Briefing
21 September 2016

Fix It First - a briefing from Campaign for Better Transport

Executive summary

Focusing transport spending on a small number of large infrastructure schemes is expensive with benefits not realised for many years. Local schemes are popular, better value and quicker to deliver. Investment should be diverted to support them through the following initiatives:

1. Local road maintenance
A new *Road Repair and Renewals Fund* to tackle the road and pavement maintenance backlog, with ring-fenced funding and incentives for investment and apprenticeships as in London.

2. Transport measures to support local economies
Increasing the *Access Fund* would help more local authorities deliver packages of transport schemes to support their local economies. Raising both capital and revenue funding would make the fund more flexible and easier to use.

3. Cycling and walking, and public realm schemes
New dedicated funding to support the Cycling & Walking Investment Strategy and further funding for existing programmes. We also suggest the Government support regeneration of high streets and town centres through a public realm investment fund to improve public experience.

4. Small scale rail schemes, including new/reopened stations and lines
We recommend further rounds of the New Stations Fund to improve reliability and journey times on rail lines. An enhanced fund could also support reopenings of rail lines.

5. Green and community buses
Increased investment in the quality and extent of bus services with further rounds of the Green Bus Fund and the Community Minibus Fund. The Government should also consider other investment in buses, potentially through a *Bus & Coach Investment Strategy*.

Context

In the wake of the EU referendum, and the economic difficulties this is generating, there has been a lot of discussion about spending on infrastructure to support the economy and create jobs. However, as often when infrastructure is discussed by economists, politicians and commentators, the focus is on big projects – a new runway, big road projects, high speed rail etc. At local level too, the emphasis from many councils, business groups and Local Enterprise Partnerships tends to be on major road projects to support local economies and development.

By contrast, this briefing argues that the emphasis for any new infrastructure spending should be on fixing what we have, especially local roads and railways, and on smaller individual projects or packages of schemes to upgrade local transport and improve local transport services.

Despite the understandable focus on highly visible big projects, the evidence, from the UK and elsewhere shows that local transport investment generates better and more timely results for the economy, employment and communities than spending on a few isolated large projects.

A *fix it first* approach also chimes strongly with public opinion, whose primary experience of transport is of poorly maintained local roads and declining bus services. While there is a strong case for investment in some large projects (for example, new rail infrastructure to tackle congestion on the existing rail network), we argue that local and smaller scale transport projects should get greater priority in spending and attention than is currently the case.

Current approach to infrastructure

Successive governments have chosen to respond to economic challenges such as the credit crunch by announcing investment in eye-catching major infrastructure projects.

Since 2010, the Government has produced annual National Infrastructure Plans, augmented from 2013 by regular National Infrastructure Pipeline reports and from 2016 by a five-year National Infrastructure Delivery Plan. The Infrastructure and Projects Authority has been established as part of the Cabinet Office and the Treasury, and an independent National Infrastructure Commission has been formed to produce five-year National Infrastructure Assessments and sectoral reports.

Such an approach implies major schemes are important in stimulating the economy. In reality, they require huge capital commitments, take a long time to plan and deliver, offer a very slow return on proposed investment, and at least in some cases are of direct benefit to only a limited number of people.

For example, progress with the nine major transport schemes identified in the 2011 National Infrastructure Plan has been as follows:

Scheme name	Estimated cost	When proposed	Expected completion
A14 improvements	£1.5 - 1.8bn	DfT options study 2011, scheme fast-tracked 2013	Construction expected 2017-2020/21
Lower Thames Crossing	Circa £5 - 6bn	DfT options study 2009	Decision on route expected 2016
Mersey Gateway Bridge	£430m	First phase of consultation on the project began in 2002	Scheme due to open 2017
Crossrail	£14.8bn (at 2010 prices)	Hybrid Bill introduced 2005, Government committed funds 2007	Due to open 2018/19
M4 South Wales	Circa £1.1bn	Adopted by Welsh Assembly Government	Public inquiry due to begin Autumn 2016

Welsh Valley Lines electrification	Circa £734m (as part of the Metro project)	Plans announced 2011	Expected to be completed 2023/24
Great Western Electrification	£2.8bn (original estimate £874m)	Scheme announced 2009	Scheme due to be completed 2020
High Speed 2	£42bn	Scheme proposed 2009	London - West Midlands due to be completed 2026
Thameslink programme	£6.5bn	First phase begun 2007	Due to be completed 2018

The nine schemes referred to in 2011 represent a £75 billion investment in the strategic infrastructure of the country. But despite large amounts of public money being spent on their planning they are yet to generate any direct benefit. Beginning their formal planning as far back as 2002, none of the 2011 schemes has yet been completed and five are yet to even start construction.

