RAC Foundation

The Right Road to Reform?

Delivering a highway network for the 21st century

Stephen Glaister

February 2014

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About the Author

Stephen Glaister CBE PhD FICE FTRF FCGI is Director of the RAC Foundation and Emeritus Professor of Transport and Infrastructure at Imperial College London. Currently he is also a member of the expert advisory panel of the Office of Rail Regulation.

He has been a member of the analytical challenge panel at HS2 Ltd and was partnership director at Tube Lines. For eight years prior to this he sat on the board of Transport for London.

He has also been: a non-executive director of London Regional Transport; a specialist advisor to the Transport Select Committee in Parliament; an advisor to the 2006 Eddington Transport Study; an advisor to the Commission for Integrated Transport; and a member of the steering group for the Department for Transport's 2004 *National Road Pricing Feasibility Study*.

Stephen Glaister has published widely on transport policy and also on regulation in the telecommunications, water and gas industries.

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Executive Summary

In the second half of 2013 the government published a series of documents which, taken together, constitute a significant change in policy towards the strategic road network.

Overall, the reforms are welcome. They implement most of the recommendations of the 2011 Cook report, *A Fresh Start for the Strategic Road Network*, and go some distance towards the reforms suggested in a series of papers produced by the RAC Foundation. However, the government is proposing to deliver the increased roads funding entirely from the Exchequer and, in view of the general public expenditure situation and parallel commitments to increase public debt for conventional rail and high speed rail, this is likely to prove difficult in practice. At the same time, the government has published no assessment to demonstrate the extent to which the scale of investment now proposed will be an adequate response to the lack of road capacity that the Department for Transport has identified in the *Draft National Policy Statement.*

Doubt is expressed about the adequacy of regulatory and governance regimes currently being proposed. The proposed institutional structure is similar to that of the nationalised industries, which existed between the 1930s and their conversion to privatised, independently regulated industries after 1980.

The proposals are also deficient in not addressing the need for better safety regulation.

There is a long history of policy changes on strategic roads that have not been delivered. The next step in the current reform is to secure delivery – and, among other things, that requires primary legislation.

1. Introduction

In the second half of 2013 the coalition government published a series of documents which, taken together, constitute a significant change in policy towards the strategic road network. The aim of this paper is to review them.

In June, there was the *Spending Round 2013* (HM Treasury, 2013a). In July a Treasury White Paper, *Investing in Britain's Future* (HM Treasury, 2013b), and a Department for Transport (DfT) White Paper, *Action for Roads* (DfT, 2013c) were published.

In his foreword to the roads White Paper, the Secretary of State claims that the proposals are "the most radical change to the management of our [strategic] highways in nearly half a century, and the biggest investment in improvements since the seventies".

Over the period from 2015/16 to 2020/21, the annual rate of capital investment is planned to increase by a factor of two and a half. There is also to be more funding for national and local roads maintenance and for improvements to some local road schemes.

The programme of Managed Motorways has proven successful at safely extracting more capacity from motorways: it is to be extended (and rebranded as 'Smart Motorways'). A new concept of expressways is to be introduced, giving more management attention to major dual carriageways not classified as motorways.

The Highways Agency (HA) is to be reformed as a separate, government-owned company. Crucially, there is to be a roads strategy and a five-year planning cycle with committed funding and delivery given the force of the law.

There is also to be a system of 'watchdogs' to secure economy and efficiency and to protect the interests of road users as consumers. This is something that is presently absent for roads, unlike all the other public utilities.

Further adjustments were announced in December, in the *National Infrastructure Plan 2013* (HM Treasury, 2013c), including a decision to proceed urgently with the upgrading of the important A14 – and without the toll that had been proposed.

In the same month, the government published the long-delayed *Draft National Policy Statement on National Road and Rail Networks* (DfT, 2013d) for public consultation, with a view to it being designated by Parliament in 2014. This is a vital background for discussion of coherent strategic policies, although it takes the decision to proceed with the High Speed Rail (HS2) line as a given, on the grounds that there will be a separate Hybrid Bill seeking the powers to build HS2. Crucially, this document contains an official government statement of need for road and rail in the future.

2. Overview

Overall, the reforms are welcome. They implement most of the recommendations of the 2011 Cook report, *A Fresh Start for the Strategic Road Network* (Cook, 2011), and go some distance towards the reforms suggested in a series of papers produced by the RAC Foundation (Banks et al., 2007; Glaister, 2010; Glaister et al., 2011; Smith et al., 2011). However, the government is proposing to deliver the increased roads funding entirely from the Exchequer and, in view of the general public expenditure situation and parallel commitments to increase public debt for conventional rail and HS2, this is likely to prove difficult in practice. At the same time, the government has published no assessment to demonstrate the extent to which the scale of investment now proposed will be an adequate response to the lack of road capacity that the DfT has identified in the *Draft National Policy Statement* (DfT, 2013d).

Doubt is expressed in this paper about the adequacy of regulatory and governance regimes currently being proposed. The institutional structure is similar to that of the nationalised industries, which existed between the 1930s and their conversion to privatised, independently regulated industries after 1980.

The proposals are also deficient in not addressing the need for better safety regulation.

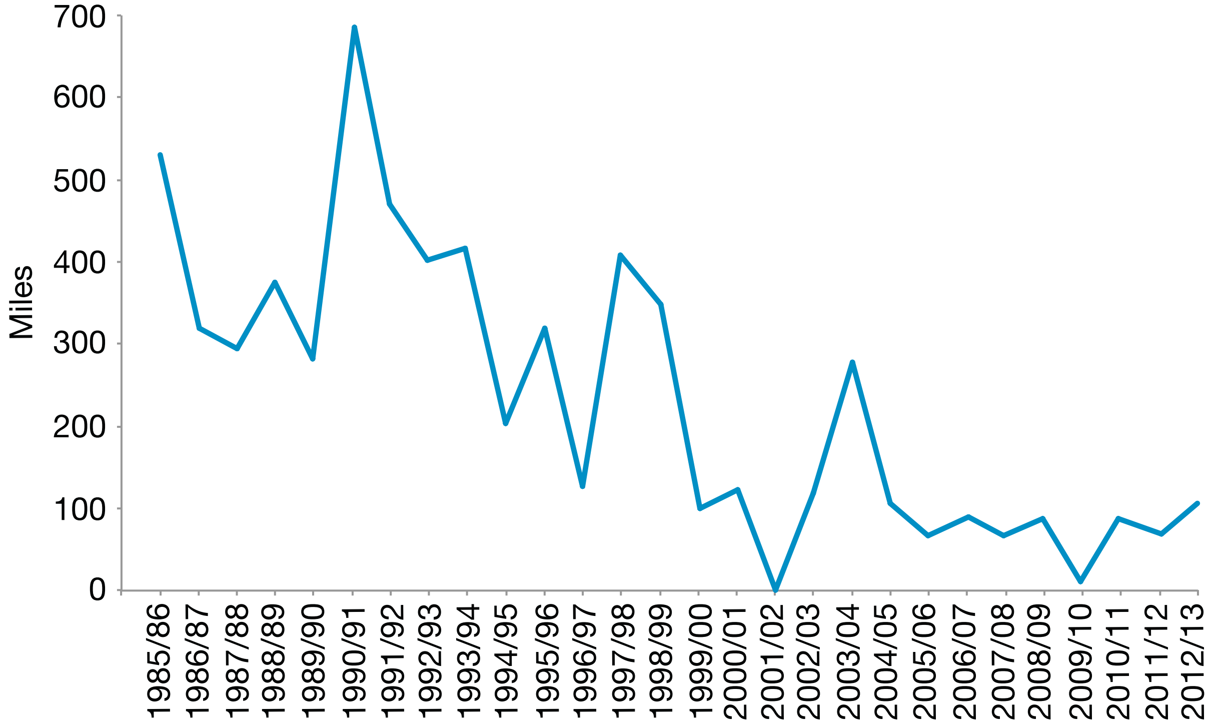
There is a long history of policy changes on strategic roads that have not been delivered. The next step in the current reform is to secure delivery – and, among other things, that requires primary legislation.

3. A History of Indecision

What is now known as the motorway network was originally conceived in the mid-1930s. The first official plan was published in 1946, and the first opening was in December 1958. It was a remarkable achievement spanning decades. Many now take the motorway network for granted – that is, until there is an incident that closes one of the major motorways for a period. Then large parts of the economy become badly affected.

Figure 1 shows how the post-war investment in new road capacity slowed in the 1990s. The UK fell behind the rest of Europe in the level of major road provision in relation to its population, as shown in Figure 2 and Table 1.

