Transport Committee

Oral evidence: Better roads, HC 850

Monday 25 November 2013

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Watch the meeting

Members present: Mrs Louise Ellman (Chair), Sarah Champion, Jim Fitzpatrick, Jason McCartney, Karl McCartney, Mr Adrian Sanders, Chloe Smith, Graham Stringer and Martin Vickers

Questions 1-66

Witness: **Professor Phil Goodwin**, Emeritus Professor of Transport Policy, University College London and University of the West of England, gave evidence.

Q1 Chair: Good afternoon, and welcome to the Transport Select Committee. Could you give us your name and organisation?

Professor Goodwin: I am Phil Goodwin, Emeritus Professor of Transport Policy at University College London and the University of the West of England.

Q2 Chair: Could I invite you to give us a short five-minute statement?

Professor Goodwin: I was asked to prepare a five to 10-minute opening. It is really about the six missing words in "Action for Roads"—rather important words: "This programme will reduce congestion nationally". That statement is nowhere in the document, and I would like to take you through the argument about why it is not there. The starting point is that road infrastructure policy should provide the country with a reliable and comprehensive network of transport options at the right place and the right time, at a cost which gives good value for money, and is good for the environment as well. All these merits are claimed in general terms in the White Paper, but my proposition is that there is an unresolved argument about road traffic forecasts. The fact that it is unresolved results in a paradox at the heart of road infrastructure policy, and that is why the sentence is missing.

The official view is that traffic, especially car use, will continue to grow more or less indefinitely into the future and more or less in proportion to population growth, encouraged by economic growth and the reduction of motoring costs as engines get more efficient. The main alternative view currently being argued is that car use in particular is at or close to some sort of saturation level, and will remain stable, or even decline, in future, depending on what policies are followed. This alternative view has an evidence base—research and statistical evidence on changing trends in about 40 developed countries, including America. It is based on evidence that population and economic growth can happen without traffic growth, this possibility being created by changing land use patterns, which are happening, and by changing attitudes and behaviour, starting with the young and ramifying through the rest of the population. In over-simplified terms, it suggests that the love affair with the car is more or less over.

In rebuttal, the official view asserts that peak car, as it is called, is mainly a phenomenon of London; that the huge errors in official traffic forecasts are due to other agencies making wrong forecasts for economic growth and population; and that much of the UK population is driving more, which indeed is true. In turn, that view is criticised because it does not consider evidence from cities, apart from London, and many smaller towns, and the crucial evidence from those sections of the population who are driving less, who also exist. It does not take account of the timing of the changes in the trends, and it does not take account of the international character of what is going on.

The debate goes on. My point is not about who is right and wrong in that debate, but that the debate is unresolved. Car use may indeed increase, as the Department for Transport predicts, or it may not. In terms of the balance of evidence, I suggest that Department for Transport forecasts are contested seriously, with authority, from serious and thoughtful researchers in many countries.

The paradox I mentioned is that, if the Department for Transport forecasts are right, as indeed they may be, the proposed programme of road infrastructure projects will fail to make things better overall. It may slow down the pace at which congestion gets worse, but congestion will increase, if the forecasts are right, even with the programme of infrastructure improvement, and therefore any impact of congestion on the economy must be an increasingly negative one, not a positive one. Transport conditions will depress the economy. It is not that considerations of health, environment and quality of life are as important as economic growth, though I believe they are; it is that economic growth itself will not be delivered under conditions of traffic growing faster than capacity can possibly be expanded. I argue that, if the forecasts are right, the road strategy is wrong. If, however, the forecasts are wrong and there will not be much traffic growth, the projects can improve congestion, but at a cost that is disproportionately huge compared with the modest benefits. In that case, there would be bad value for money and little or no economic case.

The question then is what is the policy implication of that paradox? If the official forecasts are right, infrastructure expansion is the wrong solution. What would be needed is demand management, road pricing and the encouragement of reduction of car use by better alternative modes. If, however, the official forecast is wrong, we certainly do not need a massive road infrastructure programme. Why would one do that without road traffic demand growth? But the need for good quality mobility, good access, pleasant living and working conditions and healthy cities would remain, even if car use did not increase, and in that case there would be a premium on widely spread smaller-scale improvements in walking, cycling, public transport, which is bus, heavy rail and light rail—the whole smarter choices package—and all the alternative methods of participating in social life that do not depend on physical movement: e-commerce, teleshopping, telecommuting, a new style of urban planning, and so on. Where we are at, I think, is an unresolved contested proposition about traffic growth. All I would ask us to concede is that either side in that argument could be right.

In the case of an unresolved debate about forecasts, the key criterion for projects and policies is not an uncertain benefit-cost ratio, no matter how many decimal places it is quoted in, but robustness or resilience. You asked the question is this project right, is this policy right, even if the assumptions are wrong? I suppose commercial discussions would call this upside risk and downside risk. What happens if the forecasts are wrong? I say that a big programme of road infrastructure expansion is not robust, because under both projections of the future it does not deliver, though for opposite reasons. It is either not big enough to make improvements or it is too big to justify the cost.

On the other hand, smarter choices, for example—among many other policies—are robust, because under both projections they deliver vitally necessary traffic reduction if car use is set to grow, and improvement of local mobility if it is not. Strategy ought to be about quality of operations, not massive infrastructure schemes. It ought to be much more widely spread geographically, with improvements mostly of local significance, not implicitly treating person miles travelled, let alone vehicle miles travelled, as though this were a valid measure of benefit.

That is all to open with, and I hope there is something there to kick off an argument at least.

Q3 Chair: Thank you, Professor Goodwin. You have told us there is an unresolved contested proposition on traffic growth and that both sides could be right.

Professor Goodwin: I am sorry: either side could be right. You are right to pick me up on that.

Q4 Chair: Either side could be right or wrong. Does that mean you support anything in the Department's "Action for Roads" paper?

Professor Goodwin: Yes. I am a participant in this discussion, and my research, among scores of other researchers, suggested that there has been a fundamental structural change in the way travel and transport are viewed among the population, and that there is a cooling of the love affair with the car that has dominated policy discussions for half a century. I put the beginning of that shift at somewhere between 1989 and—

Q5 Chair: But is there anything in the Government's proposals that you agree with, given the fact that you say this is an unresolved contested proposition and either side could be right? In view of all of that, do you agree with anything the Government want to do under "Action for Roads"?

Professor Goodwin: I think the presentation of the entire strategy is wrong.

Q6 Chair: But is the strategy right?

Professor Goodwin: Within that, there are components which I or anybody else would support. I think the argument on smarter choices in public transport in the White Paper is an entirely valid one. What they are proposing on cycling makes sense. I would not call it "cycle-proofing roads". When it comes to a scheme-by-scheme analysis, it may well be there are specific schemes that wash their face, even if the overall strategy is wrong, but when we are talking about a White Paper we need to ask if the overall vision makes sense. As I said, there is a paradox that prevents it from being a useful basis within which all the specific proposals and policies would be assessed.

