals (at least in the South East) attract a lot of local resistance. Joe Normal doesn't see the connection between the need to reduce carbon and get goods to the local supermarket in an efficient way, and the provision of modern rail/road freight terminals.

So just as has happened with other unpopular entities, the most deliverable policy is going to be not brand new terminals, but expansion of existing facilities. Existing railfreight terminals in the South East must be retained. There is always the risk that their owners will sell out for new housing development or similar; if ever there was a field where transport and land use planning policy should be joined up, it is here.

The existence of freight terminals served by today's rail network is one of several reasons why it makes sense to take passenger services off existing main lines and operate them over dedicated new lines, rather than to divert freight services.

To make the latter idea work, there would be a need for new freight would be terminals too, and these meet huge resistance – as was the case, for instance, with the proposed facility at Denham (Bucks) when Andrew Gritten and colleagues were proposing a brand new freight railway to connect Liverpool with Lille.

We can and should aim to switch to rail 80% of the freight that travels over 150km in the UK if we want the 50% carbon reduction prize: the 11m tonnes of carbon saved represent 14% of the overall national saving required by 2050.

Delivering this part of the carbon reduction target lies within Government's gift. Joining up the policy dots is often difficult, but in this case, just two things are needed.

First, the plan for high-speed rail must embrace the wider benefits from re-use of released capacity for more rail-freight (HS2, of course, parallels the most important freight route in the country).

Second, national policy on transport, carbon and energy needs to be spelt out firmly in appropriate national policy statements. Otherwise that appealing – if worrisome – concept of localism will stymie the development of an effective network of railfreight terminals.

Tony Berkeley, page 24

Jim Steer is a director of Steer Davies Gleave and was responsible for strategic planning at the erstwhile Strategic Rail Authority.

Budget brings a little cheer and big challenges

Chancellor George Osborne introduced far-reaching measures that could have a profound effect on local planning and transport – as well as some welcome extra funding

Below the surface of media attention, last month's Budget quietly introduced a number of new measures that could bring about significant changes in local government and the transport sector.

A range of new initiatives from enterprise zones to tax increment financing, changes to planning processes and community land auctions will give rise to a frenzy of activity in council chambers over the coming months. At the same time a trickle of extra funding for local authorities will help relieve some of the immediate pressures posed by the key transport cutbacks.

The concept of enterprise zones (around 21 are planned) is not new so it is important to learn the lessons from the past. There is evidence to show that when they were first introduced in the 1980s some 80% of the jobs "created" were displaced from elsewhere and genuinely new ones came at a cost of £23,000 each. Moreover, the zones presented serious questions over their sustainability and lasting effect on economic prosperity.

The proposed simplified planning rules coupled with tax incentives will be welcomed by many, but unless adequate transport infrastructure and services are in place from the outset the effectiveness of the zones will be limited. How transport links are to be funded remains to be seen, but there will be increased pressure on local authorities to provide improved infrastructure at a time when budgets are being slashed.

Local Enterprise Partnerships are expected to be at the forefront of their development, with the carrot of retention of business rates for a period of 25 years. If the establishment process for LEPs is anything to go by it will interesting to see how priorities will be determined and just how much funding will be allocated to help provide the associated transport network improvements. Paradoxically, the impact of the new zones on established business communities could, in turn, demand yet more infrastructure to help them compete with their new neighbours.

A major review of local government financing was launched just before the Budget. This is expected to look at the practicalities of introducing tax increment financing to help release councils from their dependency on central government funding. Under this arrangement authorities will be given incentives to borrow money to finance new infrastructure that will help generate increased tax revenue. This would certainly assist contractors and consultants, but the extent to which local government will wish to take on even more debt is questionable.

> **Bizarre decisions could ensue should community land auctions be seen as a cash-raising exercise only**

The Budget also announced a desire to speed up the planning process and make it cheaper and easier to deal with. Major infrastructure planning applications would be determined within 12 months of an inquiry under the new proposals. However, it would be a mistake to underestimate the power of local communities to make their voices heard, when they are simultaneously being told they will have more say over what happens in their local communities via the Big Society.

In addition to this is a "presumption in favour of yes" for sustainable development applications. Engaging with communities on such matters has always been bread and butter for councils; it would not be surprising to see the additional burden passed to local authorities just when they are losing, through the cuts, experienced staff of the kind needed. And the Government still reserves the right to intervene when economically significant infrastructure projects are involved – tell that to the local authorities planning to spend a small fortune on fighting major projects that their local communities don't want. Things could get messy if this is not thought through.

On top of all this we have we have the new idea of community land auctions, whereby local authorities can buy land from private owners, allocate it for development, auction it off and keep the profit.

This is a fine idea provided the development is in the right place at the right time. If used correctly it would be possible to ensure that the right infrastructure is provided and that funding is available up front to build it. However, bizarre decisions could ensue should the mechanism be seen purely as a cash-raising exercise, and, given that the money raised would not be ring-fenced, there is the risk that some councils would use it for other purposes.

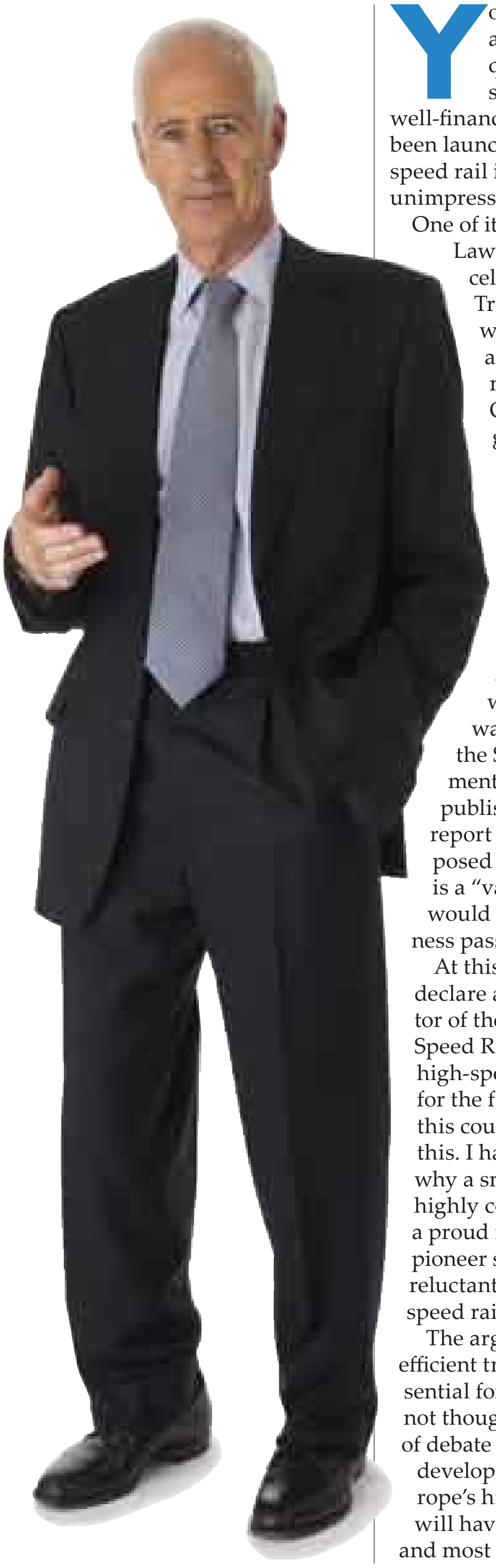
These measures will have a dramatic long term impact. More immediately, the announcement of £10m to support community transport and the doubling of the additional pothole fund to £200m are to be welcomed. The way in which the DfT has administered the allocation of the pothole fund is to be commended: it has avoided the usual time-consuming and wasteful bidding process and no doubt saved some money as a result.

Tony Ciaburro is corporate director for environment, growth and commissioning at Northamptonshire County Council.

Adam Raphael

Flawed case of the anti-HS2 campaign

Opponents of a high-speed rail network rely on arguments that defy experience both in the UK and around the world. They risk throwing away substantial economic benefits



You should not judge an argument by the quality of the people supporting it. But the well-financed campaign that has been launched against high-speed rail in Britain is deeply unimpressive.

One of its leading voices, Nigel Lawson, the former chancellor, repeats the old Treasury fear that railways swallow up large amounts of taxpayers' money to little benefit. Other members of the group have commercial interests, such as the chairman of one of the largest independent truck dealers in the UK. At the heart of the campaign are the Nimbys, who understandably are against anything which threatens their way of life. And finally the Sustainable Development Commission has published a valedictory report saying that the proposed £32bn high-speed line is a "vanity project," which would mainly benefit business passengers.

At this point I should declare an interest as co-director of the Campaign for High Speed Rail. But my view that high-speed rail is essential for the future prosperity of this country long predates this. I have never understood why a small, overcrowded, highly congested country with a proud record as a railway pioneer should have been so reluctant to support high-speed rail.

The argument that fast, efficient transport links are essential for economic growth is not thought even to be worthy of debate in the rest of the developed world. By 2020, Europe's high-speed rail network will have more than doubled and most of the Continent will be criss-crossed by 200mph super-fast trains. Other countries are also forging ahead with the development of high-speed rail, from China and Mexico to Taiwan and Turkey.

The Japanese Tokaido Shinkansen, the 312-mile high-speed line between Tokyo and Osaka carrying 375,000 passengers a day at speeds up to 186mph, has proved so successful (and profitable) that the Japanese government is planning to double its capacity. The chairman of the French State Railways, SNCF, Mr Guillaume Pepy, says that one of the mistakes his country made in creating the TGV network was to underestimate demand.

