

# Transport Committee Inquiry

## Major transport infrastructure projects: appraisal and delivery

### Sub-national Transport Body joint submission

#### 1. Introduction

1.1 This is the joint submission from the Seven Sub-national Transport Bodies (STBs)<sup>1</sup> in response to the Transport Committee's call for evidence in relation to their inquiry into the appraisal and delivery of major transport infrastructure projects.

1.2 The role of STBs as set out in the enabling legislation<sup>2</sup> is to identify and prioritise larger scale transport investment schemes in their areas to facilitate sustainable economic growth. They bring a strength of partnership among their membership to speak to government with one voice.

1.3 STBs are working with their partners to develop consistent, clear, long term outcomes contained within agreed and evidence led transport strategies looking out over a 20-30 year period. They therefore have a role in the identification and delivery of major transport infrastructure projects, which has prompted this response to the call for evidence.

1.4 In view of the timescales for the submission of evidence this response has been prepared by senior officials in the STBs.

1.5 **STBs have a key role to play in the appraisal and delivery of major transport projects and stand ready to assist Government in delivering the NIS in the following ways.**

- **To date, STBs have worked quickly and effectively, adding value by supporting the decision makers in Whitehall and Westminster.** Using the strength of their partnership, STBs set a clear **strategic direction** for improved connectivity within their regions, as well as inter-regional journeys. As democratically accountable regional bodies, STBs provide a unified voice to the Government by setting objectives and aligning activity across their regions. STBs are supported locally and their important role has been recognised by Ministers<sup>3</sup>. The NIS is silent on the role of STBs. There is a clear opportunity for STB's to take a greater role, given their wealth of knowledge and collaborative approaches at regional level, to assist Government in delivering more effective and efficient delivery of NIS ambitions.

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<sup>1</sup> Outside London the seven STBs covering England are: Transport for the North, Midlands Connect, England's Economic Heartland, Transport East, Western Gateway, Peninsula Transport and Transport for the South East.

<sup>2</sup> The Local Transport Act 2008 (as amended)

<sup>3</sup> <https://www.youtube.com/watch?v=lk8JbVYYuj0>

- **STB are focused on place based outcomes rather than siloed infrastructure funding streams.** STB's transport strategies incorporate both local and national policy outcomes allowing our local partnerships to more effectively prioritise, manage and deliver a portfolio of infrastructure relevant to a place. STBs therefore have the ability to land complex policy and funding models into a place. By working with STBs, Government can operate within the silos that exist and yet still be assured that at a regional level STBs will take a place based approach to connectivity. However, a **regional funding allocation** would enable more effective prioritisation and ensure the investment pipelines that flow from the STB's transport strategies are affordable.
- **STBs place based approach enables infrastructure investment to 'level up' areas.** By the end of 2021, each of the seven STBs in England will have a transport strategy/plan in place. Developed using robust evidence bases, in partnership with planning authorities, and through public consultation, these provide a focal point for prioritising infrastructure investment across English regions, ensuring transport fully supports delivery of outcomes such as 'levelling up' in coordination with other regional sectors. **A more integrated approach to transport and land use planning** is needed to deliver more sustainable transport and land use patterns that will enable the Government to meet its decarbonisation 2050 net-zero targets
- **Delivering decarbonisation of transport infrastructure.** STBs are currently promoting decarbonisation through the development of carbon assessment tools, identifying regional level decarbonisation pathways, and developing holistic appraisal frameworks that assess carbon impacts. The Decarbon8 report<sup>4</sup> on the role of STBs in carbon governance concludes that that sub-national areas are the optimally sized geographic and administrative region to co-ordinate transport carbon-reduction strategies. The establishment of **regional funding allocations** aligned to STB strategies could include a DfT-compliant scheme approval mechanism that systematically embeds carbon appraisal into all stages of scheme development.
- **Accelerating the delivery of major transport infrastructure.** STBs can support government in bringing forward good ideas more quickly. Locally driven ideas in STB transport strategies will have the benefit of widespread partner support and momentum, and could be accelerated through sub-national investment pipelines, accelerating business cases for the next generation of projects to deliver our outcomes. This can only be achieved **with longer term STB funding certainty** that has recently been given to metro mayors.

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<sup>4</sup> <https://decarbon8.org.uk/sntbs-carbon-governance/>

## 2. Transport infrastructure strategy and priorities

### 2.1 *The Government's transport infrastructure priorities, including those set out in the National Infrastructure Strategy;*

2.1.1 We welcome the publication of the National Infrastructure Strategy and will have a key role to play in assisting the Government with its delivery. The NIS prompts the need for **shifts of emphasis** to the Government's transport infrastructure priorities and in particular the way in which they are developed, appraised and delivered.