Q7 Chair: So you do not agree with the expansion of the strategic road network. That is really what you are saying.

Professor Goodwin: No, I think that case has not been well argued.

Q8 Chair: Why do you think that traffic rose by 7% on the strategic road network between 2002 and 2012? You quoted motoring figures in other countries, but, if you look at what happened here, traffic did increase on the strategic network between those years.

Professor Goodwin: That is true. If you think about an overall situation where traffic is not growing at the moment, it must be the case, because it is in the nature of an overall total of stability that on some roads it is increasing and on some roads it is decreasing. That is in the nature of averages. You would not expect everything to be the same on all roads. The point is that the scale of the infrastructure expansion is not constructed on the proposition that the strategic road network will see its own rise in traffic against a stable total; it is that all traffic will increase, and that within that total, on the strategic road network, it will increase even more. If the overall total is wrong, there may well be some growth on the strategic road network, but not at the scale that would lead to realisable benefits from its expansion.

Q9 Chair: What, if anything, should be done about congestion on the strategic road network between cities?

Professor Goodwin: A large part of the increase in traffic on inter-urban roads is based on journeys that are within or close to the urban areas themselves. There is a relatively small proportion of traffic on any of the strategic roads that goes all the way from one end to the other. Much of it is local traffic in the surrounding areas of the origins and destinations of the road. That is influenced largely by urban and city transport policy; it is not mainly a characteristic of inter-urban travel.

My feeling about the strategic road network is that probably the best solution would be road pricing, in which all traffic pays its economic cost, and then one would have a level of traffic where one would judge what the merits were. I accept that that is unlikely to be politically acceptable, so we are in a second best area. But it does not follow from the fact that we are in second best that one ought to try, unsuccessfully, to match forecasts of traffic growth with capacity increases that cannot be enough to meet that increased demand. That is the problem.

Q10 Sarah Champion: You mentioned in your opening remarks that transport conditions would depress the economy. I got a bit lost about whether that was this strategy. Could you say a little more about that?

Professor Goodwin: If it is true that congestion is a material cost to the economy, and that the more congestion there is the bigger the negative effect on the economy—which is arguable; the evidence that it is true is not very strong, but it sort of makes common sense—for this argument, I am prepared to say, "Let's accept that in spite of the rather poor evidence." If it is true that increasing congestion will have a depressing effect on the economy, the proposition I assert—that, even if the infrastructure programme is fully delivered to time and to budget in accordance with the programme, it will not keep up with the forecast traffic increases—means that progressively traffic congestion will get worse and worse year by year over the entire period of the planning of the programme.

One could argue that it would get even worse even faster without the programme. It would be a sort of manifesto where one would say, "Vote for me. We'll make things worse more slowly than the other party." It is not a very attractive manifesto, but it has some logic to it. It is rarely put in those words. The words asserted are, "This will produce huge economic benefits for the country." One has to understand that, in the way that road appraisal is carried out, the metric of benefits is to compare things getting worse with things getting more worse, and the difference is asserted to be an economic benefit.

Q11 Sarah Champion: If we accept your premise that in whichever direction this is fundamentally flawed—you said that there are some smarter choices that you recommended and you alluded to a couple of them—should we just throw this out and start again? What would you be recommending?

Professor Goodwin: When you say throw this out, what is it?

Sarah Champion: The strategic road network proposals.

Professor Goodwin: Throw it out and start again? It does not usually happen that way, does it? What usually would be expected to happen is that it would be launched with fanfares and press releases, and two, or possibly three, years later it would fade away.

Q12 Chair: What we are asking is what you would like to happen, if you could do it.

Professor Goodwin: I think there is an alternative way of doing roads and transport planning, which starts with the proposition: within reason, how much traffic would we like to have? How much traffic would be good for the economy? Are there more efficient ways of arranging people's movement than simply forecasting ever-increasing traffic growth? Cities—it is mostly urban experience—have said they think there is a better way of organising city transport so that there are reducing traffic levels and reliance on the car and many more alternative modes, with emphasis on localisation and land use planning to reduce the amount of unnecessary travel. The cities that have done that, and we are far enough in the process now to make the judgment, are richer and more successful than the cities which have not.

Q13 Chloe Smith: Can I pick up the rather helpful hook you provided about what we might take as a starting point? Can I have your view on the reorganisation aspect of the Highways Agency in the "Action for Roads" paper? One characteristic of that proposed reorganisation that strikes me is that, potentially, it goes a step further away from democratic accountability as it takes a step closer to a further length model. You may have a view on the roads champion aspect—the users champion. Would you also give us your thoughts on the balance that perhaps needs to be struck on a correct evidence base, quite rightly, between a fairly technocratic view that says, "This is efficiency; this is what the numbers say, and therefore this is what we should do," and the need for political accountability and the space that I think there ought to be for a compellingly well-made case, whether it be against the A14 tolling in Suffolk that is going on at the moment, or whether it is in favour of a road going here, here or here?

Professor Goodwin: You have invited me to give a view on an awful lot of points.

Chair: Could we have brief answers if we can? Just pick up some of them.

Professor Goodwin: Let me do the two I remember first of all. I think the issue of democratic accountability is a significant concern, but it relates to the extent to which the strategy itself is clearly defined. If the strategy was very clearly defined, had consensus and could be relied upon to last, there is some advantage in giving the tools of the job to an organisation that at least is not under month-to-month political influence. The classic case is a commercial organisation where the commercial motivation is considered to be a well-judged one. Then there is a bottom line that can be judged, and there is a different sort of responsibility and discipline. For example, if one had—I do not believe this is going to happen—a completely charged road network, it would be a sort of commercial operation, and there would be a commercial discipline involved in who is operating it. That seems to me not the situation we are in. I am a bit uncomfortable about using administrative procedures to resolve political questions. I do not really see the logic in the idea of a highways agency that of itself would be more efficient if it was less close to political influence.

I like the road users champion very much. It is unfortunate that it was labelled "the motorists champion" because travellers are more than just motorists. All motorists also use other modes. All the modes have a part to play, and, if there were to be some sort of quasi-representative body, I would much rather it was set up in a way that could express the interests of users of all modes of travel, rather than being seen particularly as an officially legitimated motorist campaigning group.

Chair: Could you make your answers as brief as you can? We have a number of questions, and we will not be able to bring in other members. I think you have answered the main points.

Q14 Graham Stringer: You mentioned previously the metrics about deciding whether a road should be built. What do you think the metrics should be?

Professor Goodwin: The first and most important change I would make is that, instead of comparing two forecasts, only one of which could be true, one should compare what things will be with what they are now. That corresponds with ordinary language. When people say that things will be better if this is done and worse if that is done, they are comparing it with the current situation. I believe that metric is a much more useful one than comparing against what is sometimes called the counterfactual, which is that if it is not done it will be appallingly bad and if it is done it will be wonderful, but when you look at the figures it means that it will be only a little bit bad. Within that, the quantities that we look at are the right quantities. One should certainly look at congestion, travel time, environmental impacts, health and safety. All these things are important.