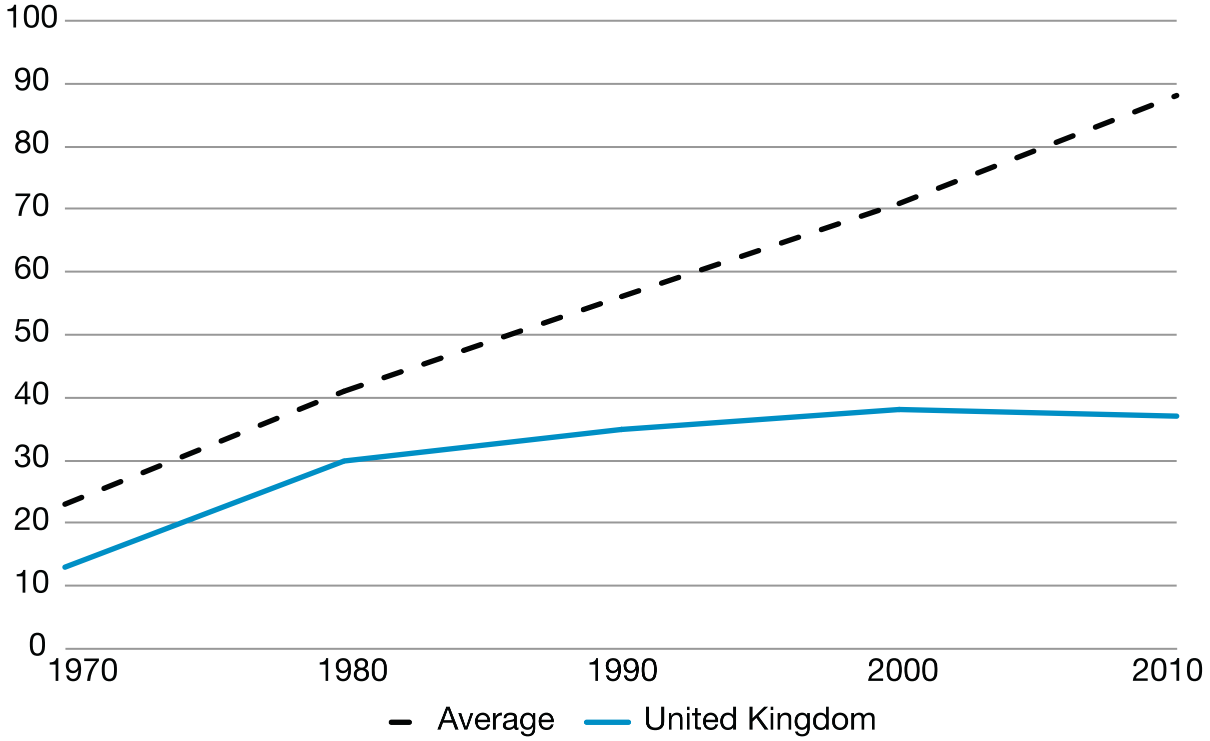
Figure 1: Trunk road new completions, GB, 1985/86 to 2010/11. Lane miles



Sources: DfT (n.d.): until 2001/02 Table 3.19; from 2001/02 Table TSGB0720

Note: includes 160 miles of 'new' lanes made available by Managed Motorways in 2010/11 and 2011/12.

Figure 2: EU motorway provision 1970–2010, miles per thousand population



Source: European Commission (2013)

Table 1: EU motorway provision 1970–2010, miles per thousand population

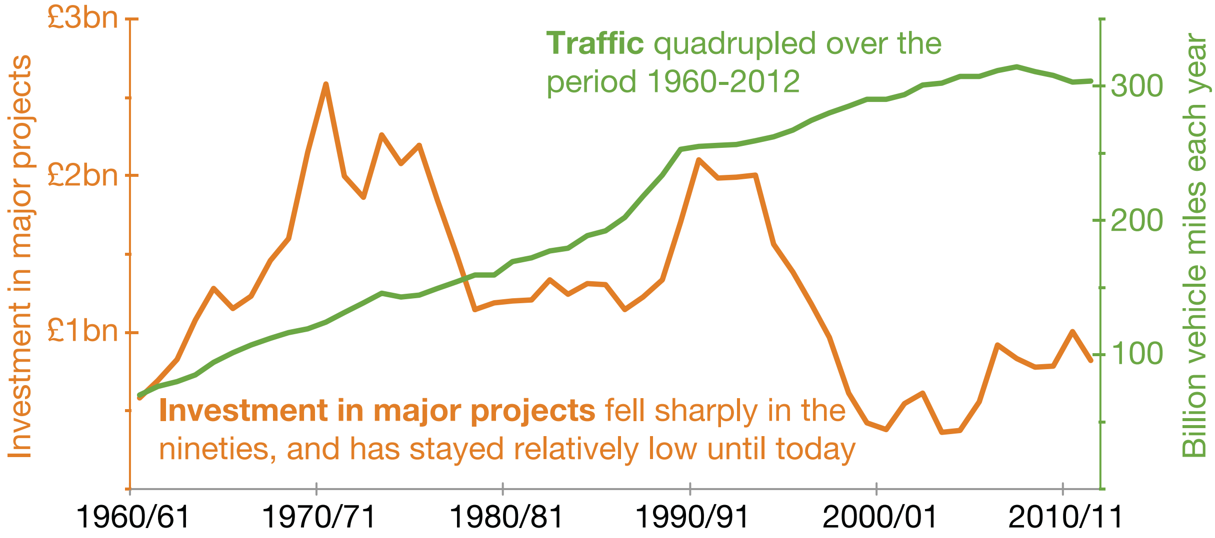
	1970	1980	1990	2000	2010
Slovenia	0	0	71	134	234
Cyprus	9	9	139	231	195
Spain	7	34	80	140	193
Luxemburg	13	75	128	163	188
Portugal	5	8	20	90	160
Croatia	0	0	38	57	158
Sweden	31	64	68	105	128
Austria	40	77	117	127	128
Denmark	23	63	74	108	127
Ireland	0	0	5	17	125
France	19	56	75	103	113
Belgium	31	76	104	103	101
Netherlands	58	79	87	89	99
Germany	48	73	85	89	97
Hungary	0	0	16	27	92
Finland	15	27	28	66	90
Average	**23**	**41**	**56**	**71**	**88**
Italy	45	65	68	71	69
Greece	1	6	12	35	65
Lithuania	0	0	71	74	58
Estonia	0	0	16	42	53
Slovakia	0	0	23	34	48
Czech Republic	0	0	21	30	43
United Kingdom	13	30	35	38	37
Bulgaria	0	0	19	24	36
Poland	0	0	4	6	14
Romania	0	0	3	3	10

Source: European Commission (2013)

Most European countries invested heavily from 1980 to the present, so the UK has fallen to 23rd out of 26 on this measure, with a level of provision less than half the European average.

The histories of traffic and spending on major roads since 1960, compared with the growth in demands on the network, is shown in the roads White Paper *Action for Roads* (DfT, 2013c), reproduced here as Figure 3.

Figure 3: Traffic and spending on trunk road schemes



Source: DfT (2013c: Figure 2)

In 1989, the Conservative government published a White Paper, *Roads for Prosperity* (Department of Transport, 1989) responding to perceived underinvestment. This promised "the largest road building programme since the Romans": a doubling of the trunk road capacity; 500 road schemes costing £23 billion; and 150 bypasses. In the event, the Conservative administrations in the 1990s experienced severe financial difficulties and, as Figure 3 indicates, little of what had been promised was delivered.

With the change to a Labour administration in 1997, Chancellor Gordon Brown promised to invest in infrastructure capital investment. However, this investment was heavily squeezed because of the incoming government's promise to stay within the confines of the outgoing government's highly constrained spending plans. The Secretary of State for Environment, Transport and the Regions's 1998 'integrated transport' White Paper, *A New Deal for Transport* (DfT, 1998), cut much of what had survived of the roads programme, promised a number of urban road-pricing schemes and a concentration on improved public transport as the solution to the transport capacity problems.

One might characterise the period from the 1998 White Paper up to around 2010 largely as a 'period of denial' so far as road investment is concerned. In the *Transport Ten Year Plan 2000* (DfT, 2000), the focus was on integrated solutions, with a number of large 'multi-modal studies' being commissioned (one of which related to the A14, Cambridge to Huntingdon road, see below). On providing extra capacity for the strategic road network it set out the view on that, while it could benefit congestion bottlenecks, it could also "free up suppressed demand and even generate new demand". The DfT (2000) states that "most people now accept that we cannot rely on road building as a sustainable long-term solution to the problems of traffic growth and congestion". It was against this background that the allocation of capital investment over the ten years was heavily skewed to rail. Capital investment in rail (both public and private) was forecast to be £49 billion compared with £16 billion for strategic roads. This partly reflected the view that there had been years of underinvestment in the rail network.

Although the £16 billion in the *Ten Year Plan* (DfT, 2000) did represent a substantial increase in strategic roads funding, the 1998 transport White Paper (DfT, 1998) was always unrealistic on the extent to which modal shift to public transport could be achieved. Again, this plan was not delivered, partly because the railway accident at Hatfield soon after publication of the *Plan* forced an unanticipated increase in funding on railways at the expense of other modes.

