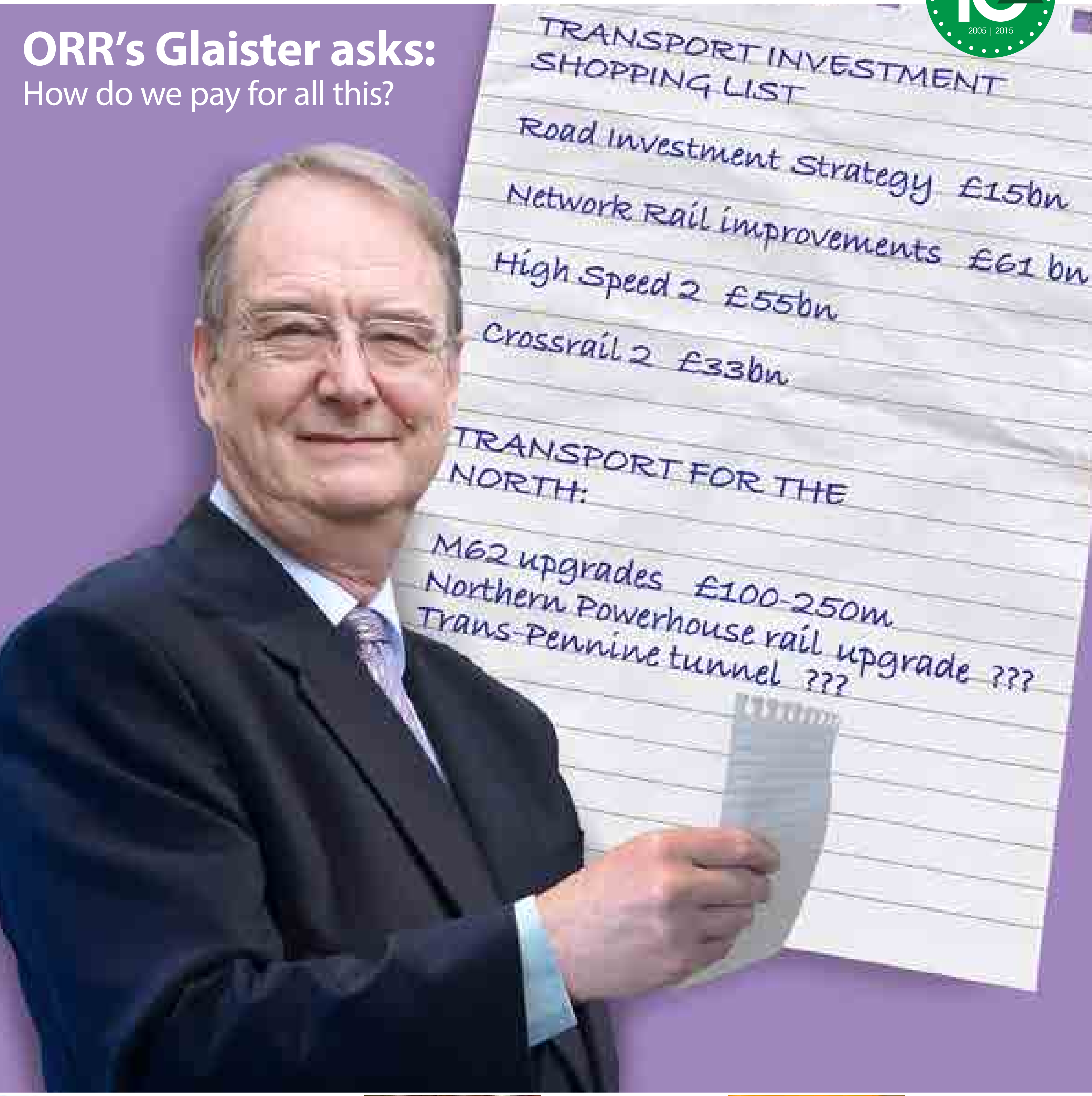
transport times
The home of transport insight and opinion
May 2016

ORR's Glaister asks:
How do we pay for all this?



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Transport's missing revenue stream

The Government deserves credit for protecting capital investment in transport infrastructure during a period of economic austerity. On railways we have as close as you can get to "predict and provide", with an ambitious list of projects that Network Rail is grappling with, not to mention the exciting progress of HS2. On the roads side, Highways England is moving into a higher gear as it gets ready to deliver what their chief executive has called "the largest road building programme since the Romans".

Professor Stephen Glaister, chair of the Office of Rail and Road, raised some searching questions at the *Transport Times* Infrastructure Summit on how all this is going to be paid for.

It's common for funding and financing to be confused. Funding is an amount of money provided by the Government on the basis of an agreement. It is usually free of charge. There may be certain contractual requirements in that agreement, but there are no requirements to pay back the capital.

Financing, on the other hand, is an amount of capital provided to an organisation with the expectation of repayment, and

Road and rail lack the ability to raise finance

> In utilities such as water and electricity, investment is paid for by the private sector through financing deals

organisations are liable to pay back the capital along with a certain percentage of interest. Finance is usually provided by institutions like banks, or investors such as venture capitalists.

Prof Glaister contrasted rail and road investment, which is funded primarily by the Government, with the other utilities such as water and electricity (and in the transport sector ports and airports), where investment is paid for by the private sector through financing deals. The utilities have a revenue stream which they can borrow against to finance investment, such as water rates, electricity charges and landing charges at airports. As a result there is much more certainty and continuity around investment, not to mention a more direct correlation between who pays and who benefits.

In contrast road and rail investment is at the mercy of the Treasury. Right now the Treasury is supportive of transport investment and the crucial role it plays in boosting economic growth. How long will this continue?

The missing part of the jigsaw is a revenue stream for road and rail which is not so dependent on the taxpayer. For roads this starts with the proposal to allocate vehicle excise duty to Highways England. This is an evolutionary step in the right direction – but it needs to culminate in road pricing. Without pricing we don't just lack a substantial revenue stream to finance investment and create a clear link between investment and payments, but we also don't have a solution to growing congestion.

According to Highways England, even the largest road building programme since the Romans will do little to alleviate traffic congestion.

The Commission for Integrated Transport's 2002 report on *Paying for Road Use* concluded that even if we taxed road users no more in aggregate, but introduced road pricing at the expense of VED and lower fuel duty, we would cut UK congestion by a staggering 46%. The major impact didn't arise from motorists switching to public transport – this was limited. It was due to road users changing the time of day at which they travelled.

It doesn't matter how many new road schemes are enacted (and in urban areas major road building is impossible): roads don't come remotely close to the congestion reducing impact of road pricing.

It is tougher for railways to finance investment from user charges because, unlike roads, they will always depend on a substantial contribution from the taxpayer. However, Network Rail is acutely aware that if it is to meet the expectations placed on it to increase capacity, it has to attract investment from sources of money other than central government.

David Begg

David Begg is publisher of *Transport Times*

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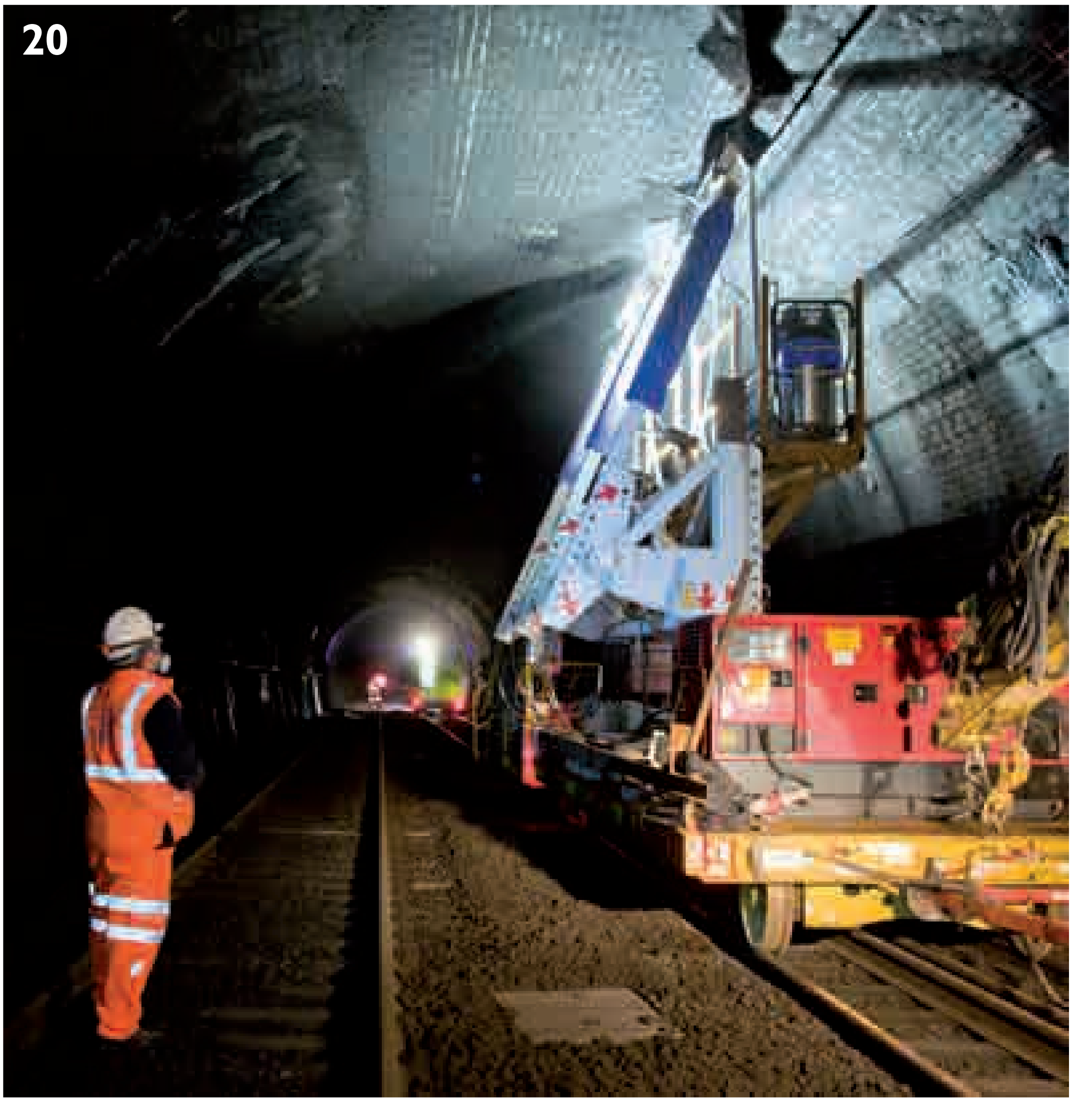


Glaister: investment funding gap looms

by David Fowler

The Government's ambitious infrastructure plans face a huge funding gap, Office of Rail and Road chair Prof Stephen Glaister has warned.

The mechanism by which investment is paid for in other utilities is missing in transport, he warned. The problem is particularly acute for the new devolved administrations, and major reform of local finance and increased taxation will be needed. Without this, it will be impossible to lever in private finance, Prof Glaister argued.

Speaking at the UK Transport Infrastructure Summit, Prof Glaister praised the Government's reforms in road and rail but added: "We haven't gone anywhere near far enough to deal with the long term issues that we face with our national road and rail infrastructure."

Crucially, he said, "we don't have a story to tell about how it's going to be paid for. We're talking here about not just this government, but the next one and the one after, when the world will probably look very different."

He continued: "The shopping list looks enormously expensive." The Government has set out plans to invest very heavily in new infrastructure. ORR research identified £270bn of investment in infrastructure by 2020, including £15bn for strategic roads and £61bn for railways.

On rail, Sir Peter Hendy's review had pushed a lot of expenditure into the next five-year investment period, starting in 2018.

"There's HS2, there's Transport for the North's shopping list. There's Crossrail 2. And on highways, there's a big increase in the first Road Investment Strategy, and we're beginning to think about the second RIS, which arguably needs to continue the growth in expenditure to cope with growing demand on the strategic network."

The sums, Prof Glaister said, were "enormous in relation to the cuts the Government is having to make in other areas". However, at the same time they amounted to less than 3% of GDP and so ought to be affordable.

Some of the growth in spending would be paid for by passenger growth on the railways, he said – "but I would submit not much of it. Almost all this new infrastructure is going to be paid for either through national taxation or local taxation."

Comparing transport with other utilities, he said: "In other industries there is a well-developed mechanism by which the regulator allows charges to be passed through to end users, because they ultimately pay for infrastructure, and that's missing for both roads and railways. We don't have a direct connection between what users pay and paying for the infrastructure."

The Government's proposal to ring-fence vehicle excise duty for the strategic road network was "a step in the right direction but it is nowhere near enough."

A potential new source of funding was to capture the increase in value of land resulting from transport investment, he said. "It's quite clear to us all that value capture through the local tax system has to be an important part of it." But there were many problems in making it work. "The jurisdiction of the tax-raising authorities doesn't match the geographical span of the benefits. There's a big disparity."

The Government was devolving responsibility for transport to bodies such as Transport for the North. Of these he said: "There won't be anywhere near enough money available to the local tax system under the current regime. People quote what's happened in London, but London is a special case.

"Do we really think that the local tax base as currently constructed in the north of England will be enough to fund the list that Transport for the North has identified? I doubt it: unless there is a major reform of local government finance, and aggressive taxation – by aggressive I mean a bigger call on the local taxpayer to raise the money to pay for the infrastructure."

The devolved authorities would face real choices. "I see in the Transport for the North document a long list of rail projects, a long list of road projects, but I don't see a story about how they're going to get paid for. They'll have to make choices and they'll have to say by what mechanism are they going to judge value for money in designing a long term infrastructure plan."

He added that once income streams were in place, the independent ORR would "provide a stable base against which private capital can be raised. But without the income streams there will be no private capital."

The ORR's role in the process was as "an enabler", Prof Glaister said: "I believe that ORR should stand as an independent body to facilitate stability, a view about value for money and efficiency – both public money and private money – and protection for users and investors. Without an independent ORR, none of this investment can be achieved through private capital."

Earlier in the conference Transport for the North chief executive David Brown had said that in developing its strategy, the organisation would not restrict its aspirations. "We will have to prioritise according to funds available, but we shouldn't compromise at the start, by asking will this be affordable in 10 or 15 years time. Without that aspiration within our long-term plan we will always be hand to mouth, trying to deliver schemes on an ad hoc basis."

Speakers at the conference generally avoided any mention of road pricing as a possible income stream. Prof Glaister's successor as director of the RAC Foundation, Steve Gooding, endorsed the need to "think through" how the network is paid for: "We need to be open to thinking about that but we need to be careful not to get too carried away and leap to road pricing as the answer – I think that paying for the way we use the roads needs to be thought through, not least because the chancellor is going to run out of income from fuel duty sometime in the next 20 years."

Conference report, page 20

Taskforce aims to boost apprenticeships and increase diversity

HS2 Ltd chief executive Simon Kirby is to chair the Strategic Transport Apprenticeship Taskforce, which held its first meeting this month.

The employer-led group will support the Government's ambition to create 30,000 new apprenticeships in transport by 2020, and increase the diversity of the workforce.

