

# Policy Futures

for urban transport



The Urban Transport Group represents the seven strategic transport bodies which between them serve more than twenty million people in Greater Manchester (Transport for Greater Manchester), Liverpool City Region (Merseytravel), London (Transport for London), Sheffield City Region (South Yorkshire Passenger Transport Executive), the North East (North East Combined Authority), West Midlands (Transport for West Midlands) and West Yorkshire (West Yorkshire Combined Authority). The Urban Transport Group is also a wider professional network with associate members in Strathclyde, Bristol and the West of England and Nottingham.



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# Urban Transport and the Cities – Moving Forward

**There is a strong consensus that Britain's city regions are key to the UK's wider economic success. Transport is both an enabler of growth and a way of ensuring that the benefits of that growth are shared because transport provides access to opportunity – be it jobs, education and training, or healthcare.**

To fully deliver on their potential, the city regions need efficient and effective local transport networks as well as good connectivity with each other and the wider world. Efficient and effective local transport networks support city centres with their clusters of high value jobs, retail and cultural offerings. They also support secondary centres and suburbs through providing them with the access they need. Connectivity with other cities, and with the wider world, attracts investment and skills and enables access to domestic and international markets.

Cities need to be smart too and embrace and facilitate transformative social and technological change like the electrification of transport, the growth in cycling and the way in which open data and smart devices can revolutionise transport information, access and planning. This in turn will draw in investment and skills whilst also reducing carbon footprints, improving air quality and making cities more attractive and dynamic places to be.

Great strides have also been made in ensuring that city regions can better shape their own futures and make the connections between different policy goals. Our city regions have moved towards more focussed governance arrangements with London's Mayor and with other city regions setting up Combined Authorities and now some of those areas moving to Mayoral Combined Authorities.

The city regions are also playing a major role in more strategic and devolved approaches to pan-regional infrastructure like better east-west transport connections – through bodies like Transport for the North and Midlands Connect, as well as on planning and development of regional rail services through bodies like Rail North and West Midlands Rail.

**Cities need to be smart and embrace and facilitate transformative social and technological change.**





**With the right national policy framework we can make further progress to:**

- Deliver modern, efficient and fully integrated urban transport networks accessible via smart and simple ticketing systems
- Break down the barriers between different sectors to ensure that the benefits that transport can bring to wider policy goals in areas like health, employment and education are fully realised and rewarded
- Drive forward the transformation of strategic transport links between the cities around common priorities and in a coordinated way which brings together national agencies (like Highways England and Network Rail) with pan-regional bodies and the city regions

# Funding

**The urgent need for higher levels of investment in urban transport systems means we need to bring more certainty to local transport funding as well as the ability to explore new potential funding streams.**

Long term funding certainty allows a considered approach to ranking and delivering priorities; it means that business and investors in city regions can plan ahead with more confidence; it allows expertise and capability in the planning and delivery of schemes to be built up and retained; and it reduces the inefficiencies inherent in oscillating between 'feast or famine' for contractors and suppliers.

The greater certainty that has been brought to rail and road spending through five year funding periods and investment programmes is welcome, as is the creation of the National Infrastructure Commission. However, funding for local transport capital spending has proved less stable and more subject to year-on-year fluctuation as well as block grants increasingly being replaced by competition funding.

At the same time revenue spending on local transport has seen deep cuts with the prospect of more to come. Revenue spending is needed in particular for bus services (which are less capital dependent than rail). The bus is the main form of public transport. It gives people access to employment and opportunity and is a relatively low cost and rapid way to enhance transport provision, for example to serve new development areas.

Revenue support is also important for local rail services. It also pays for the planners and staff that develop and implement capital projects.

The proliferation of competition funding creates additional pressures on declining resource funding in terms of uncertainty around when such funding competitions will emerge, what they will cover, and whether or not a local authority's bid will be successful. Bidding for grant funding has a non-negligible cost (which we estimate could amount to up to 1.8% of total costs for a £5 million scheme), and creates unpredictable peaks and troughs in workloads which are difficult to resource and plan for efficiently.

In terms of income generation, Local Transport Authorities already have clear powers in areas like road user charging and parking, however there are other potential new funding streams that should be examined such as the potential for the hypothecation of a proportion of Vehicle Excise Duty (VED) to urban areas following on from the Government's moves to hypothecate VED to Highways England.

