National Infrastructure Commission

Response from Transport for the South East to the call for evidence for the Second National Infrastructure Assessment: Baseline Report

1 Introduction

Transport for the South East

1.1 Transport for the South East (TfSE) is pleased to respond to the National Infrastructure Commission's Call for Evidence for its Second National Infrastructure Assessment Baseline Report.

1.2 TfSE is one of England's seven Sub-national Transport Bodies (STBs). As established in the enabling legislation, the role of STBs is to identify and prioritise larger scale transport 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 TfSE brings together 16 local transport authorities (LTAs), five local enterprise partnerships (LEPs), 46 district and borough authorities alongside a range of stakeholders from the worlds of transport, business and the environment.

Figure 1: Transport for the South East Area

1.4 This response is an officer response which will be presented for subsequent endorsement by the members of TfSE's Partnership Board on 21 March 2022. On the basis that this endorsement is forthcoming, TfSE is happy for the NIC to publish this response.

TfSE Transport Strategy

1.5 TfSE's **Transport Strategy** sets out a thirty-year framework to guide decisions about where, when and how money is invested in the South East's transport network. The strategy is clear that 'business as usual' is not a sustainable way forward. For this reason, TfSE has adopted a different

approach to traditional transport strategies – setting out a vision for the future we want and how transport investment can help us achieve it, rather than endlessly chasing forecast growth in demand for transport (particularly on our roads). This said, further investment in our transport infrastructure, including the South East's railways, highways, public transport services, and active travel infrastructure is integral to the delivery of our strategy. This investment will secure even better outcomes if it is complemented by targeted regulation and pricing mechanisms that promote more sustainable travel outcomes.

1.6 The transport strategy, which is supported by an extensive **evidence base**, will inform the development of our **Strategic Investment Plan** (SIP). This SIP, which we will consult on in mid-2022, will state our priorities for the future direction of, and investment in, the transport networks that serve South East England.

This Response

1.7 Reflecting TfSE's remit, this response addresses the following of the NIC's questions:

- **Question 1:** Do the nine challenges identified by the Commission cover the most pressing issues that economic infrastructure will face over the next 30 years? If not, what other challenges should the Commission consider?
- **Question 2:** What changes to funding policy help address the Commission's nine challenges and what evidence is there to support this? Your response can cover any number of the Commission's challenges.
- **Question 5:** What are the main opportunities in terms of governance, policy, regulation and market mechanisms that may help solve any of the Commission's nine challenges for the Next Assessment? What are the main barriers? Your response can cover any number of the Commission's challenges.
- **Question 16:** What evidence is there of the effectiveness in reducing congestion of different approaches to demand management used in cities around the world, including, but not limited to, congestion charging, and what are the different approaches used to build public consensus for such measures?
- **Question 17:** What are the barriers to a decision making framework on interurban transport that reflects a balanced approach across different transport modes?

2 **Question 1:** Do the nine challenges identified by the Commission cover the most pressing issues that economic infrastructure will face over the next 30 years? If not, what other challenges should the Commission consider?

2.1 Of the nine challenges identified by the Commission, TfSE considers the following four as most pertinent to our remit and welcome the NIC's focus on these:

- "all sectors will need to take the opportunities of new digital technologies"
- "good asset management will be crucial as the effects of climate change increase"
- "improved urban mobility and reduced congestion can boost urban productivity"
- "a multimodal interurban transport strategy can support regional growth"