Q15 Graham Stringer: Time-saving measures are part of the assessment, but do you not think that the quantity you say is difficult to measure and you are not sure about—induced economic growth—should also be part of the metric but is often left out of the equation completely?

Professor Goodwin: To the extent that one has genuine confidence that your optimistic assertions are—

Graham Stringer: Or even pessimistic ones.

Professor Goodwin: Or indeed pessimistic ones. What I think is a mistake is to say that, because economic growth is important, uncertain quantities should be given a great weight in the appraisal. All that is doing is giving a quantitative form to what is really just a hope.

Q16 Graham Stringer: When you talk about a vision for roads, it sounds very statist planning, in one sense. Is not all transport, and roads in particular, an auxiliary service, which is there to support the economy and domestic living for people? Don't you really need to start with what we are going to do about the Barker report? For instance, if you are going to build houses in the middle of the countryside all over the south of England, you will need lots of roads. If you build those dwellings in urban places, you need fewer roads. Isn't that the place to start with a road transport policy, not saying that this is a vision for roads? Roads are there to help and do not in themselves have a purpose.

Professor Goodwin: I have a lot of sympathy with that view. Taking it perhaps one step further, what we need transport for is to participate in social activities and to get access to goods and services. Some of those can now be done without physically moving at all, so, from that point of view, electronic means of communication should be seen as part of the package of what transport is there to deliver. It is really all about making life better.

Q17 Graham Stringer: You talk about this country's chequered history on road planning, but it is true, is it not, that what is unique about this country is that, unlike most of what used to be called western Europe, we have suffered from inter-urban congestion in a way that France and Germany, and Spain and Portugal for that matter, have not? Does that not indicate that, whatever metrics you use, we have under-invested in roads?

Professor Goodwin: No. One has to ask for more demanding proof than that. If for example the 1989 roads programme, which is favourably mentioned without name in the new White Paper, had been delivered, I do not think we can take it for granted that we would all be having a very much better life and a more efficient, growing economy. There were many at the time who thought it would make things worse. We will never know the answer, but I do not think it can be axiomatic that, if we had built more roads, we would be better off.

Q18 Martin Vickers: You make what seemingly is a logical point that investment in heavy and light rail will relieve road congestion, but how do you explain the fact that over the last 20 years both passenger and freight traffic on rail has gone up massively and, at the same time, in the last 25 years, road freight volume has doubled?

Professor Goodwin: It is interesting that, at the same time as road traffic forecasts for the last 25 years have been massively overestimated, rail traffic forecasts have been rather underestimated. That is a very interesting dilemma about the forecasting procedures. My own view is that there is probably a place for a lot more growth in freight movement, on both road and rail, which is a lot better founded than for private car use. My view is that we would be better off if there were more lorries and fewer cars. Having said that, freight has been rather good in getting more efficient methods of using vehicle capacity—more bang for the buck out of the fleet. I do not see it as the primary problem. If anything, the pity for goods distribution is that, in order to get enough extra road capacity to deliver its economic value, one has to build three times that amount of road capacity because, as it were, cars have the prior claim on the road space.

Q19 Martin Vickers: I do not think you would find many residents of the villages we represent being sympathetic to the view that there should be more HGVs as opposed to cars. Those villages are part of the essential rural economy. How would your strategy help the rural economy?

Professor Goodwin: The interesting development on goods movement is smaller vehicles doing home-to-home deliveries, which are so much more efficient than trying to do the final stage of goods distribution in a private car—5,000 private cars instead of 500 vans. That is probably the way to go. I do not want to disturb anybody's peace with more HGVs going through villages, any more than you do.

Q20 Jason McCartney: So that I can understand where you are coming from, I am going to ask you a bit of a McCarthyite question—not a McCartneyite question.

Professor Goodwin: Am I or have I ever been?

Jason McCartney: Are you, or have you ever been, in a love affair with the car?

Professor Goodwin: I have had one or two love affairs in a car.

Chair: Stick to the subject.

Q21 Jason McCartney: You mentioned a love affair with the car. So that I know where you are coming from, when you travel to Bristol do you go by car?

Professor Goodwin: Good heavens, no.

Q22 Jason McCartney: Why not?

Professor Goodwin: Because rail is a much more convenient and pleasant way of travelling that way, and I can work on the train.

Q23 Jason McCartney: When did you last go on a long distance journey on a motorway driving your car?

Professor Goodwin: About two years ago, I think.

Q24 Jason McCartney: Where was that?

Professor Goodwin: That was in Spain.

Q25 Jason McCartney: In the UK, when did you last go on a long journey?

Professor Goodwin: So long ago that I can hardly remember. It would have been when my daughter was young. It would have been a journey from London to Newcastle.

Jason McCartney: I rest my case, Chair.

Q26 Karl McCartney: I am quite a positive person, and I like cars, so my question would be do you like cars, or not? But I will go on from there. Do you still own a car at all?

Professor Goodwin: No.

Q27 Karl McCartney: When did you last own a car?

Professor Goodwin: It is a long time ago now. I had a Bedford 15-hundredweight truck that I was quite fond of.

Q28 Karl McCartney: You might guess that we are probably diametrically opposed. I think you are promoting a one-size-fits-all solution. You probably guess that some of us on this Committee do not think there is one size that fits all. If you represent an area that is not in the south—certainly not London or the south-east—you and your constituents might be a little more reliant on cars than perhaps you are willing to accept.

Professor Goodwin: Yes. I see the car having a role in transport and transport policy indefinitely into the future. That is quite different from saying it must inevitably become more and more dominant. The interesting thing is that tastes change in all products. I believe that is what is happening socially, not mainly as a result of policy but just because people find there are different ways of doing things.

Q29 Karl McCartney: It is due to policy. To take London as an example, how much money has been spent on infrastructure for different modes of transport from the car in London compared with anywhere else in the country? Most recently, we have Crossrail.

Professor Goodwin: I do not have those figures at my fingertips, but if you are asking whether it is true that London has put very much more emphasis on public transport than on road building, that is manifestly true, and I believe they were correct to do so.

Q30 Karl McCartney: And you might say they were correct in Sheffield to nearly bankrupt the city by putting in a tram system, but people still have cars in Sheffield.

Professor Goodwin: And people still have cars in London. I am wondering about the "one size fits all". I am not saying there should be no cars; I am saying that we should not consider that the future is only one of increasing car use. I believe that is what is happening in society.

Q31 Mr Sanders: I have a similar question. You talked about having an holistic approach. You also alluded to the fact that you visited Spain. Where is Utopia for your view of a much reduced car-using society?

Professor Goodwin: Like all Utopias, I am afraid it is in the future.

Q32 Mr Sanders: Is there a country anywhere in the world you could point to that perhaps has better planning and management of transport systems than we have here?

