

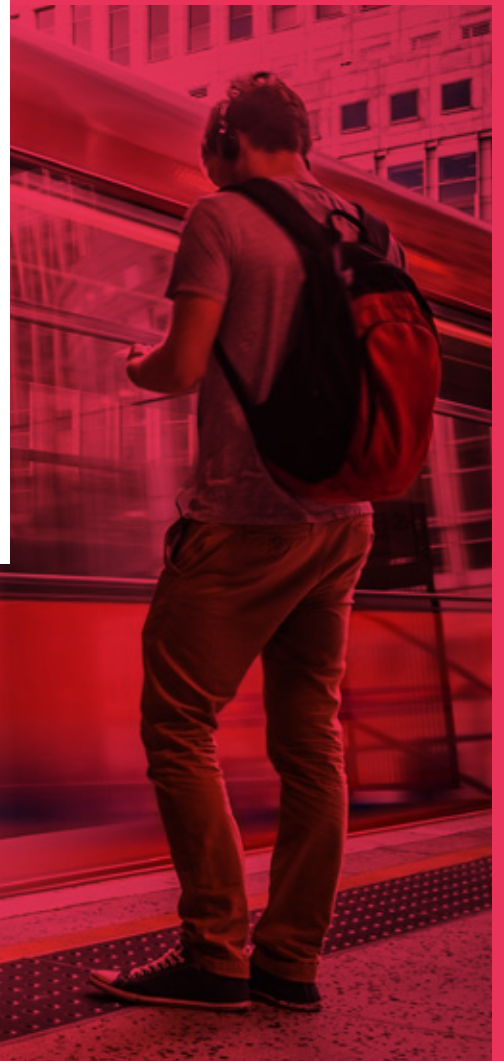
All change - Delivering future city transport

Talking Points



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Foreword

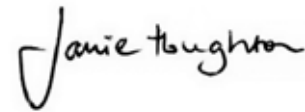
The prosperity and wellbeing of the UK's towns and cities depends on how quickly and effectively places can adapt to a fast changing and ever more competitive world. Delivering a high performing, safe, affordable and sustainable urban transport system is critical to that process of adaptation. Indeed, as this report makes clear, an integrated and efficient urban transport network is not just essential to business success and people's standard of living and quality of life, but is also a driver of jobs and growth in its own right.

Policy makers, regulators, investors, operators, and decision makers at the local, city-region and national levels must rethink how urban transport can best meet the economic, social and environmental needs of our towns and cities. That process of forward planning is being conducted in a world of less public funding, fast changing technology, rising passenger expectations for better and lower priced services, and political calls for more localism and more joined-up policy making.

In association with the Smith Institute, this Talking Points publication explores the views of and vision for the future of those on the frontline of urban transport. In particular, we are looking to understand how that future is being shaped and managed in response to: changing customer expectations and demand; governance and the devolution agenda; funding and financing in a foreseeable future of continuing austerity; delivering new infrastructure to tighter expectations on time and reduced cost; and service delivery in an environment of constant change.

This publication has been informed by a series of regional roundtable discussions with transport stakeholders including local government transport planners and officers, decision-makers, transport service providers, academics, local business, trade bodies and funders. It also takes a steer from a survey of local councillors, held during Spring 2014.

We would like to offer our thanks to all those who participated in the roundtable discussions in London, Manchester and Birmingham. In addition, we are grateful to all the councillors with lead responsibility for transport issues who completed our online survey. By capturing the different viewpoints of those involved with urban transport we hope we have given a fresh perspective on the challenges ahead, and at the very least an interesting list of talking points.



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Introduction

Transport is always a high profile topic – it is an integral part of how we all live our lives. Furthermore, where new infrastructure is required, the investment figures are eye catching to the public and politicians alike. There are currently a number of multi-billion pound national transport infrastructure projects in the pipeline, including the first phase of High Speed 2 and Crossrail 2. However, with the notable exception of London, urban transport – our local buses, trams, trains and roads – often gets much less attention.

Getting urban transport right is as critical to the UK's future prosperity as the iconic national transport schemes. Indeed, transport is a vital engine of local growth, connecting people and places to jobs, education and housing, as well as enabling goods and services to reach businesses reliably. According to the Passenger Transport Executive Group (PTEG), transport investment in congested areas has a bigger impact on economic growth than nearly any other type of spending¹.