It will focus on shaping quality training for new entrants, mid-career changers and people returning to the industry. It will support the development and uptake of apprenticeships throughout the supply chain.

Transport Minister Lord Ahmad said: "I am determined that the Government's record investment in transport will help to transform childhood fascinations into lifelong careers."

The taskforce will promote a high-tech image of transport to make its appeal as broad as possible.

Mr Kirby, who was himself as apprentice with British Rail, said his apprenticeship was "the springboard" for his career. "Being an apprentice was a great opportunity for me to pursue a vocational education and gain experience in the workplace, while learning at the same time. It also equipped me with invaluable people skills that I've used in all aspects of my job."

He said STAT would support the Government's ambition, set out in January's Transport Infrastructure Skills Strategy, to treble the number of apprenticeships in the transport sector by 2020. "Employers should see taking on an apprentice as an opportunity to develop skills within their business, and this in turn can help young people to develop successful careers within their chosen sector."

The strategy also set a target for 20% of new entrants to engineering and technical apprenticeships in the transport sector to be women by 2020, and for a 20% increase in the number of black, Asian and minority ethnic candidates undertaking apprenticeships by the same date.

Mr Kirby added: "It is vital that we inspire people from all different backgrounds to become apprentices so that we can create a diverse workforce capable of delivering the unprecedented number of transport projects currently in the pipeline."

The STAT board includes David Poole, commercial and procurement director, Highways England; Rob McIntosh, route managing director, Network Rail; Beth West, commercial director, HS2 Ltd; Valerie Todd, talent and resources director, Crossrail; George McInulty, programme director for infrastructure, TfL; Paul Plummer, chief executive, Rail Delivery Group; Kevin Rowan, head of organisation and services, TUC; and Catherine De Marco, deputy director for infrastructure skills, DfT.

Automated trains would provide a five-minute transfer from station to terminal

Light rail plans for Luton Airport

London Luton Airport plans a £200m light rail link from Luton Airport Parkway station to its central terminal area.

The scheme could be in operation by the end of 2020 and would make possible a direct journey time between London St Pancras and the terminal of below 30 minutes.

The airport said the fully-automated, 24-hour system will use state of the art technology to provide a five-minute transfer time.

Arup has been appointed to design and procure the scheme, and the airport anticipates that a planning application will be made in the early autumn. Work could begin in 2017.

The scheme will complement the airport's £110m redevelopment plans designed to increase capacity by 50% to 18 million passengers annually by 2020. It was launched alongside, and forms part of, Luton's £1.5bn inward investment programme which outlined a 20-year plan to create jobs and economic growth in the town.

London Luton Airport chair, Cllr Andy Malcolm, said: "The scheme will provide a seamless five-minute transfer time between Parkway station and the airport terminal. A total journey time of less than 30 minutes from St Pancras to the airport will beat the time from Liverpool Street to Stansted by 20 minutes and better the time from Victoria to Gatwick too."

The precise technology to be used has not been decided but the system is expected to be similar to those in use at Birmingham and Gatwick airports. The official prior information notice seeks "design and build of a mass passenger transit system to run on central guided rail… [and] design and supply of driverless rolling stock and all associated systems."

A 2.2km preferred route has been identified which would run between two purpose built stations with a new multi-storey car park at the Parkway end. It would run alongside the main line railway before diverging to pass through the airport's existing medium-term car park to the central terminal.

It is expected that fares would be included with train tickets or car park charges as well as being available separately.

The new AT300s will be similar to the Class 800 Intercity Express trains

Hitachi ordered for TransPennine Express

TransPennine Express has ordered 19 new 125mph inter-city trains from Hitachi Rail Europe.

The order was confirmed the day before FirstGroup's new seven-year franchise began on 1 April. Hitachi will provide 19 five-car AT300 bi-mode trains, capable of operating on both electric power and diesel power. The trains, which will be bought and leased to TPE by Angel Trains, will be assembled in Hitachi's Newton Aycliffe plant.

The AT300s will be similar to the Class 800s designed for the DfT's Intercity Express Programme for the East Coast and Great Western main lines, but will have higher power to cope with steeper gradients in the region. They will be capable of operating at up to 140mph if network improvements allow it in future.

TPE promised modern, more spacious interiors with free wi-fi and advanced passenger information systems. Capacity will be increased by 161 seats compared with the average Class 185 train they replace. They will enter service from December 2019.

The initial trains will be built at Hitachi's Kasado Works in Japan, with the majority to be assembled at Hitachi's plant in County Durham.

TPE managing director Leo Goodwin said: "The signing of this contract is the first major step for the new franchise. These state of the art Hitachi trains will lead to significant improvements in seating and capacity and provide a more reliable and efficient service. The trains will be able to run at speeds of 125mph and will reduce journey times across our network."

TransPennine Express will retain around half its current Class 185 trains, but these will undergo a £20m-plus refurbishment to provide improved catering, information systems and free wi-fi.

Under its franchise commitments TPE will provide another 25 new trains, for which a contract is expected to be finalised soon.

Shinkansen operator on shortlist for West Midlands franchise

A subsidiary of Abellio backed by Japanese partners is one of three shortlisted bidders for the West Midlands rail franchise.

East Japan Railway Company and Mitsui are listed as minority partners in West Midlands Trains, Abellio's vehicle for the bid. Incumbent operator Govia is also shortlisted, alongside MTR Corporation (West Midlands), a subsidiary of MTR.

The DfT said that the consortium of East Japan Railway Company (JR East) and Mitsui had qualified to join the list of "pre-qualification passport holders" which means it can express an interest in all franchise competitions for the next four years.

JR East operates all the Shinkansen high speed services north of Tokyo. It opened a UK office two years ago, and has provided technical advice to the HS2 line.

The franchise has been run by Govia, the joint venture of Go-Ahead and Keolis, under the brand London Midland since 2007. It includes services between London Euston and Birmingham New Street or Crewe, regional services from Birmingham New Street to Hereford, Shrewsbury and Liverpool Lime Street, and West Midlands local stopping services through Birmingham to destinations such as Lichfield and Kidderminster.

The winner will be announced in June 2017, with the franchise starting in October.

All the new buses will have Euro VI engines

First cuts emissions with £70m bus investment

FirstGroup has announced orders for over 300 new buses worth a total of £70m for the current financial year.

They will all be fitted with Euro VI engines, 87% will be Low Carbon Certified and all will have free wi-fi.

British manufacturers will be supplying 98% of the order. Alexander Dennis will supply 204 buses, Wrightbus will supply 91 buses, and Volvo will build 10 coach chassis in Sweden, with ADL supplying the bodies.

First Bus managing director Giles Fearnley said the buses would be allocated to networks "where we have strong partnerships, formal or informal, with the local authority, where we are confident there is growth potential."

The order will confirm First's status as one of the largest operators of low carbon buses. Mr Fearnley said the only reason the order was not 100% low carbon was that it included 20 two-door double deck models for Bristol and Bath, which have not yet received official certification.

The majority will be conventional hybrids but there will be eight ADL Gyro double deckers, in which braking energy is stored in a spinning flywheel. Another 45 may be biomethane powered, depending on the outcome of a funding bid to the Office of Low Emission Vehicles.

Combined with last year's order, which were almost all Euro VI-engined, the new buses will take the proportion of Euro VI buses on the 6.300-strong fleet to over 10.5% by the end of the year. Mr Fearnley said the higher initial cost of Euro VI vehicles was offset by their inherently better fuel efficiency. Euro VI engines produce 95% less oxides of nitrogen than Euro V-engined buses, helping to improve air quality in the areas they operate in.

Fourteen of the buses are destined for the Doncaster Bus Partnership, to be launched in May. This builds on the success of partnerships in Sheffield and Rotherham. First is principal operator in Doncaster and has undertaken a network review. As well as introducing the new fleet it will reduce the fare premium on multi-operator tickets.

In another significant development, 30 new buses are earmarked for Cornwall, the first in 11 years. Cornwall Council gained franchising powers under its devolution with the Government, but it has indicated its preference for a partnership. Mr Fearnley said that First Bus was giving the Cornish network "a lot of attention". "It is profitable, has great growth potential and we are keen to demonstrate the possibilities," he said. This is illustrated by the fact that the 30 new double deckers will mostly replace single deckers.

Similarly in Bristol and the west of England, where First already has a strong partnership, 68 new double deckers will mostly replace single-deckers.

All the buses will have free wi-fi. "It's a must-have," said Mr Fearnley. "It's fast becoming expected by passengers. It's really good for marketing services to young people, but also to car users, who can use their time on the bus productively."

Systra acquires SIAS

International transport planning and rail engineering consultant Systra has acquired Edinburgh-based transport planning consultancy SIAS.

The move follows the acquisition of JMP Consultants last December, and is part of a strategy by Systra, owned by French transport groups SNCF and RATP, to increase its presence in the UK.

The 40-strong SIAS team has broad expertise in transport planning, specialising in strategic modelling, appraisal and microsimulation modelling. SIAS developed Paramics microsimulation software which is extensively used to model transport networks, and allows private vehicles, buses and trams to interact in the same model.

The acquisition will broaden Systra's transport planning team, particularly in Scotland. SIAS has two offices in Scotland, in Edinburgh and Perth. Clients include central and local government including Transport Scotland, Plymouth City Council, Wiltshire County Council and Aberdeenshire Council.

HS2 bill passes Lords second reading debate

HS2 has passed its second reading in the House of Lords, opening a major new stage of the project's development.

The hybrid bill giving powers to construct the line is on course to clear Parliament by the end of the year, allowing construction to commence next year.

The bill passed its third reading in the House of Commons at the end of March with MPs voting 399 to 42 in its favour.

It will now be considered by a Lords select committee, whose membership has yet to be announced. As in the Commons, the committee will consider objections from petitioners against the Bill. The Commons committee heard 1,600 petitioners over almost two years and made 400 amendments to the bill.

Speaking in the Commons, Transport Secretary Patrick McLoughlin said: "We expect HS2 to begin construction next year. As we enter this new phase I make three pledges: we will work closely with those communities affected by the HS2 route, we will keep a firm grip on costs and we will drive maximum value for money from this new railway."

In the Lords debate, transport minister Lord Ahmad said that HS2 was vital for meeting growing demand, improving connections between British cities and generating jobs.

Lord Adonis, who as Transport Secretary in the last Labour government introduced the plans for HS2, said: "HS2 is on course for enactment at the end of this year and the start of construction next year, with the first phase from London to Birmingham to open in 2026, just 16 years from conception. For a scheme of its size and complexity, this is a phenomenal achievement and a striking counter to the notion that we cannot execute big, essential infrastructure projects in Britain in a timely manner."

He added that "the integrity of the case for HS2… has withstood fierce debate and cross-examination". Referring to the 2010 Command Paper which set out the original plans, he added that capacity had been the central argument for HS2 from the outset. "In my view, it would be a reckless disregard of the national interest on all the most likely scenarios to fail to provide critical transport capacity between our major conurbations going through to the middle and later parts of this century."

He concluded: "We are right to be taking HS2 forward. It will change the country for the better and it cannot come soon enough."

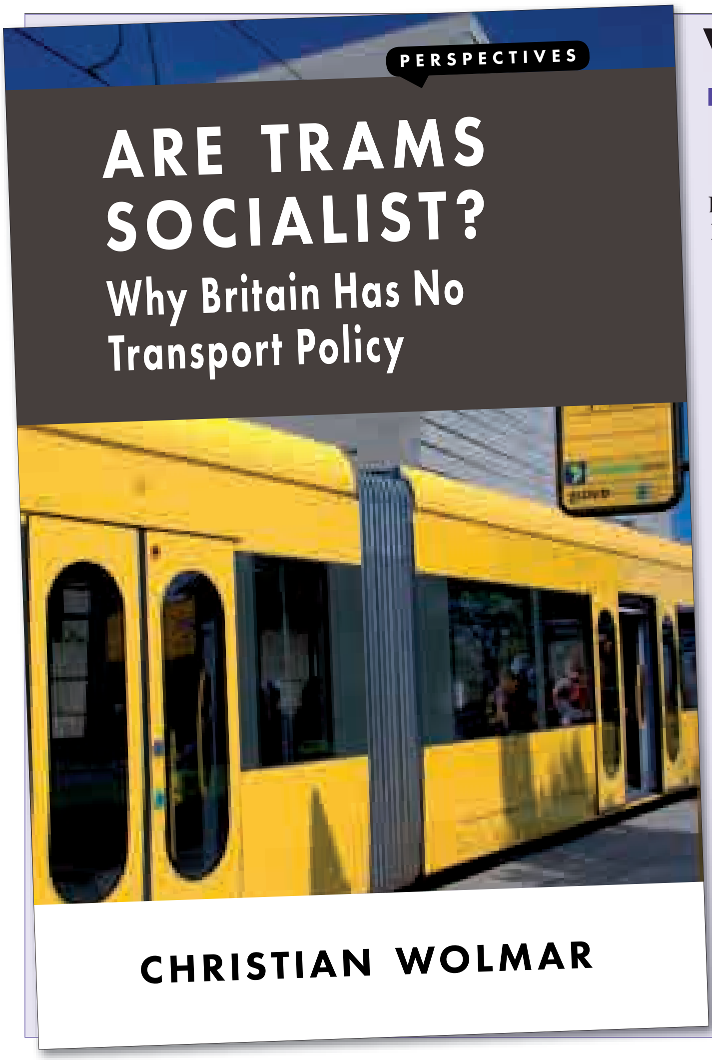
Coinciding with the House of Commons third reading, HS2 announced that nine bidders had been shortlisted for packages of civil engineering work worth between £7bn and £11bn on phase one between London and Crewe.

They are: Align Joint Venture (Bouygues, VolkerFitzpatrick, Sir Robert McAlpine); ASL (Acciona Infraestructuras, John Sisk & Son, Lagan); BBV (Balfour Beatty, Vinci BeMo); Catalyst (Bechtel); CEK (Carillion, Eiffage, Kier); Fusion (Morgan Sindall, BAM Nuttall, Ferrovial Agroman); LFM (Laing O'Rourke, FCC Construccion, J. Murphy and Sons): Momentum Infrastructure (Dragados, Hochtief, GallifordTry); SCS (Skanska, Costain, Strabag).

Contracts are expected to be signed in 2017 with the start of work on site one year later. Firms that achieve the best value and efficiency will be eligible to bid for work on an additional 40 miles between Birmingham and Crewe, due to open in 2027.

HS2 has also invited seven joint ventures to tender for enabling work, due to start next year, to prepare sites for construction.

It published details of engineering design work worth up to £500m for developing the detailed plans for phase two, pending a formal route decision on phase two, expected in the autumn. A shortlist will be announced in the summer with the successful bidders appointed once the route has been announced.



Wolmar dissects transport policy

Transport does not get the attention it deserves from politicians, and Britain has never had a coherent transport policy.

This is the premise of *Are Trams Socialist? Why Britain has no transport policy*, a new book by transport commentator and former *TT* columnist Christian Wolmar.

Wolmar points out that there was no government department responsible for transport until after World War I, and that the transport ministry has never been accorded the same importance as finance, home affairs or defence, for example. That transport remains low in the list of government priorities is demonstrated by the small number of transport secretaries whose names have made it into the history books.