The opposition to high-speed rail in this country appears to

> **‘The notion that the fifth largest economy in the world cannot afford £17bn over ten years to modernise its railway is nonsensical’**

be based on four premises: we don't need it; there is no demand; we can't afford it; and even if we could, there is no point in copying the rest of the world.

The first point is simply wrong. There is no dispute that the rapid growth of rail use – there are now more rail passengers than at any time since 1928 – means that additional capacity is urgently needed. By 2016 the West Coast main line will be grossly overcrowded. The only alternative to a new high-speed rail link would be to tinker. But the last attempt to modernise the West Coast line, ending up years late and four times over budget, is proof that that is no solution.

What opponents of high-speed rail fail to appreciate is that a dedicated high-speed rail link is totally different in kind from a line which mixes freight with local and inter-city passenger services. The Shinkansen's extraordinary performance (not a single death in 50 years and average annual delays of less than a minute) is mainly due to the fact that it runs on dedicated track.

The demand point is no less bizarre because the shift from road to rail is unstoppable. A study by Atkins points out that even with a substantial programme of motorway and trunk route widening over the next 25 years, road congestion will become so acute that it will lead to falls in average traffic speeds of at least 10%.

What of affordability? The notion that the fifth largest economy in the world cannot afford £17bn spread over ten years to modernise its railway system is nonsensical. The Treasury admits that a high-speed network would bring substantial economic benefits to the UK, covering costs by a ratio of more than 2:1. But more important than the simple return on capital is the fact that fast transport links would promote the regeneration of the north of England.

Finally that old canard: why should we copy our competitors, when we are so different? The idea that Britain's "compact" geography makes high-speed rail irrelevant is absurd. The distance between London and Glasgow is almost the same as that between Paris and Bordeaux or Madrid and Barcelona, and the shape of the country and location of our principal cities is not all that dissimilar to Japan.

British exceptionalism is sadly not a new disease, but it would be madness if we allowed it to stand in the way of our future prosperity.

Adam Raphael, a former executive editor of *The Observer* and transport correspondent of *The Economist*, is the associate editor of *Transport Times*. He is a former presenter of BBC's Newsnight and an award-winning investigative journalist.

It's time for us to get a grip on cost overruns

The transport sector will need to adopt a more robust and commercially-led approach to programme management and procurement, argues **Mark Prior**

In the National Infrastructure Plan unveiled last year, the Government committed itself to spending £200bn over the next five years to improve infrastructure in the UK. The subsequent cost review in December suggested that the costs of this programme could be reduced by more than 15%, saving the government £2-3bn per annum and almost £20-30bn annually over the next decade.

With 35% of the total spending earmarked to be invested in the transport industry, the sector will be under scrutiny as never before. The central challenge will lie in determining how to modernise the sector in a cost-effective manner without compromising on safety or the levels of service offered.

If the industry hopes to achieve this, a significant cultural and behavioural shift will be required. The scale of the remit and the current austerity measures mean that a fundamental overhaul of the way projects are procured, priced and managed will be unavoidable.

In cash-constrained times the cost of implementing this programme of work will inevitably attract a significant amount of attention, and not without reason. Effective governance of the upcoming transport projects and programmes will therefore be critical, particularly in the public sector where, in the past, a lack of clarity has often led to spiralling costs in the pre-construction phase.

On a one-off project, cost overruns are unfortunate but redeemable, but with the UK now contemplating such large-scale programmes there will be no such luxury here.

Against this backdrop there are three steps that the transport industry will need to adopt for all the programmes and projects that are commissioned.

First, adopt a commercially-led approach to programme management. In contrast to traditional project management, which focuses on achieving the best result once the decision has been made to build, commercially-led programme management looks beyond capital delivery and ensures that there is genuine return on investment that aligns with core business benefits. There is a need to challenge accepted orthodoxies and realise that engineering the commercial outcome will be just as important as the technical solution offered.

For a sector with a poor track record in completing projects on time and to budget, the ability to justify how the investment has

> **Over the last 40 years, the cost of almost 90% of transport infrastructure projects around the world has been underestimated at the outset**

helped to drive economic and business growth could be vital in helping to fend off the critics.

Second, reconsider the procurement process and the relationship with the supply chain. A new approach to procurement will be equally important because the current approach can restrict the incentive to invest in infrastructure.

The sector should consider working to different contracting strategies with performance incentives linked to the achievement of the agreed outcomes. Similarly, the industry needs to reconsider how it engages with the supply chain if it wishes to encourage greater innovation and efficiency.

For example, by choosing to put a collection of projects together, it could better integrate the various players along the supply chain in different ways, and achieve greater economies of scale on the work undertaken.

Third, ctively manage risk. Currently the industry tends to rely on contingency risk management, which doesn't drive real improvement as the contingency just gets expended, rather than managed. In programmes of work of this scale, the risk factor needs to be properly identified and managed in the pre-construction phase.

Furthermore, at each of the project's various gateways, key questions need to be asked: are the risks identified, are they quantified and are they being managed?

Risk management can no longer afford to be a tick in the box exercise; it needs to be more robust. Only in this way can it start to achieve the much-needed certainty of outcome.

With nearly 80% of infrastructure finance expected to come from the private sector through inward investment, a new approach is absolutely essential. Being able to articulate clearly to investors where greater returns will be achieved will be crucial, because unless the transport sector becomes more bankable it will struggle to deliver the goods here.

The timescales involved also raise the age-old issue of whether investment in UK infrastructure should be depoliticised.

The reality is that the changes required will not be implemented overnight, and the planned programme of work will undoubtedly mark the transport sector for the next decade and beyond. The last thing the industry needs is regulatory uncertainty to curtail or render redundant the progress that can and will be made in the current government's period of office.

Mark Prior is head of transport at consultant EC Harris

Mark Prior: "The ability to state clearly where greater returns will be achieved will be critical"

Buses are not the problem in Oxford Street

Last month Adam Raphael bemoaned the congestion of Oxford Street by buses and called for them to be routed elsewhere. **Vincent Stops** of London TravelWatch responds

Vincent Stops: "A complex issue with a risk of unintended consequences"

London TravelWatch shares Adam Raphael's ambition to transform Oxford Street and its environs into a great place to visit, work and shop (*Transport Times*, March).

However, we do not share his view that buses are the problem. Rather, we think they are part of the solution to London's transport challenges. Oxford Street and Regent Street carry 273,000 bus passenger trips per day. The majority start or end in the area but a substantial number are people making through journeys.

Changes that make buses less attractive to passengers, and thereby have the effect of displacing them on to an already crowded Underground, would be a mistake. Similarly, displacing bus passengers to out-of-centre destinations, possibly travelling by car, would not be in the interest of Londoners or of central London businesses.

Changes already made by Transport for London (TfL) in response to pressure to remove buses mean that 1200 passengers a day on one route alone (113) now have their journeys disrupted and need to complete them on another bus, by transferring to the Underground or by walking. A high proportion of routes do not serve the extreme ends of the street, as Adam seems to assume, and would have to be diverted along (or terminated in) other roads in the vicinity – a change which would generate fierce resistance locally.

This is a complex issue, with potential unintended consequences which need to be considered carefully. For example it was suggested, as part of a strategic review of bus services in London commissioned from KPMG by TfL's board, that withdrawing bus services from Oxford Street might lead to other vehicles simply taking their place as road space is freed. Without complementary traffic management it is likely that the net effect would not be to leave more space for pedestrians, as is hoped, but to replace space-efficient buses with space-inefficient taxis.

So what's to be done? It is

> **A strategic review suggested that withdrawing bus services from Oxford Street might lead to other vehicles simply taking their place**

worth considering a statistic which David Brown, then managing director of TfL surface transport, gave to the London Assembly's Transport Committee on 10 March 2009: "Only 42% of all the vehicle movements in Oxford Street are actually by bus. Of the total capacity, 37% are taxis and there are parts of Oxford Street which get taken up by private cars as well. The taxis are 37% but only carry 1% of all the passengers."

Westminster Council's local transport plan notes: "Oxford Street suffers from congestion as a result of the high bus and taxi flows."

The graph (left), provided by TfL, illustrates the relative efficiency of the different modes according to their use of road space per person. It demonstrates that an average car occupant occupies 6.2 times the road space of a bus occupant. Taxi passengers take up 23.1 times the space.

In London TravelWatch's view, pedestrians and bus services should be prioritised in central London generally, and in Oxford Street in particular. We support the Westminster/TfL Oxford/Regent/Bond Street initiative (ORB), but we want to see "ORB plus".

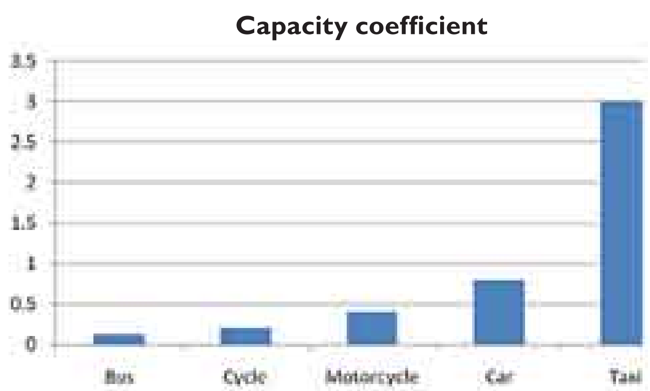
As part of ORB plus we believe elements of a solution would include:

- Greater priority for pedestrians in Oxford Street by the closure of many more of the north/south side streets. This would reduce delays to buses and pedestrians. Buses would provide a better level of service, but be less dominant on the street
- Further restriction of taxis to ranks off but near Oxford Street, supported by better signposting to them
- Fewer bus services terminating in central London, not by curtailing them but by linking services to create through routes. There would need to be better bus priority on these routes to ensure reliability. This would improve the service to passengers and mean fewer overlapping routes in Oxford Street.
- Some consequential traffic management measures in and around central London.