2.1.2 This call for evidence seeks further information about the changes that will be needed in response to the NIS objectives on recovery and rebuilding the economy, levelling up the whole of the UK and accelerating and improving delivery in subsequent sections. However, there are a number of areas that we feel should be strengthened within the NIS:

- **There is no reference to the Major Road Network in the NIS.** The NIS sets out a number of transport and digital connectivity infrastructure priorities. Whilst these are welcomed, there is no specific mention of future investment on the Major Road Network in either the NIS or the Spending Review that preceded it. STBs have played a key role in the identification and prioritisation of the interventions on these economically important road links. The Government commitment to funding the £3.5bn programme of investment over the next five years from a ringfenced National Roads Fund is uncertain. As a consequence, it is understood funding for the MRN will have to become part of a competitive bidding process through the Spending Review, which could reduce the amount of funding available for it and compromise the delivery of the programme.
- **Multi-year funding certainty needs to be extended to other funding streams.** Currently Highways England and Network Rail benefit from five year funding settlements and the NIS reconfirms the intention to allocate £4.2bn in five year funding settlements to eight metro mayors. This multi-year avoids the resourcing issues resulting from the stop-start pattern of infrastructure investment identified in the NIS. The Government should give each region an indicative funding allocation. Clarity on the level of funding available ensures that the investment pipelines that flow from the STB's transport strategies are affordable. Prioritisation of pipeline schemes is extremely challenging without a clear view on funding levels available, and a clear criteria against which to prioritise. Greater clarity would also ensure scheme promoters have confidence that the funding needed to deliver their proposal will be there when they need it, allowing them to allocate the resources needed to develop the proposal and secure any permissions required. In addition, other transport funding streams including the Integrated Transport Block, which delivers local transport improvements, should be given equivalent longer term funding certainty.

- **The need for a more integrated approach to infrastructure investment is needed to deliver the aims of the NIS** . At a national level transport infrastructure priorities tend to be identified on a network or modal basis with separate nationally significant infrastructure priorities identified for road and rail. This siloed approach to investment tends to lead to the development of specific schemes aimed at solving a particular problem to improving network performance. Arguably the focus of the NIS on facilitating the economic recovery from Covid-19 and ‘levelling up’ in particular areas, requires a more integrated, place based, programme approach to infrastructure investment that looks across different transport modes and different types of economic infrastructure. This is needed ensure that the right interventions are identified that will maximise the benefits of infrastructure investment in a particular area.
- **The need for better integration and co-ordination between Government departments (particularly MHCLG, Treasury and DfT), to unblock and accelerating infrastructure delivery.** Currently, funding arrangements for infrastructure are separated across Government Departments which makes the planning and delivery of major transport infrastructure more difficult. Being able to access funding that is less segregated would allow for more joined up planning and the delivery of schemes, without the risk of delay or termination of one aspect of the scheme.

## ***2.2 The contribution transport infrastructure can make to the Government’s ‘levelling-up’ agenda and the economic growth of the UK’s towns, cities and regions outside London;***

**2.2.1 The Government needs to be clearer about what levelling up means in practice.** A number of commentators have identified the need for a clearer articulation of the disadvantages that the government is seeking to address (i.e. income, productivity, employment, health, educational attainment, and well-being). The what, where and importantly , who should be the targets of ‘levelling up’, need to be identified to enable the right packages of interventions to be formulated<sup>5</sup>. Also, there is a need for a clear set of evaluation criteria against which progress can be assessed to help inform future decisions on the priorities for investment.

**2.2.2 Levelling up will require a place and programme based approach** A key function of transport investment is the introduction of transport interventions, such as upgrades to existing road and rail lines, to stimulate growth by improving connectivity between people, businesses and places to generate ‘agglomeration’ benefits. To achieve this the social, spatial, environmental, technological and economic context of the place where the need for transport infrastructure investment has been identified needs to be considered. Moving forward agglomeration benefits are likely to be as much about ‘digital agglomeration’ as they are physical connectivity and the approach to developing solutions needs to evolve to reflect this change.

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<sup>5</sup> <http://www.frontier-economics.com/uk/en/news-and-articles/articles/article-i7182-levelling-up-getting-it-done/>

2.2.3 The evidence led transport strategies that are being produced by the STBs adopt this perspective, enabling them to identify the infrastructure required to deliver an agreed strategic ambition. These transport strategies will deliver programmes of investment rather than individual projects, with the impact of a programme being more than the sum of its parts. There is also the potential to link these programmes with other economic and social infrastructure investment programmes and ‘level up’ through a holistic place based approach.