Yet transport is a feature of almost everyone's daily lives. "Step outside your front door and you are faced with decisions determined by the policies of successive transport ministers, overseen, of course, by the Treasury," he says.

In the book Wolmar goes on to examine how this situation came about. By looking at the history of transport over the past century or so, he tries to explain why there has been so little progress in establishing a policy that recognises the importance of accessibility of places of work, leisure or education and that takes into account the damaging effects of transport on the environment.

He sets out a series of principles to underlie a rational and sustainable transport policy: transport policy is about accessibility; demand management should be a key component; and so should devolution, accompanied by genuine financial independence.

"Developing such a coherent policy is, of course, not an easy task," Wolmar says. But "it is never too late to start".

***Are Trams Socialist? Why Britain has no transport policy* by Christian Wolmar, £8.99 inc P&P is published by London Publishing Partnership as part of its Perspectives series. ISBN 978-1-907994-56-2 http://londonpublishing-partnership.co.uk/**

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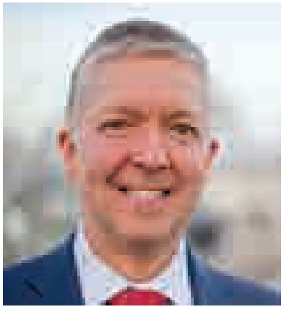

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Staying in the EU is best for Britain – and transport

Investment by international companies, liberalised markets making it easy to distribute goods, and influence over European laws are powerful reasons to remain in the EU, says **Patrick McLoughlin**

In less than two months, Britain will go to the polls once again.

This time, it's not a general election. It's much more important than that.

It's a historic vote that will radically shape this country's future, whether we decide to stay in the European Union or not. So it deserves a serious debate that allows everyone to weigh up the arguments and make an informed decision.

I'm not one of those people who think the "pros" or the "antis" have all the answers. I appreciate there are longstanding reasons why people want Britain to quit the EU. But I believe there are more persuasive reasons for staying in. And my conviction has only grown since I became Transport Secretary.

The first is that our economy will be better off. And the transport industry will be better off. Just consider our flourishing UK motor industry. We make some of the best and most in-demand cars in the world. Last year almost 1.6 million of them rolled off the production lines, the highest for a decade.

But a recent poll revealed that more than three-quarters of UK car manufacturers say quitting the EU would hurt their businesses.

Today's motor industry is truly pan-European and global. And Britain benefits hugely from that. We benefited when Toyota, Nissan and Honda chose the UK as the location for the first three Japanese car plants in Europe. We benefited when the fortunes of Jaguar and Land Rover were turned round. And we benefited when BMW and Volkswagen gave famous brands like Mini, Rolls-Royce and Bentley a new lease of life. All of them the result of global manufacturing giants channelling billions into the Midlands and Merseyside, Sunderland and Swindon, Derbyshire and Deeside.

But how many of those companies would have invested here if they'd thought Britain's long-term future was outside Europe, and we'd lose our automatic right to freely move components and vehicles across the single market without trade barriers or tariffs? As BMW has said recently, tariff barriers would mean higher costs and higher prices, and we can't assume that the UK will be granted free trade with Europe if we pulled out.

Even if new agreements could be renegotiated, it could take years. But at what cost?

It's not just car firms that thrive because of EU membership. Our shipping, aerospace and freight industries are the same. The overwhelming majority of senior managers in transport want to remain in Europe.

> **Rather than commit an act of self-sabotage by quitting the EU, let's work together to improve it**

And that brings me to the second reason to stay. It makes travel easier, cheaper and safer.

The EU has a liberalised aviation market, which means our airlines can fly anywhere within the EU without restrictions. British airlines have spearheaded the no-frills revolution over the past two decades. That's brought a 40% reduction in fares and a 180% increase in routes, according to easyJet.

Before deregulation, regular air travel was the preserve of the rich. Today, tens of millions of ordinary Brits take cheap flights for granted.

Of course we would have to try and renegotiate deals. But there are no guarantees.

It's easy to transport goods across modern Europe. But it wasn't always so simple. Before the single market, a haulier needed 88 separate pieces of paper to carry freight between London and Milan. Today, just one is required.

Thanks to EU membership, there are no limits on the amount of alcohol or tobacco we can bring back to the UK from the continent. If Brexit happens, that would change.

And as we have tragically seen recently, transport remains a target for international terrorism. Being a member of the EU means we work and share intelligence with our neighbours and partners to make transport safer.

And this is the third reason not to leave. Inside the EU, we have influence that brings real benefits to Britain. Outside, our influence would slip away.

I've listened to those making the case for Brexit. And frankly, many are putting their faith in a new Utopia – a perfect world free of all outside meddling, yet one that somehow allows Britain to retain all the benefits of free trade.

But the truth is, if we became like Norway, we'd still have to comply with European laws governing ports and shipping, car emissions, air travel, road haulage, rail competition, and many other aspects of transport. We'd just have no power to change them.

Of course Europe's not perfect. But rather than commit an act of national self sabotage by quitting the EU, let's work together to improve it.

That's the best solution for Britain. That's the best solution for our transport industry. And that's why I hope *Transport Times* readers will vote for Britain to stay in the EU on 23 June.

Patrick McLoughlin is secretary of state for transport and Conservative MP for Derbyshire Dales

Changing world leaves project appraisal behind

With rail demand growing at up to 5% annually and showing no sign of slowing, current benefit-cost analysis techniques no longer measure up to the task

It's always interesting to consider a fresh perspective. Sir Peter Hendy comes to the national rail network in his role as chairman of Network Rail not yet steeped in rail sector custom and practice.

As he told the *Transport Times* Infrastructure Conference this month, it's simply not possible to work within five-year planning cycles: rail projects take longer than that from conception to completion. So he supported the idea of a Government "vision for rail" – as per the Shaw report – with a 15-20 year outlook. The ORR, in fairness, has long understood the need to look beyond its five-year regulatory cycles.

And Sir Peter expressed his surprise that rail had experienced 4-5% annual growth rates over the last 15-20 years and made so little of it. Maybe so, but the happy days when, in response to the capacity challenges from perpetual growth, ministers could freely choose again and again which investments to make are over. Network Rail has passed on to the Government's books and its own-brand credit card has expired.

Henceforth, third party funding will become near-essential (Sir Peter again). This means that either devolution must bring with it decentralised funding on a substantial scale, or rail investment will revert to its previous south-east England bias. There is no reason to suppose that market growth – and the investment challenge it creates – will go away.

The conjunction of his two observations – five years is too short for planning and budgeting horizons, and annual demand growth is 4-5% – mean that the established way of appraising and prioritising investments has to change too. The reason is simple: by the time investments come on stream, demand levels will have increased substantially. The world will have moved on. Other projects, including some not yet committed, will be operational. Yet our current appraisal systems, steeped in heavy doses of caution, assume the world will be broadly the same as now.

The practice of transport project appraisal is under siege from those who believe it is too narrowly focused. But here is a much more crucial weakness: the current practice of benefit-cost analysis only works in an incremental world, and today's travel market is shifting too fast for that.

Two things have to change. The first is that underlying demand growth assumptions for rail (currently set at around 2% annually) must be brought into line with recent experience. The old models that aligned annual rail demand growth with GDP are no longer appropriate. Rail markets grew quite happily through the recent lengthy recession.

> **By the time the investment comes onstream, the world will have moved on**

Yes, there could be downturns ahead. But observable rail patronage trends are based on higher levels of urbanisation, strong population growth, lower levels of car ownership among younger age groups, higher motoring costs, the extension of congested road conditions into off-peak periods, slower entry-to-exit journey times for domestic air journeys, vastly increased levels of business journeys made by those travelling with mobile digital devices and growth in city centre employment. And on occasion, a better service from the rail sector. Ask yourself which of these factors is going to come to an end.

The second is harder to grasp. Appraisal in practice is currently a matter of comparison – between undertaking the investment in question and doing nothing beyond today's specifications of services plus committed infrastructure investments. With train timetables set only two years hence, analysts excuse themselves from presuming service changes will have been made. The outcome in an era where multiple projects have lengthy gestation periods prior to "commitment" is a familiar but unlikely service and infrastructure specification.

As a consequence, major rail investments are presumed to take place in a world where, with service levels unchanged in the meantime, modelled overcrowding reaches levels that are unreal, abstract even. Project benefits then come from reduced overcrowding, hard to measure and only a partial measure of the value of greater capacity.

More effort has to go into defining the so-called counter-factual (the without-project case). Uncertainty can be addressed by having more than one scenario if need be. This may require an assessment of year-by-year market changes and the most likely responses to it. Input from operator-managers could help this definitional task. Responses may be smaller-scale changes – demand management, changes to fares, localised investment, and so on. Or it might be "grin and bear it". In which case, demand growth may moderate. But having been suppressed it can be unleashed when service improvements are made.

Quantification of these effects is possible. The damage to the economy from overcrowding, congestion, poor service reliability and slower services can then properly enter the appraisal when the project comes along to bring relief.

Network Rail is good at scenario planning; now we need faster and more realistic models and appraisals.

Jim Steer is director and founder of Steer Davies Gleave.

How to build trust? Make passengers feel valued

The latest Transport Focus research offers insight into how bus operators can build better relationships with their passengers, at a time when overall satisfaction has fallen on average

Does it really matter if bus passengers trust the industry and local authorities to provide the service they need? Transport Focus thinks it does, as trust forms the keystone of any commercial or personal relationship. Trust helps keep existing passengers happy and forms the basis for attracting new passengers.

Major changes to how bus services are provided outside London are on the horizon. The Buses Bill is the biggest potential change to the way bus services are financed, operated and structured since deregulation in the 1980s. Any changes in regulation must have passengers at their heart if trust is to be maintained or built.

Our report *Bus passengers have their say: Trust, what to improve and using buses more*, explores passengers' trust in and relationship with the bus industry and how to get more people choosing bus.

The research found that, to improve passengers' trust in the bus industry, bus companies need to get the basics of a bus service right and build better relationships with their passengers. It's true that passengers' most basic needs are a safe, reliable, frequent bus service that is value for money. Already, 41% of bus passengers trust their company highly – but being treated more like a valued customer would greatly increase trust.

Bus companies and local authorities need to do more than just sell tickets and provide information. Passengers are more likely to trust their bus if they feel their custom is valued.

We also looked at bus passenger priorities for improvement, how to get people choosing the bus more often and how to attract new custom. This work mirrored a similar piece we did with rail passengers.

Value for money is passengers' highest priority for improvement, followed by reliability and punctuality. Tackling anti-social behaviour was rated fifth.

Nearly a third of non-users would consider making more journeys by bus, highlighting the opportunity for further growth in the industry. Further unlocking the potential of the driver as the face of the company presents a huge opportunity for increasing passenger trust.

In addition, a clear sense of who is in charge and where complaints should be directed is needed to make passengers feel more like valued customers.

These results add to the insight provided by the latest round of the Bus Passenger Survey. The survey looks at satisfaction with aspects including the bus stop, waiting for the bus, on the bus, the outside of the bus and the bus driver as well as overall satisfaction with that journey and value for money.

> **Bus companies and local authorities need to do more than just sell tickets and provide information**

Passengers on their local bus may be generally content with their service, but value for money ratings and satisfaction with punctuality vary widely across the country. More than 40,000 passengers across England and Scotland took part with 86% of all passengers stating they were satisfied with their last journey.

While many services are meeting their passengers' needs, others are less consistent on the basics like reliably running to time or value for money. Fare-paying passenger satisfaction with value for money ranged from 41% to 80% (averaging 63%), a gulf of 39 percentage points between the highest and lowest area scores. Increasing challenges face bus operations in some town and city centres because of increased traffic congestion. Satisfaction with punctuality ranged from 64% to 84% (averaging 75%, down from the 2014 figure of 77%).

We discussed these findings at our recent event, Is bus the missing link in delivering a northern powerhouse?, in Manchester. The panel comprised Giles Fearnley (First Bus), Stephen Rhodes (Transport for Greater Manchester), Julian Ridge (York City Council), Alison Pilling (Transport for the North) and our own David Sidebottom.

We debated what the industry and the Government can do to put buses at the heart of a thriving transport system in the North.

David Sidebottom and Ian Wright, Transport Focus head of insight, highlighted how operators need to get the basics of a bus service right and build better relationships with their passengers. The panel members discussed how rail may continue to be the centre of attention of plans for the northern powerhouse but it is the bus that is the real workhorse of northern transport.

The backdrop to all these debates is the continued decline in bus passenger numbers outside London. Pressure on local authority budgets will continue, meaning less support for marginal services. A more customer-centred approach could help to boost demand among both existing and new passengers and help to reverse the apparent decline of bus in the transport hierarchy.

Transport Focus research clearly shows existing passengers are relatively satisfied, but their numbers are declining. However, further government interventions may be needed to address air quality and congestion issues, while the "network effect" of improved ticketing and information, under future partnership or franchise arrangements, might all help make people choose the bus.

Anthony Smith is chief executive of Passenger Focus.

Louise Ellman

Delays and compensation: room for improvement

Passengers' levels of satisfaction with rail fares and services vary widely, and information on claiming compensation is patchy. The Transport Select Committee will be looking into the issue

The UK has some of the highest railway season ticket prices in Europe. Many passengers spend up to 13% of their monthly salary just to get to work. Fares have risen three times as fast as wages over the last five years.

It is hardly surprising that, according to the latest figures from industry watchdog Transport Focus, 48% of passengers did not feel the service they received was value for money.

Successive governments have justified the high price of tickets on the grounds that rail users should pay a significant proportion of the costs of running the railway, but it is unclear whether travellers are noticing the results of the much-vaunted rail investments.

In the coming months the Transport Select Committee will be examining passenger satisfaction in relation both to fares and other factors.

At a glance the available data shows a mixed picture. Satisfaction rates vary widely depending on the length of the journey, which aspect of the journey is being measured, and on which route. For example, overall satisfaction by train operator varied between 73% and 97%. Satisfaction with whether there is sufficient room for all passengers to sit or stand on individual routes varied between 46% and 92%. Such wide variations show that more should be done.

Transport Focus found that the single biggest factor of concern was train punctuality and reliability (36%). 23% of passengers nationally are not satisfied with the reliability of their service. The latest figures show 47 million passenger journeys were either cancelled or significantly delayed in the 12 months to March 2015.

When trains are sufficiently delayed, passengers have a right to be compensated for the inconvenience, usually if a train is delayed by 30 minutes or more. In theory this should make frequently delayed services improve their performance. Sadly, the data shows that the reality is different.

In its response to a "super-complaint" filed by *Which?*, the ORR reported that 80% of passengers are not aware of the compensation to which they are entitled. The regulator found that passengers had little access to information on their rights within stations, and that staff on trains were often unable to provide basic guidance on passengers' eligibility for redress.

According to *Which?* only around a third of passengers remembered being informed of their rights after their last delay. Information on train operator websites relating to passengers' rights can also be unclear or difficult to navigate. The ORR found that the single biggest factor that contributed to dissatisfaction was how train companies dealt with delays (56%).