Local businesses place a premium on good transport connections and worry about the escalating cost of congestion and how it impacts on investment. Councils are also acutely aware of how their residents experience transport and the role it can play in local politics. Voters expect the council to get local transport right and can be unforgiving if infrastructure or service provision are sub-standard.

Central government provides significant subsidies to urban transport (some £2bn a year to bus services alone). However, as most councils are quick to point out, local transport funding outside of London has been cut by over a quarter in real terms since 2010, and is unlikely to reach its pre-financial crisis peak anytime soon. Many councils claim that the cuts in funding and the lack of funding certainty make transport planning challenging beyond the short-term. This widespread concern over funding continues to cast a shadow over the urban transport debate, especially in places where prices for local transport service provision are highly controversial.

Most of local government argues that to meet these challenges central government has to let go and devolve more transport powers and spending. Prominent voices in the major cities point to the success of Transport for London (TfL) and the Mayor's 20-year Transport Strategy and argue that they too would benefit from similar governance arrangement and integrated transport plans.

Local government is making some progress through the development of new local enterprise partnerships (LEPs) and combined transport authorities (such as in Greater Manchester), but what is on offer is arguably still far short of what exists in London.

¹ PTEG, 'Transport works for growth and jobs: why urban transport drives successful economies', Feb. 2014

The impact of global megatrends on city transport

The pressures on urban transport are not just being driven by austerity. We are seeing four trends affecting cities throughout the world. These global ‘megatrends’ are rapid urbanisation, demographic and social change, technological breakthroughs and climate change². All four are also impacting UK cities and affecting how councils plan their transport systems.

Urbanisation of populations has continued to characterise the major urban areas in Britain – up 8% over the last decade. There have also been marked changes in the demographic make-up of cities. For example, in Birmingham transport planners are having to cater for a fast growing young population – 40% of the city’s population is under 25. At the same time Birmingham and other cities have ageing populations, with the number of elderly people growing fastest. This presents challenging transport issues, especially for those urban areas which are heavily car reliant.

Population increases in urban areas also make it more challenging to curb transport pollution, which accounts for around 21% of UK greenhouse gas emissions. Changing people’s behaviour is key, and councils are continuing to prioritise public transport and cycling and walking – which offer additional health benefits. Advances in technology are also important, not least in helping reduce vehicle emissions. However, managing demand is forecast to get harder. Road traffic, for example, is forecast to return to trend with the recovery of the economy. According to Department for Transport modelling, by 2040 road traffic is forecast to be 46% higher than in 2010, implying an increase in congestion (measured as lost time) of about 114%³.

Given all the pressures on local government, how can our towns and cities deliver a better transport infrastructure and system over the next decade and beyond? And, what key steps need to be taken now in order to realise our cities’ transport visions? This Talking Points publication is a contribution to our ongoing analysis of what it takes to deliver future transport services for our cities. It addresses the following topics:

- **Urban transport outlook:** what is the local view on the scale of ambition for enhancements to local transport provision?
- **Balancing multiple local needs:** what are the priorities for improvement and how can competing requirements be addressed?
- **Delivering interconnected infrastructure:** how can national and local transport infrastructure projects deliver joined up benefits?
- **Learning lessons on effective local governance:** how can cities learn from experiences in London and elsewhere?
- **Maximising funding opportunities:** what options are available to enhance local funding sources?

² www.pwc.co.uk/megatrends

³ www.gov.uk, ‘Road Transport Forecasts, 2013’

Urban transport outlook

There was a strong sense among those we spoke to at our roundtables of both realism and pragmatism for the future of urban transport. While acknowledging that transport investment is critical to their city's future prosperity, those outside of London were concerned about the challenges in securing funding. Many felt that the link between economic growth and transport has not yet been convincingly made and that consequently national politicians did not take local transport seriously enough beyond the Capital. There was also a sense that local politicians were at times too parochial, and that the scale of the task means that councils need to think beyond their defined borders.