These measures would help transform Oxford Street by reducing the number of buses and ensuring that the buses that remain are faster and more reliable. They would radically improve the public realm for pedestrians without reducing access.

Indeed, with improved bus services, access would improve for the vast majority of visitors to the area, particularly those who rely on what is London's only accessible 24 hours a day, seven days a week public transport system.

The average car occupant takes up 6.2 times the road space of a bus passenger (source: TfL)



Vincent Stops is the streets and surface transport policy officer for London TravelWatch.

From: Terence Bendixson
Subj: **Uneasy about HS2**

Am I the only one made uneasy by David Begg's decision to campaign for high speed trains and the effect it already seems to be having on your paper? With the transport secretary rooting for it, the government preparing to spend money on it and the Opposition uncertain, would it not be better for *Transport Times* to throw light rather than heat on the subject?

No part of the argument for HS2 needs more careful examination than the promise of business and productivity benefits. Ever since the Scott and Uthwatt Reports of 70 years ago successive governments have tried to promote the economy of the North. Trading estates (now business parks), new towns, motorways, enterprise zones, the relocating of bits of Whitehall, port privatisation and urban regeneration have all been tried and none has done the trick. The south has boomed and the north has flagged – although cities such as Manchester and Newcastle have changed in some respects. Why should a high speed railway be different? What magic has it got that all those other forms of investment lacked?

Jim Steer used to show a telling slide in his Greengauge 21 presentations. It was a geographic bar chart of VAT registrations, as seen by a bird looking north from somewhere south of the Isle of Wight. In southern England, and up to about Stoke-on-Trent and Leeds, the bars stood up in little clumps. Beyond lay a VAT desert. People were not setting up new companies.

What would make people in the north more entrepreneurial? That is a question which needs debating. For the life of me, I cannot see why a high speed line should be economic Viagra for the north.

Terence Bendixson
Visiting Research Fellow
University of Southampton

From: Tim Stevens
Subj: **Concessionary fares**

Andrew Last and Andrew Meaney ask "can concessionary fares be sustainable"? (*Transport Times*, March). With significant bus service cuts in the pipeline, the question is most timely.

Stagecoach recently announced the withdrawal of our village bus service, citing "reduction in concessionary fares support" by Lincolnshire County Council. This is symptomatic of the current fate of many rural bus services.

When I worked in a local authority transport department in the 1980s, we were required to reimburse bus operators for accepting concessionary passes (half-fare in that case) such that operators were "no better and no worse off" so why are local authorities (and ultimately central government) not reimbursing operators adequately?

The answer, I suspect, is that there is lack of agreement over the level of additional journeys made by concession-holders because travel is free. If operators were reimbursed the full amount of fares foregone, they would be over-compensated. We struggled to quantify this "generation factor" in the 1980s, and it seems this is still an issue today.

The problem is exacerbated by concessionary travel being free. I strongly believe it should be half-fare, which would reduce the generated traffic and increase the chance of agreement on reimbursement levels. As Last and Meaney rightly conclude, it is no good having generous concessions if the bus services themselves are disappearing.

Tim Stevens
Transport Consultant
Deeping St James, Lincolnshire

Send your comments to david.fowler@transporttimes.co.uk

Towards a fairer fuel price

Can George Osborne's attempts to smooth fluctuations in the price of oil work? **Chris Riley** and **Paul Oxley** consider the pros and cons

Road transport users have recently been feeling the impact of high fuel prices. The current levels of fuel costs and the peaks and troughs of prices in the last few years led the government to introduce a "fair fuel stabiliser" in the Budget, in an attempt to ease the pain and provide more certainty to road users.

The case for a fuel price stabiliser stems from the fact that fuel price fluctuations are disruptive for both consumers and producers: for consumers because they make planning and financing other expenditure more difficult, creating considerable pressure when high prices eat into constrained household budgets; for producers because they make returns on investment variable and uncertain. Greater stability and certainty in prices would bring benefits on both sides of the market.

A fiscal stabiliser could be designed to ensure a neutral impact on government revenue by acting on both sides of the market, financing lower consumer taxes when oil prices are high by increasing taxes on producers. A pure stabiliser would smooth price fluctuations, but not alter average prices or taxes over time. The benefit of reduced uncertainty would not be compromised by other (perhaps adverse) long-term impacts. In order to comply with this principle, government interventions would have to be symmetrical in nature, with equal reductions/increases in taxes at the top and bottom ends of the oil price cycle.

> **'The stabiliser will make rail, bus and air travel less competitive than they otherwise would be'**

In principle, therefore, stabilising domestic prices could benefit both consumers and producers by providing greater certainty, but at a cost of reduced stability in the global oil market. One of the perversities of a stabilising system of this form is that it limits the effect of prices on both demand and supply. Part of the function of prices in markets is to reduce excess demand when supply is limited and stimulate it when supply is plentiful. Yet under a price stabiliser the equilibrating role of prices is damped. However, given that the UK is only a small part of the world oil market, a UK fuel price stabiliser would be expected to have only a limited impact on the natural stabilising tendency of the world market.

The Government's approach in the Budget was to introduce a number of measures simultaneously. For road transport users it reduced fuel duty by 1p/litre, removed planned real increases (the fuel duty escalator) and replaced them by a stabiliser mechanism. Under the stabiliser, fuel duty will increase in line with RPI when oil prices are high and by RPI+1p when they are low. The effect is only on the growth of duty, so there is only a limited and delayed effect on major oil price changes. Over time, the stabiliser means that fuel duty can be, at most, as high as under an escalator and in practice lower. Additionally, there is no commitment that the 1p per litre cut will be reversed when prices fall.

The credibility of the regime for reversing these changes will be key for the impact of the system on users, and whether it is symmetrical and hence a "true" stabiliser. The government also has to choose the appropriate long-run level above which prices are considered "high". It is consulting on a value of \$75/barrel, but this is likely to be a point of some contention. In theory, the threshold should track the trend or average level of oil prices, which may well increase over time as oil reserves are depleted. Appropriately determining a "high" oil price and how the regime would operate if prices were to move well below the threshold, and hence both the symmetry of the system and the optimal long-run level of duty, will be crucial to making the stabiliser work.

The Budget also made a separate policy change that is independent but was linked to the fuel duty stabiliser. It increased taxation on North Sea oil producers, but in a way that appears asymmetrical. Higher producer revenues from high global oil prices have been limited by an increase in tax, but there

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appears to be no equivalent mechanism to increase revenue when prices are low. To understand the impact on producers it is worth briefly explaining the North Sea oil fiscal regime.

Before the Budget changes, oil fields which began production after 1993 were taxed at a corporation tax rate of 30%, plus a supplementary charge of 20%; for fields that opened before 1993, petroleum revenue tax also applies. The Budget increased the supplementary charge to 32%, making the total marginal rate 62% for post-1993 fields. Taxation of North Sea oil is ringfenced, so that profits cannot be offset against the activities of another part of the business.

Although the Budget pledged to reduce the supplementary charge back "towards" 20% in a staged and "affordable" manner once world oil prices have declined, it is not clear that it will ever fall below or even as far as the previous levels. Thus, as a whole, the Budget seems to have capped the upside for producers when global oil prices are high, without limiting the downside when prices are low.

The government sees the supplementary charge as a tax on excessive profits, which it argues should not affect supply behaviour or be passed on into consumer prices. In principle this approach would be justified in economic terms in a perfectly competitive market. In practice, however, the market is rather different, and this approach may reduce incentives to invest in the North Sea when oil prices are high.

UK oil production accounts for only 1.6% of global oil production, which suggests that North Sea producers may indeed be price-takers in the wider market and thus unable to pass on any of the cost of the tax increase. But major oil companies have options about where to locate their investment, and may choose to prioritise other regions when world prices are high if other tax regimes are less stringent.

The impact on investment in the UK segment of the North Sea will depend partly on the tax regimes that apply elsewhere. Currently, the UK's regime is still more favourable than that of Norway, which has a total marginal tax rate of 78% on income from petroleum extraction, suggesting that direct substitution into other parts of the North Sea is unlikely.

However, there may still be a greater tendency to prioritise exploration and investment in other parts of the world if prices are expected to remain high. In any event, the asymmetry noted above would tend to deter UK investment in the North Sea by comparison with the previous regime. In addition, irregular changes to the fiscal regime like this are likely to create uncertainty for oil companies which will tend to deter UK investment.

What is the likely impact on transport users? By comparison with previous policy, road users will clearly benefit financially in the short term from the stabiliser outlined in the Budget. However, it is unclear to what extent they will benefit in the longer term; in a symmetrical system the price effects would wash out over time, although the benefits of greater price stability would remain. The benefits which occur will accrue to all motorists, both personal and business, and the economy as a whole will benefit.

Insofar as road transport volumes increase in the short term as a result of lower duties, there will, of course, be external costs, such as higher congestion and pollution. In other words, the congestion and pollution benefits of high oil prices will be reduced.