> **'Smartcards should make possible automatic payment of compensation when services are disrupted'**

Technology will assist in providing a solution in the long term. The use of smartcard ticketing is being widely adopted, particularly within urban areas, and the pace of this trend is likely to increase. Smartcards and mobile apps should make possible the automatic payment of compensation when services are disrupted.

Some train operators have already started to use this technology for automated compensation, and more have plans in the pipeline to do so. This is progress, but the complexity of the ticketing structure on the rail network has made the introduction of smart ticketing slower than it should have been.

In the short term, there is a danger of creating a two-tier system for compensation. While technologically savvy-commuters will automatically receive their entitlements, passengers wedded to the traditional orange ticket will face the usual battle with bureaucracy.

In and around London passengers are experiencing a two-tier system on price: investigations have found that passengers are being charged up to four times the correct fare at some stations because the computers used by staff fail to show the cheapest tickets which are automatically available to Oyster card users. More work needs to be done to eliminate these discrepancies.

Improving the provision of information available to passengers is one way to increase rates of satisfaction. When inevitable disruption occurs passengers must be given access to as much information as possible, and more information should be given to passengers on what they should do.

The Government and the ORR also have a role in setting the parameters of what customers can expect, and they have the powers and influence to raise standards.

Keep an eye on the Transport Committee's website for more information on its inquiry and how you can contribute.

http://bit.ly/1Yq9YLE

Louise Ellman MP is chair of the House of Commons Transport Select Committee and Labour MP for Liverpool Riverside.

Give LEPs the tools they need to do the job

Local enterprise partnerships have the potential to play a pivotal role in stimulating economic growth as local devolution progresses. But crucial elements of the strategy are missing

Centralisation has for too long been choking off growth. There is a clear consensus across the political spectrum that power and decision-making need to be devolved, and that local people are best placed to drive local economic growth.

While there is broad agreement on the overall direction of travel, it is not yet clear how the momentum of devolution can be harnessed to achieve the right conditions for growth. Ever more devolution deals, the creation of more combined authorities and the formation of new subnational bodies are all exciting developments, but they also mean that the local landscape is becoming ever more complex. Nowhere is this more the case than for Local Enterprise Partnerships (LEPs).

In bringing together the private and public sectors LEPs are uniquely positioned to play a pivotal role. And it was clear at the recent LEP Network annual conference that there have been some significant achievements. To date a total of £5bn of private sector funding has been secured by LEPs. Direct impact of the work of LEPs includes 115,000 new jobs, 71,000 new businesses and 16,000 new homes.

However, there remain significant challenges. According to the National Audit Office the approach taken by the Department for Communities and Local Government to overseeing Growth Deals puts value for money at risk. LEPs themselves have expressed reservations about their capacity to succeed. Only 5% of LEPs feel that the resources available to them are sufficient to meet the expectations placed on them by the Government. The estimated underspend for 2015/16 is £85m, over a third of the total budget for the year.

Speaking at the conference, communities and local government minister James Wharton acknowledged that the role of LEPs will need to change as devolution progresses. But it was absolutely clear, in both his and secretary of state Greg Clark's comments, that LEPs remain integral to this process. The ministers announced at the conference that £20m core funding for LEPs has been secured for the next financial year, and the next phase of Local Growth Fund (£1.8bn) is now open for LEPs to bid.

The key question is what is needed to make possible investments which will bring about economic growth. It is understood that transport is central to unlocking growth, which is why transport infrastructure investment accounts for more than half allocated Local Growth Fund spending so far. But transport needs to be understood as part of a wider growth strategy.

> **Significant capital funds are being devolved to LEPs but without the necessary guidance and without a national growth strategy**

Michael Heseltine's report *No Stone Unturned* has greatly influenced the Government's thinking. Chancellor George Osborne purportedly supported 81 of the 89 recommendations at the time. The Local Growth Fund arose directly from it. One recommendation which the chancellor didn't support, however, was for the formation of a National Growth Council. Perhaps this felt too much like 1970s state planning. There was more support for a national growth strategy, but without a body of some kind with responsibility for developing and monitoring that strategy it is difficult to imagine how such a strategy would have any real influence.

What was clear in Lord Heseltine's report was that the Government needs a single compelling vision of how wealth will be created in the UK, and that all parts of the Government need to work in support of that plan. He advocated a significant devolution of funding to LEPs, but crucially this needed to be accompanied by a clear statement of the Government's priorities to guide LEPs in preparation of their strategic economic plans.

In the event, significant capital funds are being devolved to LEPs but without the necessary guidance and without a national growth strategy. And there are also troubling issues concerning accountability and transparency. According to the National Audit Office, and less than half feel that that there are clear lines of accountability to the electorate.

All this is against the backdrop of massive cuts to local authority budgets, to the point that in some areas all but statutory services are at risk of being axed. The result is that local government expenditure on pro-growth measures such as housing, planning and economic development has decreased disproportionately.

So LEPs have been given a hugely challenging brief. In the absence of a national growth strategy, they should at the very least have access to the tools and information they need to make investments which will encourage growth. For its part Greener Journeys has built up an extensive evidence base on the excellent returns that can be achieved from investment in bus infrastructure – up to £7 of net economic benefit for every £1 invested – and we continue to share our findings with LEPs. But much more needs to be done.

Claire Haigh is chief executive of Greener Journeys, a campaign dedicated to encouraging people to make more sustainable travel choices www.greenerjourneys.com

Derek Halden

Transport takes a back seat in Scottish campaign

The question of how ferry services to Scotland's island communities should be provided has proved controversial, but in the main the parties are steering transport issues out of the election limelight

Visitors to Scotland are often told that the Kyles and Western Isles "belong" to Caledonian Macbrayne, the ferry operator. However, converging issues about EU rules, public ownership and transport procurement have propelled the debate about Scotland's ferry services to the front of the politics of the May Scottish Parliament election.

Reflections in wider debates about Brexit, privatisation, transport regulation and public funding make the ferry debate symbolic of several key issues in the May election. Its value to the political parties is that they can use it to reinforce their credentials as champions of vulnerable communities, transport workers' rights, reduced travel costs, and standing up to Europe.

In March Calmac, the publicly owned ferry operator, and Serco, the operator of the ferries to the Northern Isles, submitted their bids to run the Clyde and Hebridean ferry services under a £1bn contract from the Scottish Government. Labour has promised to halt the current process: "We will fight to keep CalMac in public hands and immediately suspend the tendering process."

The SNP says: "There are no plans to privatise these services. The public service contract being tendered is to operate lifeline services on behalf of the Scottish Government."

Should Brussels, Edinburgh, local transport authorities, transport operators or local communities control the ferries? If the goal is to provide efficient governance frameworks that meet the needs of all of these levels of governance, then it is hard to find anyone who thinks this is being achieved at present.

One argument is that the EU position has been misrepresented. The requirement to introduce some competition or market-testing to the ferry market has been used as an excuse to design a competition that favours solutions that nobody wants. Equally the Scottish Government might feel misunderstood, because far from being a radical change, the current competition is the nearest it can find to the status quo.

The operators and transport authorities feel ignored, since the improvements and innovations that they would like to make are constrained by complex contractual frameworks. The employees of the operators who live and work in the island communities have demonstrated their frustration through recent strike action. Whatever happens in May, convening in court looks like the most likely outcome.

> **'Proposals from the Greens are stimulating debate about land value taxation'**

The bus regulation debate shadows the ferry debate with the benefits of the status quo being the SNP position, but little grassroots support for continuing the current policies, which are contributing to decline. However, although other parties talk generally about stronger regulation, the detail of the mechanisms to achieve this through contracts, franchising, public ownership, and funding have been insufficient to support widespread debate.

Taxes are being devolved to Scotland but proposals to increase income tax have attracted greater interest than proposals to reduce air passenger duty. The SNP, Labour, the Liberal Democrats and the Green Party all have rival plans to raise taxes. Only the SNP plans to cut air passenger duty, by 50%. The Conservatives have said that they will not oppose this change but would not promote it either, but all other parties are opposed to the tax cut.

Most other practical transport issues do not appear to split the parties. There are broadly supporting statements about active travel and railways, and varying degrees of enthusiasm for road building, but nothing substantially different from business as usual. Proposals from the Greens are stimulating debate about land value taxation, because this would help capture increases in land value from transport projects.

The Greens also support new road-sharing legislation to bring laws protecting pedestrians into line with the rest of Europe, but the other parties have generally steered away from new ideas, preferring to keep thorny transport issues away from the front line.

All parties seem to recognise that ticketing has fallen behind the flexibility available for paying for everything else and so have committed themselves to introducing "a single smart ticket for use on buses, trains, trams, the subway and ferries". However, there is no indication in any manifestos that there is any understanding of why attempts to introduce smart integrated ticketing have failed over the past decade, or any practical proposals to overcome these barriers.

Perhaps transport in the 21st century is too complicated for media-friendly political campaigns. Certainly one key trend over the past 30 years has been the increasing dominance of the democracy of the market over the democracy of the ballot box when introducing transport innovations.

However, the social transport issues related to protecting vulnerable communities, and employment issues in a changing industry, look set to grow in importance for politicians who want to win elections.

Derek Halden is director of transport data and technology business DHC Loop Connections and is secretary of Scotland's transport think tank STSG. www.dhc1.co.uk

Will transport figure in the Queen's Speech?

The Buses Bill, reform to give open access operators a greater role on the railway, regulation of drones: all could be vying for space in the next parliamentary session

On 18 May, the Queen will formally open a new session of Parliament – an occasion she has only missed twice in her reign. From the throne in the House of Lords, amid all the pomp and pageantry, she will unveil the Government's legislative programme for the next year. This will be the second for prime minister David Cameron's Conservative government since it won the general election last year, but where will transport figure in this Queen's Speech?

As this session of parliament draws to an end, the legislative behemoth that is the High Speed Rail (London-West Midlands) Bill has completed its passage of the Commons and has been sent to a select committee of the House of Lords. The Department for Transport is working towards achieving Royal Assent by the end of this year, freeing up the parliamentary draftsmen to focus on other issues.

Two other important decisions need to be made on the project in the coming year. The first is the announcement of the phase two route of HS2, currently expected in the autumn. The second is the deposit of a hybrid bill to bring forward the recommendation of the Higgins review to accelerate the phase one route construction to Crewe by 2027, likely to be brought forward in 2017.

However, there will not be a hybrid bill concerning airport expansion. In December 2015, ministers announced that they had decided to issue an Airport National Policy Statement when they (eventually) make a decision over the location of a new runway.

In last year's Queen's Speech, the Government made a commitment to bringing forward a Buses Bill. At *Transport Times*' UK Bus Summit in February, buses minister Andrew Jones announced the key parts of the legislation. Described by the minister as an enabling set of measures, the bill will introduce a new requirement for all operators to make data about routes, fares and times open and accessible.

> **DfT priorities for 2015-16 included the aim of bringing in a Modern Transport Bill**

Local authorities and bus operators will be able to enter into new partnerships and bus services will be allowed to be franchised under devolution deals.

Time is nearly up on the present session and the bill has yet to be introduced, but it looks set to be on the agenda for 2016-17. In April, Mr Jones confirmed in a parliamentary question that work on the bill was continuing and that the Government hoped to introduce it in the coming session.

Reform of the railways could be another idea on the Government's legislative agenda. The Competitions and Markets Authority published a report in March into the scope for increasing competition in the rail passenger sector. It recommended that open access operators could benefit passengers if reforms are made, including fairer charges and robust protection for taxpayers and investors.

In a written statement to the Commons on 17 March, Transport Secretary Patrick McLoughlin confirmed he was working with the Office of Rail and Road to implement the CMA's recommendations, which could include legislation. To this end, a Railways Bill could form part of the Queen's Speech.

DfT's priorities for 2015-16 included preparing the transport system for the future by planning ahead and responding effectively, including the aim of preparing and bringing in the Modern Transport Bill.

There are not many details available, but some are beginning to emerge. Appearing before the Lords EU Internal Market sub-committee in April, transport minister Robert Goodwill revealed that the Government and the Civil Aviation Authority were examining ways that the legislation could be used to address the regulation of drones. This comes after recent reports of one striking a plane near Heathrow Airport.

As to whether any Transport Bill will feature in the Queen's Speech, Mr Goodwill told peers that it all depended on the precious commodity of parliamentary time. DfT must vie with other departments for this in the coming year. In addition, the impact of a British exit from the European Union would undoubtedly throw the domestic agenda into turmoil. So a great deal hinges on the EU referendum.

There is a lot for the Government still to do, but will it have time to do it?

Mike Indian is a senior political analyst at DeHavilland

The CMA has recommended a bigger role for open access operators such as Grand Central

Mike Indian: "Buses Bill is on the agenda for the next session"

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Peak of ambition

Report by **David Fowler** with **Mike Indian** of DeHavilland

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Definitive political intelligence

Investment in transport infrastructure is higher on the political agenda than it has been for decades. The National Infrastructure Commission has been created to develop long-term plans and generate political consensus. The Government has pressed ahead with plans for High Speed 2; with last month's Budget it accepted the commission's recommendations to accelerate the development of plans for improved transport links in the north of England and for Crossrail 2. Highways England has been created, with a five-year investment plan to match that of Network Rail.

So it was entirely appropriate that NIC chair Lord Adonis delivered the keynote speech to the *Transport Times* UK Transport Infrastructure Summit, hosted by KPMG in London earlier this month.

Over two days the summit looked at the prospects for all transport modes. Separate sessions considered high speed rail, the conventional rail network, Crossrail 2, highways, ports and airports. Speakers included Network Rail chair Sir Peter Hendy, London transport commissioner Mike Brown, HS2 chief executive Simon Kirby, Highways England chief executive Jim O'Sullivan and a host of other key transport figures.

Crises drive long-term decision making – Adonis

Lord Adonis said long-term planning of infrastructure was difficult because politicians rarely looked beyond the next election. What forces long-term decisions, he said, is "when a sense of crisis in getting through the next election is so great you have to take decisions that impact on the longer term. When that point of crisis comes then decisions have to be taken that affect the very long term."

It was unusual for long-term planning to achieve this by itself. "The way to get decisions taken long-term is to set up a 10, 15 or 20 year plan, but what gets the decision taken is a sense of immediate crisis."

With that caveat, six years and three months since he set up HS2 while transport minister, the hybrid bill for the project was about to have its second reading in the Lords. Construction was due to start next year and the line would open in 16 years from its inception. "That's about as fast as it's possible to be," he said. Similarly Crossrail will have taken 12 years from the introduction of its hybrid bill to completion.

A new runway at Heathrow, ostensibly more straightforward, was an "impossible" decision to take because of the politics surrounding it.

Lord Adonis: creating consensus

> **'The Oxford-Milton Keynes-Cambridge corridor presents a massive challenge of housing and connectivity'**

The National Infrastructure Commission, which Lord Adonis chairs, was set up to help create a long-term narrative and consensus between the main parties. Following its reports on energy, transport in the north of England, and Crossrail 2, which had been accepted by the Government, it had been asked to look at the Oxford-Cambridge-Milton Keynes east-west rail project and a 30-year "horizon scanning" exercise.