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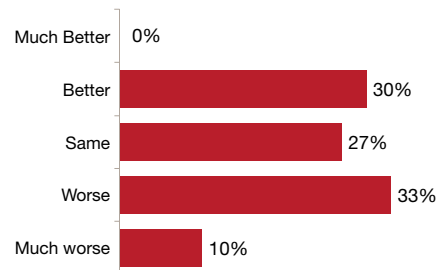
Transport doesn't stop at the city's boundaries – it's much more about interconnected networks across wider areas.”

“

City/regional governance can work – providing better outcomes through joined-up policy and thinking.”

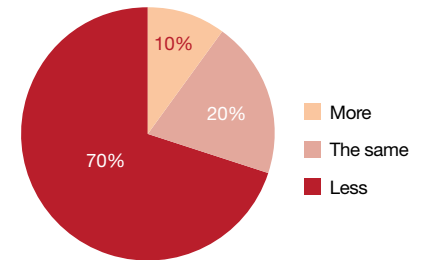
Local government officials are far from relaxed about the future of urban transport. We asked councillors if they thought urban transport would get better or worse over the next five years. None said they thought it would get much better – although 30% did say they expected improvements. Just over a quarter said it would probably stay the same and 43% said it would get worse or much worse.

Do you think urban transport in your area will get better or worse in the next five years?



The short term horizon still looks fairly bleak to most councillors. Indeed, the majority of those we surveyed thought their council would not be able to provide the same level of public transport provision five years from now. Only a fifth said they thought their council would provide the same level of service, and just one in ten said they would be able to offer a better service.

Will your council be able to provide the same level of public transport provision in five years' time?



Balancing multiple local needs

The priorities and preferences of those engaged in local transport – from councils to operators and users – are difficult to align. While our roundtable discussions showed common ground on the need for an efficient, affordable and environmentally friendly transport service, there was also recognition that there are competing claims for resources and often tensions between the need to provide for car users versus public transport passengers.

Our roundtable discussions reflected the need to plan ahead differently to meet the transport demands of fast changing urban areas. The emphasis was on integration and connectivity, particularly between city centres and their outer suburbs as well as between neighbouring cities. However, transport planners were cautious about the pace of change that can be achieved and concerned that plans could become quickly redundant.

“

We could be planning now for something that might not be needed.”

When we asked councillors what their top priority is for transport in their area, increasing bus use and improving connectivity topped the list. Our roundtable discussions highlighted similar themes, adding improvements to reliability and affordability of public transport services.

They also stressed the need to link transport into the wider town plan, including, for example, with housing plans. This in turn should feed the local growth and economic development agenda.

While many urban transport plans aim to get people out of their cars and onto public transport, demand for particular modes of transport are not just driven by macro shifts in society, work and technology or by the relative size and density of an urban area. Micro decisions about people's priorities and experiences are also important.

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It is important to fully consider the customer experience and people's attitudes.”

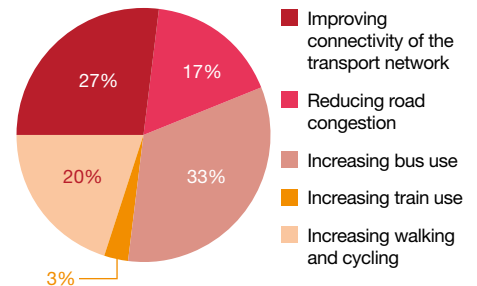
Our roundtables discussed how passenger expectations are changing, with new consumer behaviours driven by a multi-destination economy and an expectation of smart technology. People want convenience

and flexibility at the best possible price – and for urban transport this is more important than the brand of the operator. And they expect real-time information for all modes of transport. Smart phones or other smart devices are already the way many travellers find the fastest way from A to B. They will soon be commonplace in providing a lower-fare ticket for public transport. The challenge for cities is in identifying their role in providing such services and in trying to predict applications and resulting customer expectation from the next generation of smart technology.

“

Persuading people to travel in different ways has never been easy, especially in a recession.”

For your council, what is the top priority for transport in your area?



Delivering interconnected infrastructure

It is inevitable that growth in city populations will require additional transport service provision. And that provision will often require new infrastructure, be that road, rail or even an airport. There are several high profile infrastructure projects currently at stages of development, from Crossrail through a number of urban tram extensions to HS2 and the exploration of airport capacity in the south east.