Professor Goodwin: Countries, no; cities, yes. The new thinking about transport, if I can call it that, started in the cities. Many cities have demonstrated that with less car traffic they can be more successful and have growing populations and economies, and be more efficient and more pleasant.

Q33 Chair: Could you name any of those cities?

Professor Goodwin: There are dozens.

Chair: Just one.

Professor Goodwin: The transport planner's pilgrimage usually starts at Freiburg in Germany. What Munich is doing is very interesting; it is a very powerful and growing city. It used to be thought that Parisians loved cars and they would never do without them. Paris is progressing very quickly, as indeed is London. There are many places where they are piloting and succeeding in this thinking at city level, but there is not a country that has got it right yet.

Chair: Thank you very much, Professor Goodwin. You have got us off to a very interesting start.

Examination of Witness

Witness: **Alan Cook**, Non-executive Chairman, Highways Agency, and Non-executive Director, Department for Transport, gave evidence.

Q34 Chair: Good afternoon, and welcome to the Transport Select Committee. Could you give us your name and organisation?

Alan Cook: I am Alan Cook, the current non-exec chairman of the Highways Agency, and a non-exec director in the Department for Transport.

Q35 Chair: Could I invite you to speak to us for about five minutes?

Alan Cook: Perhaps I could take a couple of minutes just to set the story and my involvement to date. I have been a non-exec director at the Department for Transport since January 2009, but the story really begins in January 2011, two years in, when I was asked to take on the chairmanship. It was actually the first chairmanship; there had never been a chairman of the Highways Agency before January 2011—non-exec chairmanship. As part of taking on that responsibility, I was asked to undertake an independent review of the Highways Agency and how its performance could be improved. It needed to be done quickly, or I would hardly have been independent given that I had just been appointed chairman, so it was the first thing I did. I gave myself three months to learn a little more about the organisation. In April 2011, I began a review, and we published the report in November 2011. We made eight key recommendations.

The Government responded in May 2012, accepting six of those recommendations and deferring two for further consideration. I will not go through the six that were accepted in detail but will just give you a flavour of them. One was about the production of a long-term strategy for the roads network. The second one required them to produce an output-based specification of what was required—in other words, what needed to be achieved by the road network rather than what they wanted us to do. There was another about Ministers championing road users. The fourth one was about being prepared to consider tolling for any new structures, as opposed to additional motorways. Interestingly, all those four recommendations were for the Department for Transport rather than the Highways Agency itself, but they were things that I viewed as essential to enable the agency to operate more effectively. The last one that was fully accepted was the production of a series of route-based strategies that would take common segments of the road and work out exactly what was needed for that particular route, which would also include the roads off the strategic road network, because clearly you can do things to the strategic road network that have an adverse or positive impact on surrounding roads.

What were deferred were what one might say were the two most important recommendations. One was to create a five-year view of the funding of road operation and development to give a consistent level of spend that would enable us to work more constructively with the supply chain to get better prices for the same work—no doubt we will come back to that—and also to remodel, for want of a better expression, the Highways Agency and take it a bit further away from Government but not that far; in particular, to give it greater commercial freedom to negotiate on a more equal basis with the supply chain. Essentially, the Highways Agency business model is virtually all outsourced. With the exception of the guys in the uniforms in the Land Rovers, everybody who works on the roads might be carrying a Highways Agency badge but they are all part of the supply chain, where we have contracted out work. The eighth recommendation was about establishing a change programme to implement all that. We went ahead with the five recommendations that were agreed, but the two—dare I say it?—that got me excited were deferred.

At the end of 2012, last December, the autumn statement indicated a level of increased spend, and that made the two deferred recommendations significantly more attractive and positive in terms of the likely return. Those two deferred items became part of the "Action for Roads" Command Paper published in July of this year, and the consultation document in October. We are now in a position where we are poised to implement all the recommendations I made in my review in November 2011, but against the backdrop of a dramatically increased level of spend, which was not on my radar at the time I was doing the review. That sets the context, if it is helpful.

Q36 Chair: Do you consider the Highways Agency to have failed?

Alan Cook: No, not at all. In fact, I was talking to the CBI, who told me they thought it was one of the more effective agencies working in the public sector, given the constraints imposed upon it. The objectives are achieved. I could just see a way that those objectives could be achieved at lower cost.

Q37 Chair: What would you say about its relationships with local authorities?

Alan Cook: I would say that it is an area that has not had as much focus as it could have, in so far as the relationship with some local authorities would be excellent, and with some, less so. It is about managing more effectively the boundaries where the strategic road network comes up against the different local authority networks. There has not been a strong enough customer ethos, whether that customer is the person driving a vehicle on the strategic road network or managing a piece of road that interfaces with it. That is an area we have been focusing on a lot in the last 18 months.

Q38 Chair: The Government want to make the agency a publicly owned company. Do you think that is the right way to go, or could the changes you suggested be brought about in other ways?

Alan Cook: It is what I recommended, so clearly that is what I believe quite strongly. There are significant limitations on the way the organisation is required to deal with the supply chain today, and, if we gave greater freedom, I believe it would enable us to get a better deal. As part of my work on the review, I interviewed many of the leading construction companies that work on the strategic road network. They all said to me, "Alan, you make a bit of a meal of it, because you specify in huge detail and in a highly precise way, and we can never tell how long this level of work is going to last. If you could give us a longer-term view of what is required and specify the outputs you require rather than the inputs, and let us use our skill to develop solutions to your problems, rather than you specifying the solution, we could give you the same result for less cost." Don't get me wrong. They will not make less money; they will get the same margin whatever, but in my view there are cheaper ways to achieve what we are currently achieving today.

Q39 Jim Fitzpatrick: On your ability to negotiate with the supply chain, do you think there is sufficient margin that can be made to reduce the costs of the agency, and why has it traditionally or historically been that we are specifying the nature of the contract, rather than saying to them, "These are the outputs we want," as you describe, and letting them come up with a solution? Is it the fear that they will not deliver the appropriate quality, or is there another reason that has historically been the case?

Alan Cook: My view is that it is a public sector trait that to have tight control over your supply equals saying, "You will do this on this day and this on that day and deliver this shape by that date," as opposed to saying, "I need to get to here. You are the experts. You give me a proposal that tells me how you can get from there to here." When you look at different bids, you might find that the bidders are providing you with a different solution, but they are still solving the same problem, and that is the sort of choice we want. Frankly, that sort of creativity is not there. The supply chain was saying that, if there was more of that creativity, there would be greater synergy. It is not that we would be screwing them down to a 4% margin instead of a 5% margin; we would be coming up with a more imaginative solution in the first place.

Q40 Jim Fitzpatrick: Is there enough competition within the supply chain? You are talking about large civil engineering contractors. Are there enough of them in the arena to make it competitive and drive down costs?

