



Transport Committee

Oral evidence: Better roads, HC 850

Monday 6 January 2013

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[Evidence from witnesses](#)

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

Questions 133-196

Examination of Witnesses

Witnesses: **Peter Box**, Chair of Economy and Transport Board, Local Government Association, **Jim Coates**, Chair of Road and Traffic Forum, Chartered Institute of Logistics and Transport in the UK, **Joanne Dodds**, Technical Director, Intelligent Transport Systems (UK), **Andrew Hugill**, Director of Policy and Technical Affairs, Chartered Institution of Highways and Transportation, and **Shaun Spiers**, Chief Executive, Campaign to Protect Rural England.

Q133 Chair: Good afternoon and welcome to the Transport Select Committee. Could you please give us your name and organisation?

Shaun Spiers: Shaun Spiers. Campaign to Protect Rural England.

Joanne Dodds: I am Joanne Dodds. I am the Technical Director for ITS (UK) and also a designer within URS Ltd, which designs a lot of the motorway communications.

Jim Coates: Jim Coates. I chair a group on roads and traffic in the Chartered Institute of Logistics and Transport.

Andrew Hugill: Good afternoon. I am Andrew Hugill, the Director of Policy and Technical Affairs at the Chartered Institution of Highways and Transportation—take a deep breath.

Peter Box: I am Peter Box, chair of the Local Government Association's economy and transport board and leader of Wakefield council.

Q134 Chair: Thank you. Mr Spiers, you have expressed concerns with some aspects of the command paper. Is there anything there that you agree with and you think would be helpful?

Shaun Spiers: Yes, there are things that we agree about: retrofitting existing roads; an emphasis on maintaining existing roads better; some good stuff on aspirations on noise and light pollution; and some aspirations at least, although not much that is concrete, on increasing cycling and non-motorised transport. The things we agree with are dwarfed by the general emphasis on just building lots more new roads in an attempt to relieve congestion and get the economy moving, which is not evidence based.

Q135 Chair: Are you against any new road building or is it just to do with the emphasis you think is in the paper?

Shaun Spiers: It is the emphasis. CPRE has supported a few road schemes, but we think it should be a last resort, not a first resort.

Q136 Chair: What is wrong with the Highways Agency as it is now? Who would like to volunteer? Perhaps you do not think that anything is wrong with it.

Jim Coates: I think the main difficulty is that it does not have a secure budget for a period ahead. Perhaps the most important thing in the Government's proposals is that they would give this new company a five-year budget, which would make it easier for it to plan properly for the future. At present, it is more subject to stop-go.

Andrew Hugill: Just to add to that, from our perspective and our members' perspective, the changes proposed, particularly around the creation of a performance specification that makes it absolutely clear what the agency and the reformed company are there to do, meeting the needs of the varied customer groups that the network serves, are a very important and welcome step.

Joanne Dodds: From my perspective, they have done really well. If I was writing a school report, I would say they have worked really hard, but they still need to interact a lot more with Team UK—their classmates, so to speak. From a technology perspective, the "Action for Roads" document calls upon the use of technology a lot, but ostensibly the Highways Agency is still, in my mind, catching up with its transformation from being a road builder to a road operator. As a consequence, when you talk about things such as congestion, you are looking just at pinch point areas of congestion, whereas technology can offer a whole lot more for the whole journey, both on the strategic and on the non-strategic road network.

Q137 Jim Fitzpatrick: Can you just elaborate on what kind of technology you are talking about, Ms Dodds?

Joanne Dodds: I am talking particularly about more journey information to help people, both pre-trip and in-trip, to plan their journeys and specifically about something to facilitate better use of the strategic network, which sometimes gets forgotten—the A roads, for example.

Q138 Chair: Councillor Box, in the written evidence from the Local Government Association, you talk about the Highways Agency seeing itself as somehow isolated or separate from the local network and from organisations such as local enterprise partnerships.

Do you see that as a fundamental error because of the structure of the Highways Agency, or is it just about how it is managed?