Current methods of transport appraisal (largely based on journey time savings but with a

growing recognition of the contribution towards agglomeration economies in urban areas) are not always able to capture the full benefits of transport investment. This is a particular concern in relation to large infrastructure schemes, such as Crossrail Two or significant investment in Trans-Pennine rail links, which can have a transformational effect on housing and labour markets, as well as on the behaviour of households and firms.

The way in which national government satisfies itself that local government transport spending is being carried out efficiently and effectively is inconsistent and can be overly prescriptive as well as subject to 'clawback' (ie asking for further reviews, options or approval centrally - even after approval for funding the project has already been given). This is wasteful in terms of duplicated resources as well as the costs associated with project delays. A review of good practice on oversight might be helpful in moving towards new guidelines for Whitehall Departments on appropriate, consistent and proportionate oversight which strikes the right balance between devolutionary principles and the need to ensure that public money is properly accounted for.



Revenue spending on local transport has seen deep cuts with the prospect of more to come.

### The way forward

- Greater stability (and less competition funding) for local transport funding in line with the more long term approach now being taken to national road and rail infrastructure
- A fresh look at revenue funding for local transport in order to prevent local bus networks from melting away and in order to retain the capacity of local transport authorities to implement capital schemes effectively and efficiently
- Examine scope for new funding streams such as the hypothecation of VED
- Reform transport appraisal so it more effectively captures the transformative benefits of different kinds of transport schemes
- Move to more proportionate and consistent oversight by national government of local transport scheme delivery



# Buses

**The bus has a critical role in supporting the inclusive and sustainable growth of urban economies. It gets traffic off the roads, provides access to opportunity and ensures our urban centres can function.**

The urban bus offers excellent value for public money. Every pound spent gets traffic off the roads and reduces congestion for other road users. However, it is a transport measure that also meets multiple social policy goals. It gives the jobless access to jobs, gives young people access to education and training, and gets older and disabled people out of isolation. It also contributes to public health through the associated exercise, as well as getting people to healthcare appointments. Investment in buses can also be quickly translated into lower fares, more services or better vehicles plus the benefits can be spread across a wide urban area.

The very local nature of bus services means that the extent and quality of the service varies by area, however the overall picture in recent years outside London is one of declining service levels, fares rising above the rate of inflation and patronage decline. Bus services are deregulated outside London which means that, subject to basic licencing conditions, anyone can run a bus service. However, in practice bus services are now provided by five large corporations who rarely compete directly.

Local Transport Authorities can only negotiate voluntary agreements with bus operators on the way services are provided and can only ensure services are provided where no commercial services operate (these are known as tendered or supported services and make up around 20% of bus services nationally).

Under bus deregulation some cooperation on fares is allowed although operators are not allowed to fix single fares at the same price (that would be illegal price fixing in what is a free market). Multi-operator period tickets can also be provided. However, in some areas these are priced un-competitively, and with operators preferring to promote their own tickets, which can only be used on their own services.

The ability for London to specify, manage and develop its bus network has underpinned the very different outcomes on bus services between London and the rest of the Great Britain. Since 1986/87, patronage in London has doubled, mileage has increased by 74% and fare increases have been lower than in the city regions. Meanwhile since 2004/5 alone patronage in the metropolitan areas has fallen by 7% whilst patronage in London has increased by 31%.



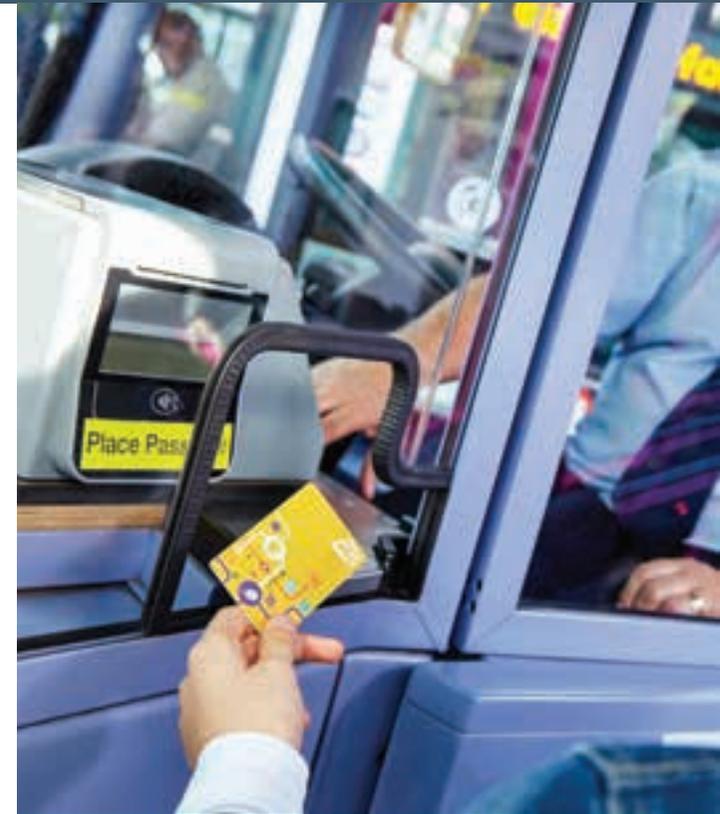
**City region bus networks generate significant economic benefits by providing access to opportunities; reducing pollution and accidents; and improving productivity.**