So there's no doubt there is money being spent on large transport capital projects. The challenges raised during our roundtables were more to do with how long these projects take to deliver, how to integrate national projects with local transport services, and, critically, how to secure funding for local initiatives. However, capital investment in local transport outside London has been the hardest hit area of transport spending. This reduction in capital spend (exacerbated by the cuts in revenue subsidy) has had a knock-on effect on a council's ability to lever in private finance.

Focusing on HS2, although there was not agreement about how this will impact the regions it serves, most participants at our roundtables saw it benefiting the cities that it stops at and potentially the wider city regions. The caveat was that in order to fully take advantage of HS2, local and inter-regional rail networks and urban public transport networks would have to be ready to serve HS2 stations. This extends beyond the big cities and needs to consider access to HS2 services from other locations along or near the route.

Furthermore, transport planners at our roundtables commented that HS2's timescales for Phase 1 (connecting London with Birmingham and possibly Crewe) – and especially for Phase 2 (the top of the Y connecting Phase 1 to Manchester and Leeds) – make it hard for urban transport planners to develop their local transport capital project proposals. Currently, the uncertainty over government commitments to the route, with the Bill due to be going through Parliament beyond the 2015 General Election, is adding to this challenge.

Joining up plans for new infrastructure projects is critical to their success – and to meeting or beating the benefit-cost ratios projected for them. We heard this voiced for HS2 serving Birmingham, for airport plans in the south east, during the debate around the proposed new station in West London (Old Oak Common) and the original aspiration to connect HS2 with HS1 between Euston and St Pancras. But the point is valid for any infrastructure. How does it join with other transport service provision? What capacity implications will a major new piece of infrastructure have on existing road or rail networks and stations?

“

HS2 is a re-write of the national rail network, which implies significant investment and re-organisation in urban transport systems.”

Providing seamless transport services

What kind of transport services will be required over the next ten to twenty years, and how can they most effectively be provided? These key concerns were discussed at all the roundtable meetings. The view expressed by councils outside of London during those discussions was that transport service delivery was too often sub-optimal because of the uncertainty around funding and management. This was a particular problem with buses, where deregulation has taken control away from city authorities (e.g. for fare setting) and where changes to central government funding – for example to the bus service operators grant and to concessionary travel reimbursement – have added to the service planning challenge.

“

The delivery of roads, rail and bus services are fragmented and it is difficult to join them up.”

Increasing bus use was the top priority for most councils outside of London. This is perhaps not surprising given that the bus is by far the main form of public transport in urban areas (outside of London, 63% of all public transport trips are made on a local bus⁴). However, it was also highlighted at

the roundtables that since 2007 bus patronage has increased in London, but fallen slightly in other cities. Meanwhile, bus fares have risen sharply in real terms since 2010; indeed, one of the concerns voiced at the roundtables is that both bus and rail fares have recently increased at a faster rate than the price of motoring.

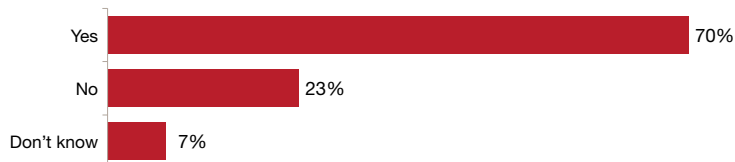
Roundtable participants felt that investment in buses should be able to translate quickly into lower fares, more services and better vehicles. However, there was growing concern that in many areas bus service frequencies are falling, fares are continuing to rise ahead of inflation and fare-paying patronage is in long-term decline.

The results of our survey of councillors show that the majority of respondents (70%) viewed bus deregulation as a major barrier to improving bus services.

Attendees at our roundtables pointed out that as a result of deregulation councils cannot fully plan a network with services that connect to each other and to other modes of transport.

Smart ticketing was often cited as having the potential to be part of the solution. And 90% of the councillors we surveyed said they already had or are planning to introduce a smart ticketing scheme.

Does bus deregulation make it harder to deliver an effective service?



⁴ Department for Transport, 'Green Light for Better Buses', 2012

But deregulation makes it very difficult to achieve anything similar in scale or impact to the London Oyster scheme. Oyster grew quickly because TfL offered reduced prices compared with paper tickets. However, fragmentation of the public transport market in other urban areas means it is very difficult to make similar offers elsewhere.