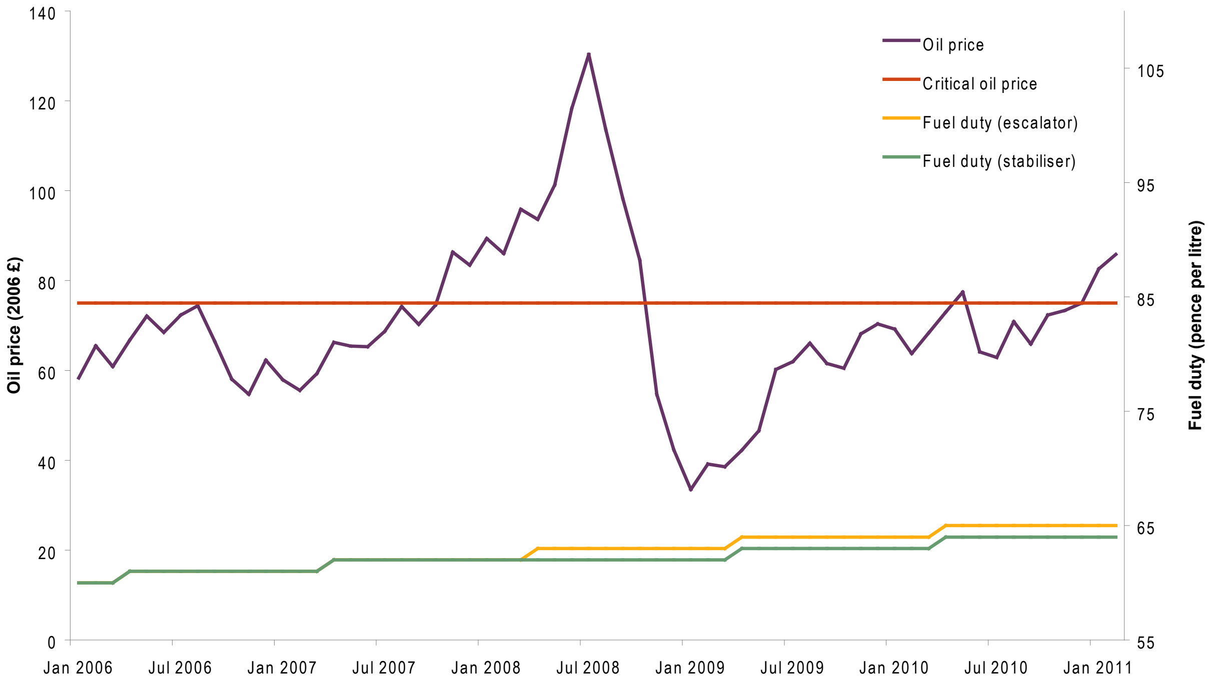
Higher congestion could be a problem on average even under an entirely symmetrical system, because congestion is a non-linear phenomenon; the adverse effect as traffic increases above normal levels is greater than the benefit as traffic decreases below trend. But in a non-symmetrical system there is a clear risk of conflict between the stabiliser and other objectives such as limiting the external costs of transport more generally, if it results in an overall traffic increase.

The impact on public transport is the mirror image of the impact on private motorists. As the stabiliser reduces the cost of private road transport, this will make rail, bus and air travel less competitive than they otherwise would be, because they are largely unaffected by duty reductions. Diesel train operators pay a lower red diesel duty and there is no duty on aviation fuel. For bus operators, the BSOG rebate (which reimburse operators for a high proportion of the fuel duty they pay) means that the fuel stabiliser is of no benefit.

Therefore the temporary benefits to public transport when oil prices are high will be reduced, but with a symmetrical system there should be no long-run effect and demand may be more stable.

To put all this in perspective, the effects are likely to be very small. Even if the difference in duty increases were to be sustained over a five-year period, the estimated impact on road and rail traffic using conventional elasticities is likely to be less than 1%. The chart shows the limited impact of a stabiliser on fuel duty, by comparison with oil price changes, if it had been introduced in 2006. The likely benefits for consumers appear to be very limited.

Paul Oxley is a consultant and Chris Riley an associate at Oxera Consulting



The chart shows the actual oil price and the hypothetical evolution of fuel duty under escalator and stabiliser scenarios. The chart assumes that fuel duty is changed just once a year in the Budget. The scale of the secondary y-axis is approximately set so that the impact of changes in fuel duty and oil prices would have a commensurate impact on retail prices.

PTEs should be given the opportunity to apply to rail stations "the quality and attraction to detail they bring to their bus stations"

Big city transport and the devolution challenge

Geoff Inskip took over as chair of PTEG earlier this year. Here he sets out the challenges facing Britain's cities and his vision of how the transport authorities can rise to them

The Government is looking to see whether Britain's largest urban areas can meet two big challenges on local transport – the first is to do more for less, the second to see if we can take better decisions locally.

We believe that PTEs are well-placed to meet these challenges: well-placed because the PTE areas are a good fit with the local economic geography and the journey to work patterns of the largest economic units in the UK outside London. Moreover PTEs are locally accountable, with the capacity to manage big projects efficiently and, via PTEG, to save money by working collaboratively to do things once and together, rather than separately and expensively.

The Government knows that capital spending on transport is key to rebalancing the economy and creating the conditions where private sector investment can flourish. In Philip Hammond we have a secretary of state who will fight very hard to see that transport projects receive a fair allocation of the regional growth fund. It's encouraging too that a forward commitment to rail has been established in recent announcements on Thameslink, the Northern Hub and the Intercity Express project. The Government is firmly committed to a high speed rail network which will transform the UK and help rebalance the economy.

However, although rail did well in the spending review, local transport spending outside London did less so. Coupled with severe reductions in wider local authority funding, this means that PTEs' capital and current spending will be squeezed, with some tough challenges ahead making it difficult for PTEs to realise both current and future aspirations for big city transport networks.

The future of local bus networks is a particular cause for concern. Although BSOG has become something of an unlikely parliamentary cause célèbre, it's not just the 20% BSOG reduction that's on its way. While use of the national concessionary travel scheme continues to grow, government support is falling. And although so far PTEs have managed to avoid the big cuts in supported services that some shires and counties have implemented, avoiding cuts to supported services will become more difficult in coming years as the cuts bite deeper. The challenge for all bus operators is to increase their commercial patronage to offset rising industry costs: it is in no-one's interest to see bus networks jolted into a period of decline.

Geoff Inskip is chair of PTEG and Director-General of Centro

On the positive side, however, the fundamentals for public transport in the metropolitan areas remain strong. Our core cities need extensive and efficient public transport networks to provide access to wider labour markets, and to support their cultural and retail reach. Indeed their recent period of growth and success has been predicated on more people commuting further to gain access to the high value jobs that are increasingly concentrated in the core cities. The climate change agenda favours public transport because there is political consensus about the need to tackle it. Public transport has an important role in linking the jobless with jobs and so helping reduce public spending on benefits.

The consensus around the devolution of decision-making will also ultimately benefit urban public transport, since the more funding is devolved, the greater the local political attention that is paid to transport. The transformation of London's transport system, soaring rail investment in Scotland and the success of the devolved Merseyrail Electrics – all demonstrate that making more decisions locally results in a better deal for local public transport users.

Local rail affords PTEs a big opportunity for devolution of decision-making – although there are a number of concerns (principally over costs and risks) that are still to be debated. We are therefore fully engaged with the McNulty team and with the Government. They want to see an affordable railway with better services where risks are shared more widely among the key players. We want to see local rail networks that are better integrated with the wider public transport network, with more modern trains and greater capacity.

The benefits of getting the governance arrangements right for local rail are clear. London Overground shows what can be achieved. Under TfL the railway has been reborn as an exemplar urban railway. The opportunity to do something similar for urban rail in Britain's next tier of major cities is there, and while the Government is looking to make real reforms we have a once in a generation opportunity to meet this challenge.

For example on local rail stations, there is the potential for PTEs to apply the same quality and attention to detail they bring to their bus stations. Not forgetting the potential to integrate those stations into wider bus networks, offer integrated tickets, cycling and walking routes, safety and security initiatives, and common branding and marketing initiatives.

Beyond stations PTEs could play a greater role on franchising itself – from existing co-signatory status through to the franchising authority role. This in turn could unlock doors to investment in tram-train conversion of existing heavy rail routes – with PTEs in a unique position to pool a variety of both national and local funding sources to make projects like this happen.

The Local Transport Act 2008 was a major step forward in putting more localism into what is the most local form of public transport – the bus. The PTEs have secured a range of powers to suit local circumstances and aspirations and we are now taking advantage of these powers to implement more robust voluntary partnerships. Working with the Confederation of Passenger Transport we brokered a series of joint statements on what a voluntary partnership could contain. These are now available on the joint website we established with CPT – www.buspartnership.com – so that operators and local transport authorities no longer have to start from scratch on every agreement.

PTEs are taking advantage of the other powers in the Act – including more comprehensive statutory quality partnerships and developing proposals for quality contracts. We await the Competition Commission's conclusions and while we hope that it will build on the 2008 Act, rather than try to promote on-street bus wars, we will continue to work to help shape the way the industry develops to get the best deal for passengers.