There have been two attempts to provide a legislative remedy since bus deregulation. They are the 2000 Transport Act and the 2008 Local Transport Act. Both of those pieces of legislation provided a route to the franchising of bus services for Local Transport Authorities outside London as well as other measures to make improvements within the existing deregulated framework. However both of those pieces of legislation made the route to franchising too convoluted, complex or restrictive. As a result no bus networks outside London have been franchised. The 2016 Bill (which is currently before Parliament) represents the third attempt at legislative reform. The key lesson of previous legislative failure is that the new legislation should be based on allowing each area to choose how it wishes to provide local bus services through utilising processes which are simple, fair and transparent. We therefore strongly support the 2016 Bill if the final legislation delivers on its promise to:

- Provide a workable, straightforward and proportionate process for the introduction of franchising
- Powers to improve what can be achieved from the existing deregulated market for areas that do not wish to go down the franchising route
- Open data so that passengers can be better informed, performance can be better assessed and the planning of bus services can be more responsive and effective

The way in which bus services are funded does not reflect the cross-departmental and cross-sectoral benefits that buses bring. Indeed revenue for supported bus services comes via wider Department for Communities and Local Government funding for local government. Furthermore all the main sources of support for bus services are under severe pressure which is leading to widespread cuts in supported services, which will only get worse if the funding system carries on as it is.



### The way forward

- Enacting the Bus Services Bill in a timely way that delivers on its promises of a simpler route to the franchising of networks of bus services, new powers where services remain deregulated and open data
- A fresh look at bus funding which recognises the cross sector benefits of supporting bus services through a new devolved, consolidated and enhanced 'connectivity fund'

# Rail

**To fully deliver on their potential, the city regions need efficient and effective local rail networks, as well as good rail connectivity with each other and the wider world. Local rail networks make key town and city centres more accessible, increasing the number of people and firms which have access to their clusters of high value jobs, retail and cultural offerings.**

Longer distance rail links provide access to larger markets and are important in attracting investment and skills. The rail network also plays a key supporting role for manufacturing, logistics and other key regional industries.

HS2 will allow for the biggest re-writing of the national rail network since it was built, bringing the benefits of additional capacity, faster journey times and the opportunity for urban renewal around key stations and hubs.

However there is a need to ensure that:

- HS2 forms part of a wider upgrade of the rail network, in part enabled by released capacity
- HS2 connects effectively with the international high speed network; and with new, or significantly enhanced, East-West links
- All city regions are given the opportunity to maximise the benefits which HS2 can bring

The surge in urban and regional rail demand seen over the past decade has put increasing strain on those rail networks. Major schemes such as investment in the London commuter network, the Northern Hub and Birmingham New Street station, as well as the commitment to new trains in the latest urban and regional rail franchises are all welcome. However, this needs to be sustained through a long term plan for increasing infrastructure and train fleet capacity.

Where responsibility for local rail services has been devolved, service quality and passenger satisfaction have been transformed. This has been the case for Merseyrail Electrics, Scotrail and London Overground. This is because devolved transport authorities have a better understanding of the importance of rail services for local economies, are more responsive to local needs and opportunities, and can manage available resources more effectively.

For example, devolution can facilitate better integration with wider local public transport networks and lead to more effective use of under-utilised resources, as exemplified by some highly successful light rail conversions.

The rail devolution success story is now being taken forward through the management of the new Northern and Trans-Pennine rail franchises by Rail North (a collaboration between DfT and a consortia of the North's local transport authorities). Similar arrangements are also planned for the West Midlands rail network when the next London Midland franchise is let. Meanwhile more of London's local rail services have been transferred into TfL's London Overground network.