Peter Box: I think it is ingrained. We have not mentioned yet that the Highways Agency is responsible only for 2% of the network; 98% of the network is the responsibility of local government, and you cannot really look at one without the other. I think the LGA's position is quite clear: we believe that any investment decisions should be taken jointly; you cannot look at one without looking at the other. Indeed, we need to make sure that, after looking at both the strategic network and the local network, we look at transport in the round: how does what we do on the roads impact on what might happen with future rail investment or future investment in terms of airports?

Q139 Chair: Is it a general pattern that that does not actually happen?

Peter Box: It does not happen very effectively at all.

Q140 Chair: How much knowledge do you think the Highways Agency has of its assets? Do you think it has a full picture of the assets that it has: flyovers, bridges, tunnels?

Andrew Hugill: I think the agency has made tremendous strides in understanding its assets. I would say, viewing the whole highway network—the strategic network is better understood than the vast majority of the network, which Councillor Box referred to in terms of the vast range of the local authority network—that the agency has made great strides on certain types of contractual standards. I am talking about understanding of an asset over the long term and how investment changes and improves the asset condition. One of our views and our members' views is that that is a key part of the new organisation moving forward—retaining that knowledge. But I think the agency is in a strong place.

Q141 Jim Fitzpatrick: I am sorry, Chair, but can I just go back to Councillor Box? The LGA evidence made the point about 2% of the strategic road network being with the Highways Agency and the rest being under the control of local government. Therefore, is the mismatch cultural? Is the issue investment? Is it political leadership? Is it the liaison between the Highways Agency and local government? What is not working in your view if it is not operating as effectively as it should be at the moment?

Peter Box: The problems are historical; they are not recent. The Highways Agency has simply—certainly from the LGA's point of view—not engaged in a way that we feel is helpful. Having said that, I hear what Andrew has said about where the agency stands now. The LGA is concerned about the future—how to ensure that we get it right when over the next few years we look at investment that will impact on people for years ahead. So we have a real opportunity, if we are looking at investment in the strategic network, by making sure that we look at the local network at the same time.

I can give you an example, Chair, time permitting. I travel to Wakefield town hall on about three miles of a strategic network, because the local network is not actually good enough to get me to Wakefield when I need to get there. That is just one example of how the two things interact with each other in a very practical way for many, many people right across the district that I represent. That is replicated right across local government.

Q142 Jim Fitzpatrick: Are you confident that the Government's strategic paper and the plans for the Highways Agency are addressing those concerns about getting it together? Or are you unhappy with them?

Peter Box: We would like to make the case very forcefully for making sure that that happens. There has got to be real dialogue between the strategic level and the local level if we are to get a good deal for taxpayers.

Joanne Dodds: I would like to add to that. At the moment, the Highways Agency hardly owns any traffic lights or traffic signals, for example, but it is responsible for maintaining the standards against which the local authorities purchase all these traffic signals. With this new status of the Highways Agency, I know that a lot of the members of ITS(UK) have got significant concerns about how those standards will be maintained, because local authorities cannot afford to do that kind of maintaining standards or developing things for their local road networks—independently they are too distributed. So it is not clear whether that central function previously undertaken by the Highways Agency will be kept, given the agency's new status.

Q143 Sarah Champion: Leading on from that question, does this mean that the Highways Agency ought to be able to borrow money even if it has enough resources in this reformed shape that it has taken?

Joanne Dodds: The DfT part knows a lot clearer—I have heard from the people in the Highways Agency that they believe that the DfT knows what is going to happen in terms of this devolution, but that it is a kind of “everything else” that the Highways Agency will do and it is not necessarily very clear. Whereas I see things—like my colleague here—about a journey being holistic, starting and ending usually on a local road network. Technology will help people—we all know and use sat-navs. Usually, as soon as you get on the strategic road network, you know roughly where you are going, but it is that initial bit of the journey and, more particularly, the bit at the end that people are very concerned about, so we should be working as one. You may well start off in one local authority area and end up in another local authority area, so it should be consistent still, across all the local authorities.

Q144 Sarah Champion: You alluded in your first answer to that cross-country and cross-Department communication not happening, so do you think that there is a fundamental flaw there?