Smartcards represent a transformatory opportunity to give passengers access to a single integrated public transport network in city-regions. Following the success of the Oyster card in London there is broad consensus to introduce smartcard ticketing across public transport. Which is why PTEG has brought together the six PTEs, as well as Strathclyde Partnership for Transport, Bristol, Nottingham and Leicester to work together on ways in which we can maximise the benefits of smartcards while at the same time saving money through collaborating on the implementation.

But conventional smartcards are only the beginning of what could ultimately lead to a "total mobility" offer, whereby smartcards and smartphones could allow access not just to public transport but also bike hire and plug-in car rental. One mobile phone or smartcard could give access to both hire car and public transport – combining the strengths of both options and helping to ensure that electric cars (which benefit from strong government support) complement, rather than undermine, walking, cycling and public transport in big cities.

This is one reason why PTEG – increasingly working with the core cities transport group – has gone beyond its traditional public transport focus through workstreams in areas like smarter and active choices and cycling.

The Local Transport Act 2008 encouraged the broadening of the role of the PTEs by giving them responsibility for their Local Transport Plans. However there is going to be a period of uncertainty while the role of the Local Economic Partnerships on transport becomes clearer. It will also be interesting to see how the debate on future city mayors fares through the passage of the Localism Bill.

The expansion of the role of what is now Transport for Greater Manchester under the Greater Manchester Combined Authority is a further indication of what may lie ahead.

Over the decades the inescapable logic of having a strategic transport planning and delivery body at the scale of the conurbation has prevailed. With the consensus around the benefits of devolving decision-making on transport (as well as the advantages of scale in bringing about more efficient transport decision-making) the PTEs seem well placed to continue to pursue their overall statutory mission of providing integrated transport networks, accessible to all.

"But conventional smartcards are only the beginning of what could ultimately lead to a total mobility offer"

London's new hot ticket

A *Transport Times* conference next month looks into 'A Smart Future for Transport'. To set the scene, **Shashi Verma** outlines Transport for London's plans to accept contactless bank cards

Clockwise from top left: Tickets were introduced in the days of horse-drawn buses; there are 7.5 million Oyster cards in regular use; from next year, contactless bank cards will double as tickets; Oyster has doubled gate throughput

Five years ago Transport for London launched a major study, conducted by researchers at the Massachusetts Institute of Technology (MIT), to look at the future of its ticketing technology. At a time when TfL's Oyster card system was still bedding down this may have seemed like an unnecessary diversion. The experience of Oyster taught us otherwise. Given that it had been conceived in 1993 but introduced only in 2002 we knew that the timescale for implementing new ticketing technology is always long and we needed to get started before Oyster started ageing.

The Oyster card has been a tremendous success. There are now 7.5 million cards in regular use, more than the population of London. More than 80% of all TfL journeys are made using the Oyster card. The remainder consists mainly of tickets issued by national rail, or categories of travel such as children under 11, where no ticket is required. The Oyster system collects and processes 13 million transactions every day. Better still, it is a system loved by customers and one of the few things about the public transport system that people choose not to complain about.

Oyster has also, remarkably, achieved much more than envisaged in its original business case. Gate throughput on the London Underground has nearly doubled, removing the need to expand gatelines at Victorian stations where space constraints make such work difficult and expensive. The opportunity for travel without a ticket has been largely removed. And the number of tickets being sold has been reduced to a third of what it used to be, despite a substantial increase in journeys.

This last factor is particularly visible on buses where tickets sold on the bus now account for 1.5% of journeys, compared with 30% before. Dwell times have been reduced and journey times have become faster. No longer do you have to wait for other people to buy their ticket.

Other research from MIT shows that Oyster pay as you go, as a product in itself, has increased demand for public transport as well – on the Underground by nearly 4% and on other modes by possibly more.

So why look at other technologies? Why not extend Oyster forever? At TfL we are mindful that despite the pride we take in the success of Oyster there is scope for improvement. First, even with the business case benefits outlined above, revenue collection is still expensive. For much of the last decade the cost of collecting revenue has averaged 14% of the revenue itself.

Second, London is a city with a large transient population, including the millions of people who visit the city on business or for tourism. The Oyster system has reduced the burden on these people to master the transport system but it is still a significant barrier.

There are now more than 40 million Oyster cards in circulation and only one out of every 14 Oyster cards issued adds a new customer. So we carry on issuing more than half a million cards each month at considerable cost.

A nationwide transport card scheme, properly implemented and truly integrated, may provide some help for customers arriving in London. With the DfT's sponsorship we are working on adapting the TfL system to accept ITSO. But we chose to go much further. The brief for the MIT study was simple. It was not technology for technology's sake. Rather, the task was to find a way to make revenue collection cost less and reduce the burden for customers.

An extensive trawl of technology found many alternatives to the Oyster card but only two that were promising – contactless bankcards (using the finance industry's EMV standard) and phones equipped with near field communication (NFC) technology. Each was interesting for a different reason.

NFC phones provide a means of providing not just ticketing but also customer information. However, these phones are not yet available on the market and so we have decided to focus elsewhere while this industry develops. In the future there may be convergence between EMV and NFC, making the

phones more attractive. But, for now, the best prospect is EMV.

Contactless credit and debit cards, now being issued in the millions each month, provide the first opportunity in the nearly two-century history of public transport in London to integrate transport payments with the wider payments industry.

It is worth recapping the history here. Tickets have been required for public transport for a long time, not only by London's system but also by nearly every major system around the world. But there was a time before tickets when, on London's horse-drawn buses, fares were paid in cash. The inevitable difficulties of accounting for the cash meant that much of it was lost.

There are interesting stories from the 1870s of bus companies struggling to get their cash collected completely. Thus came the first of the bus tickets, the bell punch. At the time, the payments industry was busy standardising cheques and improving clearing. Wonderful as these were, none of their solutions worked for transport.

On rail, customer demand for fixed fares, driven by the new suburbs, led to season tickets. Much innovation has followed, not least the magnetic stripe tickets which were first used on London Underground a decade before they were applied to credit cards.

But the basic factors necessitating tickets have remained the same – a need to account for revenue and to make the revenue collection more efficient. Today, we have an opportunity to rely on the payments industry to provide solutions that the transport industry has otherwise always had to invent and support.

Our Future Ticketing Project (FTP) commenced in order to look at the use of EMV bankcards on transport and we have figured out how they can be used on our system. The work on FTP has been intense – creating a multi-application reader with Cubic Transportation Systems, building a new back office, getting the payments industry to amend its rules to support transport transactions, and so on.

Critical challenges have had to be overcome. Card-to-reader interactions have been improved to get transaction speeds of under half a second, the

"We have an opportunity to rely on the payments industry to provide solutions that the transport industry has otherwise always had to invent and support"

Shashi Verma is director of fares and ticketing at TfL and a speaker at the *TT* conference on 26 May

limit beyond which the fare collection system starts to have an impact on operations. Working with Visa, Mastercard, American Express and the various banks they represent, we have developed a new transaction model supported by the entire payments industry such that transport operators will have the same protection available as retailers accepting contactless cards.

What is emerging from all this work is a radical change in our approach to revenue collection. Customers who have a contactless credit or debit card will no longer be required to do anything prior to travelling – no need to get a card, no need to top it up, no need to buy a ticket. Ever.

The fare will be debited straight from their bank account. Weekly capping will be standard alongside daily capping, moving the bulk of our ticket sales to pay as you go travel.

If you do buy a ticket, perhaps a long-dated season or a high value point-to-point, the bankcard will act as a token, not by holding a bespoke product but simply as an identifier. Tickets and travel entitlements will be held only in a back office where they can be managed. Those without a bankcard or who do not wish to use one will continue to have access to the Oyster card.

Last autumn the TfL board approved the Future Ticketing Project. Before the Olympics we will launch EMV contactless ticketing on buses; by the end of 2012, it will be available on all TfL services.

In following this path to payment integration – interoperability in the jargon of our industry – we are following the same path taken by other industries. It is not that long ago, for example, that the only cards accepted at Marks & Spencer were those also issued by Marks & Spencer.

The benefits of this approach make the effort worth it. We expect to make a significant dent in the cost of revenue collection, and in the process make life easier for our customers. It is not often that an opportunity such as this comes about. It isn't one that has just landed on our laps. It has been created painstakingly over the last five years. But now that it is here we intend to take full advantage of it.

The opportunity is not restricted to TfL alone. That is why we are in discussions with other transport operators, including an MIT-led forum of more than a dozen major cities around the world. The platform we are building has the potential to integrate transport fully across the UK and, more importantly, to change the landscape in favour of public transport.

After all, getting into your car is always an easy option when the first thing you have to do to use public transport is to figure out how to buy your ticket.

Rail points the way to reduce freight carbon emissions

There is no simple solution to reduce emissions from road freight – but a wholesale switch to rail could make a substantial contribution to UK targets, says **Tony Berkeley**

The Government is legally committed to reducing the UK's overall carbon emissions by 80% by 2050 compared with 1990. Is the Department for Transport on track to achieve this target in the transport sector, and how can rail freight play its part?

Emissions from the major land transport groups come 73% from cars and light vans, and 18% from trucks. Each of these modes is expected to achieve its own proportionate carbon reductions. The current DfT plans are for emissions to be reduced by greater use of electric cars and trains, assuming that this power is generated by non-carbon emitting means (which is the responsibility of DECC to achieve). Such measures could possibly achieve the 90% reduction likely to be necessary in those sectors, although they will not affect other policy areas such as congestion relief.