2.2 The other five challenges largely fall outside TfSE's remit and as a consequence are not a focus of this response.

2.3 With reference to our Transport Strategy:

- We see **digital technologies** as complementary to further investment in transport networks. For some, digital connectivity will support and facilitate working from home some or all of the time, which provides an alternative to commuting. Digital technologies are also integral to making the best use of our transport systems, for instance through hosting MaaS applications and to support how the network is managed and maintained.
- Good **asset management** is also important to maintain a reliable and resilient network and reap the benefits of the sunk cost in our existing networks. As well as sunk capital costs, out transport networks have sunk carbon and making best use of our exiting networks must be an integral part of the pathway to net zero. This requires good asset management, integral to which is sufficient budgets to avoid the build-up of maintenance backlogs.
- **Managing congestion** both in **urban area and on interurban links** has direct economic benefits to network users and with the right investment in the right places can have further productivity benefits through promoting static and dynamic agglomeration, including influencing where development happens and to what scale. TfSE's Transport Strategy offers a multi-modal interurban transport strategy with objectives that include supporting regional growth as well as the move to a net zero economy.

2.4 In addition to the nine challenges in the Call for Evidence, we believe that there is a further challenge that the NIC should consider. As set out in our Transport Strategy, the South East accounts for 12% of the country's greenhouse gas emissions and around a third of total emissions are associated with the transport sector. If the country is to meet its commitment to be carbon neutral by 2050, it will be essential for the transport sector to decarbonise. The increasing take-up of zero emission vehicles will make an important contribution to this, but for this to happen to scale and rate required (which is greater than the current rate) there needs to be the appropriate infrastructure to support:

- charging of electric vehicles at home, places of work, public car parks, etc;
- charging of commercial electric vehicles at depots and for opportunity charging (e.g. for buses at bus stations, or route termini)
- production, distribution and fuelling facilities for alternative no-carbon fuels such as hydrogen.

2.5 In the case of charging infrastructure for electric vehicles, this is likely to require development and adaptation of national, regional and local grids, the creation of additional connections to the

grid (for example to bus depots) and the charging infrastructure itself. Infrastructure will be needed to produce and distribute alternative no-carbon fuels in a way analogous to the way existing network of oil refineries, distribution depots and petrol filling stations support the production, distribution and sale of fossil fuels. Coordinated national action will be needed.

2.6 Further electrification of the public transport network will be needed. While much of the South East's rail network is electrified, there are sections of the network reliant on diesel traction. The Government's recent initiative to accelerate the introduction of zero emission buses through the Zero Emissions Bus Regulation Area (ZEBRA) scheme must be the first step in a sustained plan to decarbonise the bus fleet.

2.7 In addition to the nine challenges, TfSE therefore proposes an additional challenge which is:

- **Decarbonise transport networks** through providing charging networks for private and commercial electric vehicles, infrastructure for alternative no-carbon fuels (e.g. hydrogen) and decarbonising public transport networks through further electrification.

3 **Question 2:** What changes to funding policy help address the Commission's nine challenges and what evidence is there to support this? Your response can cover any number of the Commission's challenges.

3.1 Central to addressing the NIC's challenges that fall in TfSE's ambit will be **multi-year funding certainty.** Currently National Highways and Network Rail (and in the future, Great British Railways) benefit from five-year funding settlements. With the City Region Sustainable Transport Settlement (CRSTS), this approach is being extended to the eight mayoral combined authorities. (There is no mayoral combined authority in the TfSE geography.) These multi-year settlements allow multi-year programmes to be developed and implemented and avoid the recurrent resourcing issues that result from stop-start patterns of infrastructure investment.

3.2 Previously, alongside other STBs, TfSE has called on Government to give each region a multi-year funding allocation. Clarity on the level of funding available would ensure that the investment pipelines that flow from our transport strategy is affordable. Prioritisation of pipeline schemes is extremely challenging without a clear view on funding levels available, and clear criteria against which to prioritise. Greater funding 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/consents required.

3.3 The approach adopted for CRSTS incorporates the Integrated Transport Block and Highway Maintenance Block within the Settlement along with some elements of competition funding (e.g. Transforming Cities Fund). This adds to the flexibility that the mayoral combined authorities have about on what, where and when their funding is spent.