Joanne Dodds: What I would like to see is a clear statement from the Highways Agency, or from another entity—I am not precious about that—to say, “This is the work that you need to do. You need to work non-strategic roads with strategic roads”, and indeed the interconnections with other modes of transport as well. Ideally, for example, perhaps to use their local road to get from their house to wherever they are going and to the park-and-ride site more, so that they can then go into a city, and that would be better for the environment as well.

Jim Coates: Could I add a point? There are two issues that have arisen there. One is about technical standards and whether the Highways Agency, particularly when it has been turned into a sort of state-owned company, is the right body to be maintaining standards for local authority roads. In the old days, it was the Department for Transport that was involved with setting the standard traffic signs, traffic lights and so on, which cover the whole of the network. I think there is probably a fairly strong argument, if this change takes place, to make

the strategic roads company a much more independent organisation responsible for its bit of the network, but for that general regulatory responsibility to go back to the Department or to a regulator. I am worried about the expertise being too fragmented. One hopes that the new company will be even more expert, and the regulator will need to be expert if it is to do its job properly, so you do not want the Department second-guessing all that. Some sensible answer has to be found as to where some of these more general functions should sit.

The other thing on the interaction between the strategic network and the local network is extremely important. Part of what you might think of as the strategic network—the primary route network, which is the roads with the green-backed direction signs—are local authority roads. They have worked together very closely with the ones that are the responsibility of the Highways Agency. The new arrangements need to make sure that the highways company's objectives require it to take account of the rest of the network and to have a proper dialogue with local government.

On a more specific point, I assume that one of the purposes of the route strategies that have now started off is to achieve that integration. If you look at what they are doing on the south coast road and so on, it involves the Highways Agency, all the local authorities, the LEPs and businesses and so on. They are not just looking at what needs to be done to the M27 and the other roads along the south coast; I think and hope that they are looking at the corridor to see what the problems are, how local government is looking at it and to what extent those problems can be dealt with by public transport infrastructure.

Q145 Chair: The regulation that is proposed here is Passenger Focus and the Office of Rail Regulation, which look at different aspects. Mr Spiers, I think that you have made comments about Passenger Focus, suggesting that you feel confidence that Passenger Focus could be a quasi regulator looking at the interests of the users.

Shaun Spiers: If Passenger Focus is properly funded and has proper terms of reference, it could become a suitable regulator. Our concern is that there should be a regulator, because if you are setting up an independent company to oversee the biggest road-building programme since the '70s, it has to be properly accountable. It has to be properly accountable also in terms of sustainable development. The national planning policy framework, which was painfully born a couple of years ago, says that the purpose of planning is to achieve sustainable development. The term “sustainable development” is totally absent from “Action for Roads”, and there is a sense that the Highways Agency is responsible to the user of roads rather than to everybody who is impacted by roads. That is clearly a big worry from a social and environmental perspective. We are concerned about the regulation and about the terms of reference for an independent company.

Q146 Chair: Would you want to change the proposals, as they stand?

Shaun Spiers: We think it should have a statutory duty to achieve sustainable development. There is a rather give-away section in the consultation, which I have now lost but which basically says that if it has to worry too much about the environment, it will lose focus. If you are building a whole lot of roads, which have huge land take and huge environmental implications for biodiversity, climate change, people's quality of life and so on, the agency must have accountability not only to the drivers of vehicles on the roads but to the wider public interest.

Q147 Chair: In your comments about the current Highways Agency, which we have referred to, you say that it doesn't work as well as it should with local authorities, the local enterprise partnerships and similar bodies. Would these proposed changes make that better?

Peter Box: As they stand, probably not, which is why the LGA made its submission. The one figure that has not been mentioned—it is a Government figure—is this: traffic will increase by 43% by 2040. If you asked most of the people we represent in our different ways whether the roads are busy at the moment, they would say yes. Whatever governance structure is adopted by Governments in the future, we have to ensure that there is effective co-operation between investment at the strategic level and investment at the local level, because decisions we make now will impact on that increased traffic in 2040.