The Oxford-Milton Keynes-Cambridge corridor is one of the most significant growth corridors in the country and presents "a massive challenge of housing and transport connectivity", said Lord Adonis. "Outside Milton Keynes itself it's very difficult to get new settlements."

He added: "Over the 70-mile corridor there are 10 presently or soon to be disused major Ministry of Defence sites, all of them potential new towns or villages if connected up properly. We hope over the next year and a half it will be possible to put together a transport infrastructure plan alongside a plan for new settlements that's politically saleable."

London and the North 'not a zero-sum game'

Mike Brown, London transport commissioner, said the creation of the National Infrastructure Commission was something to be celebrated. "A cross-party approach to decision making is something a lot of us have been hoping for for a long time," he said.

He was "delighted" that Crossrail 2 was being taken forward, but also about the commitment to invest in infrastructure in the North. "We're not in competition. It's not a zero-sum game," he said. "Decent transport connections serving northern cities are good for the UK economy as a whole and therefore good for London an our other great cities too."

He welcomed the fact that both the main London mayoral candidates were committed to continued investment in the city's infrastructure, but added: "You have to keep making the case."

Crossrail, when opened in 2018, "will make a phenomenal difference", he said, "providing 10% of additional capacity on one fell swoop." But with the city's population set to grow to 10 million by 2030, Crossrail 2 would "really be needed", he said. With numerous projects going forward at the same time, "hungry for the same resources", Crossrail chairman Terry Morgan's work on skills would be very important.

Unlocking the North's asset base

The objective of transport for the North was to unlock the value of the North's asset base, said TfN chief executive David Brown. "In all the advice, one thing that is consistently proven is that good connectivity within your economic base is essential to economic growth."

He added that "One of the challenges I will have is ensuring TfN, made up of the elected mayors of the local transport authorities, can speak with one voice to make the case for infrastructure and transport investment."

Over the next 12 months TfN would develop a strategy for the whole of the North with clear priorities for improvements to the strategic transport networks. "It's more complex than London," Mr Brown said. "There is not a Canary Wharf in the North. We need to move people between the big economic units of the north, not just Leeds and Manchester." He added: "In the past the North has had to go for whatever it could get. We will have to prioritise according to funds available, but we shouldn't compromise at the start, by saying will this be affordable in 10 or 15 years' time? Without that aspiration within our long-term plan we will always be hand to mouth, trying to deliver schemes on an ad hoc basis."

Ailie MacAdam interview, page 27

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Kirby: HS2 can transform the i

from page 21

Simon Kirby

High Speed 2 will begin a transformation of the country's transport infrastructure, said HS2 Ltd chief executive Simon Kirby. But how it was built was as important as what was built. "Our ambition is to leave a legacy which makes the country proud of rail."

Speaking in the session on *Looking Beyond HS2*, he added: "We have the opportunity to make something to transform the customer experience, and create economic growth across the country." He predicted that, when HS2 was in operation, companies would want to site their international HQs in cities other than London.

The project would also bring great change to the industry. HS2 would create 25,000 jobs. The High Speed Rail college was being established, which will provide 2,000 apprenticeships. Huge technological change would require different skills and different people. "It's a massive opportunity to bring new people into the industry. High speed rail is far more software and technology-based than the current network. It's an opportunity to increase diversity in our workforce and get the best people we possibly can into the sector." He added: "In building the railway, we will create an industry that's seen as a global leader in high speed rail."

Put Scotland in the fast lane

The journey time from Glasgow and Edinburgh to London should be brought to under three hours by 2027, said Greengauge 21 director Jim Steer. Ministers' commitment in March to a three-hour journey time was "a tremendously important development", he said. But the proposal needed to be taken out of the slow lane. "There should be an ambition to achieve three hours to Scotland by 2027," he said.

However, he questioned the wisdom of dropping the connection between High Speed 2 and High Speed 1, and the connection to Heathrow and the connection to the existing network in Birmingham.

The Y-shaped network, with its two northern limbs joining at Birmingham to form the stem route to London, would have uneven loadings on its three limbs. A connection to the classic network at Birmingham would allow HS2 trains to run south to Bristol and the South West, Oxford and Heathrow as well as London. The HS2 service plan would become an X not a Y, evening out the loadings, he said.

Technology challenges 'yet to be solved'

Alstom UK and Ireland HS2 director Henrik Anderberg considered the technological developments that HS2 would benefit from. He pointed out the importance of signalling systems for capacity. "ERTMS level 2 has been

'Government needs a long-term visi

Nicola Shaw said her target in producing her review of Network Rail's structure, *The Future Shape and Financing of Network Rail*, had been "to get to something implementable. The key thing now is how to take this forward."

The session on rail took the form of a panel discussion based around the recommendations and key themes of the High Speed 1 chief executive's report, published last month. These included devolution of responsibility to Network Rail's regional "routes"; the role of the Government in planning for the railway; funding; and skills.

Devolving responsibility to the routes is designed to engender a greater focus on Network Rail's customers, the train operators. Thales vice-president for ground transportation systems Alistair McPhee said he favoured devolution and hoped it would forge stronger relationships with suppliers: "I think it will drive efficiency and performance." He also hoped the new regime would foster collaboration. "I think collaboration is fundamental to success. Too often it isn't there. I hope we will see strong collaboration between routes and the supply chain, with long-term relationships."

Network Rail chair Sir Peter Hendy said: "The substitution of a real customer for an array of regulatory targets for running a big organisation will be a great improvement."

However Atkins UK and Europe managing director for transportation Philip Hoare cautioned: "You've got to think abut the end customer. Most people don't care whether the railway is devolved or centralised: they want a reliable service."

On the role of the Government, Ms Shaw said it had got very involved in rail in the last 10-15 years, but on a very day to day basis. Interventions were so frequent that she

The current level of rail investment needs to be planned over longer than five years

ndustry

in operation for 10 years and is now very mature," he said. "We need as an industry to develop even better signalling systems to be able to have even greater capacity." HS2 was seeking to operate 18 trains per hour from London at peak times from 2033.

HS2 had been talking to Alstom in a "request for information" or market-sounding mode for over a year. Mr Anderberg said that HS2's decision of develop the project for a design speed of 360km/h, compared with a maximum of 320km/h in France and 300km/h in Germany and Italy, had set stiff technology challenges that had yet to be solved.

These included limiting noise, to minimise the number of households affected; automatic train operation; and the design of the catenary system. "But we have enjoyed the dialogue because we need to push ourselves to the limit. It's good for us as manufacturers," he said.

ion for rail'

questioned how Network Rail knew what it was trying to do. A longer-term vision was needed, she said. She added that she would have liked to have been able to separate the Government's multiple roles, as owner, customer, and regulator, more.

Sir Peter Hendy added: "This government is heavily committed to infrastructure spending in a way no government has since nationalisation. The industry is too hung up on five-year funding periods – we're talking about a level of investment that can't be delivered in five years, so it's necessary to have a longer term plan of what's coming next. The railway, not just Network Rail, should have a vision for which of these projects should be started now."

Paul Plummer, chief executive of the Rail Delivery Group said: "Absolutely you need a vision from the Government but I believe that has to be informed by the industry. We can help facilitate that conversation."

On skills Sir Peter said: "I completely agree [with the Shaw report] that the management capacity of the entire industry needs to be improved measurably. If you're going to devolve Network Rail you need competent all-round managers at the local level. This is a more pressing problem because the industry is growing. For the industry to want to do anything but embrace both gender diversity and ethnic diversity can't be right."

Crossrail 2: 200,000 new homes, 200,000 new jobs

Crossrail 1 is 75% complete and on course to open in 2018

Crossrail 2 would be a transformative project which would have an impact from the Solent to the Wash, said Michèle Dix, TfL managing director for the project. She said that Crossrail 2 was "an immediate priority", needed because London's population was growing and creating new transport challenges.

Population growth would fuel demand for housing and land for 500,000 additional homes would have to be identified, Ms Dix added. She stressed the importance of improving existing transport assets, including the Tube and cycling infrastructure, but said "new links are also needed".

Crossrail 2 would connect the national rail networks in Hertfordshire and Surrey, and could potentially be operational by around 2030. It would improve capacity and accessibility across the whole South East region, Ms Dix said, opening up areas to build housing and making it viable to build on sites not currently connected to jobs. Within the London Plan, Crossrail 2 could unlock 80,000 new homes, but with a Crossrail 2-led growth strategy this could rise to 200,000. It would also support up to 200,000 new jobs as well as 60,000 jobs in construction and the supply chain.

A succession of green lights are still needed

London First chief executive Baroness Jo Valentine set out the business perspective for Crossrail 2. She said the 16-year timeline for building Crossrail demonstrated the scale of challenges, and cautioned against believing that Crossrail 2 had been given a final go-ahead by Chancellor George Osborne in the last Budget. It had been given a green light to proceed but needed "a succession of green lights".

Baroness Valentine said Crossrail 2 was essential to preserve London's status as a world city. She offered some thoughts on funding from the business community, on the grounds that it could be considered "an easy touch" for some of the money required. Finding the sums involved would not be easy, she cautioned, but she believed a way would be found.

She believed continuing the supplementary business rate beyond Crossrail would be something the business community would support – though not "a supplementary supplementary business rate".

Residents and passengers would benefit and should also make a contribution. A way of capturing the increase in land values generated by the project should be found, she said, but added: "Policymakers need to create the value before they capture it." She called on the next mayor of London to make securing Crossrail 2 the top priority for their four-year term.

Top: Terry Morgan
Bottom: Michèle Dix

Lessons from Crossrail

Crossrail chairman Terry Morgan said Crossrail would be delivered on time and within budget.

He added that the project was 75% done; it was on course to open at the end of 2018. The project would be bigger than anything seen in London before, he said.

Mr Morgan set out some of the lessons from Crossrail, including governance, working with the sponsors to achieve autonomy and engaging with community stakeholders. He emphasised that the project had not been drawn into a trap of opting for the lowest bid.

Crossrail had had a skills strategy built into its contracts. 12,000 had enrolled at the Tunnelling and Underground Construction Academy. It had improved diversity, with 27% of last year's apprentice uptake being women.

Mr Morgan emphasised the importance of maintaining good engagement and relationships with community stakeholders. He pointed to the launch of Crossrail's Learning Legacy initiative last month as part of the project's commitment to guaranteeing continuing benefits from it.

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Highways – a long term strategy

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New regime brings more stability

The creation of Highways England as part of the DfT reforms, with the move from an annual programme to a five-year strategy, had brought more stability, and an ability to engage with suppliers, said chief executive Jim O'Sullivan. So far the organisation's programme was on track, with 88 more schemes due to start by 2020.

Highways England has just celebrated its first anniversary. Mr O'Sullivan said that after nine months with the company "I've found it very much fit for purpose". Its focus was on safety of users and people working on the roads, customer service, and carrying out the Roads Investment Strategy.

So far, it had kept 98% of the network available to traffic and cleared 86% of incidents within an hour. 70% of overhead signs are capable of showing the journey time to the next junction, he said. The organisation was working towards limiting the length of motorway roadworks – a 23-mile smart motorway project on the M1 from junctions 23-27 in 2013-14 was designed to minimise cost but had not been popular. A limit of 15 miles was being discussed.

Next priorities were east-west connections, including consideration of a trans-Pennine tunnel, and improvements to the A66, A69 and M60, but also in East Anglia and at Immingham; accelerating the upgrade of the M62 and other critical road projects in the North; and preparing the infrastructure for vehicles of the future, through the M20 connected highway project and trials of autonomous vehicles.

Jim O'Sullivan

Missing funding mechanism

The new system for highways, with the creation of Highways England and the introduction of a five-year Road Investment Strategy, was "a great improvement," said Office of Rail and Road chair Prof Stephen Glaister. He noted, however, that the rail network was being more aggressively managed by the Government while the road network was moving in the opposite direction.

He warned that both road and rail would have to cope with devolution to the regions of control of two large strategic networks. He added that Network Rail's investment plans, plus High Speed 2 and Transport for the North's ambitions for infrastructure improvements amounted to "a very expensive shopping list" and questioned how they would be funded. £270bn of infrastructure investment was planned by 2020, including £15bn on strategic roads and £61bn on rail. "These are enormous sums in comparison to the cuts the Government is having to make elsewhere," he said. In other utilities there was "a well-developed mechanism by which the regulator allows charges to be passed to end users. That's missing in road and rail."

The user perspective

The role of Transport Focus is to help Highways England, the ORR, the Government and others focus on users, said the organisation's chief executive Anthony Smith.

A year ago it had taken on the role of representing users of motorways and A-roads and had begun research into what their priorities were.

Top priority for improvement among car and van drivers was the quality of the road surfaces, he said. For HGV drivers there was more emphasis on better management of unplanned delays and better journey predictability. Freight users could cope with road works provided they knew where they were and how much they were likely to be delayed, he said. If a journey was expected to take about an hour and it did take about that time, road users were broadly happy.

The organisation is working on a new road user satisfaction survey. A panel of road users will be assembled, who will record their responses as soon as possible after a journey. This will undergo a trial next year and will be put into action the year afterward, he hoped.

Don't forget local roads

RAC Foundation director Steve Gooding also stressed the importance of seamless and predictable journeys, and said this meant paying attention to local as well as strategic roads. "If we are going to have a good road network we need to care about the whole network," he said. "Let's not forget the roads most of us use most of the time." To get a seamless traffic flow, Highways England and local authorities needed to work together effectively.

On predictability of journey times, he said that traffic flows are now such that it is possible to collect sufficient data to be able to achieve that predictability.

In the context of a long-term strategy he also stressed the question of how to pay for improvements. "The question of paying for how we use the roads does need to be thought through," he said. "Revenue for fuel duty will run out in 20 years – the sooner we think about it the better."

Infrastructure to rebalance the economy

The Government and the chancellor believe in the power of infrastructure investment to create jobs and prosperity. This was one of the underlying principles of the Government's infrastructure strategy, said transport minister Robert Goodwill.

"We will use infrastructure to rebalance the economy," he continued. For example, as well as devolving power, £13bn was being spent on the north of England's road and rail networks. "We want the north to catch up," he said. "The biggest difference we can make is through investing in infrastructure."

But he cautioned that it was necessary to prepare properly for significant infrastructure projects. The Government's approach was threefold: first, to get political support; second, to identify funding; and third, to work with business. This was the approach used successfully on HS2. "It has taken six years but we are on track to start construction next year," he said, adding: "There will be no stop-start decisions from this government."

In addition, the National Infrastructure Commission "will take the politics out of decision-making" he said. Following the NIC's first reports, the government had given the green light to HS3 and provided £80m towards the development of Crossrail 2.

On ports and airports, which fell within his ministerial portfolio, he commended the private sector's investment of hundreds of millions of pounds in recent years in ports such as Felixstowe, London Gateway and Liverpool, allowing them to take the largest container ships and cruise liners. For its part the Government was upgrading surface links to ports, including those at Immingham, and the A19 in the North East, which will improve access to the Port of Tyne. On airports, Mr Goodwill said: "Many in the sector were disappointed when we delayed the decision on runway capacity in the South East. The decision was delayed to make sure we were fully prepared. We are using this time to do more work on environmental impact and develop the best possible package to mitigate the effect of expansion on local communities."