Over the latter years of the Blair administration, road building plans were substantially expanded, without fanfare, because the prime minister himself became concerned about the sentiments of the mass of the electorate (memorably characterised as 'Mondeo man'). He correctly perceived that most people wanted better roads and were not, in general, heavy users of rail.

The other important publication during this period was the 2006, independent *Eddington Transport Study* (DfT, 2006), commissioned by the Chancellor and the Secretary of State for Transport. This predicted congestion growth by 2015 on the road network, particularly in urban areas, key urban corridors and around ports and airports if nothing was done. It was this report that led to the 2008 DfT paper *Roads – Delivering Choice and Reliability* (DfT, 2008), with its proposed programme of major road improvements.

But, once again, the new coalition government of 2010 severely cut both capital and revenue spending on national and local roads in the *Spending Review 2010* (HM Treasury, 2010). The cuts included the withdrawal of a scheme to improve the A14, which would have had a capital cost of about £1.3 billion, on the grounds that it was 'unaffordable'.

The plans for railways survived more or less unscathed, not least because of the protection offered by the statutory system of the five-year High Level Output Specification (HLOS) and Statement of Funds Available (SoFA) approved and enforced by the independent Office of Rail Regulation (ORR). This is an important lesson for the present roads reform.

So far as strategic roads are concerned, this is a sorry tale of 'stop–start'. At one time, similar patterns occurred with London Underground and national rail funding. However, in those cases, administrative reforms have succeeded in stabilising funding. One consequence is that the strategic roads have become 'stranded' as the only major budget item over which transport ministers have short-term control. Thus, the vagaries of transport spending are focused on roads spending.

4. The Growth Agenda

The 2010 coalition government soon began to realise that it had a problem with strategic roads. It knew that it had to achieve economic growth in order to secure reduction in the deficit, and so be able to deal with the problem of the escalating national debt. Furthermore, the demographic predictions are for a substantial population growth, which will itself create more road traffic. All this is required on a network that, in places, is already offering an inadequate level of service.

Importantly, Prime Minister Cameron himself became publicly involved. In a speech on infrastructure, he said:

> "There's nothing green about a traffic jam – and gridlock holds the economy back… We need to look urgently at options for getting large scale private investment into the national roads network – from sovereign wealth funds, pension funds and other investors… We need to look at innovative approaches to the funding of our national roads – to increase investment to reduce congestion" (Cameron, 2012).

This is the first time for many decades that a prime minister has said explicitly, and in public, that the nation needs more road capacity. It is significant that, while recognising the need, he was not making a commitment that more conventional, Exchequer funding would be forthcoming. Rather, the prime minister was hoping that institutional infrastructure investors would provide the capital. Elsewhere in the speech, Cameron indicated that he had the water industry in mind as an analogy.

In principle, water is a good analogy: since privatisation, a large capital investment programme has been financed by institutional investors. Roads and water supply are both technically simple, long-lived assets, the demand for which is likely to grow in the future. So they do have attractive characteristics for investors such as pension funds.

Water investment has been *financed* by the lenders but it has been *funded* (that is, paid for) out of charges to end users. The same could be achieved for roads, but only if some form of charging for use were implemented to create a defined cash flow, or some other source of funds were to be dedicated to servicing the interest and repayment of capital. However, in his speech (Cameron, 2012), the prime minister emphasised that: “Road tolling is one option… but we are only considering this for new, not existing, capacity…” Since most schemes are incremental improvements to existing roads, this stricture largely precludes the water industry solution – of servicing private capital investment from charges.

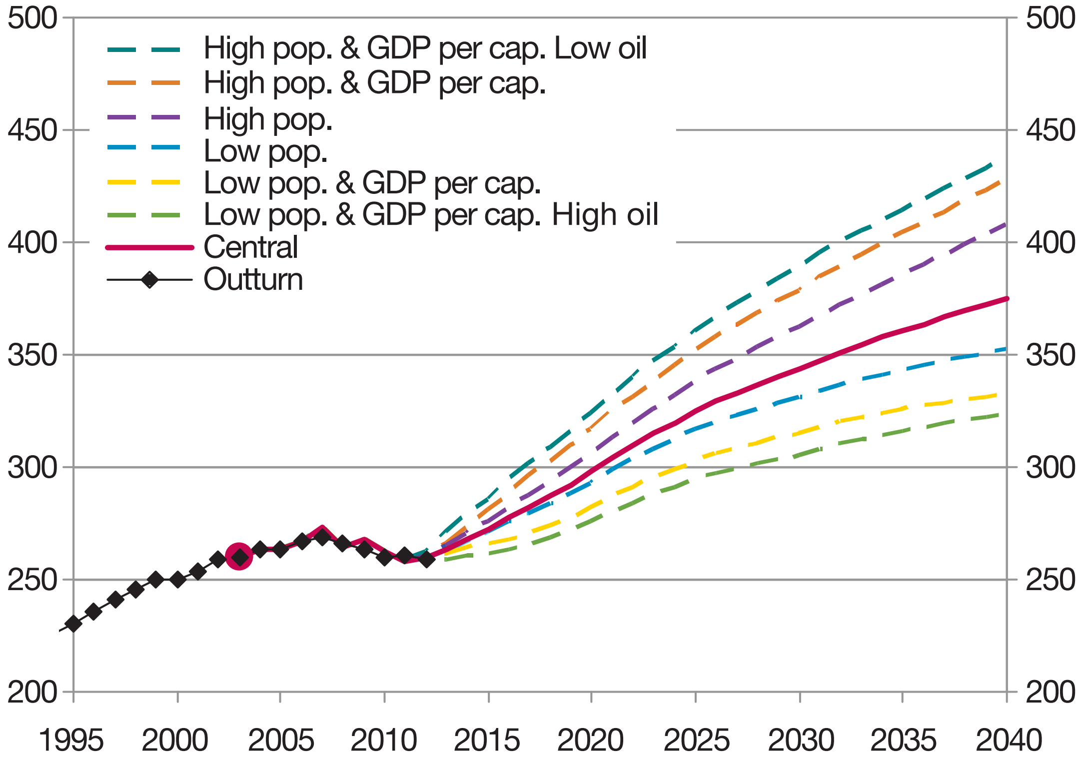
An alternative would have been to ring-fence a part of one of the existing road taxes. Each year, fuel duty currently yields about £27 billion (plus VAT) and Vehicle Excise Duty about £6 billion, so a portion of these could service a substantial capital fund.

5. The Policy Reviews

Following the prime minister’s speech, a number of reviews were announced. One was the development of a roads strategy, to be conducted within the DfT. A second study, jointly between the DfT and HM Treasury, was a “Feasibility Study on Roads Reform… to carry out a feasibility study of new ownership and financing models for the national roads system”.

These reviews culminated in policy announcements in July 2013, but in the meantime the DfT revisited its *Road Transport Forecasts* (DfT, 2013a). Figure 4 and Table 2 illustrate the results.

Figure 4: England traffic on all roads (bn vehicle miles)



Source: DfT (2013a)

Table 2: Traffic and measures of delay on the Strategic Road Network (SRN) – England

		2010-2040 Change			
	Road Type	Total Traffic %	Congestion (Lost Sec's/ Miles) %	Vehicle Speed %	% Traffic in Very Congested Conditions
Low pop. & GDP per cap. High oil	SRN	24	36	-2	8
	Non-SRN	23	25	-4	11
	All	23	26	-4	10
Low pop. & GDP per cap.	SRN	28	47	-3	9
	Non-SRN	26	31	-5	11
	All	27	32	-5	11
Low pop.	SRN	37	79	-6	12
	Non-SRN	33	42	-7	13
	All	34	45	-6	13
Central	SRN	46	114	-8	15
	Non-SRN	41	56	-9	14
	All	43	61	-9	15
High pop.	SRN	58	179	-13	21
	Non-SRN	54	78	-12	17
	All	55	87	-12	18
High pop. & GDP per cap.	SRN	67	245	-17	27
	Non-SRN	61	93	-14	19
	All	63	107	-14	21
High pop. & GDP per cap. Low oil	SRN	72	278	-19	30
	Non-SRN	64	101	-15	19
	All	67	117	-15	23

Source: DfT (2013a)

Long-term forecasting is always difficult and controversial, but these revised road traffic forecasts are plausible, as are the ranges under different assumptions. The ranges are largely driven by alternative views of demographic change, population growth and economic growth.

With the benefit of hindsight on the performance of the economy, it is evident that the close correspondence between the solid line and the diamonds in Figure 4 shows that the models would have accurately predicted what actually occurred.

The government has endorsed these forecasts as a matter of policy, because it presents them as their statement of need in the *Draft National Policy Statement* (DfT, 2013d: Chapter 2).