Alan Cook: Yes, there are, but one of the proposals on which the Government are now consulting is a level of guarantee of the size and amount of work available in coming years. In my limited time of involvement with the Highways Agency, the workload has halved and then trebled in successive years. If you are sitting in Balfour Beatty, Costain or whatever, when faced with the choice you hire a piece of kit; you do not buy it. You take on contractors; you do not employ them. Both of those methods of operation are more expensive. Do they care? Not really, because they charge us that cost plus a margin, so they are no worse off. The fluctuating workload is inconvenient, but I suggest that the only people who really lose out are the taxpayers because we end up paying more than we would have done. If there is a genuine expectation that the size of the workload is this big as opposed to that big, the supply chain will gear up in anticipation. There are enough companies, but not necessarily enough capacity in those companies unless they can see that work is coming. By legislating, which is the current proposal, for a level of spend where companies believe that even with a general election the work will still be there on the other side, they will tool up and we will get the right price.

Q41 Graham Stringer: When you see the costs of building the original western bypass on the M1, even when updated to current prices, they are incredibly low. Why is it so much more expensive to build roads now than it was 40 or 50 years ago?

Alan Cook: I am not an expert on the relative costs, and I cannot comment on how much roads would have cost, relatively speaking, 40 or 50 years ago. All I can do is reiterate the view that we can pay less than the price we are paying today. I cannot say that the answers I have just given Jim are the reasons why it is more expensive, but I can say that they are things that make it more expensive, and we could tackle those. I have freely predicted that we could take down the cost by 20%. Whether you choose—and that's you, not me—to spend 20% less, or have 20% more roads for your money, is a different issue, but what I am interested in is the unit cost of resurfacing, building new roads and running everything, including the Traffic Officer Service.

Q42 Martin Vickers: You talk about how we could pay less, 20% savings, being more imaginative with your specifications and so on, but this is not something new. Costs have been spiralling for years, and all of us as politicians have been amazed when certain figures have been quoted to us for upgrading a road, providing a bypass or whatever. Is this because you have been making a specification for the equivalent of a Rolls-Royce rather than a Ford Escort, and why hasn't the agency done something about it before now?

Alan Cook: Is the strategic road network too gold-plated? That is a moot point. What you would put on the M6 at Penrith does not need to last as long as the M25 around London. I am not sure there is that level of variation or pragmatism, if you like. I have only been involved in transport since 2009, and in highways since 2011, so it is difficult for me to comment on the past. I am a commercial guy, not a civil engineer, but it is clear that this can be done more cheaply; we can cut our cloth more sensibly to fit what is required.

To go back to an earlier point, if you say, "I've got a road with this level of traffic on it and I need it to last n years before it needs resurfacing," that is a different requirement from, "I want a piece of black top that is n inches thick." That will be the same price all over the network because you have specified the input. If you specify what you need—"I want a road with that level of traffic on it to last this long"—you are likely to get a different answer in terms of what the builder builds for you, and you are starting to vary the quality depending upon the usage that the road gets. It is all very well to have a road that would last for 90 years, but, if there are other reasons why it will need resurfacing, you would not specify to that level. It is about making sure that we produce specifications on what we want to use it for, rather than what we want them to do with it.

Q43 Martin Vickers: I am still not clear. Is this actually happening now, or is it in the future?

Alan Cook: This is what is being consulted on. Today, we have taken the first steps. For example, many of the contracts to maintain the roads are for seven years, so there is a limited ability to install some of these changes, because they are quite fundamental, until a contract comes up for renewal. We have two running on a new standard, which we call an asset support contract, for maintenance. Interestingly, it has proved quite challenging for the Highways Agency people who manage the contract to get used to the different style of operation. At first sight, it feels like you are letting go more, and in a way you are, because you are allowing the contractor to come up with the proposition. It will take a while to put this in, but the step change in investment, and the procurement we have started for that level of investment, would be on a more output-based thing. The first step is to get the Department to produce the specification to the Highways Agency of what it wants for its money, which is the roads investment strategy referred to in the "Action for Roads" document.

Q44 Jason McCartney: One of the reasons why I am on the Transport Select Committee is that transport is a huge issue for my constituents in West Yorkshire, whether it is road, rail or air. I am particularly interested in the Highways Agency's relationship with local councils. The actual bit of the M62 motorway that my constituents use, whether they are going to Manchester or Leeds, is currently going through a managed motorway upgrade scheme, turning the hard shoulder into a fourth lane. Obviously, you know all about this. Well done; it has come in on schedule and under budget, which is great. The different councils it goes through to get my constituents to Leeds are Calderdale, Bradford, Kirklees and then Leeds—four different councils. When doing major roadworks, or planning strategically, how big a challenge is it for the Highways Agency to deal with different councils? How big a variation is there in the co-operation you get?

Alan Cook: There is quite a high degree of variation. It applies to police constabularies as well; there are many different agencies. As a sweeping and rather unfair generalisation, I would say that we have not put as much effort into that as I think we should.

Q45 Jason McCartney: Why do you think that is?

Alan Cook: Because the legacy of the organisation is one of civil engineers and road builders, and as the years have gone by we have moved from a road builder to a road operator. I know that quite a lot of money is proposed, but there are not that many brand new routes, from scratch, that one could reasonably envisage. Most of the work of the future, with the level of investment we are talking about, is going to be more smart motorways which increase the capacity of an existing route. I gave an example to the top team this morning. I live in Milton Keynes, which is near a route that has just been done: junctions 10 to 13. I also fly a lot from Birmingham airport, and I go around the M42, which is a piece of smart motorway that was done quite a while ago. The standards of driver behaviour between those two roads are quite different. Round the M42 they have definitely got it; they know how it works. On the M1, they really don't. The problem with the M1 is that you could have come from anywhere.

The amount of effort we need to put in going forward to educate users of the roads, to work with the local authorities and the local police force in given areas to make the throughput of these roads more effective is quite significant. In pockets, we have something approaching best practice; in other pockets, we have poor relationships. I do not know which would fall into your category. It might be a mixture of the four. It takes two to tango, but I would see us putting in more effort going forward if we are to have an increased level of investment. This will be going on all over the place, and we need to get more sleek. I am not doing down the agency, but nor would I be terribly defensive. I just think it is an area that has not been seen as important as I would regard it.

Q46 Chair: What is the value of the strategic roads regulated asset base?
Alan Cook: The financial value is about £110 billion.

Q47 Chair: Do you think the strategic road network would be a good candidate for privatisation?
Alan Cook: That is certainly not within our plan at the moment, and it is certainly not what the Government are consulting on. We have a package of reform that will take a bit of effort to get in, and it would be well to get this done without expanding the scope too greatly. I have not picked up any sort of privatisation vibe.

Q48 Chair: There has not been any discussion about it.
Alan Cook: I am not saying it is a bad idea, but I have been lobbying for more change and feel I have now got enough. If we do this, we will have done something worth while, and we could do more afterwards.