Whatever hasn't happened effectively in the past is in the past; it is the future the LGA is bothered about. It is about ensuring that there is that strong co-operation. It is interesting that the Highways Agency is responsible for 2% of the network, yet it will get £15 billion of funding by 2021. Local government is responsible for two thirds of the network, but we will only get £13 billion. There is a clear mismatch on the balance of investment going forward, which needs to be looked at.

Q148 Chloe Smith: My point follows neatly on from some of the points that Councillor Box has made. I wonder what the panel's views are on how the Highways Agency of the future should be democratically accountable. You make a very fine point—it was teed up nicely—on the oversight that perhaps should be made of budgeting and the fairness of allocation. In a democracy, we do that fairness of allocation through public engagement and democracy itself. Following on from Mr Spiers' point—I think he said he would be interested in using public accountability to ensure sustainability—what are the panel members' views?

Peter Box: My view is simple: there should be greater devolution and greater democracy.

Q149 Chloe Smith: So how, in a central Government agency, would that be achieved?

Peter Box: By having local involvement. Perhaps it is not beyond our combined wit to have elected representatives involved in whatever governance structure is to follow.

Q150 Chloe Smith: Through the Secretary of State or through local government representation?

Peter Box: Through local government representation. That would tie in with the plea I have made for greater involvement between national and local funding.

Andrew Hugill: From a CIHT perspective, one of the points we made in our evidence was on the importance of the performance specification that the agency has to work through. Just to be clear, when we talk about performance specification, it is not just about the enhancement of roads and the technical aspects; it looks across all the aspects that relate to the purposes of the network. That picks up on Mr Spiers' view on the environment and democratic accountability.

There is no reason why that performance specification cannot be developed with the range of stakeholders that have purposes linked to the strategic road network. It is vitally important that the purposes of the strategic road network outside its boundaries—on the local network—are captured clearly in that, particularly in relation to development at a local level,

because that is one of the key areas and purposes. While the 2.4% of the network that is strategic is absolutely critical, the development that it enables is all on the local authority network, almost without exception. Without that linkage to local needs, there is a risk of investment not being used effectively.

Jim Coates: I just wanted to make one minor point about the strategic road network making up only 2% of the length of the network. That may be true, but it carries something like a third or more of the freight and a very high percentage of travel as a whole, because it has a very high capacity. You can regard the trunk roads, if you like, as major sewers draining the traffic out of all the other roads that would otherwise be totally clogged up. A traffic engineer once told me that the way that traffic behaves is exactly like water. If you look at water engineering and traffic engineering, the general principles are the same. Traffic will percolate all over the place like water.

We have to recognise that the strategic road network has a national significance out of all proportion to its length. Of course, we need to make sure that it is properly integrated with the local roads and that there is a proper dialogue between the Highways Agency and the local authorities, and some of us wish that there were still regional bodies that it could talk to because sometimes you have to take a wider view than an individual local authority will. Those relationships have to be there, but I don't really quarrel with the Government's proposal to do something specifically about the strategic network. There is a separate argument about what funding local authorities ought to have.¹

Peter Box: Most journeys begin and end on local roads, and the truth is that if you have large amounts of freight on the strategic network they will leave that strategic network and go to the local network. So we have got to make sure that the two things are seen side by side. Every winter I go on the radio on behalf of local government, saying how much the roads have deteriorated because of the bad weather. I think that at the moment the figure is estimated at £11 billion to bring the local network up to scratch. So, unless you look at the two things, you will simply end up with a better strategic network that makes it faster to get to the next traffic jam.

Q151 Chloe Smith: May we just complete the panel's views on democracy and technocracy?