Given the success of rail devolution so far we need to keep up the momentum including via:

- Full devolution of responsibilities for Northern, greater integration of London's local rail network with the existing TfL network and devolution of powers over the West Midlands rail network
- Ensuring Network Rail maps onto evolving devolutionary arrangements





The rail devolution success story is now being taken forward as part of the new Northern and Trans-Pennine rail franchises.

#### The way forward

- Making the most of HS2 by ensuring that it is complemented by better East-West links (including Trans-Pennine)
- A long term investment plan for local, inter-regional, and inter-city services that provides the capacity upgrades and quality needed to support urban economies including a rolling programme of electrification, infrastructure and rolling stock capacity and a modern fleet of trains
- Keeping up the momentum on rail devolution by extending its benefits more widely and deeply

# Integration

**We can make cycling and walking a more attractive option for more journeys through local delivery of an ambitious national strategy. We can also give transport users a far more seamless travel experience through smart and simple ticketing and through offering 'mobility as a service'.**

## Active travel

Supporting and promoting active travel, like cycling and walking, is good for public health and tackling preventable diseases and conditions (like obesity); for reducing traffic congestion; and for opening up access to opportunity. A mix of capital and revenue support is needed in order to invest in road layouts that better meet the needs of cyclists and pedestrians, but also to support 'soft' measures around building public awareness of, and confidence in, active travel alternatives for some of the journeys they currently make. A strong lead from Government is needed to ensure that active travel is seen as a priority whilst also recognising that improvements to provision for cyclists and pedestrians are always best determined and delivered locally.

## Mobility as a Service

Providing access to transport (from public transport to car and bike hire) by smart media (from smartcards to watches) has many advantages over traditional paper ticketing: from making public transport use easier and more convenient for users, to reducing fraud and administrative costs for providers. However, the full benefits of smart ticketing are only achieved if the ticketing products that are carried on smart media are attractive, readily available and competitively priced.

In large urban areas this means ticketing products that can be used across all providers and all types of public transport. Ticketing options that are simple to use and understand are key to making complex urban public transport networks attractive and accessible to users. Something that looks and feels like London's Oyster – in terms of simplicity of use – is what customers aspire to for their own local urban transport networks.

Looking to the future, people will increasingly want to use smart devices both for information about how best to get from A to B by all modes of travel, but also to pay for access to those modes. Not only by public transport, but also by rental cars and bikes. This emerging market in 'mobility as a service' offers exciting opportunities to make travel more convenient and to promote awareness of the more sustainable travel options.

Good progress is being made on introducing smart ticketing in the city regions, however in some areas simple multi-operator and multi-modal tickets are priced too high as well as being poorly promoted because bus operators prefer to concentrate on tickets that can only be used on their services.





Ticketing options that are simple to use and understand are key to making complex urban public transport networks attractive and accessible to users.



#### The way forward

- An ambitious national active travel strategy that accelerates growth in the number of trips made by foot and bike whilst recognising the need for adequate funding for its devolved delivery
- Greater availability of smart and simple ticketing that can be used across all providers and all modes through a strengthening of the regulatory framework

# Breaking down silos

**We can take a more integrated approach to all aspects of transport planning for the city regions. And we can start realising more of the synergies and savings to be had by breaking down silo thinking between the national and the sub-national, and by recognising and rewarding the role that transport plays in achieving a wide range of public policy goals.**

## Air Quality

Poor air quality is a pressing problem for the UK which is estimated to result in 29,000 premature deaths each year. The causes of air quality problems vary from area to area, as does the contribution which transport makes and the relative contribution of different modes.

The costs and wider impacts of measures to address these problems can also be significant. We need a more effective partnership with national government to tackle air quality challenges. A partnership which is based on robust modelling which shapes ambitious targets. An approach which allows all the options to be explored (including fiscal policy on vehicles) and which is backed up by the necessary funding. There is also a need to focus on the city regions for investment to improve air quality as it is in urban areas that the majority of air quality infractions occur.

## Freight

Freight is vital to the effective functioning of our economy and to our cities in particular, which are frequently the ultimate destination for goods.