### ***2.3 To what extent the coronavirus pandemic and its longer-term implications affects the necessity and cost-effectiveness of current and future major transport infrastructure projects;***

2.3.1 **The coronavirus pandemic has been disruptive but also presents opportunities.** The coronavirus pandemic has had a profound impact upon every facet of our lives. It has reshaped the way we work, travel, and play, and has transformed the world in ways that would have been unimaginable merely 12 months ago.

2.3.2 **STBs are working to understand the longer term impacts of the coronavirus pandemic.** A number of STBs are taking an increasingly agile approach to strategic planning and appraisal for transport infrastructure projects. The experience of Covid-19 has reiterated the need to treat uncertainty as an opportunity, and approach it with the ambition and confidence. This makes it even more important to build tools that allow for more effective assessment of what these trend changes may mean. Both Transport for the North<sup>6</sup> and Transport for the South East<sup>7</sup> are using a scenario planning approach to expose and explore future uncertainty to generate a rich diversity of insights, including broader assessment of the interactions between social, economic and environmental aspects which affect how we will travel in the future.

2.3.3 **Many of the changes that were occurring before the coronavirus pandemic have been accelerated.** This includes increases in use of active travel, a step change in levels of remote working, and an acceleration in uptake of online shopping and, to some extent, greater use of electric bikes and scooters. However, we may need to adapt to (and take steps to mitigate) unforeseen changes such as short term increase in car use and low confidence in using public transport.

2.3.4 The agility developed through STB scenario tools provides the basis for further interrogation of evolving and new trends, based on evidence as it develops, with the aim of supporting an ambition to ‘build back better’. But this approach can also provide opportunity to shape longer term agendas (e.g climate change), rather than simply reacting to change.

2.3.5 **Implications of these findings for major transport infrastructure projects:**

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<sup>6</sup> <https://transportfornorth.com/future-travel-scenarios/>

<sup>7</sup> TfSE draft report, due to be ratified by the Shadow Partnership Board in January 2021. <https://transportforthesoutheast.org.uk/meetings/>

- Planning for major transport infrastructure must be flexible and adaptable due to the changing number, location and types of jobs and socio-demographics of the people; and also, the unpredictability of the economic outlook - retaining flexibility will help ensure resilience.
- Investment in digital technology has the potential to facilitate economic resilience and recovery as partially evidenced from increased levels of home working and remote access to services and amenities – “Digital as a Mode”.

**2.3.6 It is too early to say what the implications for major transport investment.** The pandemic has had a dramatic impact on transport, the economy and on peoples’ lives. There are still many ‘known unknowns’ about Covid-19 and its potential impacts. The recovery from the pandemic will likely take years, rather than months, and when the recovery does occur, the volume of users using different transport modes (and therefore, the form of the transport network) will likely differ markedly from current patterns. In view of this it would be wrong to either pause or stop or the development of major transport infrastructure proposals until the longer-term impacts become clearer. Planning must remain flexible and adaptable to ensure the best possible longer-term outcomes in this highly uncertain time.

## ***2.4 How major transport projects can be delivered while ensuring the Government meets its decarbonisation 2050 net-zero targets;***

**2.4.1 Changes to the way major transport projects are developed will be needed to decarbonise them.** How the country and our region decarbonise transport over the coming years is likely to be our single greatest challenge. We look forward to the publication of DfT’s Transport Decarbonisation Plan in the Spring and welcome more ambitious policy commitments in the Ten Point Plan for a Green Industrial Revolution including the commitment to accelerate the shift to zero emission vehicles by ending the sale of new petrol and diesel cars and vans in 2030, 10 years earlier than planned.

**2.4.2 As STBs we would like to see a radical change to how infrastructure is appraised.** Firstly, we believe that carbon appraisal should be embedded as a core requirement from the very earliest stages of scheme development. Secondly, we would like to see that a holistic view is taken where carbon is treated like a finite commodity and similar approach is adopted to the way we appraise a scheme’s affordability and value for money. By appraising regional programmes holistically we are able to look across the board at how those programmes will help to decarbonise society and what contribution each scheme makes. In this way we can determine whether we can ‘afford’ the carbon output of each individual scheme within an overall budget allocation.