He said the final decision would be one of the three shortlisted options and "it will be built by 2030".

Robert Goodwill

Ports – a potential role in regeneration

The ports industry is hugely important to the UK economy, Associated British Ports chief executive James Cooper reminded the audience. Over 120 commercial ports moved 500 million tonnes of cargo each year and handled 95% of the nation's trade in goods, he said.

He stressed, however, that the level of trade had remained low since the economic crisis in 2008.

That did not mean there were not new investment opportunities for ports and new potential uses for them to explore, he added. Mr Cooper's chief message was that investment was vital to allow ports to adapt to changing markets and technologies, but this could only be secured through policy stability at both a UK and an EU level.

He believed the ports had an important role to play in regeneration, rebalancing the economy and encouraging reindustrialisation. There was 900ha of strategic development land available at UK ports. "We are looking to attract manufacturing industry", he said. "It's ideal for the long-term health of the economy." At Greenport Hull, for example, ABP with Siemens is developing a wind turbine manufacturing and servicing site. He called on the Government to facilitate this process.

Regulatory changes

Hill Dickson legal director Philip Wareham sought to unravel the arcane mysteries of European Union ports regulation. He outlined the impact of the new Concessions Directive, passed in 2014, filling a gap where no procurement legislation had existed before at an EU-wide level. While it was intended to be light touch, the mandatory notice period and risks of legal challenges or disruption from mistakes were of some concern to the ports industry.

State aid was another concern from a European perspective. While the private sector dominated the ports sector, member states were not above promoting national champions, such as Hamburg, Mr Wareham said.

He outlined how the Port Services Regulation would allow deals to open up markets in port services from other member states and make the accounting arrangements more transparent. ABP's Cooper believed, however, that the regulations "could stifle investor confidence if not carefully handled".

ABP with Siemens is developing a wind turbine manufacturing and servicing site at Greenport Hull

Fundamental to prosperity

Ports are "fundamental to the economic prosperity of the nation" said DfT maritime director Ian Woodman. He was especially proud of the success of UK ports, coming without any state aid or form of major subsidy from the Government. He affirmed that the DfT was aware of the challenges of the changing energy market and the decline of coal imports, customer requirements and transport links. Investment in links to ports would be considered as part of road and rail investment plans, he said.

Overall, he said the industry should be proud that "we have enough port capacity in the right places and with the right pricing to satisfy customers".

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UK airports: what next?

from page 25

Why are we waiting? That was the question that metaphorically circled the airports session at the close of the two-day UK Transport Infrastructure Summit. The Government's delayed decision on a new runway in the South East dominated the discussion.

However Airport Operators Association chief executive Darren Caplan presented a positive message, underlining the shifts in the policy landscape since 2012, when Transport Secretary Patrick McLoughlin and aviation minister Robert Goodwill took up their roles.

The Conservatives had travelled a long way from their opposition to a third runway in 2010 to the statement in December 2015 accepting the need for a new runway in South East, Mr Caplan said.

But he called for ministers to take further steps to reduce the burden of air passenger duty on the sector and to update the Aviation Policy Framework to include measures to improve surface access to airports. "If we did get more support from the DfT… we could deliver more as a sector," Mr Caplan said.

Commission 'was wrong'

Charles Kirwan-Taylor, Gatwick Airport corporate affairs and sustainability director, outlined how the airport's rates of passenger growth had far outstripped the estimates the Airports Commission had relied upon. The addition of 20 new long-haul routes and improvements to surface access demonstrated that Gatwick had the greater potential if given the go-ahead to expand.

Mr Kirwan-Taylor said Sir Howard Davies' Airports Commission had been wrong to discount two prevalent trends in the global aviation market which bolstered his airport's case: the potential of Middle Eastern hubs to disrupt the European market and the argument that newer more fuel-efficient aircraft would drive growth in longer-haul routes.

Overall, Gatwick could achieve the economic benefits of a new runway at a fraction of the environmental costs of an enlarged Heathrow, he argued.

Patience wearing thin

Labour MP Louise Ellman, chair of the Commons Transport Select Committee, recounted the evidence of the Transport Secretary to her committee, in which he stated he "hoped" a decision on the new runway could be reached by the summer. Her thinning patience with the hesitation of ministers was evident. In practice, Ms Ellman said, the best thing to speed the process up was for businesses to make their desire for expansion loud and clear.

No one present was prepared to discuss a "plan B" in the event that the decision on expansion was kicked further down the road. Mr Kirwan-Taylor underlined how people were mystified by the continual delay.

"We are not yet at the moment of absolute crisis," he said. But June this year represented "the last point you can make a decision and still get a runway built by 2025."

The legal hurdles

Angus Walker of Bircham Dyson Bell delved into the legal hurdles a successful project has to clear. He explained there are two legal components necessary, specifically the powers to acquire the necessary land and obtaining the planning permission.

His experience with Crossrail allowed him to state the importance of clearly demonstrating the benefits of a project and being able to adapt the project benefits in the face of opposition. HS2 had done this, shifting the emphasis of its case from speed to connectivity.

He emphasised the importance of a suitable promoter for a project, such as Highways England and Network Rail in the case of roads and railways respectively. Occasionally private companies promoted schemes, as Chiltern Railways had for the project to extend the Chiltern line to Oxford.

The private companies who owned ports and airports were usually the parties responsible for promoting and funding new ports capacity or runways, Mr Walker said, touching on one of the key questions around the role of the state in funding surrounding infrastructure.

He indicated what he saw as a gap in policy, in the lack of a single planning statement for transport from the Government, something that existed for energy projects, and could break down silo working by different sectors. What policy statements were in place for roads and ports did not contain the strong support for new developments that was seen for energy projects. Instead, ministers appeared keener on repairs to the existing network.

What does it take to deliver complex infrastructure projects on time and on budget? For decades UK construction was plagued by an apparent inability to undertake flagship schemes without them being late or over budget. Recently, with projects such as the Olympics and High Speed 1, the industry has turned this around. But it's a reputation that is hard won and easily lost, says managing director for Europe and Africa infrastructure Ailie MacAdam.

Ms MacAdam has 30 years' experience with construction and project management giant Bechtel, which has a global reputation for successful execution of the most complex projects as a contractor and project manager.

For the UK Infrastructure Summit, Ms MacAdam distilled her experience on projects including High Speed 1 and Crossrail to give an insight into what underlies a successful project. She concluded: "It's all about deliverability and constructability."

Other key aspects needing a sharp focus were the question of how a project under construction integrated with existing infrastructure around it, as well as engaging with stakeholders and retaining their confidence.

She expanded on her thoughts for *Transport Times*, and explained the distinction she makes between deliverability and constructability. Constructability is clearly essential, but deliverability, she explains, takes a wider perspective.

"I see deliverability as being the bigger umbrella with constructability fitting under it," she says. Deliverability covers questions such as do you have an aligned agenda with the stakeholders? Do the cost, the programme and the scope make sense? Do you have a supply chain that can respond to the cost and the scope and the programme?

"If you do a vertical cut down the project is it all aligned? Otherwise you get into a situation where the project is launched and the supply chain just doesn't have the capacity, or the resources, the talent or competence to be able to respond and deliver it in a way that makes sense."

Deliverability, she says, needs "a really razor-like vision about what the project's all about. Have you really crystallised what's the required output, the desired outcome of the programme, and do you have the ability to verbalise what that is? Have you assessed the risks and incorporated that into the baseline?"

Constructability is a subset: part of deliverability is to have a project that's constructable.

"That requires engagement with the supply chain," she adds, "because the supply chain are the experts and have the experience and knowledge about the constructability, and it's really important that stakeholders and decision-makers on the programme engage the supply chain early in order to get the input on constructability.

"You can't just click your fingers and come up with an additional 100 signallers or 100 people to put OLE up, or another 10 cranes that can operate on Network Rail lines, for example. You have to give the supply chain sufficient visibility of the pipeline of work so they can get ready to respond to some of these programmes, and also to voice their confidence in their ability to construct to the parameters of the programme as it's been set out."

'Deliverability needs a razor-like vision of what the project's all about'

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Bechtel has a global reputation for successful completion of the most complex projects. Managing director for infrastructure for Europe and Africa Ailie MacAdam discussed the essence of success with **David Fowler**

The key to mastering complexity

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This leads to the question of stakeholder engagement. Projects such as Crossrail and High Speed 2 seem to have an endless list of people with a legitimate interest in their outcome. Some, like the supply chain, have a direct involvement in the project and need to buy into targets and deadlines. Others are people who will be affected by the project – nearby residents, the local authority and so on.

"More and more stakeholders feel connected to these projects," says Ms MacAdam. "They feel they deserve a voice in how what is mostly public money is being spent, and that's absolutely right.

"When we're working on these projects I use the term 'licence to construct'. That's not a legal concept, but it recognises that there's a lot of people – public, the media, politicians, business, councils, English Heritage – who could stop a project in its tracks. These stakeholders need to have a sense of confidence that their voice is being heard, to be confident in the way the project's being delivered."

Managing the expectations of so many people and organisations, and retaining their confidence in the project, appears on the face of it an impossibly daunting task, I suggest. But what makes it manageable is that it is not a task that the person at the head of the project faces alone.

"I always say to our teams that I consider everybody on our projects to be stakeholder managers who must recognise the importance of how we're delivering these projects," she responds. "It's a different way of thinking and a different way of developing leadership. When you think about a project manager, their focus is health, safety, quality, cost, programme. You don't want to lose that focus and drive, but you need to drive in a way that is conscious of the environment you're driving in. It's getting that balance between being considerate of stakeholders and the drive of project delivery."

‘I consider everybody on our projects to be stakeholder managers’

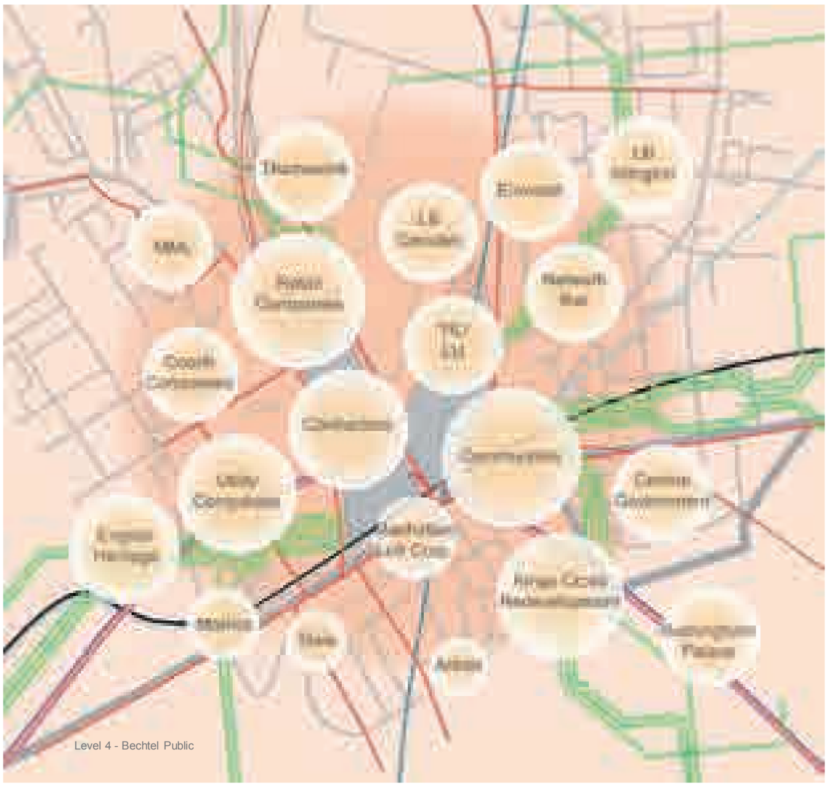
Easily adopted?

Is this something the archetypal project manager can easily adapt to? Some are better than others, she says. "If you look at all the infrastructure that's in the pipeline here in the UK, one of the constraints and concerns about continuing to deliver these things to time and budget is the leadership at all levels, in the customer organisation, in the delivery partners, in the contractors and all the way down the supply chain."

It's something, she believes, that can't be taught or brought about by management directives, but has to be built into the organisation's ethos and culture.

"I'm a strong believer that it's everybody's job to be aware of the impact of the decisions they're making from an ethical perspective. I don't think you can just audit that sort of thing. It's the same with stakeholders. I don't think you can purely rely on a process to manage all these stakeholders – you've got to rely on the culture of an organisation, understanding the importance of the part that every individual plays in managing that relationship."

For complex projects such as Crossrail or the rebuilding of St Pancras station as part of High Speed 1, a key concern is how the project integrates with existing infrastructure.



Projects such as the reconstruction of St Pancras station have a vast array of stakeholders whose confidence in the project has to be maintained

"A big part of deliverability is the importance of recognising the needs of the customer in how you stage the construction, and St Pancras is a great example. We kept the Midland main line operating all the way through, while doing some very significant changes. That came from a huge amount of pre-planning and effort to understand the detail of the various stages and how it all fitted in with how MML needed to operate their service," Ms MacAdam says.

Crossrail is being built right alongside live Tube lines, so there's a need "to maintain the confidence of London Underground that you understand their business, what's important to them and that you're going to be conducting your work recognising what their business needs".

Working with Network Rail on possessions, there is a different focus – in this case time is of the essence and rigorous planning is needed to make sure all the necessary people and equipment are in the right place at the right time.

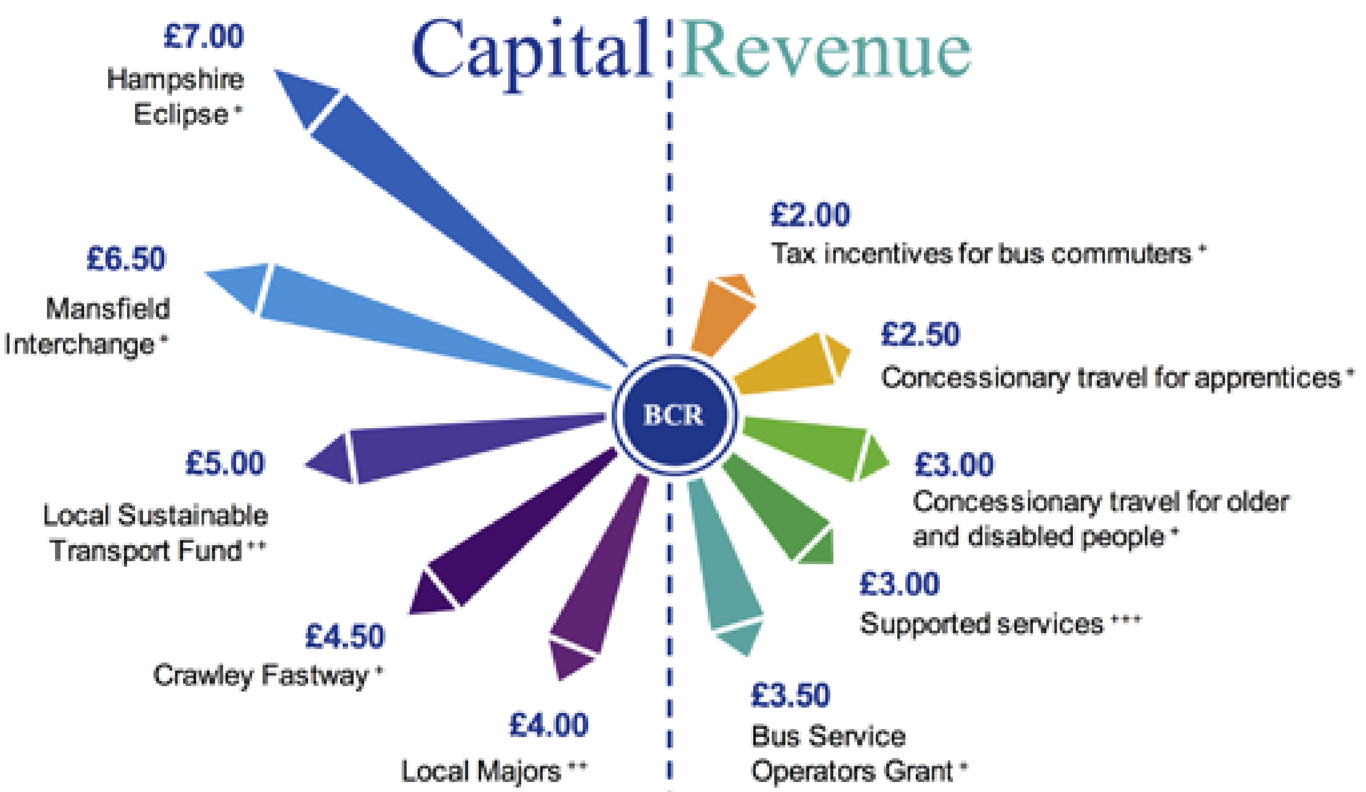
"It requires an understanding of the environment you're delivering in: the way you respond to the environment is different – and the way you plan and control the job is different."