These forecasts (and the local disaggregation that lies behind them) are a good basis for discussion of what is likely to happen if there were no increase in strategic road capacity, and what the benefits might be of investment in capacity.

Action for Roads offers the following assessment:

> "Without investment, conditions on the most important routes are expected to worsen by 2040. By then, around 15% of the entire strategic road network may experience regular peak-time congestion and often suffer poor conditions at other times of the day.

- Major national arteries will start to jam. For example, the M1 in Northamptonshire will start to resemble current conditions on the busiest parts of the M25. Travel from one region to another will become slower and more congested, hampering business.
- Workers will find their job opportunities constrained by travel times. People travelling between towns and cities in areas like the North West will face significant delays, cutting the number of places where they can easily work.
- Congestion will work against current efforts to help the economy grow. Enterprise Zones, potential housing sites and areas of high growth will be held back by bottleneck conditions.
- British businesses will find it harder to access export markets as stress increases on roads to ports and airports.
- Safety and the environment will also suffer, as congested traffic is more polluting and more at risk of accidents" (DfT 2013c: para 1.25).

If government is planning for economic success, it should recognise the need to look at the range above the central forecast in Figure 4 (noting that growth projected on the HA network is higher than for the rest of the road system). Also, the combination of a large backlog of investment, having used up most of the potential of small schemes and management measures and the inevitably long time scale for any future investment programme mean that even if the forecast growth in traffic levels do not materialise in full the risks of over investment are small.

These projections envisage reductions in greenhouse gas emissions and substantial reductions in noxious emissions in spite of the traffic growth, by virtue of the rapidly improving technical improvements in vehicles.

6. The Announcements of July 2013

As shown in Table 3, the DfT as a whole did relatively well in the *Spending Round 2013* (HM Treasury, 2013a), especially on the capital side. This is partly to accommodate the new spend on HS2 and the increases on conventional rail. For the distant future, there is a substantial increase in the budget for strategic roads.

Table 3: Government long-term spending plans

£ million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
High Speed 2	832	1,729	1,693	3,300	4,000	4,498	16,052
Highways Agency	1,497	1,907	2,316	2,614	3,047	3,764	15,145
Network Rail	3,548	3,681	3,770	3,789	3,824	3,859	22,471
London Transport Investment	925	941	957	973	990	1,007	5,793
Local Authority Major Projects	819	819	819	819	819	819	4,914
Local Authority Maintenance	976	976	976	976	976	976	5,856
Integrated Transport Block	458	458	458	458	458	458	2,748

Source: HM Treasury (2013b)

Between 2015/16 and 2020/21, the annual capital investment budget for the HA increases by a factor of 2.5, and by the end of this period it nearly reaches the level of spend for Network Rail (though they are both topped by HS2). The £15 billion over six years represents an annual average spend of £2.5 billion each year. Echoing the 1989 fanfare with *Roads for Prosperity* (DoT, 1989), the 2013 *Action for Roads* (DfT, 2013c) talks of "the largest investment in roads for half a century".

This new approach is welcome. Despite rail carrying less than 10% of passenger and freight traffic, it has enjoyed an average of £5.8 billion a year capital spending over the last five years. Meanwhile, roads, which carry 91% of passenger traffic and 67% of freight, have absorbed £5.2 billion a year. Road users pay the Exchequer more than £30 billion a year in taxes, which is much more than is spent on the roads (a total of around £8 billion a year on strategic and local roads, down from £10 billion in 2009/10), while railways receive a net contribution from the Exchequer of £4 billion a year (in addition to £2 billion a year of borrowing by Network Rail).

This growth in capital funding for roads is on a *reduced* base. In the current business plan for the HA, the £1.5 billion for 2015/16 represents a cut from the capital spend of £1.9 billion for 2014/15. The government has inserted significant extra 'pinch-point' and other funds into the 2013/14 and 2014/15 programmes (£514 million and £827 million, respectively) (see Smith, 2013), and these transient injections are the reason for the apparent reduction in the 2015/16 plans. The spending is also pushed into the future: the annual average might be £2.5 billion, but spending above this level does not occur until 2018/19.

Investing in Britain's Future, published by HM Treasury on 27 July, states some bold aspirations:

> "The government will invest over £28 billion in enhancements and maintenance of national and local roads to:

- add extra lanes to the busiest motorways, the equivalent of at least an additional 221 lane miles, by opening the hard shoulder to traffic and using new technology;
- build all available HA road projects, tackling the most congested parts of the network, subject to value for money and deliverability, including the A14 from Cambridge to Huntingdon and M4 from London to Reading;
- identify and fund solutions to tackle some of the most notorious and longstanding road hot spots in the country, including feasibility studies to look at problems on the A303 to the South West, the A27 on the south coast, the A1 north of Newcastle, the A1 Newcastle–Gateshead Western bypass, connectivity to Leeds airport and trans-Pennine routes between Sheffield and Manchester;
- upgrade the national non-motorway network managed by the HA with a large proportion moved to dual-lane and grade-separated road standard to ensure free-flowing traffic nationwide;

- repair the national and local road network. A total commitment of £10 billion with nearly £6 billion to help local authorities repair the local road network and over £4 billion to enable the HA to resurface the vast majority of the national network by 2020–21;
- transform the HA into a publicly-owned corporation, drawing on the findings of the Cook Review, which has the long-term funding certainty and flexibility which will enable it to deliver capital efficiencies worth £600 million by 2020/21" (HM Treasury, 2013b).

This list is leaves some major structural weaknesses in the existing network. These include the absence of an outer south-east orbital and lower Thames crossing, a new route to relieve the M6 between the Midlands and Lancashire, a new cross-Pennine link and 'regional growth routes' (e.g. to the east of the A1), perhaps bringing benefits to the local economy in areas neglected or even damaged by HS2.

While the increase in road spending is welcome, there is no analysis offered of the extent to which it will address the problem. However, it looks unlikely to be adequate. The Chartered Institute of Logistics and Transport (UK) offers the following analysis:

"The White Paper proposes the following programme of expenditure up to 2021:

- A large maintenance programme for the strategic road network totalling £12 billion over the next 7 years. Of this £6 billion is for resurfacing: the remainder is presumably structural repairs.
- This leaves some £3 billion (out of the total trunk road budget of £15.1 billion) for enhancements – less than £0.5 billion a year.
- Local road maintenance of £6 billion.

"The enhancement programme seems to consist of further managed motorway projects, using the existing hard shoulder as an additional lane; plus schemes in the HA's current programme (including schemes to relieve pinchpoints)... The £3 billion on enhancements over the next 7 years is way below the £11.8 billion (at 2012/3 prices) spent on new construction of trunk roads over 6 years from 1991 to 1997, which the government now say was inadequate; and the 200 lane miles to be added to the motorway network over 7 years is tiny compared with lane miles added in the 1990s: more than 2,500 over a 7 year period. Any significant relief for road users, which includes most of the freight transported within England as well as other elements of commerce, therefore seems to lie beyond 2021, particularly as the large maintenance programme over the next 7 years is bound to cause additional congestion, however well it is handled.

"The White Paper envisages capital expenditure of a further £20–30 billion from 2020 to 2040. This averages some £1–1.5 billion a year, which is less than was spent on new construction alone in the 1990s. It may be that this is sufficient, but a more detailed assessment of future problems, and the best way of dealing with them, are required before it can known. On the face of it, it seems totally inadequate to deal with the inherited level of congestion plus the Department's central forecast of 46% more traffic on the strategic network (let alone its upper forecast of 72%)" (Chartered Institute of Logistics and Transport, 2013: paras 7–11).

7. Governance and an Investment Strategy

The most radical announcement was of reform to the governance of the HA. It is to be become a standard 'Companies Act' business. Most important of all, there is to be a Roads Investment Strategy (RIS) along the lines of the established and successful system for the railways. This is consistent with the recommendations of the Cook (2011) review. *Action for Roads* states:

"From this spending review onwards, we will therefore provide the HA with clear, long-term funding settlements of at least five years. The first of these funding settlements will apply from 2015/16 through to 2020/21. These settlements will cover all capital spending by the HA as well as resource spending on maintenance" (DfT, 2013c: para 4.9).
"…we will bring forward proposals to reform the HA, to turn it into a publicly-owned strategic highways company – an entity that is 100% owned by government and ultimately accountable to the Secretary of State, but which has an organisational structure and daily independence that is closer to that of a private company. This will give it a status largely similar to the Royal Mint, with more independence for managers" (DfT, 2013c: para 4.30).
"... we will introduce a Roads Investment Strategy (RIS), setting out plans for construction and maintenance to 2021 and beyond, as well as

performance criteria. It will also cover expectations for the operation and management of the network. This will be the first coherent, proactive investment strategy for roads in almost a quarter of a century..."
(DfT, 2013c: para 15).

Crucially, the chancellor said in Parliament that there will be legislation to give effect to this. A purely administrative reform without the force of legislation would have been of less value: it is the statutory status of the system for the railways that has enabled the increased investment programme to survive changes in government and 'difficult' spending reviews.