If full electric conversion cannot be achieved, DfT also relies on reducing mileage driven, driving more defensively, and more use of biofuels for all road vehicles. However, growing biofuels can displace food production, and there are many who believe that world demand for food will soon outstrip supply, without land being taken out of food production for biofuels. Many governments seem to be backing away from a greater reliance on this policy.

Tony Berkeley is chairman of the Rail Freight Group.

For much of road freight, there is no easy electric solution. At a recent conference in London, someone suggested that a battery powered HGV had been designed, but the only problem was that the battery weighed 52 tonnes! For road freight, the DfT suggests that emissions can be reduced by using a number of lower-carbon HGV technologies and by eco-driving. It is focusing particularly on small and medium-sized road freight operations as a solution; certainly, for short journeys, electric freight vehicles are feasible and already in use. For longer journeys, these ideas do no more than scratch the surface of the problem.

If the costs of transport go up faster than the costs of manufacturing goods, then there may be a reduction in the transfer of manufacturing to low-wage areas of the world, and a reduction in the movement of semi-finished products over longer distances, thereby reducing carbon dioxide emissions from this sector.

A number of logistics operators are claiming useful CO_2 savings across their total operations. Some are predicting savings of up to 45% by 2020. Clearly, shorter distances driven will help, as will electric city delivery vehicles, but it is difficult to accept that there will be much, if any, reduction in demand for longer distance freight movements.

Given there is a factor of over 20 between emissions from electrically-hauled rail freight and road freight, we suggest that the above measures are only tinkering with the problem. It is very unlikely that long-distance freight will be able to achieve the level of carbon reduction required unless there is a major transfer to rail.

For this it will be necessary to wean transport off reliance on road, by economics, technology or availability of fuel. This could be achieved by a variety of incentives relating to carbon trading, by the natural process of the increase in the price of oil, or just the lack of oil. Can it be achieved by changes to the transport market?

Consultant MDS Transmodal suggests in a recent report that to achieve carbon reductions of even 50% by 2030, the price of fuel would have to increase by around £3.30 per litre. This sounds a lot but, to put it in context, the current price of diesel (excluding VAT because hauliers pass VAT on) is around £1.16 per litre, of which approximately 50% is fuel duty. An additional £3.30 would mean fuel prices to the haulier increasing by a factor of 3.8 (in real terms) over the next 20 years.

Such a rate of increase is very similar to that experienced over the last 20 years for crude oil, over which time prices have gone from £12 per barrel in March 1991 to £70 ($114) in March 2011. Accounting for inflation, this represents crude oil prices increasing by a factor of 3.5 in real terms.

It is difficult to know what would be the practicable limit of range of road freight in the absence of reasonably-priced diesel fuel. However, for the sake of argument, between 150 and 300km seems reasonable.

If we adopt the figure from MDS Transmodal that 57% of road freight relates to journeys over 150 km, and suggest that it would be necessary for about 80% of current road freight travelling over this distance to transfer to rail, this would achieve just a 50% reduction in overall CO_2 emissions from the freight sector. Rail freight is already forecast to increase by over 80% between 2008 and 2030; taking these together, MDS Transmodal suggests rail freight moved would need to increase by a factor of five or six compared with current volumes to achieve even a 50% carbon reduction. To achieve 90%, one must effectively have the entire sector electrically powered, either by road or rail, with a further increase in rail freight.

The above scenarios look 20 to 40 years ahead, and predictions are clearly to be taken with caution, but is it feasible for rail freight to grow to five or six times current volumes by 2030?

This would need:

- Electrification of the main freight routes (which are not always the same as the main passenger routes) to use low carbon energy.
- Very significantly more warehousing and transfer points for freight between road and rail, with good road and rail links.
- Five or six more trains for every freight train currently operating, with additional infrastructure, greater use of overnight and weekend operations and greater efficiency.
- A step change in capacity of the rail network, with additional infrastructure in conjunction with a combination of better signalling, longer loops or additional tracks. New passenger lines which are planned can free capacity for freight traffic – although if there is widespread take-up of electric cars, the environmental case for passenger rail growth may be more questionable.
- A more even balance between passenger and freight trains on the main network. On the West Coast main line, for example, there might be eight freight trains hourly between Crewe and Nuneaton, compared with seven Virgin West Coast trains. Some routes could be designated primary freight routes, and route capability built accordingly – this also could reduce network costs.
- An efficient and independent infrastructure manager capable of operating more effectively than at present, with a national timetable that provides for 24/7 running for freight, using diversion routes as necessary, and improved signalling and train control. Handing control of the network to passenger operators on 25-year concessions now, as some seem to be planning, does not seem a good way to achieve this.

In addition the Government will need to develop and implement a 25-year strategy for the Strategic Freight Network coupled with a more detailed and deliverable plan for reducing carbon emissions across modes.

A combination of fuel duties, carbon charges (through the trading scheme or by other means) or an increase in the price of oil would have to move the price of fuel up to the point when rail was competitive for a much wider range of flows than at present.

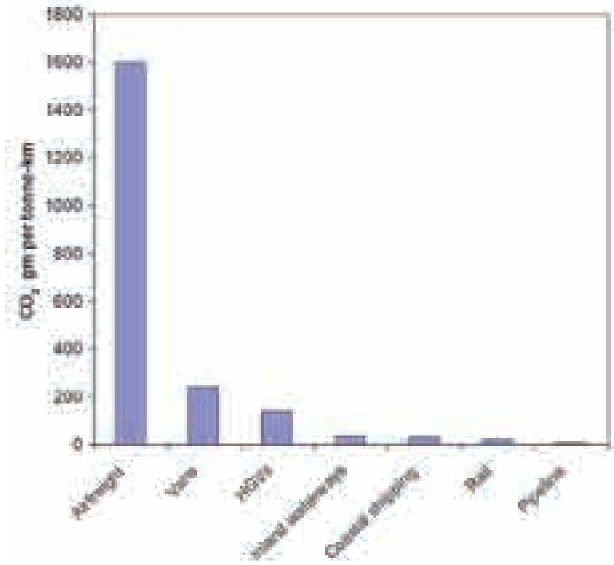
Planning policies would have to change to encourage easier development of the wide variety and number of freight interchanges, terminals and so on that would be needed, as well as encouraging the use of passenger stations for town and city deliveries.

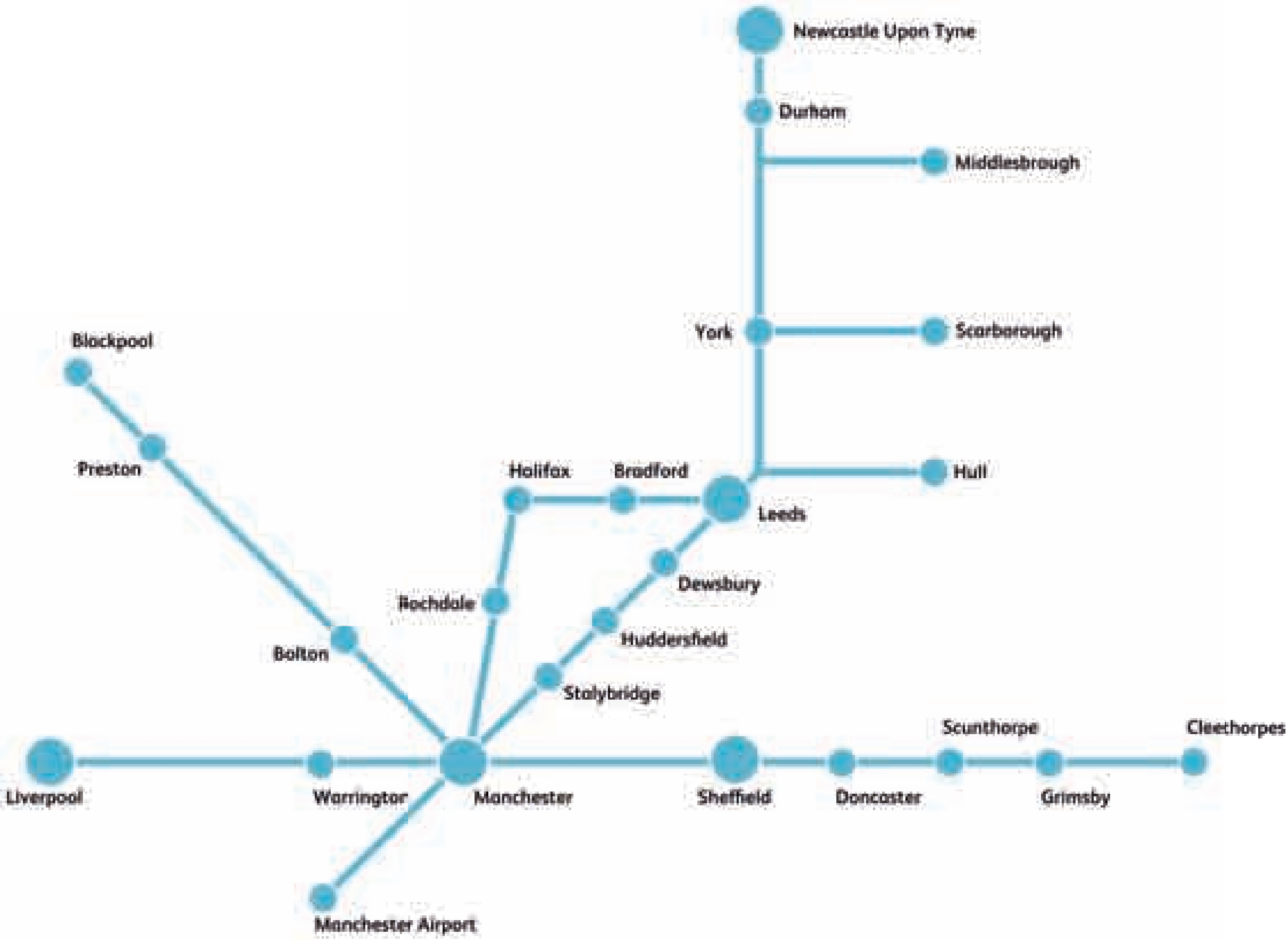
How much carbon would be saved? If 80% of road freight travelling over 150 km were transferred to electrically-hauled rail (assumed to be zero-emission), then around 11 million tonnes of CO_2 a year would be saved. This is equivalent to around 14% of the overall UK emissions savings required by 2050.