It requires skills which can perhaps only be gained through direct experience, she believes. "I don't think there's any substitute for on the job training and working through challenges. When I'm looking at a team, those who have successfully worked through challenges and learnt lessons are the best people to bring on to a new job."

Bechtel was founded 118 years ago in the US and has 60 years' experience in the UK; its global infrastructure business is headquartered in London. It is known here mainly as project manager or delivery partner – a function it is undertaking on the central section of Crossrail, and also for Network Rail on the above ground improvements to Reading. Worldwide, though, only 25% of its activities is project management – for three-quarters of its work it acts as a contractor.

The company is looking to increase its contractor work in the UK, and, in March, was the only company shortlisted on its own (under the name Catalyst) as a contractor for one of the civils packages for HS2.

It's an exciting prospect, Ms MacAdam says. "We've got a proven model that I'm hoping will really make a difference to the way tier two and tier three suppliers are engaged in the UK. It is going to enable the tier twos and the tier threes to contribute to the innovation and value engineering and get their best ideas on to the table earlier. We're building some great relationships with the suppliers, who are really enjoying the part they're playing."



Making the right decisions for growth

Local enterprise partnerships should be aware of the benefits of bus schemes when prioritising investment, says **Gerard Whelan**

The allocation of Growth Deals to Local Enterprise Partnerships (LEPs) across England has started a revolution in the way local communities are investing to boost economic growth.

With £7.7bn allocated to 39 LEPs as part of the first two rounds of Growth Deals in 2014 and 2015, and a further £1.8bn to be competed for in the summer, the role and responsibilities of LEPs has grown substantially since they were set up in 2011.

The National Audit Office, however, has expressed concern that some LEPs have insufficient resources, capacity and capability to prioritise investment in the right projects and deliver them in the best way possible.

This is not something that will correct itself overnight.

A concerted effort will be required to develop expertise within LEPs on the things that can be done locally to promote growth, to establish credible evidence to assist with scheme prioritisation and develop processes to help make sure that we get the expected benefits from schemes as soon as they are completed.

While this is a tall order, as a contribution to this process good progress has recently been made in articulating the role that buses can play in creating economically successful, socially cohesive and environmentally sustainable communities.

Figure 1 presents a list of evidence developed by Greener Journeys working with KPMG, the Urban Transport Group and the Department for Transport on the value of bus-related capital investment and revenue support initiatives.

The evidence has been developed using Department for Transport recommended appraisal methods which take account of the impact on cost and journey time to bus users and other road users, as well as the wider impacts associated with increased participation in economic and social activities which tend to go hand-in-hand with better bus services.

The return per £1 spent on concessionary travel for bus commuters, apprentices, and older and disabled people is between £2 and £3. More general revenue support benefiting all passengers is valued a little higher at between £3 and £3.50.

The Department for Transport's analysis of the 12 local bus infrastructure schemes included in the "Local Majors" programme and the 12 local bus infrastructure schemes included in the Local Sustainable Transport Fund showed an average benefit per £1 spent of £4 and £5 respectively.

Greener Journeys' evaluation of both the delivery process and the realised benefits of three successful local bus infrastructure schemes again showed strong returns of £4.50, £6.50 and £7 per £1 invested. Importantly, the evaluation showed that all the schemes outperformed patronage growth targets.

The evidence described above shows that investing in local bus infrastructure measures, such as selective priority, can reduce the costs of travel, making it easier for households and businesses to connect. Furthermore, the creation of transport hubs can provide a catalyst for the development of attractive residential and commercial properties.

For many, if not all, of the new decision-makers these are still relatively uncharted waters. Choosing the right package of investments to achieve the best economic return possible is difficult. If LEPs are to address the National Audit Office's concerns, they must improve the quality and transparency of decision-making.

In this brave new world of devolved responsibilities, individual LEPs would do well to monitor and evaluate which initiatives generate the greatest returns and what processes provide the best way to undertake them. If this insight could then be shared among all LEPs, it would help everyone raise their game.

Figure 1. Value of £1 of invested in local bus infrastructure and services. BCR is shown as the benefit per £1 of investment/ support, rounded to the nearest £0.50

Source:
+ Greener Journeys
++ Department for Transport
+++ Urban Transport Group

Gerard Whelan is Director of Corporate Finance at KPMG

Looking for quick wins

'Relatively few people have very complex travel patterns'

Extending smart ticketing over the north of England is one of Transport for the North's main priorities. Rail season tickets and an e-purse for buses are first on the agenda, Alison Pilling tells **David Fowler**

Transport for the North has a number of big tasks to get to grips with, notably developing a transport strategy and cutting journey times between the cities of the north of England.

But the area where it can make a difference most quickly is in smart ticketing.

Chancellor George Osborne made £150m available in last year's autumn statement for this purpose. As a project, though, "smart ticketing for the North" is potentially huge: the question is where to begin.

TfN's strategy update, published just before the Budget, outlines the current thinking on the Smart North project. This combines a plan to build on existing ticketing schemes to extend availability of smart season tickets in the short term, leading to the introduction of pay as you go and subsequently fare capping in later phases.

Alison Pilling, TfN's director of integrated and smart travel programmes, elaborates.

"Long-term the aspiration is to introduce pay as you go travel, with a fair price promise, so you won't have to worry about whether you're using a bus, train or tram: the back office will do the calculation."

The back office will take time to build, however. "So let's get some quick wins on ITSO in the next two to three years, while we're developing the back office and putting the commercial agreements in place," Ms Pilling says. This will build on and extend existing smartcard schemes in the region.

Phase one or "tranche one", in the lifetime of this parliament, would include introduction of the quick wins while development work on the back office went ahead. Phase two would introduce pay as you go, and phase three would bring automatic capping and the fair price promise.

"We would seek to emulate Oyster but we have a number of additional challenges," Ms Pilling says. Transport for London has a simple fares structure, which it controls. When it introduced smart ticketing it was able to offer financial incentives – such as a lower single bus fare for passengers who adopted smartcards, compared with the cash fare. It has since gone on to add payment by contactless bank card.

"TfL has more levers to pull," says Ms Pilling. "Our approach will be to work in partnership, working closely alongside the bus and rail operators to come up with an offer than suits everybody."

The population of TfN's area, at over 15 million, is not dissimilar to the that of the London Metropolitan Area or commuter belt, which was estimated at around 14 million in 2014 (the population of Greater London, which includes just the London boroughs, is 8.6 million). The North's geographical area is considerably greater, but the number of trips made is smaller than in London (where bus trips, for example, account for half the national total).

"Part of the issue, and a reason Transport for the North exists, is that there's much less travel by public transport in the North than you'd expect. But that shows there's a potential market to go at if we get the offer right."

From the point of view of the quick wins, TfN has a number of things it can build on. ITSO-based smartcard schemes are already in operation in the five city-regions of the North, and the areas in between use ITSO cards for concessionary bus travel for older and disabled passengers. So there is a lot of ITSO-compatible infrastructure already in existence, such as ticket machines on buses.

Rail season tickets are an obvious first step to move to smartcard. The largest stations in the regions already have smart-enabled gates, "so that feels like something we could get on with quite quickly". There is an aspiration to introduce rail carnets, but this would initially be limited to selected routes because the ticket would need to be validated at the beginning of the journey. Validators would be installed at stations with high passengers flows first.

On buses, "in early discussions we've had with the operators they've said they're quite keen to do an e-purse on an ITSO card that you could use anywhere in the North", she continues.

Reaching agreement to introduce that among the four main operators (the fifth, National Express, doesn't have a big presence in the region) could be relatively straightforward; however, there is also a "long tail" of smaller operators, so it could take a while for the scheme to become completely comprehensive.

Coverage would be extended incrementally by geographical region and operator. "We will need to have a clear customer message of what you'll be getting and when," she says.

One of the quick wins could be the ability to add numerous different tickets to the same card – for example for zone one travel in Leeds combined with a Leeds-Manchester season ticket and a pay as you go Metro ticket – rather than having separate smartcards for Leeds and Manchester and a conventional paper ticket for the rail journey. This too won't necessarily be completely comprehensive initially, but could pick up important commuter flows.

In parallel, the major bus companies have announced that they are looking into the business case for contactless payment.

There are different models of using contactless cards. Initially, bus ticket machines could be upgraded so that the passenger still asks the driver for a fare in the normal way, but pays by bankcard instead of cash.

This could happen within the timescale of phase one, but getting to a more sophisticated touch in/touch out model, in which the back office calculates the fare for the journey and deducts it from the customer's bank account, would take longer. This would need significant collaboration over the back office, and answers to questions such as who hosts it, how it operates, and so on.

Transport for Greater Manchester and Nexus are also keen to introduce the basic level of contactless payment on Metrolink and the Tyne & Wear Metro – their systems already have validators which it is believed would need only a relatively straightforward upgrade to accept contactless bank cards.

Could TfN short-circuit or sidestep the back office development process altogether by buying in Transport for London's contactless payment system?

"We've had some productive discussions with TfL," says Ms Pilling. But TfN first needs to do more work on a detailed specification which can then be compared with the TfL model to decide how well it "fits". For the north's multi-operator, deregulated environment, it could turn out that extensive changes to the TfL model would be required. It's also possible that some modules of the TfL system could be adapted relatively easily, but that others might require modification.

"We're not at all planning to build a system ourselves from scratch," Ms Pilling says, "but we're trying to define exactly what we want and then we can figure out the best way of getting it. We will be keeping an open mind till we're really clear what we need it to do," she says.

Tranche one will also have an emphasis on passenger information. "It's all out there but people want it brought together in a more accessible way," she says. This is particularly true for buses. However, she believes, "there's an understanding in the bus industry that the time has come to make fare information more accessible."

She adds: "We're close to putting out a tender on a piece of work, with Rail North and the train operators, to identify potential problems and anomalies in the fare system."

For example it appears that rail fares in West Yorkshire and Greater Manchester are relatively cheap, but travelling from one side of the Pennines to the other is noticeably more expensive. There are also differences in what is classed as peak or off-peak on different train operating companies. "It's this sort of anomaly that people want us to look at," she says. Following this work "we'll begin to point them out and which ones are easier to fix than others."

Ultimately would the aim be to introduce a single zonal fares system over the whole of the north of England, or would this be unnecessary or too complicated?

Zones make sense in cities, Ms Pilling says, but not necessarily for longer trips across the region. TfN is keen to meet the new train operators, First TransPennine Express and Arriva Rail North, which took over the TransPennine and Northern franchises on 1 April, to discuss their own views, aspirations and franchise commitments for smart travel and fares, and how much they already have in hand.

But she believes: "If you want to do pay as you go, what fare you're going to pay has to be really obvious. That's one of the reasons people are comfortable with it in London. We have to have a way of being able to offer that confidence. But you may not have to have the same daily cap everywhere, as long as it's transparent."

She adds that TfN has developed eight archetypal travellers which it uses to test ideas on. They include Gavin, a commuter; a retired lady; and a businesswoman who travels all over the region.

"We ask ourselves what would Gavin make of this…?" In the end, she adds, "relatively few people have very complicated travel patterns". But when they do occasional trips outside their normal pattern, "that's where the information aspect is critical – it should be really easy to find out what fare applies when you go to a different area from the one you're used to".

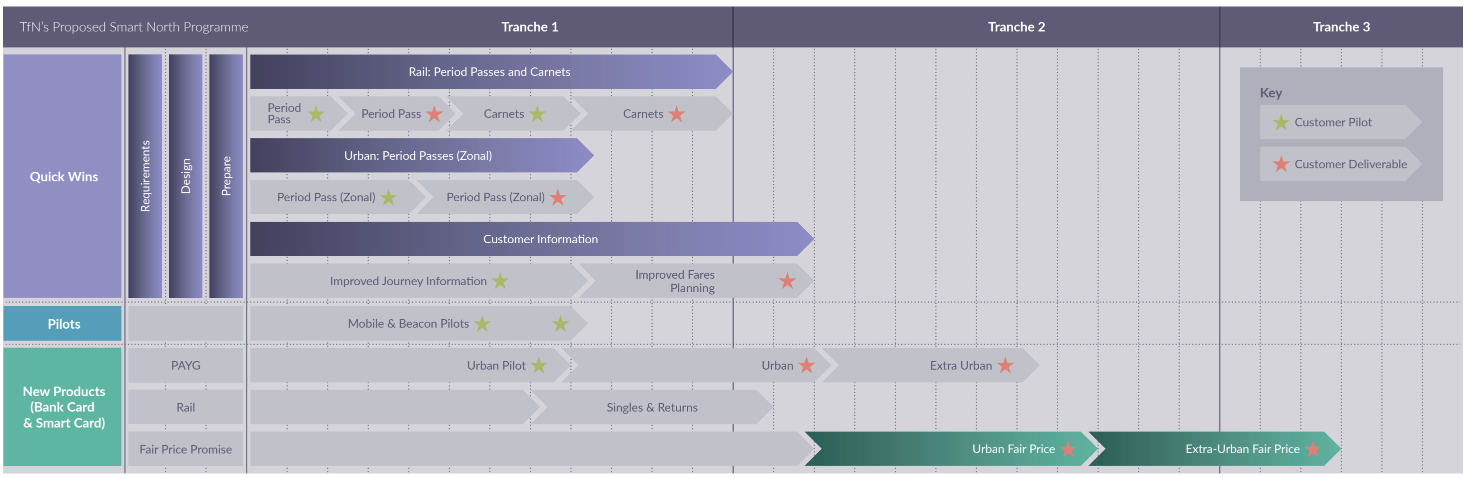
The immediate next steps for Smart North are to submit an outline business case to the DfT in May. It is hoped this will be approved by the autumn, allowing for the procurement process for some of the quick wins, and for development of the back office and for installing rail validators, to begin towards the end of the year.