The mechanism for this will be through a licence issued and administered by the Secretary of State, together with the duties of the directors of the new HA, a Companies Act enterprise with one share held by the Secretary of State. Thus, the directors will have their normal duties to ensure that, at all times, the company is trading as a going concern. Should a future government fail to provide the promised funding, commensurate with the commitments previously made by the company, then the company would risk becoming insolvent and the directors would have a duty to prevent this, if necessary by placing the company in administration. (This actually happened in the case of Railtrack in 2001.)

8. Incidental Benefits of an Expanded Roads Investment Programme

The transport White Paper is right to note that it is possible to take advantage of an expanded maintenance and investment programme to secure several gains: opportunities to bypass villages and protected sites; opportunities to invest in safety improvements (Hill & Starrs, 2011), quieter road surfaces and environmental safeguards.

9. Better Strategic Management: 'Expressways'

In the past, not enough attention has been given to the benefits that more positive management might bring to the strategic road network. The White Paper recognises this. Managed Motorways have been successful in extracting more capacity with safety. These schemes are to be extended and rebranded as 'Smart Motorways'. There are some concerns that safety is yet to be proven for those new Smart Motorway schemes where there will be continuous hard shoulder running and widely separated refuge areas. It is important that these are successfully resolved.

It is welcome that White Paper promises that more attention will now be given to major, non-motorway routes:

> "Our major A roads play an important role in the economy, especially for freight. Roads like the A12 in the East of England, the A19 in the North East and the A30 west into Cornwall are vital to their communities, and just as important as motorways are elsewhere in the country. These routes make up a majority of the non-motorway strategic road network. They need as much attention as our motorways, and need to present motorists with a similar quality of journey.
>
> "Just like on a motorway we want to give motorists a clear idea of what they can expect from these 'expressways'. As part of our investment programme, we will set clear expectations for what expressways should be able to deliver. They will be:

- Expected to meet a minimum standard – a dual carriageway that is safe, well-built and resilient to delay.
- Subject to much clearer expectations over performance" (DfT, 2013c: paras 2.16, 2.17).

10. The A14

The A14 is part of the trans-European network. It connects the east coast ports to the Midlands, passing close to Cambridge and through Huntingdon, with nearly 85,000 vehicles per day using some sections of the route in Cambridgeshire, around a quarter of which are HGVs. The road has been in need of increased capacity for a long time. Its passage through Huntingdon is unsatisfactory, and structures are in urgent need of replacement or repair. The A14 serves international freight, regional and local traffic. The regional economy is developing rapidly, and a number of housing developments have been prevented, pending upgrade to the A14.

A scheme to rebuild the A14 on an improved route was developed over the decade up to 2010, at a capital cost of £1.3 billion. This had been difficult, because of the need to consider many suggested solutions and deal with special interests. Broadly speaking, there was local support for the solution that had been reached when the scheme was withdrawn as 'unaffordable' in the *Spending Review 2010* (HM Treasury, 2010). Some planning powers were allowed to lapse.

Since then, the DfT has worked to reinstate a scheme. In December 2011, it published *The A14 Challenge: Finding Solutions Together* (DfT, 2011), an invitation to the public to propose a way forward. A further consultation and two major consultancy reports later, the government proposed a solution: a redevelopment essentially on the same line of route but with three-way funding. In addition to toll revenues, there would be contributions from local interests, with the residual coming from conventional Exchequer funding. The new scheme was more complex, because additional subsidiary roads were proposed to enable local traffic to avoid the tolled sections, and the cost increased to £1.5 billion.

The aspiration to obtain funding from local interests was always ambitious: local governance is too fractured over the geographical scale of this scheme; some developer contributions are already captured for other purposes; and there are intense pressures on local funds. It now seems the local contributions to the A14 will not be more than about £0.1 billion.

If, as had been proposed, a toll is imposed on only one road in a network, there are likely to be significant problems of diversion onto untolled routes. This would cause local disamenity, and it limits the toll revenues. These were estimated to be a £30 million annual charge to users, enough to fund only about one fifth of the capital cost.

The attempt to raise some funding from tolling would have added complexity, cost, local opposition and had no value as a 'pathfinder' project. The December 2013 *National Infrastructure Plan* (HM Treasury, 2013c) recognised that the A14 is such a vital scheme that work should start as soon as possible on the basis of conventional, Exchequer funding – like the other new strategic road capacity improvements announced in July 2013 (HM Treasury, 2013b and DfT, 2013c).

Cancellation of the A14 scheme in 2010 caused years of delay and increased the costs to such an extent that the net costs to the Exchequer with tolls would not have been much reduced from what they would have been without such tolls. While there is certainly a case for considering the replacement of some conventional road taxation by pay-as-you-go charges, the lesson from the highly unsatisfactory A14 story is that UK geography dictates that it would be necessary to do this at a regional or national scale, rather than on an isolated road.[1]

1 The amount that might be raised from tolls is analysed in Glaister et al. (2011).

11. Funding the New Roads Strategy

During the development of the transport White Paper, in line with the position set out by the prime minister proposals for a simple form of supplementary access charging for the motorways and some major, all-purpose roads were rejected (DfT, 2013c). It is not likely that proposals of this kind will be taken forward for the moment.

It follows that any increased expenditure on roads must come entirely from existing local or national taxation. If the aspirations in the White Paper are delivered, this will be a good outcome for the motorist – more of motoring taxes being spent on roads.

However, the competition for desperately scarce public capital will remain fierce. The cost of servicing the national debt in 2007 was £25 billion; by 2011, it had risen to £48 billion. One estimate is that by 2017, even if government has succeeded in eliminating the annual budget deficit, it will have risen to £70 billion. The increase in the annual cost of servicing the national debt between 2007 and 2017 (in addition to any repayment, and without a significant increase in interest rates) will be £45 billion a year. This is twice all government spending on transport, or more than the defence budget or half the education budget. In December 2013, the Office of National Statistics (2014) reclassified Network Rail's debt to bring it onto the public balance sheet. Over the next five-year review period, this will increase from £30 billion to £40 billion. In addition, there will be HS2 and the other commitments set out in Table 3 (above).

When public capital is so constrained, hard choices have to be made. The absolute benefits net of costs are of limited interest. Because £1 spent on one project is £1 not available for another (or for paying down the national debt), it is the relative returns on various schemes that matter. The *Financial Time*s illustrated the point (21 August 2013): "The *Financial Time*s continues to believe HS2 is a white elephant. Bigger benefits could be had from upgrading existing railways and building roads."

Against this background, delivery of the greatly increased capital programme for roads entirely from public expenditure will be uncertain. This will be the reality for all the calls on public capital. Certainly, there is no scope for spending on projects for which there is any doubt about their usefulness. The recent history of repeated failures to deliver on promises to invest adequately in the strategic road network has been recounted elsewhere. It is to be hoped that the current reforms are implemented in full and are successful in their stated objective of preventing a repetition of this history.

12. Lack of Borrowing Powers

While the proposed reforms to the governance structure for the HA are very much in line with what has previously been advocated, there are significant limitations. A significant one is that, without an independent funding stream, the HA will be constrained in its borrowing. Network Rail receives grant support from government, but, in addition, is able to borrow from the debt markets – currently at the rate of about £2 billion a year. Scottish Water can fund investment through borrowing from the Scottish government, with costs ultimately borne through customer bills.

In contrast, the new HA will be wholly dependent on grant support from government, which makes it more vulnerable. There will be issues about how it manages risks and whether it will be in a position to build up reserves as a buffer against adverse effects – including cost overruns.

13. A 'Watchdog'?

The July 2013 announcements (DfT, 2013c) include a commitment to create some kind of independent oversight body, or 'watchdog'. This element of governance of the strategic road network is currently absent, although it is to be found in all other public utilities. It is important to instate this, because the overriding requirement for delivery of the roads reform is that it should win the trust of road users and the public in general:

> "We will also continue to examine the case for potential further reform, to see whether new arrangements could improve the transparency and accountability of the HA. Any change needs to be one that motorists can trust, but experience from other sectors and other countries shows that there could be new ways of running the roads which might work for the benefit of all road users" (DfT, 2013c: p7, para 16).

Trust is currently poor. Press coverage and survey evidence[2] suggest that the public (with or without justification) are unconvinced about the success of the utility privatisations, and that they may resist a reform that is (mis)perceived as another privatisation – or a step in that direction. Furthermore, the price of road fuels is a significant issue, and the public is well aware that a large proportion of that price is tax, only a minority share of which is spent on funding roads. To make matters worse, the condition of roads – particularly local authority roads – is being allowed to deteriorate due to lack of funding, and the public is particularly sensitive to this decline in the quality of the public realm.