This is not an assessment of each scheme's desirability or the effectiveness of the planning system to bring them to fruition. Rather, it ably demonstrates how expensive and time consuming an approach based on a small number of major transport schemes is in practice.

The alternatives

If this is the case, what investments might the Chancellor Philip Hammond look at in the transport field on which to spend money with good economic return? We suggest five options can be explored:

- Local road maintenance – improve our crumbling roads
- Local transport measures to support local economies
- Investment in cycling and walking, and public realm schemes
- Small scale rail investment, including new/reopened stations and lines
- Investment in green and community buses.

1. Fix it first – Improving our crumbling roads

Tackling the condition of roads and pavements is seen by motorists and the wider public as the single most important transport priority. Research carried out for the RAC Foundation in 2015 found 53 per cent believe this should be the number one transport priority for ministers (1). It is easy to see why. In the past year, all English regions have reported a drop in the percentage of their road network that is in good structural condition (2).

Despite the announcement in 2014 of a £6 billion fund for English local authorities to repair potholes, the condition of local roads continues to decline. The Asphalt Industry Alliance's annual survey of local road condition estimates that the average English local authority has an annual shortfall in its carriageway maintenance budget of £5.3 million. Across England and Wales, one in five local roads now described as in poor condition. Local authorities estimate that £11.8 billion would be needed to bring their roads back into reasonable condition.

Costs of poor road and pavement maintenance are large. Local authorities and their insurers spent £28.4 million on road user compensation claims last year, 76 per cent of which were related specifically to potholes. For cyclists, potholes can mean injury or even death. Badly maintained pavements lead to slips, trips and falls by pedestrians, some of which end up in casualty departments and cost the NHS money. So investment in better road maintenance has wider benefits.

What's needed is a more structured approach, bringing up standards of local road maintenance with long term investment. One model is being taken forward in London, where Transport for London has joined with boroughs to promote long- term road maintenance plans. The London Highways Alliance Contract improves customer service and reduces costs for the 100+ highway delivery contracts previously used across London, potentially saving £450 million for London boroughs and TfL through efficient working methods and economies of scale. The contracts promote investment in new plant, and will also provide up to 250 apprenticeships across London. They have incentives for good performance and requirements including payment of the London Living Wage, strict emission and safety standards for vehicles, and encouraging the use of small and medium sized businesses for supplies.

We therefore suggest a new *Road Repair and Renewals Fund* to tackle the £12 billion backlog of potholes on local authority roads. A fund of this type has in the past been called for by organisations including the RAC, the Federation of Small Businesses, the Construction Products Association, Cycling UK, Sustrans, Living Streets, CPRE, and the British Chambers of Commerce.

We recommend a new Road Repair and Renewals Fund be established to tackle the road and pavement maintenance backlog, with ring-fenced funding and incentives for investment and apprenticeships as in London.

The US approach - ARRA

Since taking office, President Obama has overseen a huge programme of investment in infrastructure. The first phase was the $787 billion American Recovery and Reinvestment Act (known as ARRA or the Stimulus) with the objective of investing in infrastructure projects that created jobs quickly and supported the economy. The $48 billion of transport investment identified included $27 billion earmarked for road related projects and the TIGER programme (see below).

A 2011 assessment of how the money was spent showed 59 per cent went on repairing and maintaining roads and bridges, 34 per cent on new roads and 7 per cent walking and cycling projects. These investments delivered markedly different results in terms of job creation. The eight states that spent 100 per cent of their ARRA funds on repairs to existing roads and bridges created the most jobs per dollar. Conversely, the five states that spent the majority of the money on new roads created the fewest jobs per dollar (3).