Thus, a dramatic increase in rail freight, as well as in sea freight for coastal flows, is required if the Government has any hope of meeting its target of reducing CO_2 emissions in transport by 80% or 90% by 2050. This will require some significant policy shifts in planning and transport generally, as well as action to encourage changes supply chains. Last month's Budget 'pandering to the motoring and road freight lobby' has done nothing to enhance the Government's claim only a few months previously to be the greenest government ever; it failed to add "until it affects people's lifestyles or pockets, when we will revert to type and put our heads firmly in the carbon sands".

The Government needs to act now to enable these legally binding targets to be delivered.

Electrically hauled rail freight – and water transport – produce a twentieth of the emissions of road transport (source: ERM/CfIT 2007)





Manchester finds its lost chord

Last month's Budget promised an early start to the task of removing bottlenecks in the North of England's rail network, says **Stephen Clark**

In a surprise announcement in his Budget speech last month chancellor George Osborne committed the Government to funding the Ordsall Chord. The £85m chord is the first stage in the Northern Hub, the rail improvement project described by Network Rail chief executive David Higgins as the "top priority" for national rail funding. With a cost of £530m, it is estimated that the Northern Hub project as a whole will boost the northern economy by around £4bn – by any standards, an impressive return on investment.

Improving connections between Manchester, Liverpool, Leeds and Manchester Airport, the Ordsall Chord plays a central role in the hub proposals, and the benefits it alone will bring are many – but for the chord's full potential to be realised, it cannot be delivered in isolation.

'The Ordsall Chord will make it easier for people to do business between the north's major cities'

The problem with Manchester's modern railways is one of capacity. The first way we are tackling this is by working with the Department for Transport to obtain longer trains, especially on Northern Rail and TransPennine services for commuters into the city. Manchester's economic centre needs a substantial pool of talent, and we need efficient commuter rail links to provide it.

We are waiting for a decision from the DfT on this point.

The next capacity challenge is the constraint posed by the rail network itself, which simply cannot support the level of rail service the north of England badly needs. If this issue is not addressed, the implications are serious: it will inhibit the economic growth not just of Greater Manchester, but the whole of the north of England.

Over the last 18 months, Network Rail has worked with us at Transport for Greater Manchester, the Northern Way and rail industry partners to agree a proposed programme of works to clear the bottlenecks, many of which are in Greater Manchester, that prevent us from unlocking the economic potential of our region's railways. The Ordsall Chord works announced by the chancellor are the first, welcome step towards achieving this.

The Ordsall Chord will connect Manchester's two largest railway stations, Piccadilly (the main station for inter-city services) and Victoria (catering for mainly local services and destinations in Lancashire and West Yorkshire), by heavy rail for the first time. This is a far cry from the "Picc-Vic" links proposed back in the 1970s, which would have done little more than connect the two stations with a separate underground railway

– that function is now fulfilled by the expanding Metrolink tram system, passing through the heart of the city. Instead, the chord will be a heavy rail line from Piccadilly to Victoria through Ordsall, an area of Salford to the west of Manchester. It will take the form of a curved length of track running over a new viaduct, allowing trains from Victoria station to travel via Piccadilly, Oxford Road and potentially Salford Central.

The immediate benefits to Manchester and Salford alone are self-evident: the new rail link will mean that rail passengers can access with ease the areas they most need in central Manchester. Oxford Road station serves the city's universities and all-important science corridor, for instance, and Salford Central is ideally positioned for the recently regenerated Spinningfields area on both sides of the River Irwell.

But the positive impact of the Ordsall Chord will be felt far beyond Manchester. Rail passengers from Merseyside and Leeds and West Yorkshire can expect their journey times to be cut by around 10 to 15 minutes, a hugely significant reduction. Put simply, the Ordsall Chord will make it easier for people to do business between the north's major cities.

The chord will also allow passengers from across the north of England to gain access to international travel by rail far more conveniently, as trains via Victoria will have the option of continuing from Piccadilly to Manchester Airport. Providing more flexible travel opportunities for the airport, a vital element of the Greater Manchester economy, makes obvious sense. In particular it will open up opportunities for airport trains to connect to locations to the north of Manchester, such as Rochdale and the Calder Valley, from which the airport cannot currently be directly accessed by heavy rail.

Naturally there will be challenges for Network Rail in constructing a new railway line in an urban environment, and Transport for Greater Manchester will be working closely with the company throughout that process. However, the route passes through mainly brownfield land, and one of the key pieces of infrastructure already in place near the route, the Manchester and Salford Inner Relief Road (Trinity Way), was built with the possibility of future rail development in mind. This foresight on the part of Salford and Manchester city councils should ease the process of planning and building the chord considerably.

The Ordsall Chord will provide a direct link for the first time between Manchester's main stations, Piccadilly (below) and Victoria

It is extremely encouraging that the government has committed itself to this part of the Northern Hub programme well before any announcement was expected. The early agreement is a credit to the clear priorities that Network Rail and stakeholders across the north have developed over the past three years, teaming up to present the case to politicians of all parties. Without this clear agreement to put the Northern hub at the forefront of the region's rail strategy, it is unlikely that the proposals would have received the financial support from the government at so early a stage.

However, we must not lose sight of the fact that the £85m chord is only one part of the £530m investment proposal developed by Network Rail. While we fully expect and understand that the government will want to scrutinise that investment very carefully to ensure it remains value for money, we very much need the government to commit itself to the remainder of the hub programme in its plans for the nation's railways for the period 2014-19. We would expect this to be announced in July next year.

The Ordsall Chord is one of the stronger elements to the hub programme, and has benefits in its own right, but its value is diminished in isolation. For example, it is clear that we could not make full use of the new chord until the capacity of the stretch of track from the chord through Piccadilly itself is increased. Network Rail's plans include significant changes to Piccadilly, notably the building of two extra through platforms south of existing platforms 13 and 14, bringing the total to 16.

This is just one example of a development that must be funded if we are to reap the full benefits of the Ordsall Chord; without the new platforms it would be difficult to provide services direct to Piccadilly, the airport and other points to the south from locations to the north and north-east of Manchester, including Rochdale, Lancashire and the Calder Valley. This capacity is also essential to allow for the future development of rail freight, decongesting the roads and reducing carbon emissions.

Other equally important elements are those that serve the needs of Liverpool, South Yorkshire and West Yorkshire, and again, these are essential if the Ordsall Chord's potential is to be exploited to the benefit of the wider north. Works to increase capacity on commuter routes to Liverpool and Leeds and the intercity line between Sheffield and Manchester would mean speeds could be maintained to cut the times of through journeys across Manchester via the chord. Without them there would be a substantial imbalance in journey times and quality of services across the north.

The Ordsall Chord is due to be completed in 2016, at the same time as the £300m electrification of lines between Manchester and Wigan, Bolton, Preston, Blackpool and Liverpool, with all the additional value that will bring. If the government backs the remaining bulk of the hub proposals as we anticipate in 2012, we would expect to see the whole programme complete by 2019.

The complete, timely delivery of the whole hub project would revolutionise rail travel in the north and boost the regional economy, supporting wider regeneration and growth. The Ordsall Chord is an excellent start.

Stephen Clark is rail programme director at Transport for Greater Manchester

Localism: panacea or a recipe for paralysis?

The Government believes devolving power to local communities and shaking up the planning system will help get the economy growing. But is it just causing stagnation, asks **Andreas Markides**

Incentives such as the Homes Bonus and Business Growth Incentive will allow local authorities to retain council tax from new houses and additional business rates for six years

The decentralisation and localism agenda driven by the coalition government is designed to give local communities more control over many aspects of their lives, including housing and planning decisions. The principle of the idea is probably welcomed by most people. But a major consequence has been the rash abolition of Regional Spatial Strategies (RSSs) and the introduction instead of Local Enterprise Partnerships (LEPs) whose purpose is the promotion of local economic development.

Despite that objective, some might claim that since the new government came to power there has been no tangible economic development (whether local, regional or national). In fact quite the reverse has occurred. Figures for housing completions in England show that very little was achieved in 2010, while recent growth forecasts by the Construction Association indicate that the construction industry is set to contract in 2011. The current fragility of the UK economy was confirmed by the 0.6% contraction in the fourth quarter of 2010.

In the meantime two other tidal waves are on their way towards us. Regional housing targets previously imposed top-down on local authorities are in the process of being removed; and local authority capital spending is being curtailed by around 30%.With a reduction in grant funding of this scale most authorities will struggle to maintain the same level of frontline services – let alone kick-start the economy.

The idea that the dismantling of strategic bodies might lead to anything other than disjointed thinking and a broken system is both frightening and naive. Other countries used to be envious of our strategic thinking and now we've gone and got rid of it.