“

A big part of the problem we face in making a success of smart ticketing is the freedom of bus operators to do what they want.”

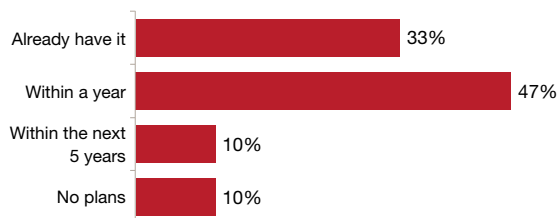
Representatives from bus users stressed that passengers valued reliability and affordability as well as the ability to transfer between the different operators. The view was that these objectives are not necessarily compatible with increased competition. Some roundtable participants believed that more people used to travelling by car could be encouraged to use public transport if there were more information on alternatives. Our annual surveys on the future of ticketing support this⁵.

“

Deregulation means that you just can't plan a network so that services properly connect.”

The key here is in understanding the needs of different customer groups – both in when and where they need to travel and in the experience they expect before and during their journeys. Focusing on individual customer segments will help improve scheduling and in defining the types of services to be provided.

Are you planning to introduce smart ticketing scheme?



⁵ Smart Ticketing, PwC, 2013, <http://www.pwc.co.uk/government-public-sector/transport/issues/passengers-expect-a-smarter-service.jhtml>

Learning lessons on effective local governance

Realising effective, high-quality urban transport networks and services requires change. This can only happen, particularly during this time of austerity, with more effective governance structures as well as the powers to deliver change. At present many councils feel the lack of devolution is holding them back.

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Devolution works in transport because local decision makers know they will be made accountable by voters and the local media for any shortcomings.”

A common complaint from councils is that progress on devolution has been disjointed. According to our survey 60% of councillors felt they did not have enough powers to deliver their transport plans. The remainder were split evenly between those who felt they did have enough powers and those who were unsure.

“

Transport providers need to think more about how they involve people in decisions about local transport.”

In the roundtable discussions participants said that the ability of neighbouring local authorities to work together and the governance structures to enable that (such as combined authorities) is critical to delivering integrated transport plans.

London transport – bigger and better

According to the Centre for Cities report (‘Making transport work’, 2014) London’s transport system is far superior to other UK cities. The TfL governance model is considered better and more efficient (and therefore provides a template of sorts for other places) because it:

- Has scale and operates across boundaries.
- Gives control over transport modes (including buses).
- Allows TfL to raise its own finances.
- Is based on a long-term, integrated transport plan.

Consequently, it has been able to pioneer a number of innovations in transport service provision. These have included the congestion charge, the current Oyster card scheme and the move to introduce the use of contactless bank cards. The latter has been made more straightforward because TfL has control over fares and fare structures and so can use this both to simplify and incentivise changes in customer behaviour.

Additionally, TfL has been able to secure funds for schemes such as Crossrail and the current Tube upgrade programme. Clearly the scale of TfL helps in securing funding, but the alignment of the agenda for the city is also important, linking transport developments with the wider mayoral strategy for the city.

Transport in London and Scotland were referred to as exemplars of success in part because of the simpler and more aligned governance arrangements. But despite the current challenges in most other urban areas, there remains optimism that all councils can and do make the link between better transport and achieving wider economic, social and environmental aims. The difficulty is in aligning the powers to present a compelling case for funds, and then to provide confidence that new initiatives can be delivered. However, councils acknowledged that these powers would come hand in hand with greater responsibilities and accountability, which was seen as positive.

There were mixed views on how effective the Local Enterprise Partnerships (LEPs) will be in dispersing DfT funding from 2015 onwards. Some said that working with the LEPs made more sense with respect to better integrating transport with local growth. But, there were concerns that local transport funding would be skewed towards central government objectives, particularly on investing in roads. It was also said that a system of LEP (rather than local authority) funding may lead to fragmented delivery, with less accountability and less local control.

However, despite calls for more localism, some councils admit there are still serious barriers to transport devolution. In many places, for example, there are no easily defined areas: functional economic geography, travel to work areas and local authority boundaries do not readily match.

“

If LEPs are to work they must have clear and open decision-making, based on good evidence and good guidance.”