The lessons from the ARRA spending were quickly learnt. From 2011, far more road transport spending was channelled into repair and maintenance projects. The 2013 Department of Transportation budget included a six-year $476 billion surface transport budget with $305 billion set aside to rebuild roads and bridges. This was followed by a $40 billion 'fix-it-first' budget, proposed by the President to "put people to work as soon as possible on our most urgent repairs".

Regular maintenance of roads offers better value for taxpayers than building new roads. In addition to savings made to the economy through job creation, research from America suggests that every $1 spent to keep a road in good condition saves between $6-14 later needed to rebuild the same road once it has deteriorated significantly. Over 25 years, on-going maintenance can be up to three times cheaper than repairs undertaken less regularly. Such investment needs to be ongoing. Research published in 2015 found there was still a $392 billion backlog of improvements to roads and bridges (4).

2. Support local and sustainable transport projects

Congestion and traffic problems can create a poor environment with pollution and low quality public space, where people don't want to live or work and firms to locate or invest. Local firms may experience a shortage of labour because of poor transport access. For unemployed people, transport issues may be a key barrier to getting into the labour market. Small local transport projects can be good value and highly effective in supporting overcoming such problems.

The last Government operated the Local Sustainable Transport Fund (LSTF) which helped local authorities implement packages of transport measures supporting the economy while cutting carbon emissions. Between 2011 and 2015 it supported 96 programmes across England through £600 million. These local packages aimed to:

- Improve the choices available for people in getting around, and inform them about those choices
- Cut transport costs
- Make cycling and walking easier and safer
- Remove barriers to reaching employment
- Work with businesses, schools and leisure providers to help them tackle traffic and transport problems and give people better alternatives for commuting and school travel.

In practice, this involved combinations of measures: capital spending on infrastructure projects such as improving public spaces, new rail stations, park and ride, bus priority or cycle lanes and revenue spending such as marketing or start-up subsidies for bus and rail services, bus service improvements, car clubs, bike hire schemes. There has also been targeted fares reductions, cycle training, travel planning at schools, workplaces and stations, and personal travel advice.

Our assessment showed that the LSTF delivered widespread benefits including:

- 246 new or improved bus services targeted at employment needs
- 1,182km of new or improved routes for cyclists and pedestrians and significantly increased levels of walking to school at over 1,000 schools
- Upgrades to 207 train stations to make them easier to access and use
- Over 36,000 job seekers received travel advice and support (5).

LSTF schemes were also effective in attracting private sector investment, for example in unlocking development in town centres like Telford and in getting investment from bus operators in new services. Unemployed people in Nottingham were offered half-price travel on public transport, with 17 per cent of those who took up the offer subsequently finding employment.

The 2015 Spending Review agreed to develop a new Access Fund to take forward many of these kinds of schemes, and to provide continuity funding for some of the LSTF schemes in the meantime. The Access Fund is due to be launched next year. At present it is very small scale - £20 million in revenue funding and £80 million in capital funding a year (and the capital funding is part of wider growth funding for Local Enterprise Partnerships and is not in practice separately available).

We recommend that local transport schemes to help the economy be funded through an increased Access Fund, consisting of both capital and revenue funding, and that bids be invited from local authorities for local transport schemes to help the economy in the ways described.

The US approach - TIGER

Transportation Investment Generating Economic Recovery (TIGER) is nationally administered grant fund worth $500 million a year. It aims to support multi-modal projects that support affordable, growth generating transport in both urban and rural communities.

The fund has operated since 2009, distributing the equivalent of £3.9 billion to 421 mainly capital projects. The fund is popular and highly over-subscribed with the 2016 program receiving 585 eligible applications for over £7 billion.