Joanne Dodds: I am in favour of having a body that represents the non-strategic road network, because then it gives a clear channel to the Highways Agency and another organisation to deal with directly, rather than the 300 or so organisations with all the different local unitary authorities. That is fine from an elected member's perspective, probably much like you are here today. But the issue really is that, from a technology perspective, we are on the cusp of a real revolution here. I notice a lot of you have got tablet computers, so if you really got bored you could probably tune in and watch a TV programme or something while you're here now, but—

Jason McCartney: I am watching "Blue Peter" now, with John Noakes. *[Laughter.]*

Joanne Dodds: The thing is that people don't think, "Oh, I'm on the strategic road network" or "I'm on the non-strategic road network." They have got their vehicle, or their mobile device, which is helping them do their journey, irrespective of whether they are walking, on the bus or in their car, and they want it to be a whole-life thing. And the trouble is

¹ I should have added that the funding the Government are proposing for enhancement of the strategic network seems most unlikely to be sufficient for the reasons set out in paragraphs 10 and 11 of the Institute's paper.

that if you sometimes have the people who are elected, they only really go with what they know, whereas what I want to see is the equivalent of—you go everywhere with your mobile device, and as I say it doesn't matter what form or mode of transport you are using: you've got the same level of service, irrespective of whether it is on the strategic or non-strategic road network. We need to have the specialists in things like ICT and other technology, which does then line up with the Government's ICT strategy as well, to deliver that service. And it is quite revolutionary, compared to how the roads have been managed traditionally.

Q152 Mr Sanders: I want to drill down on this idea that decisions can all be made locally, which I am usually very much in favour of. We seem to have quite a mixed system in the UK. We have some transport authorities that cover several districts, and then we have large parts of the country where the counties are the highways authority. Where should the lines be drawn? What is the best arrangement? Is it the London arrangement? Is it the metropolitan—old counties—arrangement? Or is it the county, district and highways authority arrangement?

Chair: Very brief observations, because I think we are going into some very complex territory.

Peter Box: I don't think one model is going to fit the entire country. So, counties will deal with transport issues in some areas—North Yorkshire, for example—and in the conurbations it will be the integrated transport authority.

Q153 Mr Sanders: But isn't the real issue here the lack of co-ordination between the different decision-making bodies? If Whitehall is saying it is going to draw a blue-line motorway from A to B and there is a town in the middle, doesn't that town have to have some say? Should there not be some consideration of the fact that the town might use that route as a local route rather than a strategic highway?

Peter Box: There is co-ordination between local authorities. The issue is that there isn't co-ordination between local authorities and strategic investment.

Mr Sanders: There is no co-ordination between local authorities, or between local authorities and the Highways Agency?

Peter Box: Between local authorities and the Highways Agency.

Shaun Spiers: To return briefly to Chloe Smith's question on accountability, the other thing that CPRE is very keen on is that the Highways Agency should follow the open data principles that apply increasingly across Government. It is really murky to try to get to their evidence base; for instance, the maps that they produce exclude any consideration of cycling, rail or whatever, so it is quite hard to get a sense of whether the new road is necessary. We would like the data to be much more publicly available so that civil society, NGOs, local authorities and so on can scrutinise the evidence base that the Highways Agency is following. At the moment, that is not happening.

Q154 Chair: New technology has been mentioned a number of times; Miss Dodds, it is your field of expertise and you have raised it. What can new technology do both to improve maintenance standards on the highways network and to cater for additional demand on the network?

Joanne Dodds: First, on the smart motorway work, the evidence is that it actually increases the capacity by about 30% without any extra land take. That is a really good thing for reducing congestion at a fraction of the price. It is also an awful lot quicker than, say, widening a road or building a new road. That in itself will improve journey time reliability, as well, when you put in things such as efficiency and controlling the speed limit—if people are doing less stop-start driving, it is safer and there are fewer accidents. You might know that it is going to take you 40 minutes to get somewhere, but it is far more likely that you won't be hanging around, or indeed be late for your meeting.

In terms of maintenance, we should be designing more for maintenance. The main thing that technology can do, though, is take away a lot of the maintenance burden for the technology assets we see on smart motorways. There is a lot of technology going on the roads but I am very much in favour of in-vehicle technology, where the signs become something on a device actually in the vehicle. That is a project I have personally been involved in; we ran the prototype in November, and it can be done. We replicated all the signs there were going along a particular stretch of the motorway. That particular piece of work cost £700,000; to give a comparison, that is probably about the price of one gantry site on the motorway.

Some investment is needed for that. A change in the law probably needs to happen as well. Although the “Action for Roads” paper mentions using satellite navigation, it is illegal for a driver to look at the screen, so that needs to change.