Q49 Chair: What kind of more? More of what?
Alan Cook: The interesting thing is that this is an open network; anybody can go on it. There is a limit in a commercial sense to what you can do. There is no natural incentive on the operator to do it better because more people will buy the product, as you would have in a normal commercial setting. People come on to the network, and you just need good discipline to make sure that you make it as good an experience as possible. If the roads are unattractive to use for a variety of reasons, for example people get held up for too long, accident clear-up rates are too long, or whatever, traffic will flow off the strategic road network and go through all the roads that should not be as intensely used.

Q50 Chair: But how would this new body work? Should it be able to borrow money?
Alan Cook: I do not think it needs to at this stage. At the moment, we are talking about an organisation which is still entirely funded by taxpayer money, so the Government hold the reins. That is right and proper if it is the taxpayer who is paying.

Q51 Chair: Are you modelling it on Network Rail?
Alan Cook: No, because no fare is paid by anybody, apart from the M6 toll.

Q52 Chair: But in terms of raising funds for investment, should it be borrowing against its assets? How do you envisage that working out?

Alan Cook: There is no aspiration to do that at the present time. The funds have been found, by whatever means, to create a road-building programme for the next six to seven years, which in my view is as much as we can and ought to be doing. The funds have been found.

Q53 Chair: What about selling off land and assets that the agency owns? Would you see that as a way of funding future developments?

Alan Cook: That would not get us very far in funding future developments. It would raise some money, but it is not for the agency to do.

Q54 Chair: But is it something that is being considered?

Alan Cook: No. At the present time, all that is being contemplated here is that the Government have decided to spend more money on road infrastructure and elide that with a set of recommendations I made to make the organisation run and transact more effectively. Putting those two things together would create a platform where one could contemplate all those things—I sit in the bath and think about all those sorts of things. They can be done, but we will achieve quite a lot by doing what is on our plate today.

Q55 Chair: What about raising revenue? Do you envisage charges for using the road network?

Alan Cook: Again that is a Government choice—if one charged to use the network. You would naturally create a more commercial organisation if there was a revenue stream coming in of its own accord. If I were to contrast this with my last executive role, when I ran the Post Office, it was partly Government funded, but it traded. It only traded well if it provided a good service to its customers, and then more money would come in. We are missing that trading dynamic, because this is a public service and it is an open network. To create trading in any material sense involving widespread road charging is a huge political deal. It is above my pay grade. It is for Government to decide what they want to do.

Q56 Chair: How would you measure success in the new structure, if this happened?

Alan Cook: Measuring success is quite challenging. If the Government say they want to spend this amount of money and I get a 20% efficiency improvement, I need to be able to demonstrate not just to Government but to myself that we have got 20% more having spent the same amount of money, so it is about tracking unit costs. You need to find the right unit costs. It is over-simplistic to say it is so much per lane mile because that could conceal all sorts of unfairness. It will need quite a lot of work to create a set of KPIs, if you like, which would be part of the road investment strategy that enabled me, and Government, to track whether we were getting the benefits from this level of change. Under the current structure, the Government could spend more, build more roads and it would not be a disaster, because it has been quite good so far. I am just saying that we could do it better and more cost-effectively; and at the end it would be rather nice to be able to prove conclusively that, guess what, if we had done it the old way on those few stretches of road we would not have been able to do it for that amount of money. That is quite hard to prove, but it is certainly the intention to have that monitoring.

Q57 Chair: Would the proposal for the Office of Rail Regulation to be the regulator here work if they are regulating the railways as well?

Alan Cook: I do not think we need a regulator per se, because there is no price to regulate. There are two things that I would look to the Department for Transport to arrange, plus one addition. The two things are, first, that the Department clearly remains responsible for roads policy, and the interaction between all the different modes; secondly, if this all goes through, it is going to be my 100% shareholder. As the shareholder, it needs to satisfy itself that it is achieving the efficiencies we have just been talking about, that it is a cost-effective investment and it is getting value for money. That is very different from roads policy. Very often in Government, it is done in BIS in the Shareholder Executive. It could easily be done in the Department for Transport, but it is a very different thing. I am not casting aspersions, but they do not have those skills. Why would they? They can acquire them, but somebody needs to be able to put me and the chief exec on the spot and say, "Are you doing this correctly from a financial perspective?"

Finally, there is a piece around "the customer," for want of a better expression. The proposal is that Passenger Focus might fulfil that role. The one in the middle, the cost-effectiveness thing, is one area where ORR have been suggested as a potential source of monitoring. That is a little curious, because for a proper regulator for the railways to be a supplier of monitoring for the Department for Transport to act in their role as shareholder is quite a different task, but you have to do it somewhere. I am not saying it is the wrong place to put it, but it is not an obvious place to put it. You certainly would not want to create another body—for goodness sake—just to do that, but somewhere or other I need to be held to account. When I was in the private sector, the stock market analysts would come in; you would get these youngsters coming in and telling me how to run an insurance company, which was what I was doing at the time. That was what they did, and they would give me a hard time. When I was at the Post Office, a shareholder exec would come in, and they would put me under the same spotlight. Where did those people typically come from? They came from merchant banks; they were hired by BIS to do that sort of work. I felt as though I was being held to account. We have to get that bit in place here; I was actually discussing it with the permanent secretary this morning. We have to work out how we do that, how it is resourced and how the agency is effectively challenged. Whatever we call the agency, we will certainly work on the metrics and measures, to prove to someone, but we need to find the someone, and it is not obvious that it would be a regulator.

Chair: Thank you very much, Mr Cook.

Examination of Witness

Witness: **Sir John Armitt**, Chairman, National Express Group, gave evidence.

Q58 Chair: Good afternoon, and welcome to the Transport Select Committee. Could you give us your name and position for our records?

Sir John Armitt: Good afternoon. I am John Armitt, chairman of National Express. I have various other non-executive roles with other companies and, perhaps relevantly, I am the author of a recent review on infrastructure for the Labour party policy review of infrastructure.

Q59 Chair: Could I invite you to speak to us for about five minutes on how you see this issue?

Sir John Armitt: I am not really sure which hat to put on. I start with a simple one, which is probably National Express. To give you a little background, National Express is the largest coach operator in the UK. We service about 1,000 destinations each day, and 17 million passengers a year—which is about 195,000 a day—are carried on 550 coaches. The key thing for us and our customers is reliability, which clearly depends on our ability to fulfil our timetable as accurately as we can. That, in turn, will be reflected by congestion on the road network. Most of our miles will be consumed on the strategic road network, and therefore the reliability of that is very important to us. As to factors which can affect that, apart from other road users, there is no doubt that it is most difficult to be reliable on Friday afternoon and Friday evening. At the same time, when there are incidents on the road, or when the road is being repaired, the way that is done is very important to us.

In recent years, we have seen a more systematic approach to roadworks and how they are carried out, but there is perhaps not as much co-ordination across the roads as we would like. In terms of incidents, if you compare 2012 with 2013, in particular on figures relating to the M1, the M4 and the M11, although there was a decline of about 5% in the number of incidents, the time to recover from them went up by about 25%, which is a trend that clearly is not helpful.