Examples of projects supported by TIGER include:

- *A project in Pittsburgh to update the street scene with new pavements, crossings, bus stops, bike sharing station, and the creation of new public spaces*
- *Brownsville, Texas, where a grant is being used to support a new bus depot, new hybrid buses and 2.4 mile bridge for pedestrians and cyclists*
- *Colorado, where a grant is supporting the Bus Rapid Transport Project which will add bus-priority and cycle lanes to a busy commuting route between Denver and Boulder. The project also sees the existing road surface being repaired and more frequent bus services provided. The project is expected to alleviate congestion and improve choice.*

Grants are assessed against long-term objectives including supporting economic competitiveness, improving quality of life, condition of existing infrastructure and environmental sustainability (6).

3. Invest in cycling, walking and public realm schemes

There are public health and economic benefits from encouraging cycling and walking and moving away from short distance car journeys. Cycling UK reports that the average economic benefit-cost ratio of investing in cycling and walking schemes is 13 to 1. Increasing cycling from 2 per cent of journeys to 10 per cent by 2025 and 25 per cent by 2050 would yield cumulative benefits of £248 billion - the majority of them through a physically fitter population (7).

The Government is producing a Cycling & Walking Investment Strategy, with targets for increasing cycling and also reversing the decline in walking, especially to schools. However, this strategy has at present limited funding behind it. Investment in cycling and walking programmes, through dedicated funding with support for local authorities committed to increasing cycling and walking in their areas, would get schemes on the ground quickly and would also have the benefit of building on the Olympic legacy of success in cycling.

The Government could also consider supporting schemes that improve the design and appearance of public places and streets. Public realm schemes can be effective in attracting new private sector investment and in regenerating run-down high streets and town centres. A ‘Public Realm Improvement Fund’ could be created to support such schemes.

We recommend dedicated funding to support the Cycling & Walking Investment Strategy, or at least further funding for various existing programmes. We also suggest the Government consider a Public Realm Investment Fund to support regeneration of high streets and road layouts so as to improve the visitor and pedestrian experience.

4. Invest in small scale rail upgrades and new/reopened rail lines and stations

Amid the plans for major rail investment, there are a number of short term measures that together would improve reliability and journey times on key routes. The Government's £20 million fund for infrastructure support for Southern Trains is an example. A number of proposals have been produced for minor rail infrastructure improvements, straightening out curves or relaying points to improve reliability and end-to-end journey times. In addition it is argued by some in the rail industry that previous infrastructure work, such as the East Coast Main Line electrification, has been done on the cheap and that minor works could improve reliability substantially.

In addition, there is significant interest in adding to the rail network, through extra stations and in some cases reopened lines. Nearly all recent new/reopened stations and lines or upgraded services have exceeded their forecast use, sometimes substantially. Further investment in such schemes could support new housing or regeneration without adding to surrounding road congestion. We have identified 12 priority schemes, most of which can be delivered in partnership with local authorities and developers – for example Wisbech-March in Cambridgeshire, Tavistock-Bere Alston in Devon and Ashington, Blyth & Tyne in Northumberland (8).The Government recently invited bids to a second round of its New Stations Fund. This could be extended and enlarged to include line reopening projects as well. As many of these would utilise lines retained for freight, work could start almost immediately.

We recommend:

1. **New rail line upgrade funds to improve reliability and in some cases journey times on rail lines**
2. **Further rounds of the New Stations Fund, with potential extension to fund reopenings of rail lines.**

5. Support for greener and community buses

The Government already has a Green Bus Fund which is funding electric and low carbon vehicles. We single out buses because they are mostly manufactured in the UK, so such funding will support UK manufacturing. Similarly, the Government has a Community Minibus Fund, which is used to fund community services, and which has just concluded its second round of bids. If the Government wants to go further in this area it could look at further bus investment and support for local bus services which are under threat of withdrawal – buses receive very limited public investment, yet are important in getting people into work. Some 77 per cent of jobseekers in British cities outside London do not have regular access to a car, van or motorbike, rising to 83 per cent for those unemployed for more than six months.

Buses offer excellent value for money. In Public Transport Executive areas alone, bus networks are estimated to generate over £2.5 billion in economic benefits against public funding of £0.5 billion (9). As the Department for Environment, Food and Rural Affairs has reported, tackling emissions from buses in urban areas is one of the most cost effective ways of reducing nitrogen oxide (NOx) and particulate emissions (10) and their impact on human health. The Government should include a 'Bus & Coach Investment Strategy' in the Bus Services Bill now going through Parliament, and in the short term could consider some kind of local bus fund (or include bus funding within the Access Fund above).