“

Places like the West Midlands have a mismatch between functional economic geography and administrative boundaries – this doesn't help with transport planning.”

Maximising funding opportunities

Our roundtable participants overwhelmingly felt that funding for transport is neither adequate nor focussed enough on the long-term. However, there was consensus that transport should not be looked at in isolation, and that better outcomes might be realised if the funding pots were used differently. Participants spoke about the power of collaboration – particularly with the private sector – and the need for new funding models for investment. These should be mapped to the city-region geography so that the approach is more joined-up and aligned with spending areas.

The allocation of local transport funding was also of concern. Those attending the roundtables in Birmingham and Manchester felt that London had benefited from increases in both subsidy and capital investment at the expense of other cities.

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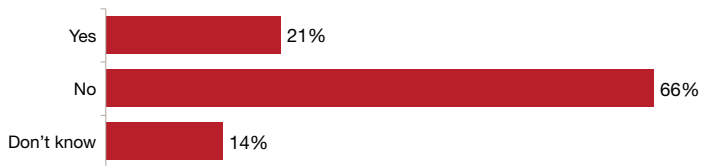
Local transport spend outside of London was the biggest loser from the spending review.”

With fiscal constraint set to continue, two thirds of the councillors we surveyed believed that they would not be able to deliver their transport plans under the current funding settlement. Only one in five were confident that they can deliver.

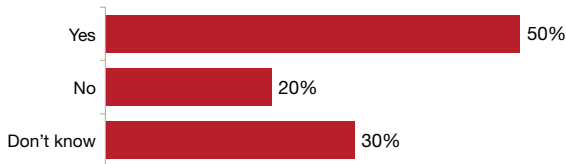
Consequently, councils are increasingly looking at local sources of funding, with half of respondents considering local financing to be necessary.

Amongst those who thought funds would need to be raised at a local level, most (61%) thought it would come through new levies and charging schemes. A further 28% identified real term price increases as the way to go. A final 11% felt the answer was in increased funding from the council.

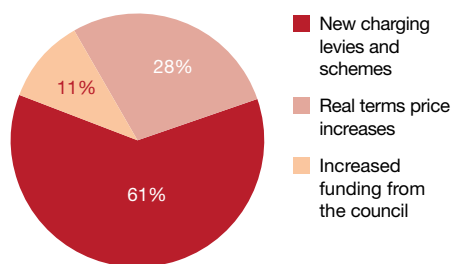
Do you think you can deliver your transport plans under the current funding settlement?



Do you think you will have to raise more money locally for urban transport?



If so, will it be through:



But while councillors were open to the idea of charges and levies, such as road user charges or workplace parking levies, few (7%) are actually considering introducing them. The roundtable discussions clearly favoured workplace parking levies as politically more palatable, but even then they could only be considered if local businesses bought into the congestion reduction and associated enablement of local growth. So appetite currently appears to remain low for any such measures.

“

The mismatch between resource and capital funding needs addressing: maybe we need a dedicated transport revenue funding stream.”

Funding experts at the roundtables suggested that councils could do more to exploit alternative sources of financing, such as tax increment financing (borrowing against future tax revenues) and ‘Earn Back’ schemes. However, it was noted that these may only work in high demand areas (where there’s enough land value uplift), and that leveraging investment would still require a revenue stream to pay for the service to meet debt obligations.

For those with property portfolios there could also be scope for further exploitation of physical assets. This could include making the most of click and collect services at bus and train stations, for example.

“

However finance is raised the service will require a revenue stream – someone has to pay.”

There was consensus on the need for a steady state of investment to deliver long-term transport projects and services. Stop-start funding not only undermined long-term planning but created a real risk that critical suppliers will go elsewhere and expertise will be lost.

Conclusion

Getting urban transport ‘right’ is not only a necessary requirement for jobs and growth, but also for our health and wellbeing. The view from a range of transport practitioners is that despite plenty of evidence to demonstrate this, the economic and social benefits of sustained investment in urban transport outside of London are not yet fully acknowledged in funding considerations. Indeed, many of the contributors to this report indicated that urban transport all too often takes a back seat to national transport projects.

As our survey shows, the task confronting councils is extremely challenging. Many towns and cities face growing populations, with rising car ownership, and the consequence of increased congestion on the roads. Most councils have plans to meet these pressures but are hard pressed to release the extra funding to deliver on them.