Despite the recession, the number of people we carry has not gone down significantly; it has gone down by a couple of per cent or so, but, interestingly, it is significantly impacted by subsidy. For example, when the Government took away a large degree of support for the elderly to travel, they stopped travelling. It made a significant difference, and we saw 1 million passengers disappear in a year as a consequence. National Express also operates coach in Spain; we are the largest operator in Spain. We operate School Bus in America.

I used to build roads as a contractor. Therefore, I would support anybody who puts the view that being able to see the programme forward is very important to the ability of contractors to retain resources and skilled teams. Seeing a forward plan of work is important. We saw that in the 1980s when there was a fairly steady stream of major projects. As we moved into the 1990s, the volume fell off considerably, which inevitably means that you look for other things to do. Therefore, when road schemes do come along you are not necessarily going to be as efficient or well resourced to meet them.

As the owner of the second Severn crossing, and being involved in the development of it, it was interesting to see the way road users are impacted by tolls. Although we had to increase the tolls very considerably when we opened the new bridge and took over ownership of the old one, it did not have any significant impact on the number of road users using it. I suppose it is rather similar to commuters travelling into London by train. There is very little choice; therefore, by and large people put up with it and accept that they have to pay the increased cost.

The road network has gone through a series of phases. Maybe it was slow, but there was clearly a plan through the ’60s, ’70s and ’80s. Some people might say that we should have done it in 20 years rather than 30, but that is probably the nature of public investment. We have seen a significant change in attitude, which I think has held back continued development through the ’90s and during the last 10 years. The proposals being put forward by the Government to address some of the key significant hot spots and improve the network are sensible ones. At the end of the day, it is difficult to do much other than predict and then take action on the basis of predictions, albeit those predictions today clearly have to be influenced by a lot of different factors.

In my own review, I made it very clear that we need to take a much longer-term view of these sorts of issues; as far as we can, we need to take an integrated view of the issues and recognise that there are choices. But the reality is that 90% of the movements that take place are on the road, although, as somebody who was heavily involved in rail—I still am as National Express—I have sympathy for those who argue that rail gets a disproportionate amount of the cake when it comes to investment.

Having said that, we are putting right on the rail system a degree of under-investment for a very long time. Road has been under-invested for the last 20 years, so inevitably we are now facing a challenge going forward. The critical thing is to understand why you are doing things, which requires evidence and a fully understood argument, with all the caveats around it. You have to understand why you are doing things. You then have to decide what you are going to do, and then, latterly, the how. In this country, we probably spend more time discussing the what and the how than the why. I would argue that we need to spend more time understanding why we do things and what we need to do in future.

Q60 Chair: You said that the development of the strategic network had been held back. From an operator's point of view, what are the most important things you would like to see changed in a new look strategic roads authority?

Sir John Armitt: In terms of the strategic roads authority, the ability as an operator to interface with an organisation that is running the roads on a daily basis, and to have as close a relationship as possible, is clearly desirable. You want an organisation that is able to make decisions without having to refer back to others. It obviously needs to be an organisation with the right skills and resources in it and, hopefully, consistency of approach. What is important is that, exactly as we have been seeking to do in rail, you get maximum co-operation and understanding between the owner of the infrastructure and those operating on it. Only by the two working together will you get maximum efficiency.

Q61 Jason McCartney: In your review of infrastructure, there was quite a bit of comment about short-termism and political manoeuvring coming into play. Do you have any conclusions or suggestions on how to get round that? We are seeing it now with HS2, for example.

Sir John Armitt: Yes. Our suggestions to get round that were quite straightforward. Essentially, you have to assess the need. You then have to have a statutory obligation on someone, and we recommended the Chancellor, to receive that and put it before Parliament for it to be debated. This would be for several elements of infrastructure; we would be looking at half a dozen different forms of infrastructure, taking a 30-year view of the challenges being faced, and therefore what needs to be done to meet those challenges. You would then take whatever Parliament decided and give it to the individual Government Departments, and they would be required to come back and say what they were going to do to meet that 30-year challenge, and that would also have to be debated in Parliament. At the end of it, you would hopefully have a series of policy statements for each of those sets of infrastructure, which could only be changed by another vote in Parliament. Clearly, that is possible, and at least it would reduce the likelihood of individual Ministers within a Government wanting to change what had previously been agreed by Parliament; indeed, even with a change of Government it would require Parliament to sit down and say, "We are going to debate this again and review it." Changing circumstances could make that desirable anyway, but the key thing emphasised to us was that any proposals we made that did not have statutory powers through Parliament would, frankly, fail fairly quickly.

Q62 Chair: You chaired the successful Olympic Delivery Authority, which was a departmental body. What lessons could you take from that for the future of the Highways Agency?

Sir John Armitt: We were a non-departmental public body; that was our formal title. Having said that, essentially I reported to Tessa Jowell at DCMS, so to that extent there was a direct relationship with a Department. The freedom we had was to recruit on the open market; we were not constrained by civil service rates of pay, and we were able to incentivise people. Having said that, the authority was relatively limited. Any capital expenditure over £25 million had to go to the Department for approval, so we did not have carte blanche to spend money without the Department understanding.

This situation requires maturity on both sides. Just because you are an arm's length organisation, if you are spending public money you need to recognise that, at the end of the day, you will be accountable to Government in its different forms. Our approach was to have a very transparent relationship between ourselves, the Government and the Opposition. When Labour were in power, I used to brief the Opposition spokesman on pretty well everything on which I was briefing the Government Minister, because I thought that the benefit of both parties having the same information was likely to lead to a more sensible debate about anything than one in which people were acting on rumour. We had the benefit of being outside and able to get on with what we were doing, but, inevitably, if you are spending public money, you can understand your political masters wanting to understand exactly what you are spending it on and why. Therefore, you need to be very open, and report regularly on what you are doing and make sure you have got them on side, rather than them suddenly discovering you have done something and not feeling at ease with it. It requires a very strong two-way relationship. In a way, it was the same at Network Rail. Although Network Rail are supposedly a private organisation, at the end of the day, if two thirds of the money is coming from Government, you must recognise that the Secretary of State for Transport will feel very concerned about what you are doing. Therefore, you need to have a close relationship, notwithstanding what the textbook model theory may say about the relationship.

Q63 Jim Fitzpatrick: Following on from the Chair's last question, you will have heard Mr Cook a few minutes ago talking about who audits the Highways Agency in terms of its value for money and its performance, and struggling to identify who the customer of that agency should be. You are a major customer, in that National Express are one of the biggest users of the network. Do you have confidence in their performance at the moment? You will have looked at the Government's programme in "Action for Roads" and the proposals for the Highways Agency. Does that give you greater confidence that they will improve their performance over what they are doing at the moment? Do you have a view on the direction of travel?