We recommend further rounds of the Green Bus Fund and the Community Minibus Fund. The Government should also consider other investment in buses.

Conclusion

This briefing sets out the case for focusing investment in transport infrastructure on small scale and local projects and on local asset maintenance, especially in tackling the backlog in local authority road maintenance. Most of the proposals we have made will use and add to existing budgets and/or build on existing Government commitments and policies. These will be able to be implemented quickly and, as shown by the US evidence and previous programmes here, will feed through into the economy and employment quickly too. Packages of small and relatively cheap measures can help tackle traffic congestion and improve services for transport users, but they have wider economic benefits too, notably in helping people into work and in contributing to regeneration and local economic development. They can also attract funding from other sources, including the private sector. By contrast, a renewed focus on large scale infrastructure projects such as further strategic road building will be much more difficult to implement and will take a long time to bear fruit.

The focus of this briefing has deliberately been about what Government can and should do now. However, the Government also needs to put in place now measures that will bear fruit in the medium and longer term. We suggest three themes:

- Devolution: the Government should continue with the devolution of transport powers and funding that is already underway, to city-region mayors and authorities and sub-national groupings like Transport for the North. Giving these bodies powers over local rail and bus services and strategic roads should help improve services and accountability, as has happened in London. Over time it can also move away from top-down funding through bidding of the sort we have mentioned here. Allowing these bodies to issue bonds and generate new sources of finance can attract institutional funders, as already happens with Transport for London.
- Industrial strategy: transport needs to be knitted into the industrial strategy that the Government is committed to producing. Long term strategies for investment in new and refurbished trains and buses, and support for low carbon vehicles, can attract inward investment and manufacturing jobs, including in supply chains. Support for transport technologies such as smart ticketing and travel information, can also generate UK jobs. These need to be part of Government transport strategies.
- Inclusive growth: transport problems can act as a major barrier to people getting access to jobs and to employers widening their labour markets. New housing and commercial development often happens in ways that reinforces these barriers (for example housing estates with no access for bus services). The Government should re-evaluate transport spending and its economic assessment system to promote access to jobs and developments with good access to public transport.

Notes

1. RAC Foundation Transport issues survey – carried out by COMRES (2015) http://www.comresglobal.com/wp-content/uploads/2015/04/RACF_Public_Data_FINAL.pdf

2. Asphalt Industry Alliance - 2016 Annual Local Authority Road Maintenance (ALARM SURVEY) http://www.asphaltindustryalliance.com/images/library/files/ALARM%202016/ALARM_survey_2016_full_report.pdf

3. Rough Roads Ahead - Costs of Poor Highway Condition (2014) https://www.oregon.gov/ODOT/COMM/Documents/RoughRoads2014.pdf

4. Bumpy Roads Ahead: America's Roughest Rides and Strategies to Make our Roads Smoother (2015) http://www.tripnet.org/docs/Urban_Roads_TRIP_Report_July_2015.pdf

5. Campaign for Better Transport Improving local transport helps the economy - experience from the Local Sustainable Transport Fund (2015) http://www.bettertransport.org.uk/sites/default/files/research-files/Improving%20local%20transport%20helps%20the%20economy%20-%20experience%20from%20the%20LSTF.pdf

6. US Department of Transportation - TIGER https://www.transportation.gov/tiger/

7. Cycling UK, Cycling and the Economy briefing http://www.cyclinguk.org/sites/default/files/file_public/economy1fbrf.pdf

8. Campaign for Better Transport 12 priority rail reopening schemes http://www.bettertransport.org.uk/our-top-12-rail-line-reopenings

9. UTG Making the connections: The cross-sector benefits of supporting bus services http://www.urbantransportgroup.org/system/files/general-docs/10210%20Pteg%20Benefits%20of%20the%20bus%20web%20FINAL.pdf

10. DEFRA Local Air Quality Management support http://laqm.defra.gov.uk/action-planning/measures/buses.html

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