Over the years, such behaviour has created an entrenched cynicism, leading to an assumption that any reform is likely to be an attempt to charge the motorist more 'by stealth' without necessarily improving their experience as a consumer. Thus, an important function for a watchdog would be to gain confidence that it can ensure this imbalance does not get worse. Indeed, the public must be convinced that, if the new body is able to hold this government

2 See www.racfoundation.org/media-centre/motorists-distrust-ministers.

and future governments to the promises made in 2013, then road conditions will be better than they would have been under continuation of policies of the last several decades.

For these reasons, it is essential that the new body be clearly independent of all interests. The utility regulators have secured power and influence because in statute and in practice they are independent of Parliament, government or users: they answer only to the courts.

The role of the roads watchdog must be seen to be distinct from that of a lobby group. Certainly, it should take full account of the interests of road users and others, but in a balanced and objective manner.

There are several functions to be performed:

- To act as an independent and trusted source of information about the efficiency with which the new HA is performing. This is a technical, analytical research task, probably involving national and international benchmarking, as in the water industry.
- To assess and report on the conditions to which the assets are being maintained and provide an independent view of future expenditure necessary to deliver asset condition to a specified level.
- To act as an independent and trusted source of information on the level of service being experienced by road users. This will require the development of suitable, user-facing measures and then recording and publishing them routinely. This is one of the functions of the ORR in relation to rail. While there may not be price regulation involved in the case of roads, there will definitely be an element of service-level regulation.
- To comment on whether the funding the government is making available is, or is not, commensurate with the periodic Roads Investment Strategy that the government will have agreed with the new HA. It is a function of the ORR to adjudicate on whether the HLOS agreed between Network Rail and the government is consistent with the government's SoFA. This is an important discipline to prevent the political aspirations from being unrealistic.
- To adjudicate whether the new HA actually delivers each five-year Roads Investment Strategy. Without this independent assessment, it is hard to give practical meaning to a commitment to the Roads Investment Strategy.

This all leads to the question of what powers the new watchdog should have. It should insist that the HA collects suitable data on costs and service quality and makes this data available to the watchdog. Also, if the Roads Investment Strategy were to be legally binding, then the watchdog would need commensurate powers to enforce this.

14. The Current Proposals for Regulation

In October 2013, the government set out its detailed proposals in *Consultation on Transforming the Highways Agency into a Government-Owned Company.* In summary, they are as follows:

"Management of England's strategic road network would pass to a new government-owned body – a strategic highways company. This company would be responsible for managing the whole of the strategic road network.

"The company will be fully accountable for its overall performance to the Secretary of State and to Parliament. Our intention is for the company to operate under a licence from the Secretary of State. The licence regime will impose on the company certain statutory duties in relation to the strategic road network and grant the necessary legal powers to enable the new company to carry out those duties, and to operate, maintain and improve the strategic road network. In addition, the ability of the Secretary of State to impose certain conditions in the licence will add a further layer of accountability.

"A Roads Investment Strategy (RIS) would set out the performance standards the company is expected to achieve, the funding that it will receive in order to achieve it and the investment programme it is expected to deliver over the period. This will end the culture of strategic and financial uncertainty that has dogged the highways sector for decades, and will also provide a mechanism that challenges the company to improve its efficiency.

“Taken together, this will ensure that the company acts in the public interest, achieves expected efficiencies and provides good value for money.

“...The Secretary of State would be responsible for managing the performance of the company. However, it is important that the views of all road users are factored into the performance regime for the company and that the outputs and outcomes are publicly available.

“...In order to ensure effective scrutiny and challenge of the new company as economically as possible, we propose to harness the skills and expertise of existing organisations. We believe that Passenger Focus, which already acts as an effective voice for users of public transport, is well-placed to represent the views of road users. Similarly, the Office for Rail Regulation holds the rail sector to account for its costs, and has the skills needed to do the same for the new roads company. Taken together, this would ensure the interests of road users are effectively represented, and central government is better able to assess and challenge the company’s performance.

“...We will consider opportunities to more clearly distinguish between planning and other issues which are of national significance, where responsibility should rest with the Secretary of State, and those which are of purely local and/or operational effect, which should be the responsibility of the new company.

“...The Secretary of State will continue to have an important role in highways law, with responsibility for determining the rules which the road operator must abide by. This includes all of the legal provisions around what is and is not permissible on roads” (DfT, 2013b: 4–6).

15. Effective Regulation

Chris Bolt, who has been Rail Regulator and Arbiter for the London Underground Public Private Partnership, has made the following hypothesis: "Effective regulation of state owned companies depends on:

- a distinction between the government's role in setting strategy and its role as shareholder;
- clear objectives and a hard budget constraint; and
- an appropriate regulatory framework which includes realistic sanctions for poor performance" (Bolt, 2010).

The government's proposals clearly fail to meet the first of these criteria. The Secretary of State is to issue and administer the licence; determine the road investment strategy and funding; and he is the one and only shareholder. The watchdogs are to have no direct powers, but report to him in an advisory capacity. He is, therefore, required simultaneously to represent the interest of users (who would like more, better maintained roads and cheaper fuel) and to act as shareholder – with the DfT's accounting officer and, no doubt, HM Treasury taking a keen interest in minimising the call on public budgets. These are both legitimate functions, but they cannot both be transparently exercised by one individual.

Turning to the second criterion, it should be possible to set clear objectives, for example, through the licence and the Road Investment Strategy. The extent to which the budget constraint is 'hard' is less clear. Under the provisions of the Companies Act, the directors will certainly have a statutory duty to ensure a going concern or place the company into administration. However, doing the latter would be an extreme measure, and the threat to do it may be used to extract extra funding from the government in order to avoid it. This is precisely what happened in 2000, when Railtrack, through its mismanagement, ran into financial difficulties. The government found several tranches of rescue funding over a period of months before finally calling a halt and forcing Railtrack into administration. Arguably, the company had taken a number of financially imprudent decisions over a number of years precisely because it thought it could rely on a government rescue, and for a while they were proven correct in this.

Similarly, any threat by the Secretary of State to discipline the company by withdrawing its licence is unlikely to be effective. It would be a 'nuclear option' and it is unlikely to be regarded as plausible. Thus, it seems that Chris Bolt's (2010) second criterion is not fully met.

This also is the case with his third criterion. Since there are to be no independent bodies with any powers, the only sanctions for poor performance will be the standard legal disciplines applicable to a Companies Act company, together with the usual negotiations between a Secretary of State and a spending agency.

In fact, what the government are proposing seems similar to the 'Morrisonian' nationalised industry of the 1930s: a separate board of management with its own accounts and responsibility for day-to-day running of the company, for pricing and investment policies, but subject to high-level objectives and funding set by a Secretary of State, with the Secretary of State answerable to Parliament for the performance of the industry.

Some of the nationalised industries ran quite successfully for a while – some for many years – but all eventually ran into difficulties (Foster, 1992). This was partly because ministers frequently gave into the temptation to exert political influence over detailed commercial matters and succumbed to pressures to grant financial rescue when the companies were at risk of ceasing to be going concerns.

16. Passenger Focus and the Office of Rail Regulation?

Government appears to be unwilling to create a new, specialist body to execute the functions of the watchdog. The proposition is that advice to the Secretary of State on consumer issues will be provided by an expanded Passenger Focus, and advice on economy and efficiency would be offered as an additional activity by the ORR. This is not a satisfactory arrangement.

Passenger Focus is an independent public body set up by the government to protect the interests of Britain's rail passengers, England's bus passengers outside London, coach passengers on scheduled domestic services and tram passengers. To expand its role would be to treble its passenger 'market', from 50 billion passenger miles a year to 150 billion passenger miles a year. To this would be added responsibility for the goods vehicle traffic, which carries about 40% of all (British) domestic freight (more than a fifth of the vehicle miles on trunk roads, a higher proportion of traffic and even more by value). It is for discussion whether the expanded Passenger Focus should also deal with other users such as cyclists and pedestrians; and with the utilities, which need access for repairs, maintenance and enhancement of their pipes and wires.

As well as the large increase in scale of activity, there is the additional complexity of larger number of factors affecting the performance of a road network. There are more than 30,000 accidents a year on the HA's network, many of which are attended by the police and cause disruption to flows. Changes in the weather and traffic volumes can have substantial and localised effects of road performance.

Passenger Focus specialises in monitoring the attitudes of public transport passengers. It is not clear how their expertise would transfer to motorists, lorry drivers or freight shippers, all of which are harder to contact than public transport passengers.

The task of providing a meaningful assessment of the HA's performance would be technically challenging. There are a number of organisations that collect data on road user attitudes[3] and an increasing volume of data on road traffic speeds[4] and volumes including the HA's own system (DfT, 2013e). Determining the most appropriate performance measures and bringing together the subjective and objective data, which is meaningful at a range of levels of disaggregation, is a formidable task that the user watchdog would have to tackle if it were to be effective.