Q155 Jason McCartney: I was just going to move on to smart motorways and the managed motorways scheme. As Councillor Box will know, the M62 between Huddersfield and Leeds, where my constituents commute, has just been completed, and there is also the M1—I crossed it this morning on the way to Wakefield—which is going up from junction 39. So, Mr Spiers, the managed motorway scheme is increasing capacity by 30%; would the CPRE see that as a similar issue to house building on a brownfield site—maximising what you have already and minimising the environmental impact? Have you done any research into that, or do you have any views on it?

Shaun Spiers: Yes, we have, and we would favour the managed motorway approach. In terms of the commitment in “Action for Roads” to dual all the main single carriageway A roads, we think there are alternatives, such as two-lane-plus-one-lane, which apparently works well in Sweden and Ireland. It takes less land, but can raise safety to motorway standards.

Q156 Jason McCartney: Is it a sticking plaster solution, or do you see it as a long-term solution for the increased amount of traffic we are expecting on our strategic road network?

Shaun Spiers: The only long-term solution must include a real commitment to demand management, and it is really regrettable that the whole focus on demand management over the past 20 years appears to have dropped out of “Action for Roads”, based on the view that building new roads will relieve congestion and aid economic growth, neither of which is very evidence-based.

If we accept that there is going to be a 46% increase in traffic by 2040, there is just no way, in a small, crowded country like ours, that we can build enough roads quickly enough to meet that demand—let alone the points that have been made about the fact that most journeys start and end in towns and are not on the strategic road network.

So no, it is not a sticking plaster if it is accompanied by really serious attempts at demand management and promoting other forms of transport. One of the things, for instance,

which is absent from the projections is not only anything particularly on increased cycling, which we have seen is having an impact in London, Cambridge and some other cities. One of the premises of the HS2 project is that it will increase rail capacity by enabling more freight and passenger trains to go on existing lines, but the fact that that should have an impact on demand for roads seems absent from the calculations that are driving this project, which appears to be driven largely by the Treasury as well.

I cannot see quite why all the evidence in the past 20 years that new roads induce new demand has suddenly been junked. There is no new evidence that suggests that the thinking of the past 20 years has been wrong.

Q157 Jason McCartney: Councillor Box, you obviously have this managed motorways scheme in your patch, in Wakefield, as I said. How well was this communicated to the local authority that benefits from it? What opportunities did the local authority have to input into this programme?

Peter Box: There was no real opportunity to have an input. Having said that, it is working well. I say that as someone who, like you, travels on that particular stretch of road. However, as you will be aware, about four weeks ago there was an accident on the M62, and all the smart management in the world didn't stop my city being completely clogged up for 11 hours.

Sometimes it is a question of ensuring that we have smart management, but also that some of the old-fashioned ways of doing things are not forgotten as well. As I said, it devastated the city for a complete day, with an impact on businesses, local people and people trying to get children to school. We can support the smart management of motorways, but we cannot forget the old-fashioned ways sometimes, which will work as well. A simple sign would have been a huge help.

Q158 Jason McCartney: Mr Coates, did you have something on using technology and smart motorways?

Jim Coates: I want to follow up what Mr Spiers was saying about demand management. The CILT, as members of the Committee may know, has always been strongly in favour of road pricing, which is the most extreme form of demand management. We still hold that view, particularly as a large part of the congestion on our road network is limited to peak periods in particular places. For most of the week the roads flow perfectly freely and there isn't a lot of traffic. The traffic can perfectly well flow within the existing capacity. But there are certain times when that is not the case. That is where you need demand management.

The Government say in one of their documents that they are not going to provide roads for unconstrained demand, but they don't say how they will constrain it. There are no proposals for constraining it at all.