Is TfN confident that the operators will sign up to the process? "Our feeling is that it will come down to having a governance structure that works." TfN itself has a clear structure, with accountability flowing from the DfT and down through TfN to programme level. But operators aren't in that picture. "Somehow the operators have to be at the table, not outside the door," she says; there will need to be formal agreements to cover aspects such as revenue apportionment and data sharing. There may need to be support for smaller operators, to help them acquire the necessary equipment or to allow them to buy into a managed back office system, as happened with the introduction of smart ticket systems in most of the PTE areas.

"Work on the business case so far suggests that there will be significant benefits for operators," she says.

Ms Piling adds that a recent briefing seminar with the operators was "very upbeat". "Everyone sounds as though they're on the same page, but we have to move from a coalition of the willing to something more formal. We need the right governance structure for people to feel they're working together, with the same objectives. Currently it feels as though we're in the right place to do that but there's a lot more work to do."

TfN's proposed Smart North programme Tranche I is planned to take place during this parliament



Top of the Pops

The North East Smart Ticket Initiative is close to achieving its aim of a creating a single smartcard that can be used throughout the region

North-east England's Pop pay as you go smart ticket scheme has attracted over 6,000 users since its launch last November. It can be used on the Tyne & Wear Metro and the Shields Ferry, and is accepted on a growing number of bus services.

The Pop smartcard was introduced by Tyne & Wear transport authority Nexus in 2013 for Metrosaver season tickets, but the region's local authorities had the aspiration to introduce – a single interoperable card that could be used from Berwick to Redcar and Middlesbrough.

This led to the North East Smart Ticket Initiative (NESTI), which was led by Nexus on behalf of the authorities.

"We concluded early on that an e-purse to allow pay as you go was the best way to fulfil that," says Huw Lewis, Nexus corporate manager for customer services and communications. "It allows different operators to accept the technology but still charge their own fares."

On the Tyne & Wear Metro, many passengers travel on single or day tickets. "Pay as you go made sense as a commercial product," says Mr Lewis. "It would give those customers the ease and flexibility of Oyster."

> **The card can be used in Berwick and Redcar, 100 miles apart**

The Pop pay as you go card was the result. On most buses, passengers using the card ask the driver for a ticket in the normal way but pay by touching the card on a reader.

On the Metro, the ITSO-compliant scheme operates on a touch-in/touch-out basis with daily capping

Following a low-key launch, the scheme attracted over 2,000 users by word of mouth alone. No marketing was carried out until the middle of January. There are now 6,000 users, a number which is steadily growing.

The number of buses accepting the card is also growing, with three major bus companies participating as well as some smaller independents. Pop PAYG can be used on all Arriva services north of the Tyne and east of Middlesbrough. It is also accepted on a number of Go North East services mainly in Durham and Newcastle, and at the beginning of April Stagecoach services in South Tyneside were added. Independent operator Stanley Travel also accepts the card.

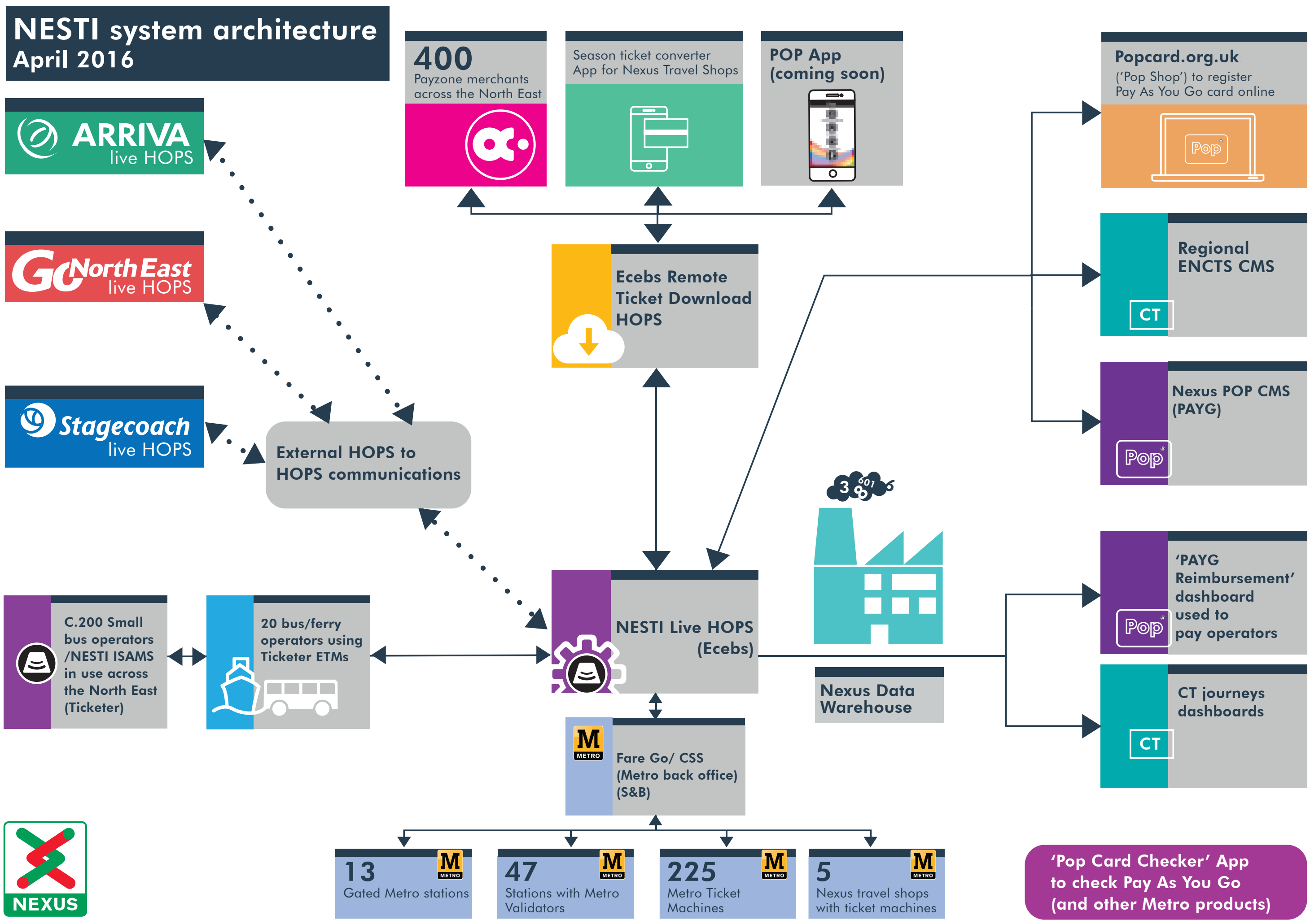
So the card can now be used in Berwick and Redcar, over 100 miles apart. It's not possible, so far, to travel between the two on Pop, "but operators are rolling it out route by route and depot by depot," Mr Lewis says.

The latest addition is Durham park and ride, operated by Scarlet Band under contract to Durham County Council. In theory this is a small-scale pilot, but a few sharp-eyed users noticed other passengers using a Pop card and have followed suit.

Instead of having to buy a ticket at the park and ride ticket machines which they then have to show to the bus driver, smartcard users just get on the bus and touch in. They get a discount fare of £1.70 rather than the normal £2. "We expect it to be popular, especially for regular users," says Mr Lewis. "Durham park and ride is a prominent regional entity, and it's great for Pop to be associated with it," he adds.

Meanwhile, for the future, the winner of the new Northern rail franchise, Arriva, has a franchise commitment to integrate its ticketing with smart ticketing locally, so this will be an area to be explored.

On the technical side, a bespoke back office HOPS (host operator or processing system) was developed by Ecebs. Ticket machines, gates and validators were supplied by Schiedt & Bachmann, and Ticketer supplied smart ticket machines for buses. "It was a complex undertaking to stitch it all together," says Mr Lewis.



The system has to communicate with the major bus operators' own HOPS, and has to bill the customer correctly, update their online account, and make sure the operator receives the correct payment.

Small operators effectively lease Ticketer machines from Nexus, with transactions going through Nexus's back office HOPS. All operators received grant funding of about £1,000 per vehicle, with the small operators using the money to lease the ticket machines and the larger ones to make their own systems compatible with the NESTI technology.

"We're expecting it to continue to grow, especially as more and more buses accept it," says Mr Lewis.

Transport for the North has identified the introduction of an e-purse capable of being used on buses over the whole of the north of England as an immediate priority for its own smart ticketing initiative (page 30). It appears an extension of the NESTI system would be one way to achieve this. Nexus is part of the TfN smart payment workstream and one of the next steps will be to demonstrate whether existing smart cards are interoperable between the different city regions and to build from there.

Integrating the various elements comprising the NESTI scheme was a complex task

ITSO prepares for mobile phone pilot 'first'

TSO is close to launching a pilot to test "host card emulation" – in which a mobile phone acts like a smartcard. ITSO, along with industry and mobile phone technology experts, continues to explore the future possibilities for wireless smart ticketing to meet the ever-increasing demands of passengers for greater convenience and ease of planning and paying for travel.

Host card emulation means making a phone using near-field communication behave like an ITSO smartcard in the sense of hosting entitlements, tickets or value. A proof of concept validated the technical feasibility of a pilot, and ITSO is working with a number of transport parties in West Yorkshire on a pilot that will demonstrate the capability of using a mobile phone to buy and redeem a right to travel.

ITSO Ltd general manager Steve Wakeland said: "We've come a long way to get to the stage of planning and implementing a trial of a live ITSO scheme. A project of this magnitude, an first in the transport ticketing arena, has been extremely technically challenging, nowhere more so than in the area of security. At ITSO, security of handling and transmission of data between point-of-service devices, operators and settlement organisations is crucial to genuine interoperability. We pride ourselves on our ITSO Security Management Service, and security has been a key aspect of this work to date."

He added that work had progressed through options analysis, high level design and prototyping. "However, there are still a number of technical and implementation details that need to be worked through in order for us to progress through to trial stage."

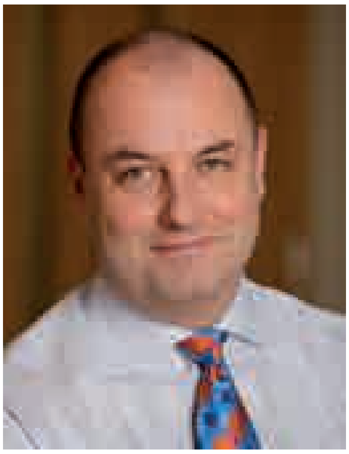
The object of the pilot, expected to begin in late summer, is to support the development of future-proofed HCE technology that can be shared among ITSO members and suppliers to significantly expand secure smart ticketing capabilities.

Mr Wakeland concluded: "Technology continues to evolve and ITSO wishes to remain at the forefront of these changes so that we can continue to develop the ITSO specification."

David Waboso

Baroness Jo Valentine

Mark Wild



Martin Howell

Tube upgrade chief Waboso to join Network Rail

London Underground capital programmes director **David Waboso** is to join Network Rail as digital railway managing director.

Mr Waboso will lead Network Rail's Digital Railway directorate, which includes the Digital Railway Programme – a cross-industry programme funded and facilitated by Network Rail to boost the capacity of Britain's rail network using digital signalling and train control technologies. He will be a member of Network Rail's executive committee, reporting to chief executive Mark Carne. He replaces **Jerry England**, who retires later this year.

Mr Waboso has decades of experience in leading major infrastructure projects both in the UK and abroad. In his current role at London Underground, he is responsible for the £1.5bn annual Tube Upgrade programme, upgrading both trains and infrastructure to digital technology. This is expected to be hugely valuable to Network Rail which is seeking to make the case for an accelerated programme to introduce similar technologies across Britain's rail network.

Prior to joining London Underground in 2005, Mr Waboso was executive director at the Strategic Rail Authority where he was responsible for integrating engineering, safety and standards across the industry and led cross-industry national programmes for new signalling and communications systems. He has also worked for Bechtel and Nichols and played a leading role in a number of key upgrades including the Thameslink programme, Jubilee Line extension and Docklands Light Railway.

It is hoped that he will start at Network Rail in June.

London First chief executive, **Baroness Jo Valentine**, is to stand down at the end of 2016, after 13 years in the role.

Baroness Valentine joined London First in 1997 as managing director, becoming chief executive in 2003. Her role centres on representing to national and local government the most pressing issues affecting London's leading businesses.

Established in 1991, London First is a business membership organisation whose work encompasses a wide range of issues under the umbrella of maintaining London's competitiveness in an increasingly challenging environment.

Baroness Valentine said: "London is about to get a new mayor. It is a good time to plan a changing of the guard at London First." It is expected that there will be a transition to a new chief executive before the end of the year.

The former leader of the public transport network in the Australian state of Victoria has been named as the new managing director of London Underground.

Mark Wild will join Transport for London in June, leaving his current role as special advisor to the minister and secretary of the state government of Victoria. Until recently he was the chief executive of Public Transport Victoria, the integrated transport authority based in Melbourne serving a population of 6 million people.

His near 30-year career in transport has included running the world's biggest tram network and large suburban railway and bus services. He has also successfully managed large capital and maintenance programmes, vastly improved customer satisfaction and introduced a new ticketing system. He has worked on a number of major projects in London, including the introduction of modern signalling on the Jubilee and Victoria lines.

London Transport Commissioner, **Mike Brown**, paid tribute to departing interim managing director Nick Brown, who had "made a remarkable contribution to London Underground at a crucial time".

- **Baroness Valentine to stand down from London First**
- **Mark Wild named new MD of London Underground**
- **CPC Systems appoints Malcolm Dobell as non-executive director**
- **Martin Howell joins MaaS Alliance board**

CPC Systems has appointed **Malcolm Dobell** as a non-executive director. Mr Dobell brings more than 45 years of rail industry expertise to a team dedicated to improving the performance of operational rail systems nationally and internationally.

Formerly head of train systems for London Underground, Mr Dobell has worked on the engineering of every train fleet on the LU network and has project managed works on many of them. He is a Fellow of the Institution of Mechanical Engineers and is a past chairman of the IMechE's railway division.

CPC Systems is part of CPC Project Services, an independent project management and management consultancy for the transport, residential, commercial, health and education sectors. It employs over 140 project management staff at offices in London, Glasgow, Leeds, Manchester, Oxford and Stansted.

Martin Howell, Cubic Transportation Systems director of external affairs, has joined the board of directors for the Mobility as a Service Alliance launched in 2015 by ERTICO, the European public/private partnership for intelligent transport systems.

MaaS is a vision for packaging demand-based transport services, including public transport, car-sharing, rental cars, taxis and bike-sharing, on a single platform with one payment account. Customers pay through a subscription service and receive one invoice per month. Trials in Finland and Sweden have been well received.

MaaS could be significantly cheaper for a user compared with owning a private vehicle.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