The quality of the HA's infrastructure also affects the user experience and, although monitoring this will be a core task for the HA itself, both the user impact and operational efficiency watchdog functions should have an interest in this. Again, this would be new ground for Passenger Focus. With increasing interest in the environmental and greenhouse gas emissions of road transport, monitoring the environmental performance would also be an important new area of activity.

It is difficult to escape the conclusion that Passenger Focus, in anything like its present scale or form, is not suitable to carry out the roads watchdog task. The breadth of a widened responsibility including buses in England, coaches and national rail risks a loss of focus, which is recognised in the consultation document (DfT 2013b, para 3.7) as being a danger if the remit is drawn too widely. Passenger Focus also describes itself as a campaigning organisation for public transport passenger interests, and again this role would be prejudiced if its remit was widened in the way proposed in the consultation document.

In the case of the railways, Passenger Focus relies for enforcement on the independent Office for Rail Regulation exercising its powers. No comparable powers are proposed for roads. The ORR has developed into an experienced and effective regulator of economy and efficiency in the national rail industry. While it would be possible for these skills to be extended to roads, it would involve building up new areas of expertise, understanding of the HA and road transport industry, and recognition of the different challenges of regulating an 'open' system like trunk roads from those of a largely 'closed' system such as the railways. Again, as with Passenger Focus, for the ORR to assume this responsibility would be to increase and change its focus and its workload substantially.

The consultation paper proposes that the two watchdog functions are carried out separately. This would require the two bodies to learn about the HA's functions and the road transport industry. It would mean that those matters that affect both efficiency and users' experiences (for example, roads maintenance regimes) would have to be considered by each body, and this could lead to confusion and possibly conflicts, which would have to be resolved by the Secretary of State.

3 For example, the RAC, the AA and the National Highways & Transport Network.

4 For example, INRIX, Tomtom and TrafficMaster

Under the present proposals, the watchdog(s) would have no independent powers. The effectiveness of any regulatory activity depends on the quality of the work and the weight its recommendations are given by the industry and the Secretary of State. To produce robust and relevant recommendations, the watchdog(s) need to be resourced adequately. The Impact Assessment (DfT, 2013f) estimates that the transition costs of setting up the proposed new regime would amount to £3 million, and annual costs could range between £2 million and £18 million, with a best estimate of £4 million. Passenger Focus required funding of £5.25 million in 2012/13 (Passenger Focus, 2013: 38) and the ORR needed funding of £29.79 million in 2012/13 (ORR, 2013: 54).

Given that the user watchdog task would be substantially greater than at present, even allowing for some economies of scale, it is difficult to see how an extended Passenger Focus could operate effectively for less than £10 million a year. The regulation task in respect of the HA for an extended ORR would be lighter than for its rail responsibilities, but again it is problematic to see how it could effectively accommodate this large increase in its workload without costing at least £35 million a year. It is important to recognise that the task would be challenging and substantial, and would not be adequately served by marginal increases in the organisation and budgets of the existing institutions. The 'expertise and skills of existing organisations' cannot be 'harnessed' at no cost.

The second aspect of effectiveness is how the watchdog recommendations are treated and seen to be treated. The elements of the relationship between the HA, the Secretary of State and the watchdog(s) should include :

- a set of performance measures agreed among all parties;
- a set of (regularly reviewed) performance targets set by the Secretary of State after consultation with the HA and the watchdog(s);
- a duty on the watchdog(s) to report regularly on the HA's performance in their domain of interest;
- an obligation on the Secretary of State to consider the watchdog(s)' recommendations and determine (with reasons) what action s/he is taking to implement them or otherwise; and
- an incentive regime that exerts strong pressure on the management of the HA to meet its targets.

These activities must be in the public domain to achieve the transparency proposed by the government. The watchdog(s) must have the duty to publish their proceedings, and the right to do so without editorial intervention of the Secretary of State.

Furthermore, there is a presentational issue here about the public credibility of the new body. If that is important for the railway sector, it is by no means less important for roads, with 36 million people holding driving licences. The consultation document does, however, state: "We also need to consider whether there is a role for an arbiter who can be called on to assist in resolving any disputes, in the event of disagreements between the Department and the new company in the setting of the Roads Investment Strategy" (DfT, 2013b: para 3.8).

Given that there is a strong case for eventual further reform, it would be sensible to set up a watchdog regime that could be developed to cover a more extensive network and wider range of functions.

Taking these several considerations together, there would be considerable merit in establishing a new national roads user and efficiency agency rather than adding these considerable and challenging tasks to the Passenger Focus and the ORR.

17. Roads and Transport Policy

There is a strong argument that some independent watchdog should have some authority to comment on road and rail policy in the round, as well as spending and delivery. Currently, in practice, the HA is not given this power.

The ORR does engage in a dialogue on rail policy as part of the five-yearly periodic review process (and at other times), involving Network Rail, the Train Operating Companies and the DfT. But this is strictly limited to rail. Nowhere independent of government departments is the competition between road and rail – and the extent to which they perform complementary functions – discussed. If a new, separate roads watchdog is not created, and the current proposals are implemented, then there may be merit in the ORR developing an independent forum in which the high-level policy issues pertaining to roads and rail together might be debated. Politicians might say that this would trespass on the role of Parliament. However, given the majestic sweep of central government responsibilities, the established accountability mechanisms are of limited force or focus in reality. In any case, a parliamentary select committee is quite likely to call on the watchdog(s) from time to time to give evidence.

The scope for effective sanctions and the spectrum of potential governance models interconnect, with the teeth ranging from ‘pretty blunt’ at present, to at least ‘fairly sharp’ in the case of a fully privatised utility. Arguably, the government’s current proposals are not much of an advance over the existing roads model, but attention needs to be focused on possible further staging posts. If a conventional utility is not acceptable, owing to public indigestion, then a more clearly distinct governance structure such as a statutory trust or a mutual deserves serious consideration. An interim, independent watchdog could play an important role in guiding that transition.

18. Local Highway Authority Roads

Non-trunk roads collect and distribute traffic from the strategic network and, to varying degrees, provide alternative routes. In some cases, non-trunk roads are effectively part of the main road network, so it is important that the newly constituted HA works with local highway authorities where their operations and proposals interact.

This is an issue that the HA already has arrangements for, but as reconstituted, with its sharper focus and more streamlined procedures, may be tempted to downgrade. Also, in the extreme, the HA might try to meet its own targets at the expense of worsening traffic conditions on nearby local roads. This suggests that the consultation arrangements should be included as a specific requirement in the duties of the HA, and that there should be arrangements for arbitration in the event of disputes not being resolved through the consultation process.

Maybe, a watchdog body would have a dispute resolution or 'honest broker' role. And maybe a watchdog should have some formal power in holding local authorities to account for the condition of the local network, at least down to 'principal' roads, with scope to adjust as the years pass. While the watchdog may be able to do little beyond shining a light on local government spending on roads, improved transparency would be of benefit. At present, there is little accountability at local level. It is a scaled-down mirror of the situation at national level, in which politicians can say that they are directly accountable to the electorate, but the reality is that this resolves into a small handful of very high-level issues every five years, so it is more a statement of principle than of practice.

19. Regulation of Contract Procurement and Management

The HA has and will continue to have a large number of contracts for supply with private sector providers. There are several existing shadow tolled Private Finance Initiative (PFI) schemes. Presumably, these will continue to be regulated under the conventional laws of contract. There is a question as to whether the new watchdog could usefully become involved in regulating the letting or management of agreements with private providers.

A reason for considering this is that if the watchdog were constituted as an independent body with powers, then, once an appropriate income stream has been made available, potential private investors might be more attracted, because they perceived the policy risk and the political risk as being mitigated. Protection of the interests of private investors is an important (but often unnoticed) function of the utility regulators.

20. Company Structure and Governance

In the absence of any substantial independent source of funding, the new watchdog(s) must be accountable to the Secretary of State for how their funds are spent and he or she, in turn, must be clear about what is expected from the agency.

The proposed scheme is capable of providing this, if the suggested arms-length relationship is adequately safeguarded. This will require a high level of business, highways and transportation skills at board level by individuals with a proven record of integrity and independence. To facilitate this, it is desirable that the Secretary of State consults with the presidents of the Institution of Civil Engineers, the Chartered Institution of Highways and Transportation, the Chartered Institute of Logistics and Transport and the Association of Directors of Environment, Economy, Planning & Transport on the appointment of non-executive directors. Dealings between the Secretary of State and the company should also be explicit and transparent.

21. The Roads Strategy

This is to comprise a performance specification, a statement of available funds and a funding and investment plan. The first two of these are to focus on five-year terms – rather like the national rail regime – the strategic elements of the Road Investment Strategy should set a vision for the network, stretching thirty years into the future. Given that the new arrangement is scheduled to commence in 2015/16, it is reasonable that the first five-year proposals are largely determined by the HA's ongoing activities and recent decisions of government.