I think—and I think my colleagues in the institute think—that even if we had demand management in the sense that we would impose charges at the peak, which are economically sensible and efficient, you would still need a lot of extra road building. The fact that more people are going to travel doesn't mean that you shouldn't provide the capacity for them. We don't say, "Oh, isn't it terrible that Marks & Spencer have opened a new shop? That will encourage people to shop more." There is an economic benefit to some of these things. The population is going to increase by 20%. These people will want to have goods and services. We cannot somehow escape the fact that road demand is going to increase, but it will not help

that the cost of motoring is going to fall—the Government say by about 28%—because of greater fuel efficiency. That is going to increase the amount of travel. We have said in our paper that we think this is an opportunity the Government should take gradually to start introducing complementary systems of charging.

I am sorry to jump about, but I wanted to make another point about technology, particularly as it relates to the problem of peak travel and people going into cities. I am sure there are all sorts of things that can be done to encourage motorists, particularly as they approach a major city, to make the rest of their journey by public transport—park and ride and things of that sort.

There are some examples. We know about Shrewsbury, Cambridge and Oxford, but there are others as well. As you go along the main road—sometimes it may be a strategic road, sometimes it may be a local authority road—there are clear signs saying, “Don’t, for heaven’s sake, think of driving into the centre of this town. There’s a park and ride site here, and there are frequent buses.” You could combine that with information about how quickly you are going to get to your destination if you go for the park and ride, and how long it is going to take you if you don’t. That can be done with visual signs, and it could perhaps be done in more sophisticated ways.

So even in the absence of road pricing, you might manage to persuade a significant number of the people making for a town centre to leave their cars on the outskirts and make the rest of their journey in a way which is organised so as to be perfectly easy, efficient and satisfactory—by bus, tram or whatever it might be.

Andrew Hugill: I wanted to bring together a couple of points around technology and how users view the system. I think all the benefits that come out of the use of the strategic road network, and indeed the local network, are by their usage. It sounds obvious to say that, but it is true. It is not building roads in themselves or enhancing roads that brings benefits; it is how they are used thereafter.

The interesting thing from our perspective about the proposals is the introduction of Passenger Focus and the Office of Rail Regulation as a customer focus. The challenge for the reformed agency is how they use that and how the relationship works. I think real value would come from viewing customers of the road network as customers. On the issues around road pricing and demand management, when you understand customer demand, you can start to manage it in the way that retail people do, and so on. There is a really interesting linkage there that I think is a huge opportunity in these changes.

Q159 Karen Lumley: Bearing in mind the expansion of travel that you are talking about, do you see a future for tolling roads, bearing in mind that near where I come from is the disaster area of the M6 toll road? Do you see a future in building new roads that will have to be tolled in future?

Jim Coates: The M6 is a jolly good example of how not to do it. What they should have done is toll the existing road and make the relief road free, perhaps, or at any rate have a balance of charging for the two roads. The A14 is a similar example of where a Government study has shown that if you apply a toll on this bit of road, which is very important link between the east coast ports and the west midlands, traffic will divert on to other roads which are less suitable. You have both an environmental disadvantage, and don’t collect as much money as you had hoped. If you’re going to introduce charging, you’ve got to think about it

quite carefully and you have to look at the whole network, not just little bits of it here and there.

Q160 Chair: Would you be opposed to charges on parts of the network, rather than a central scheme?

Jim Coates: It is very difficult to have charges on parts of the network, unless it is something extreme like estuarial crossings where the alternatives are not very great.

Joanne Dodds: Road user charging is probably the way forward. I think it should be imposed nationally, although you could discriminate between the different modes, like when you were thinking about lorry road user charging, for example. You would need to introduce it nationally. The big concern I have, for example, is that if you put something like that in on the A14, what economic disbenefits would there be for the communities along the A14? Would businesses choose not to locate there because of the charges on the road?

Q161 Chair: So you are in favour of a national scheme. Mr Spiers, you are nodding.

Shaun Spiers: Yes, we are in favour of a national scheme, too. We are certainly concerned that tolls on specific roads will displace traffic onto less suitable roads.

Q162 Chair: Do you think there is any likelihood of a reformed Highways Agency, along the lines suggested by the Government, becoming something like Railtrack or the early days of Network Rail, with large numbers of contractors that could perhaps reduce efficiency? Does anyone think that is a likelihood?