Sir John Armitt: The broad direction of the proposals is sensible. Giving that degree of day-to-day managerial independence to a separate body is a sensible thing to do. On the way in which that organisation is held to account, inevitably they will have to suffer the NAO coming round and looking at what they are doing, probably on a six-monthly, or 12-monthly, basis. At Network Rail, when we discussed the role of the members in holding it to account, I said I always felt more accountable to the regulator than I ever did to the members. A good regulator has a clear role to play. Comparison of the RIS here and the RUS on the railways is a good thing to be doing, but it needs to be questioned by somebody, and that is something a well-informed regulator can do. The concept of having the consumer, the passenger, represented in some way or other is very important. I agree with what Alan said. It is the same on the railway.

To a large extent, infrastructure has been driven by engineers—I am one of them—who at times struggle to remember that there is a final customer. At times, they are bemused as to why the final customer cannot understand that the engineering solution is so obvious that they must agree with us. The reality is that the customer wants his railway and road open 24/7. He says he is paying for it in some form or other and, therefore, he is not very sympathetic to anything that is denying him access to what he is paying for. Frankly, I have sympathy with that. We are used to picking up our telephone and it working 99 and a half times out of 100, and we expect the same from other public services. We need to recognise that for both road and rail, and to say all the time how best can we serve the customer. There is no point building a road just because engineers like to do it; at the end of the day, it has to serve the community and wider society.

Q64 Mr Sanders: It is nice to be questioning you on something other than the Olympics; in my old Culture, Media and Sport days, you were a regular attender. With your National Express hat on, and given that National Express is concerned with road and rail, do you have a view on how the Department for Transport seems to deal with road and rail separately when as a company you have an interest in both?

Sir John Armitt: We have a very different relationship. On the road, we are essentially a free operator; we can do whatever we like. If we want to start another coach service tomorrow, try it out for a week and see whether there is a passenger demand or response, we will do it. We are not on a franchise; other people can compete with us. Any of us sitting in this room can buy a coach tomorrow and seek to give National Express a run for their money. It is a very different environment from that which exists on the railway, where, as Alan said, there has been a tendency for Government to want to specify almost everything in the franchises bar the quality of the coffee. The very nature of the timetable makes it very difficult to introduce new services without lots of debate and discussion with everybody else. The two are very different and require an entirely different approach.

From an operational point of view, the easier one to deal with is coach. In terms of rail, we are there as a consequence of privatisation. Privatisation, in overall terms, has been beneficial to rail for a number of reasons. I would not change what goes on in rail a great deal. Going back to Alan's comments about outputs rather than inputs, it is getting the balance right. We are all the same. When we are specifying to our suppliers or subcontractors, we have to resist the same tendency to tell them precisely what it is we want rather than leave them to come up with ideas and innovation.

I am on the board of Transport for London. Recently, TfL tried to give maximum opportunity to the contractors bidding for the Bank station upgrade, which is a several hundred million pound project. They got terrific benefits as a consequence of letting the contractors get stuck into the TfL specification and come up with ideas that reduced the cost and time required. I am all in favour of trying to give the maximum opportunity to train operators or contractors, whoever it might be, bidding to the public sector to use innovation. It makes the process of competition slightly more complicated, because in a sense you have to be more open and you may have to defend your final decisions in a rather more complex way than simply having to tick some boxes, but there is real value to be gained by doing that.

Q65 Chair: What do you think are the main challenges the Highways Agency would face as a publicly owned company, if this proposal goes ahead?

Sir John Armitt: Reading through the document, I was unclear as to the degree to which the private company was going to be free of Government pay constraints. It would definitely need to be. Overall, I felt that, if anything, it needed rather more freedom than was being proposed in the document. The question is: do you give a little bit of freedom and see how it goes, and then give a bit more, or do you start by giving it rather more and taking it back if it proves unsatisfactory? But certainly I think the advantages of creating such a body outweigh any disadvantages.

I was a little confused as to who was going to be handling major projects and whether the Department wanted to hold back the really large projects to itself, giving only the medium-sized ones to the agency. I would argue that, if the agency is to be there, it should be responsible for pretty well everything. The only time when that has not applied on the railway has been something like High Speed 2, and indeed High Speed 1, which were taken forward by Government outside the normal operating mechanisms. You need a well-resourced organisation able to recruit the right quality of people. To come back to my review, if it is still operating in an environment where Government is constantly putting on the brakes every time it wants to do a bit of saving on capital expenditure, you are not going to see very many benefits from the agency. The agency needs to sit alongside, as does Network Rail. The main benefit of privatisation in the railway, frankly, has been the five-year spending review, instead of what BR had, which was annualisation. Being able to set what happens with the RUSs means you are taking at least a 10-year forward view of railway demand. You are then creating a shorter-term requirement, every five years, to say what you need to do to fulfil that, and being able to get on with it is the main benefit to the railways. If we could introduce a similar approach in an agency for the road network, it could potentially work quite well.

Q66 Martin Vickers: Earlier, I asked Professor Goodwin why both passenger and freight traffic was increasing on the railways at the same time as road traffic was increasing, and therefore how we could move from road to rail. If we accept that this Government, and all anticipated future

Governments, want to achieve more economic growth, can we achieve it and, at the same time, move traffic from road to rail, or do we just have to accept that we have to increase capacity on the road network?

Sir John Armitt: It is a bit difficult to move capacity from road to rail; it is a lot more expensive. We saw that with the decision of the Post Office to take post off rail and put it on road. The price difference was very significant, and you could see why it was almost an inevitable decision. Road gives you a flexibility that rail does not. Rail is suited to heavy goods and materials. You could argue that high-speed rail would give you some opportunity to move some goods in that way, but with the best will in the world, if you tripled the amount of freight carried by rail tomorrow, it would be a small dent in the total volume of freight moved in this country. I believe that road will remain the major way in which freight is moved around the country and, therefore, our plans for the road network need to reflect that.

The strategic road network is one thing; roads within cities is an entirely different one. We can see the benefits in London from the amount of investment that has gone into public transport that enables people to use it. You can control and have influence over the degree to which the car is used in urban areas. The delivery issue is an entirely different matter. We saw in the Olympics how, if you take drastic action by insisting that freight is delivered during the night time rather than during the day, you can make significant changes to congestion and the way in which roads are operated during the day. Those issues continue to be looked at, and they are challenging for a number of reasons.

Today, I have been at a meeting of the Airports Commission. Listening to Professor Goodwin's views earlier, there are no right answers. All we can do is use the best expertise we have; take the best evidence we have; give it a very thorough examination; recognise that we have some conflicts in terms of the desire to travel and, at the same time, bring down carbon emissions and footprints; but then as technicians to make the best possible recommendations we can to politicians to give them the best chance of making a reasonable decision. You will never be able to say that it is absolutely the right decision or the wrong decision. You have to do the best you can against the expectations of the electorate. I believe that to a large extent the electorate still like their motor cars and like using their motor cars.

Chair: Thank you very much, Sir John.