3.4 The next step is to develop comparable multi-year settlements for other areas beyond the mayoral combined authorities. TfSE, along with the other STBs, is well placed to lead the regional-scale prioritisation that will be needed to support such a settlement and then administer the settlement over its life. This would include undertaking assurance for schemes that are not retained by the Department for Transport, as well as leading on monitoring and evaluation of the implemented programme.

3.5 Associated with CRSTS is a Government "ask" that the mayoral combined authorities contribute 15-20% of the overall Settlement using locally secured funds that are additional to the Treasury contribution. Looking ahead, there are potential roles for Land Value Capture, Work Place Parking Levies and road user charging schemes. We return to road user charging in response to Question 16, but here note that if Government adopts a similar requirement for regional settlements, TfSE is well-placed to coordinate a regional contribution such that constituent members are pursuing complementary approaches to securing local contributions.

3.6 There is also a greater need to integrate the programmes of National Highways and Network Rail with the regional transport strategy. Currently, there is **a siloed approach** to investment which tends to lead to the development of specific schemes aimed at solving a particular problem to improving network performance. Central to our Transport Strategy is a more integrated, place-based 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. Our proposal is that as it develops its RIS3 programme, National Highways is obligated to give explicit consideration of how its programme will support and facilitate the delivery of our Transport Strategy (and those of other STBs), as well as set out this consideration in its reporting. Network Rail should do similar as it develops its programme for the next Control Period.

3.7 Looking further ahead, there is an opportunity for better integration and co-ordination between Government departments (particularly DLUHC, Treasury and DfT), to unlock and accelerating infrastructure delivery. Currently, funding arrangements for infrastructure are separated across departments which makes the planning and delivery of integrated cross-sectoral programmes to tackle major issues such as the need for levelling-up 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.

3.8 TfSE see the potential for a **national road user charging scheme (**following a wider review of transport taxation) as a way to help realise the objectives of its Transport Strategy, as well as provide a circular source of funding for reinvestment into transport networks. We return to this in our response to Question 16.

4 **Question 5:** What are the main opportunities in terms of governance, policy, regulation and market mechanisms that may help solve any of the Commission's nine challenges for the Next Assessment? What are the main barriers? Your response can cover any number of the Commission's challenges.

4.1 TfSE, along with the other STBs, was established to develop an integrated Transport Strategy for our region and to identify and prioritise the interventions needed to deliver it. Completed in July 2020, the transport sets out an ambitious yet deliverable strategy that will support the further economic growth and regeneration across the South East, while also supporting and facilitating the shift to a net zero economy. The challenge is not to develop the transport strategy for the South East – this has been done. What now needs to happen is take the collaborative processes that TfSE has developed with its members and partners to produce the strategy and build on these to support delivery.

4.2 Central to delivery is funding and we have covered this in response to Question 2. Through building its own capacity and capability, as well as the capacity and capability of its members authorities, TfSE can help accelerate the development and delivery of the schemes and interventions that make up its programme. This will need:

- Governance structures which encourage collaboration in investment decision making and scheme delivery across multiple local authority areas. Local authorities being empowered to implement local demand management measures.
- Local transport authorities being given greater scope to specify public transport provision in their local area, in collaboration with transport providers.
- Local transport authorities having due regard to TfSE's Transport Strategy when producing their local transport plans.
- The creation of a regional centre of excellence with the capability and capacity to support scheme development and delivery across the South East.

5 **Question 16:** What evidence is there of the effectiveness in reducing congestion of different approaches to demand management used in cities around the world, including, but not limited to, congestion charging, and what are the different approaches used to build public consensus for such measures?

5.1 As part of its focus on levelling-up, TfSE welcomes the NIC's intention to examine how the development of mass transit systems can support productivity in cities and city regions, as well as to consider the role of congestion charging and other demand management measures.