The ways in which these goods reach the outskirts of our urban areas, how they are dealt with when they arrive, and how they are transported for the 'last mile' of their journey into the places people live and work, has wide ranging implications. Implications for the economy, employment and growth but also for congestion, safety, emissions, road maintenance, noise, vibration, quality of life and the urban realm. At present there is a lack of an overarching strategy for freight which seeks to address these trade offs. Such a strategy could seek to ensure that wherever possible freight should make its way to urban areas by rail (or water where that is a viable option) and that a more extensive network of rail connected distribution hubs be established.

The last mile, or miles, into city centres could then be by low impact mode, such as low emission vans or lorries, or, where appropriate, other options like cycle logistics. More widely there is also a need to ensure that there are good industry standards for safety and emissions and that there is robust enforcement, where necessary, of those standards.

**Air quality and freight are two examples of policy areas where there is potential for more breaking down of barriers between national and sub-national decision making bodies, but also between policy sectors.**

Air quality and freight are two examples of policy areas where there is potential for more breaking down of barriers between national and sub-national decision making bodies, as well as between policy sectors in order to achieve wider policy goals (like cleaner air) and reducing public spending (such as reducing the costs to the Health Service of air quality-related diseases and traffic accidents).

### Cross sector and cross agency thinking

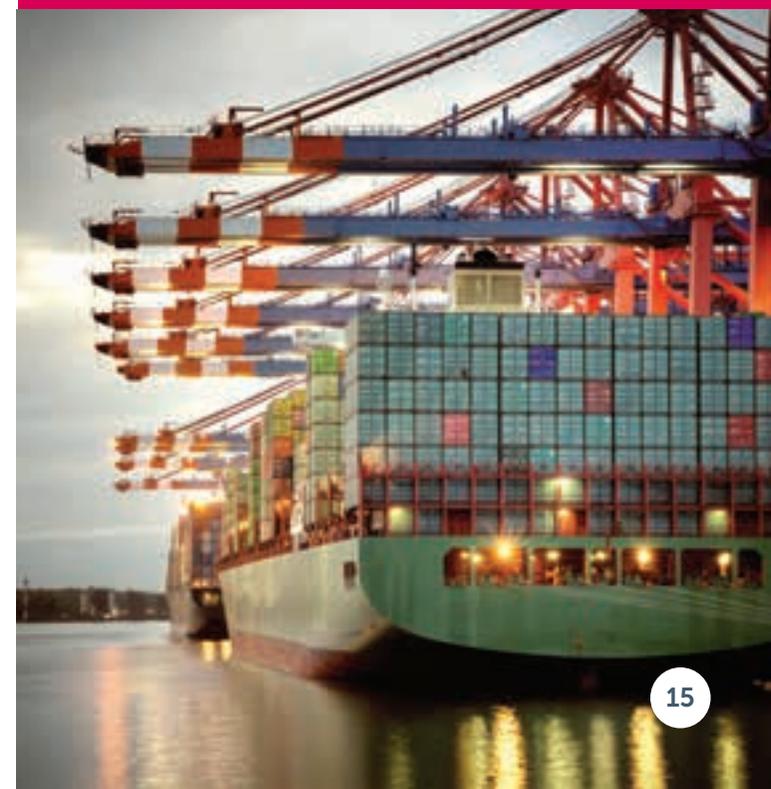
Within transport there is considerable scope for much greater coordination between both Highways England and Network Rail with the city regions on both operational and strategic issues. For example in ensuring information systems interlock to provide seamless travel information to road and public transport users, and on planning to ensure that the way in which national road and rail networks develop dovetails with the economic development plans and priorities of the city regions.

More widely there is far more scope for cross sector and cross departmental initiatives on transport – particularly at a time when public spending is under pressure. For example in 2014 the bus contributed to the policy goals of half of all government departments and 46 policy goals of those departments (41 outside of the DfT). This includes saving money for Department for Work and Pensions by getting people into jobs, and for the Department of Health through reducing the number of missed appointments.

Some initiatives are now being pursued which aim to break down these silos, for example 'Total Transport' schemes, which seek to pool currently separate healthcare, education, social services, and public transport funding sources as well as vehicle fleets in order to provide a better and more cost effective combined service. There is scope for more such initiatives.

### The way forward

- A more ambitious national policy framework on air quality so that city regions can play their part in tackling local air quality problems
- A national strategic policy on freight so that city regions can play their part in facilitating long haul freight accessing the city regions by rail and water where possible, whilst ensuring that last mile local deliveries are made by low impact, low emission modes
- A more effective strategic and operational partnership between the city regions and the Highways Agency / Network Rail to ensure that national and sub-national road and rail links are managed and developed in an integrated way





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