Despite the funding challenges, councils are not lacking in ideas about how to deliver better public transport services. At all our roundtable discussions there was an enthusiasm for change and an openness to new approaches. Councils recognised the benefits of integrated

transport services with smart ticketing systems, but were also realistic about the barriers to integration in a deregulated bus market.

There were mixed feelings about the planned new funding role that LEPs would play in regard to local councils and urban transport. While it was understood that LEPs were now firmly part of the economic development landscape and were tasked to join-up transport planning and local growth strategies, the worry was that they were not properly resourced or accountable and that delivery could be fragmented. There were also concerns that the LEPs could easily become over sympathetic towards the national plans of DfT than those of local councils.

Despite the concerns over the LEPs the general enthusiasm for more devolution of transport powers seems to be gaining momentum, in part due to the success of London. But at the roundtables outside of London there was also strong support for the emergence of new combined authorities with cross-boundary transport plans. In particular, there were strong calls for more powers for councils to integrate and support buses.

Calls for devolution also extended to funding. A large proportion of councillors thought that more funds would need to be raised locally to meet their transport ambitions. Yet there is a widespread concern that the general public and the business community would not sign up to paying more. Consequently, many believe fares would have to rise and subsidised travel reduce to meet the funding gap.

Many cities are rethinking what is possible post-austerity. Improved urban transport is key to growing local economic activity, but it is still not given the priority many believe it deserves. From the discussions we have had with councillors and with those who are of delivering local transport services on a day to day basis, we have found:

- The case for investment in local transport is not yet articulated sufficiently well to secure the funding required.
- The local transport planning process needs a more co-ordinated approach and a more coherent aggregated local plan linked to economic development and land planning.

- Local transport organisations are open to and have an appetite for new ways of working together to improve service provision.
- Joining up national infrastructure projects with related enhancements to local transport is vital to maximise the benefit of these schemes.
- Bus service provision locally needs further attention if it is to grow and meet future passenger needs.
- In many cases, local governance arrangements have inhibited progress in developing better, more joined up transport services.

Four steps for change

Four steps emerged from our roundtable discussions that can effect change in providing for the future transport needs of our towns and cities:

- 1 A clear long-term vision with a more coordinated approach to planning and delivery.*** This vision needs to link the range of services that cities have to deliver with how transport can support those services. This requires an integrated planning process supported by business cases that firmly articulate the benefits of transport investment to different stakeholders, setting out the organisational requirements and investments in skills and resources that support how they will be delivered.
- 2 Greater devolution of powers and funding to effect local change.*** Cities need to take the lead in developing their own locally sourced funding strategies through optimising their “balance sheet”. They need to understand which assets provide the returns that achieve their wider objectives and sell or outsource those that do not. Increasingly, central government will require cities to demonstrate that they are prepared to invest their own “equity” prior to providing top-up funding. Making a strong case for how they will deliver local funding in combination with centrally allocated funding will support the ongoing devolution of power as cities take back responsibility for their own future.
- 3 Alignment among all local bodies involved in funding, planning and delivering transport services.*** Fragmented transport services are not efficient, do not deliver value for money or support wider non-financial objectives. Cities need a strategy for how they harness transport services to deliver their wider objectives, and clear evidence on how this will be achieved (in what are often fragmented, privately run services). Different parties must be organised in a way where they have well thought out and practical incentives that combine to deliver the overall transport vision.
- 4 Tailored partnerships between the public and private sectors that underpin delivery to local objectives.*** How cities optimise their use of and relationships with private sector operators will be key to creating the best outcomes for all stakeholders. This is a complex area that requires cities to have a robust analysis of what should be delivered by whom. Private operators require bespoke contractual arrangements but most importantly cities must also put in place measures that develop positive working relationships and a ‘culture’ (across all stakeholders) that reinforces the successful delivery of outcomes.

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The Smith Institute is a leading independent 'think tank' which promotes progressive policies for a fairer society. We provide a high-level forum for new thinking and debate on public policy and politics. Through our research, reports, briefings, monographs, events, lectures, education, and our website, the Institute offers a platform for thought leadership on a wide range of topics. We are interested not only in innovation and new ideas but also in how to translate policy into practice.

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