5.2 Before addressing Question 16 directly, with regard to levelling-up we note that:

- The reasons why places are 'left behind' are deep rooted and vary from place to place. As part of its Transport Strategy evidence base, TfSE has analysed a wide range of socio-economic and transport connectivity indicators to understand how transport contributes to the success of the economy across all areas in the South East. This analysis has identified some areas where poor transport connectivity appears to be a material barrier to success. This is particularly the case for coastal communities in Kent, East Sussex, West Sussex, and Hampshire, which have poor connections to the rest of the UK and also have poor deprivation indicators. There are, however, other areas of the South East – such as Dartford and Slough – that enjoy relatively good levels of transport connectivity, but which fall far below average in many deprivation indicators. What this tells us is that poor transport connectivity is not a sole determinant of whether a place is left behind. Some of these places are relatively well connected, others are not.
- Even for those left behind places that are poorly connected, improving transport connectivity alone is unlikely to address the deep-rooted problems that underpin deprivation. What will be needed are cross-sectoral multi-year programmes that considers an area's foundational social and economic infrastructure and services. Many of these things fall outside the NIC's remit (e.g. provision of education, including schools and colleges, health facilities, etc.). Many require revenue as well as capital funding. It will be important that NIA2 considers how provision of infrastructure that falls within the NIC's remit is integrated within wider

Government initiatives and we suggest whether there is sufficient policy coordination across capital and revenue programmes.

- A too narrow a focus on transport connectivity has the potential to create unintended effects, for instance a two-way street effect where improved transport connectivity makes it easier for economic activity to flow out of an area rather than flow in. Again, this points to a need to tackle levelling up through integrated and coordinated cross-sectoral public policy programmes, which are likely to involve both capital and revenue funding.
- Mass transit can have a role to play in supporting levelling up in some places across the South East. However, the nature of the South East's urban geography means that opportunities for rail-based mass transit are limited. There are, however, greater opportunities for bus-based systems, for instance building on the experience of Fastrack in the Thames Gateway and Fastway in Crawley. Any focus on mass transit needs to take in the full spectrum of technologies and not just rail based ones.
- Across the South East there is potential to enhance urban and peri-urban connectivity through improvements to bus provision. There are examples in the South East where modest investment in bus services have generated significant growth (against a national backdrop of decline in bus use). In particular, Reading, Crawley (Fastway Bus Rapid Transit), Dartford (Fastrack Bus Rapid Transit), and Brighton & Hove have seen impressive growth in bus use in the last decade. TfSE strongly supports plans to invest in bus services in other parts of the South East to replicate these successes elsewhere.
- The South East has an extensive rail network with a focus on radial commuting to and from London. TfSE's evidence base demonstrates a marked difference in average speed and available capacity for journeys to and from the capital when compared to journeys along the South Coast or routes such as Reading to Gatwick. Our Strategic Investment Plan is likely to call for funding to support improvements on these key "orbital" corridors to encourage modal shift from car to rail and to strengthen rail's attractiveness for journeys between and within the two largest conurbations in the South East (South Hampshire and Brighton & Hove).

5.3 Turning directly to the question, TfSE welcomes the NIC's interest in exploring the potential role of demand management measures including congestion charging. This is for three principal reasons:

1. The per mile running cost of zero emission vehicles is lower than the per mile cost of a comparable internal combustion engine vehicle. All other things being equal, reducing the cost per mile will induce further road traffic which in turn would lead to greater congestion and associated economic cost. Per mile road user charging is needed to avoid the shift to zero emission vehicles leading to greater congestion.
2. A per mile charging regime offers the opportunity to set the charge to manage congestion and/or drive the shift to zero emission vehicles. However, there needs to be clarity on the objectives for the systems as the specification of a charging regime to manage congestion downward need not necessarily be the same as one that is intended to reduce road-related carbon emissions.
3. The shift to zero emission vehicles will progressively reduce receipts from fuel duty and as long as the current banded vehicle excise duty (VED) is maintained, from VED too. Using a per mile charge to avoid an increase in congestion (point 1 above) offers the Treasury a way to replace lost revenue while at the same time avoiding additional economic impairment. Using per mile charging to meet policy goals also offers a revenue positive approach. While Treasury has traditional resisted hypothecation, this creates an opportunity to recycle

additional revenues to provide capital investment and revenue support to the transport sector to both provide attractive non-car alternatives for those who do not want to pay an additional charge, as well as to meet wider policy goals.