Although there have been a number of road planning proposals over recent years, there have not been any long-term plans for the strategic road network since *Roads for Prosperity* (DoT, 1989) was published. The current railway planning regime has shown itself to be reasonably successful in the short and medium term, but the most ambitious long-term national rail project – HS2 – emerged as an *ad hoc* initiative. A successful national roads planning regime should build on the successful arrangements of the national rail regime, but include a longer-term strategy stretching out to the mid-2030s, which balances network capacity, forecast demand, network management and road user taxation and charges. This would achieve the quantity and quality of service needed to enable a healthy economy and also support reasonable social and leisure travel aspirations.

Such a planning regime should not be confined to trunk route strategies but should also look more widely at all strategic corridors and a wider network including key routes, which are not trunk roads. To develop and update the road investment strategy will require transport planning, economics and engineering skills beyond those that currently exist within the DfT. A new unit will, therefore, need to be established, and suitable staff recruited, to steer what will be a multi-billion pound programme.

22. Integration

The Secretary of State says in the roads White Paper: “The Roads Investment Strategy will not be focused on the strategic road network in isolation. It will need to form part of a wider, integrated approach to all modes of transport, and over time we are particularly keen for investment decisions on road and rail to happen in concert” (DfT, 2013c: para 4.19). As has been noted, there may be an opportunity for the ORR to develop this analysis.

It is welcome that the DfT has started a series of route-based strategies (DfT, 2013c: 54). These will carry more credibility if they give adequate attention to the non-road modes, even if those other modes, in practice, can only realistically achieve a small share of the market. However, there is a compelling case for getting moving quickly to implement a programme of work for the strategic road network. While ‘integration’ could lead to some improvements, it is most likely to affect the relationships between trunk roads and their parallels and feeder roads. The lessons of the multi-modal studies should be noted: they took years to complete, they cost many millions of pounds and they were ignored (House of Commons Transport Committee, 2003).

23. The Extent of the National Road Network

The English trunk road network includes 1,852 miles of motorway and 2,584 miles of all-purpose roads out of a national total of 187,479 miles (2.37%) (DfT, 2013g,Table RDL0202a). De-trunking since 2000 has reduced the length of all-purpose trunk roads from 4,562 miles to 2,584 miles, that is, by 43% (DfT, 2013g Table RDL0202a; DTLR, 2001: Table 3.20). While this network carries much of England's heavy and long-distance traffic there are some non-trunk roads that are effectively part of the strategic road system: for example, the A140 between Ipswich and Norwich; the A56 between the M6 and west Yorkshire; and the A39/A361 through north Devon and Cornwall.

The scope of the trunk road network should be researched at an early stage of setting out a longer-term vision for the network, stretching thirty years into the future. Such a review, particularly in light of the forecast increase in traffic on the existing trunk road network, is likely to show that the national strategic road network is larger than the existing trunk road system. If, as seems likely, the new arrangements are to commence before this long-term study is done, then they should make provision for additional existing stretches of roads to be added to the trunk road network in future.

24. Planning Powers

It would not be appropriate for the HA, as a Companies Act entity, to retain the current HA's planning powers, which it exercises on behalf of the Secretary of State, as this could lead to conflicts between protecting the public interest and serving the narrower aims of the HA.

The HA should be able to promote road schemes and respond to planning applications that affect its interests through the normal planning process. Where there are schemes of national interest that the HA wishes to promote its special status, it is important that these are clearly set out in the Roads Investment Strategy and agreed by Parliament to be projects of national importance.

25. Safety

Most industries have an independent body with the duty to set and enforce safety standards, regulate operations from a safety point of view and investigate incidents. It is ironic that, while the road network presents one of the most hazardous environment for users, no such independent safety regulation body has been proposed.

Furthermore, the resources available for this kind of activity in respect of roads are being substantially reduced at local authority level and, probably, central level. This is a serious failing of the present proposals, and it should be put right.

26. The Draft National Policy Statement for National Road & Rail Networks

The coalition government and its predecessor committed to producing a series of national policy statements relating to various policy areas. After years of delay, the one for roads and railways was published in draft in December (DfT, 2013d). The intention is that, after public consultation and debate in Parliament, it would be designated in late 2014. Meanwhile, the Secretary of State for Transport is in the process of announcing a number of important decisions. There are number of rail schemes contained in "the biggest rail investment programme for a century", in addition to HS2. These are: decisions to reduce previously announced rises in rail fares, which are likely to increase the cost of the rail network to the Exchequer; a number of new national and local road schemes; and the July 2013 road policy developments (DfT, 2013c)..

For schemes of national significance, delays caused by the planning process is one of the fundamental obstacles faced by all governments (the other being funding). The planning approval for Heathrow Terminal 5 took nineteen years from start to opening (it saw the longest public inquiry in British history), because a debate about a specific scheme became hijacked by a dispute about high-level national policy. Similar things have happened with inquiries into road, rail and port schemes.

In the attempt to rationalise this, and speed things up, the Labour government passed the Planning Act 2008. Under this, the government publishes for general consultation a statement of national policy in a particular area. After the public have had a say, it will, after revision, be submitted for approval by Parliament. Once approved, if a specific application for a 'nationally significant infrastructure project' is consistent with its relevant national policy statement, the policy underlying the project cannot be an issue when the application is examined. And there are clearly defined time limits within which a decision must be reached. This system was adopted by the coalition government – the only major change being to transfer responsibility for a final decision from an infrastructure planning commission (which was wound up) back to ministers.

The *Draft National Policy Statement* (DfT, 2013d) is helpful in that it represents a formal commitment to a statement of need for both road and rail. This takes the form of an endorsement of the *Road Transport Forecasts* (DfT, 2013a), and parallel forecast for rail. In other words, ‘need’ is equated to ‘demand’. There is no attempt to analyse the extent to which current plans to invest in new capacity will meet that need; nor of how the demand might be managed without providing capacity. There is no geographic differentiation.

Furthermore, the *Draft National Policy Statement* is written on the presumption that the full HS2 will be built. The justification given for this is that HS2 is the subject of its own Hybrid Bills, one for each of two stages. The basis of a Hybrid Bill is that the government has already decided to build the scheme as a matter of policy, and the proceedings in Parliament are about the detail protecting the interests of affected individuals. Consequently, there will be no opportunity for a debate on the merits of HS2 in the context of overall road and rail policy. Also, there is no attempt in the *Draft National Policy Statement* to argue the extent to which HS2 may meet the road and rail needs it has identified (and no geographically specific analysis).

27. Further Reform in the Future?

The July 2013 reforms are significant and welcome, particularly because, if delivered, they will bring necessary new resources into roads and contribute towards the investment in capacity needed to provide for economic and population growth. Future governments may choose to go no further.

Arguably, the separation of the HA is not, in itself, an important reform. However, it could become an important step towards a much more fundamental change in which ownership transfers to a different body such as a statutory public trust, mutual or private shareholder company. This could accompany a change in the charging regime from the present road tax system to, in full or in part, using a pay-as-you-go scheme. Eventually, this is inevitable, because of the decline in conventional fuel duty revenues (in spite of traffic growth) as vehicles become more fuel-efficient (see Glaister et al., 2011).

These are important considerations in the design of the watchdog, and that these longer-term reforms are not inadvertently impeded in the impending legislation.

28. Conclusion

While the various announcements on roads policy are an important step, there are many steps still to make:

- Deliver the legislation and the increased public funding.
- Create independent watchdog(s). It is known from surveys[5] and other sources that an independent watchdog would be helpful in rebuilding public trust, which has been severely damaged.
- Complete public consultation and then achieve Parliamentary approval for the *Draft National Policy Statement on National Road and Railways Networks* (DfT, 2013d), under the provisions of the Planning Act.
- Draft the Roads Investment Strategy. This includes the execution of a number of 'route strategies'.
- Execute the 'feasibility studies' announced for several schemes and develop firm proposals for such schemes as the A303. Commence work on the A14 forthwith.
- Secure the delivery of much improved road maintenance for local authority roads, although this is complicated by the vagaries of the local government finance system.
- Fit the new national and local roads policies with the developing arrangements for Local Enterprise Partnerships and Local Transport bodies. This includes a need to make arrangements to look after the major roads of regional significance (such as the A12), which used to be the funding responsibility of the Regional Development Agencies. Implementation of the new expressways will help.

A test of the coalition government's resolve will be what actually happens in the immediate future on strategic and local roads maintenance. While it is reasonable to expect that it will take time to ramp up capital spending, maintenance can be increased immediately. It is not certain how much genuinely new money is in the spending review for road maintenance. One interpretation is that there is about 25% more for capital maintenance of both strategic and local roads and not much change for revenue maintenance.

5 See www.racfoundation.org/media-centre/motorists-distrust-ministers.

The long-term aim should be both a road system fit for purpose and a suitably robust institutional structure for the main road network (larger than the existing trunk road system), sustainably funded by direct user charging in place of conventional road taxation.

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