**2.4.3 Changes to the way transport projects are procured will be needed to help decarbonise them.** These include the following:

- Securing the development and rollout of procurement processes that embody carbon reduction principles such as PAS 2080<sup>8</sup>. This approach ensures carbon is consistently and transparently quantified at key points in infrastructure delivery. It looks at the whole supply chain, aiming to reduce carbon and reduce cost through more intelligent design, construction and use.
- Considering the use of new tender evaluation approaches such as that used by the Dutch Government, which enables both a tenderer's commitment to carbon reduction and the carbon impact of their tender submission to be assessed<sup>9</sup>.
- Incorporating decarbonisation requirements into procurement processes such as the specification of materials and processes to be used including levels of use of recycled material and sources of energy to be used whilst also taking account of cost and buildability.
- Assessing suppliers' proposals against baseline carbon model supplied by the client with improvement against model being scored.
- Encouraging contractors to adopt carbon reducing behaviour by assessing commitment to carbon reduction in their mission statements and by encouraging innovation
- Investing in the training needed to equip those involved in the procurement of large scale infrastructure to enable them to adopt these new approaches.
- Greater certainty on sustained long term funding would support longer term planning, early contractor engagement and a programme level approach to reducing embedded carbon emissions (and costs).

### **3. Appraisal and funding of transport infrastructure**

#### ***3.1 The effectiveness of the Government's decision-making and appraisal processes for transport infrastructure projects and any changes required to the 'Green Book';***

**3.1.1 We welcome the recent review of the Green Book by HMT and the clarity this has provided.** We also welcome the approach taken by the Green Book and sitting below it DfT's Transport Analysis Guidance (TAG), which provides more detailed methodologies that are applicable to the appraisal of transport infrastructure. However, there appears to be some general misunderstanding about the role of the Green Book and TAG in decision making and the interaction between the Economic Case and the other 4 parts of the 5-part business case, the Strategic Case in particular. We therefore welcome the recent review of the Green Book by HMT and the clarity this has provided and the opportunity for greater consistency and commonality in the approach to appraisal across Government departments it provides.

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<sup>8</sup> <https://www.carbontrust.com/what-we-do/assurance-and-certification/pas-2080-carbon-management-in-infrastructure>

<sup>9</sup> <https://www.oecd.org/governance/procurement/toolbox/search/green-public-procurement-netherlands.pdf>

3.1.2 With regards the development of business cases however, greater guidance and the proportionality of the analysis required for specific schemes, particularly at earlier stages of their development would be welcomed. The costs and resource required to develop Strategic Outline Business Cases is a frequent barrier to scheme conception and development. Ensuring business cases are based on good quality evidence and are adequately assured is crucial and STBs are well placed to provide that function along with prioritising programmes of schemes at a regional level.

3.1.3 **There are a number of gaps and areas of methodology that would benefit from a review.** These including the following:

- **Additionality and displacement.** The base assumption in the Green Book is of zero net additionality. It is more plausible to conceive as places competing with each other to improve the quality of their offer and a virtuous cycle of improvement that benefits the country as a whole. The methodology also neglects the potential benefits of increasing the number of attractive locations and the higher costs that are likely to be incurred by continuing to focus growth in London, as land and amenities become stretched. Whilst the increased focus on local impacts addresses this to a degree more could be done.
- **Discounting.** The Green Book mandates a discount rate to be applied to benefits and costs initially of 3.5%. This is based on the assumption of a long run GDP growth rate of 2%, which is no longer consistent with long term OBR forecasts. There is a likelihood that this may distort the analysis of schemes that deliver benefits a long way into the future.
- **Fiscal Multiplier and Construction Impacts.** The Green Book prohibits the calculation of any benefits that are the second order impact of public investment and the benefits brought about from employment generated by infrastructure investment. In the case of mega projects these impacts can be significant, for example HS2 will employ up to 20,000 workers over a 20 year period. Whilst the methodological basis for excluding these impacts is debatable in normal times, given the massive economic shock that has occurred it appears hard to argue the economy is in equilibrium and in a state of full employment at present.
- **Distributional Impacts.** The Green Book allows for distributional impacts to be accounted for in a qualitative manner. We would welcome an openness to also quantify these impacts in transport business cases in line with an established methodology developed by the Department of Work and Pensions.

3.1.4 In addition to these components of the Green Book, there are a number of gaps in the DfT's TAG that can risk the full impacts of schemes failing to be captured. These concern the lack of a methodology to appraisal programs of investment that include sectors beyond transport, the changes to economic geography transport can generate (frequently called land use change) and the wider impacts of improved provision for freight.

## 4. Transport infrastructure capacity and skills



***4.1 The extent to which there is enough capacity and the right skills within the UK to deliver the Government's transport infrastructure plans, and options to help address shortages in transport infrastructure skills.***

**4.1.1 STBs can help develop capacity and capability.** England's Economic Heartland is working with the Department for Transport to trial a regional centre of excellence: one that will host specialist skills and knowledge upon which their partner organisations including their local transport authorities will be able to draw on as they develop their proposals to the point of delivery. Midlands Connect are developing similar proposals specifically around business case development and a regional decarbonisation pathway.