5.4 Many of the strategic road links in the TfSE area suffer from congestion in the morning and evening peak periods, and at other times too. The modelling work we have undertaken as part of the development of our transport strategy indicates that increased levels of economic activity combined with population growth, will lead to increased levels of trip making activity. The environmental constraints in the TfSE area means that major new road building is not an option to accommodate this growth. This growth can only be accommodated through greater use of more sustainable forms of transport. The modelling work demonstrated that the introduction of a road user charging system alongside other forms of pay as you go mobility, could significantly support the management of future road traffic levels. In the context of future funding and financing challenges, the prospect of using part of the receipts from a future road user charging schemes to fund transport investment is also set out in our transport strategy. It would also be important for any road user charging scheme proposals to be set in the context of a wider review of motoring taxation and public transport fare structures to ensure the modal shift that is being sought would be achieved.

5.5 TfSE's view is that any road user charging scheme would need to apply across the South East and be introduced as part of a national initiative. TfSE therefore supports the rationale for the introduction of a national road user charging scheme. We elaborate why below.

5.6 Concerns are often raised about the social impacts of road user charging schemes. As with any proposed major change to a taxation or charging regime there will be individual winners and losers. The case of the low paid worker who needs to travel at times poorly served by public transport and so has to travel to work by car is often raised. We recognise these concerns and even a 'revenue neutral' alternative to fuel duty will create winners and losers. This is why provision of attractive public transport and other sustainable alternatives to road transport has to be integral to any road user charging regime. However, even with sophisticated systems with differential charges by time and geography, we recognise that even then there will be some low income households who have no option to travel by car and who would be financially worse off. In such cases, the approach to mitigation will sit outside the transport sector and will need to be part of the overall approach to taxation and welfare.

5.7 There are further concerns that road user charging schemes may have potential traffic displacement effects with potential increases in traffic levels in lower charge areas around higher areas as a result of drivers effectively driving further to pay less. These reinforces the case for a national scheme that applied to all roads as such an approach would allow potential charge discontinuities to be minimised.

5.8 Despite the strong economic rationale for road user charging proposals, TfSE recognises that past proposals in the UK and elsewhere have proven very controversial and politically contentious. The linkage between the use people make of the road network and the costs and charges that they incur for doing so has long been blurred. Consequently, proposals that have come forward to place additional charges for using roads on top of what drivers are already paying in fuel duty and vehicle tax, have proved controversial, which is not surprising as in their minds drivers are being asked to pay twice. As shown in Manchester and Edinburgh local referenda have not proved an effective way to debate the merits of charging proposals. The experience in London is instructive. The Congestion Charge was a mayoral manifesto commitment. It was also subject to an 18 month long public consultation exercise, after which refinements were made to the scheme. This serves

to illustrate that the way a proposal is politically-led, developed and consulted on, will be key determinants of likely success.

6 **Question 17:** What are the barriers to a decision making framework on interurban transport that reflects a balanced approach across different transport modes?

6.1 As set out in our response to Question 2, TfSE sees a close relationship between how inter-urban transport enhancements are funded and how decisions are taken that ensure the investment in different modes is balanced. As previously noted, the five year settlements to National Highways and Network Rail are beneficial to those organisations as it gives a degree of certainty that allows the efficient progression of a programme of investment. However, the uni-modal approach of these two settlements is a barrier to the coordinated implementation of a multi-modal programme across a particular geography.

6.2 TfSE would like to see multi-year funding settlements for STBs, with STBs being responsible for the development of the programme including prioritisation of what interventions are to be supported, as well as administration of the settlement over its life, including assurance of schemes not retained by the Department for Transport, along with monitoring and evaluation to inform the development and implementation of future programmes.