Leaving aside strategic planning considerations and focusing solely on the economy, it is undeniable that the shakeup of the planning system, coupled with the continuing unwillingness by banks to lend money that might rekindle economic activity, has brought about a paralysis of the system. Developers, housebuilders, consultants and local authority officers are standing dazzled like rabbits in the headlights; nobody knows what they are meant to be doing.

> **The question is whether these new measures and incentives will be enough to compensate for the reduction in grant funding**

Yet ministers remain confident that the package of measures contained in the Localism Bill will indeed save us. Where does their confidence come from?

The model on offer seems to be one whereby the reduction in the overall size of the local government grant pool will be compensated through the allocation of growth incentives. The new Homes Bonus is one such incentive. This will enable local authorities to retain the first six years of council tax paid on new homes. The Government has promised that the bonus will be applied to any houses completed from 2010-11 onwards.

This measure could be followed by a Business Rates Bonus, a simplified successor to the (failed) Local Authority Business Growth Incentive, which would allow local authorities to keep any additional business rate growth for a period of six years. A second option on offer is the re-localisation of business rates.

Additionally, the government has now said that it will press ahead with the Community Infrastructure Levy (CIL), the developer contributions tariff system introduced by the last government, with a few changes.

And finally we still have the LEPs which, we are told, will promote local economic development. The big question is why we have had this calamitous delay and why the Government has in the meantime allowed this paralysis – at a time when exactly the reverse was desperately required.

The next question is whether these new measures and growth incentives will be enough to compensate for the reduction in grant funding while at the same time reducing nimbyism among elected members in planning committees. Will developers and landowners be encouraged to buy off local opposition with CIL offers, and will local authorities be "incentivised" by the Government to grant planning permission in return for money?

Most people view the Home Bonus to be a far from adequate measure. CIL makes sense, even though it's someone else's idea given new clothing, but by itself is unlikely to revolutionise the rate of development. The business rate bonus may or may not be introduced. As for LEPs we wait patiently to see how effective they will be in promoting growth.

This word growth has been little heard from ministers in the last year. In an attempt to redress that failure the Government has just published the Plan for Growth alongside the Budget report. "Radical changes" to the planning system are expounded, including Enterprise Zones and the return of the presumption in favour of (sustainable) development. The chancellor also intends to release land which enjoys planning consent through public auctions and promises to overhaul the planning regime so that it will be easier to convert commercial premises into flats and houses.

Other planning changes proposed include automatic permission for "green" housing developments and a pledge to force councils to give decisions on planning applications within a year. Are we seeing a reversal of the localism philosophy already?

The Government has confirmed an earlier launch for the Green Investment Bank – even though, without the powers to borrow until 2015 at the earliest, such a bank will struggle to generate the scale of investment required. There has been some encouragement with the first round of the Regional Growth Fund in January as well as the announcement in February of an additional £1bn Business Growth Fund. However, the apparent belief in tax increment financing as the eventual cure to all our ills is both worrying and misplaced.

The measures and incentives offered by the coalition to local government to become pro-development might work and perhaps we will soon be on the move again. Developers and landowners are already adapting to the new political landscape, investing more in consultation activities and PR exercises.

Others hold a more pessimistic view and consider this to be a double failure of government. Failure to exercise pressure where it should (on the banks who had brought about this calamity in the first place). And failure to comprehend and empower strategic thinking.

The pessimists assert that these two failures have led to idle proclamations which have in turn led to paralysis – and that despite the recent pronouncements accompanying the Budget, such paralysis is set to be with us for a little while yet.

Andreas Markides is chairman of Colin Buchanan. The author is grateful to Marco Bianconi of Colin Buchanan for his significant contributions.


Richard Price


David Tarrant


Susan Williams


Karen Dee

Richard Price to take over at the Office of Rail Regulation

The Office of Rail Regulation has named **Richard Price** as its next chief executive, succeeding **Bill Emery** who steps down in June.

Mr Price has significant experience of economic regulation through posts including being chief economist at both the Home Office and Defra. He also led the Treasury's Enterprise and Business team from 2002-6, which included leading on the Treasury's relations with business, helping to shape the Hampton Review which resulted in the rationalisation of the regulatory framework for UK business, and negotiating launch investment with the aerospace sector. He was a project director at the Prime Minister's performance and innovation unit from 2000-01.

More recently, as chief economist and director of corporate performance at Defra, he led a radical reorganisation. He will join ORR in May before taking over from Mr Emery the following month.

The ORR also announced that non executive directors **Chris Elliott** and **Richard Goldson** were to stand down from its board at the end of March. Director of rail policy **Michael Beswick** has been reappointed to the board until June 2014.

Consultant Mott MacDonald has appointed **David Tarrant** as highways business sustainability director. Mr Tarrent's primary role at Mott MacDonald will be to help accelerate the growth of the team's business both in the UK and internationally.

Mr Tarrant has worked in the highways sector for over 30 years. He was previously deputy director of environment at Hampshire County Council, where he led on Hampshire's local transport plan as well as issues such as intelligent transport systems, climate change, development planning and environment strategy. Most recently he was a partner and main board director at consultant Gifford. He was president of the Chartered Institution of Highways and Transportation from 2008 to 2009.

Susan Williams has been confirmed as the new campaign director for the North West Rail Campaign. Ms Williams is a board member of the North West Development Agency and was, until 2009, leader of Trafford Council. She will begin her new role with the campaign immediately, replacing outgoing director Roger Jones.

Established in 2003, the campaign aims to secure better outcomes from the railways in the North West of England for passengers and businesses. Ms Williams will focus on ensuring that investment in the rail network is directed at those proposals which bring the strongest economic benefits to the North West. During the next two years the Government will re-franchise the services currently operated by Virgin West Coast, Transpennine Express and Northern; define its infrastructure plans for the railway for the five-year period from 2014; and complete the first phase of planning for a high-speed line.

One of her objectives will be to assist in making the case to the Government for over £500m of capital investment in Network Rail's plans for the Northern Hub.

- **Richard Price to become chief executive of the Office of Rail Regulation**
- **Mott MacDonald appoints David Tarrant**
- **Susan Williams to be campaign director for the North West Rail Campaign**
- **Keith Whitmore to chair Transport for Greater Manchester committee**
- **Karen Dee joins the Freight Transport Association**
- **Jonathan Spruce launches Fore Consulting**

The leading members of Greater Manchester's new transport committee were appointed last week at the inaugural meeting of the Transport for Greater Manchester Committee. Councillor **Keith Whitmore**, who was vice-chair of the Greater Manchester Integrated Transport Authority, was elected chair of the 33-strong committee.

TfGMC is a joint committee of the new combined authority and the ten district authorities of Greater Manchester. It will undertake much of the work previously undertaken by the GMITA, which was abolished on 1 April, and will advise the combined authority on transport policy.

The Freight Transport Association has strengthened its policy team with the appointment of **Karen Dee** as director of national and regional policy.

Ms Dee previously held the positions of director of policy at the Road Haulage Association and head of infrastructure at the CBI. Before this she worked with the Department for Transport as an adviser to Steven Norris when he was minister for transport.

She said: "The association has a well-deserved reputation for political campaigning and it is exciting to join a team with such a full and varied national and regional agenda. I am looking forward to bringing my experience to the FTA to help co-ordinate its efforts to even greater effect."

Jonathan Spruce has left his post as senior assistant director at Tees Valley Unlimited to start up Fore Consulting, an independent consultancy offering a range of specialist transport, infrastructure, development, regeneration and project management services. Having helped to establish Tees Valley Unlimited as one of the first Local Enterprise Partnerships over the last five years, he is now looking to work with such partnerships to help public and private sector clients ensure that transport infrastructure plays its full role in economic regneration. He previously worked for Arup, Aecom and JMP, and is a vice chair of the Institution of Civil Engineers' transport panel.

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Can Rail Win its Case?

Getting Value for Money from the Railways

One Day Conference, 12 May 2011, Central London

Confirmed Keynote Speaker: Rt Hon Philip Hammond MP, Secretary of State for Transport

The Transport Secretary has said that making UK rail "fit for the future and affordable for passengers and taxpayers" is the "number one challenge" facing the department.

There's no question that rail was the big winner for transport in the recent spending review – after allowing for rail net income, the rail capital budget will increase by 23% in cash terms over the next four years. Crossrail and the High Speed Rail programmes have been fully protected. However, rail is not off the hook. The Government still views UK rail as hugely costly and inefficient and wants reform. Sir Roy McNulty's review in to these 'unsustainable' costs will be submitted to the Secretary of State at the end of March.

As ever, the only constant for the railways is change. The structure of the whole industry; how franchises are let; and the way the train operators and Network Rail work, are back under the microscope.

Our top level one-day event brings together all the big players to discuss these critical issues that will re-shape the future of the industry.

Key issues for debate:

- Can UK rail ever represent value for money?
- What can we learn from Europe about keeping rail costs down?
- Are there any barriers to robust rail regulation?
- What is the best structure for the UK rail industry?
- What are the right sort of incentives for operators?
- How can we encourage private investment in UK rail?

Other Confirmed Speakers:

- **Sir Roy McNulty**
- **Bill Emery,** Chief Executive, ORR
- **Michael Roberts,** Chief Executive, ATOC
- **Tim O'Toole,** Chief Executive, FirstGroup
- **Anton Valk,** Chief Executive, Abellio
- **Adrian Shooter,** Managing Director, Chiltern Railways
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