Andrew Hugill: Within DfT there is clear experience of Railtrack and the issues behind that. The Highways Agency is very well experienced in dealing with its contractors, and the challenge that the agency had in the past, as was picked up right at the beginning, is reacting to a rapidly changing budgetary cycle and determining how to deal with its contractors on that basis. The certainty proposed in “Action for Roads” and in the legislation for sustained funding will enable the reformed Highways Agency to take a sensible, medium-term view of its relationship with its contractors and to put in place contracts that reflect what the network needs to achieve. My early view is that it is important that there is a widespread view of the agency’s needs, rather than a particularly focused view just on costs, for instance. There is an opportunity within the proposals to do that.

Chair: Does anyone have any diametrically opposed views on that? No. Thank you very much.

Examination of Witnesses

Witnesses: **Tara Courtney-Davis**, Senior Managing Director, Macquarie Capital (Europe), **Professor Stephen Glaister**, RAC Foundation, **Andrew Meaney**, Oxera Consulting, and **Nicola Palmer**, Arcus Infrastructure Partners LLP.

Q163 Chair: Good afternoon, and welcome to the Transport Select Committee. Could we have your name and organisation, please?

Nicola Palmer: I am Nicola Palmer, and I am from Arcus Infrastructure Partners. We are a private sector manager of an infrastructure fund that owns six infrastructure assets.

Andrew Meaney: I am Andy Meaney, and I am the head of transport at Oxera, the economics consultancy.

Tara Courtney-Davis: My name is Tara Davis, and I am head of mergers and acquisitions within Macquarie Capital.

Professor Glaister: Good evening. I am Stephen Glaister, and I am the director of the RAC Foundation, which is a research charity.

Q164 Chair: What potential is there for private capital to finance new road infrastructure? Do you have any views on that, Ms Palmer?

Nicola Palmer: We are an infrastructure fund, and we have six assets at the moment, five of which are in the transportation space across port, rail and road investments in the European context. I think there is a huge amount of appetite for private sector investment in roads globally. There are a number of countries across the world and in Europe that have very successfully financed both individual roads and entire road networks using private sector finance capital. In more recent years there have been some issues with the model of private sector finance for toll roads where there has been full traffic risk taking by the private sector on greenfield toll roads. Perhaps we can talk about some of those issues, but I would refer to some of those cases as hiccups in the sector rather than dampening overall demand. If you look at the UK currently, almost every sector has a huge amount of private investment already in infrastructure across the UK. I think roads is one of the areas where that does not happen.

Q165 Chair: What sorts of schemes have been successful in your experience?

Nicola Palmer: On a global basis? I think a number of lessons can be learnt in terms of things that have gone wrong. One of them, and probably the most significant, has been over-aggressive estimates of traffic forecasts on greenfield—entirely greenfield—toll roads. Some of those issues can be addressed by making sure in the evaluation of any bidding consortium that factors other than value are taken into account, and, equally, by looking at risk-sharing mechanisms, so that some traffic risk is borne by the private sector and some of it is mitigated through other methods. Again, we can talk about some of those examples.

To follow up on some comments from some of the panellists before, where you put in private sector investment, there has to be a clear source of revenue. If you look to the private sector to take a traffic risk, you have to be very careful about ensuring that you are consistent across the network in your charging. A single road in a network that is tolled next to competing roads that are not tolled is very likely to be unsuccessful in two ways: one, it will impose risk on the private sector that will get priced in to private sector bids and result in a higher cost of capital being allocated towards the bid for the road; and, secondly, from a public perspective, you will end up with situations where your free roads are congested and your tolled roads are probably not used or utilised to full capacity, which makes you wonder why you are putting them there in the first place. If you are going to have tolling, you have to talk about doing it across the entire network. If you are going to have a user-pays system, you have to be consistent across the network.

Q166 Chair: Thank you. What are your views on this? Where would the opportunities be and what sorts of situations are successful?

Tara Courtney-Davis: Taking a step back, there is an increasing supply of private capital wanting infrastructure investments. For example, in Canada and Australia, 10% to 15% of pension fund money is allocated towards the infrastructure sector. Toll roads would be considered a core infrastructure asset. That is as low as 2% in the US and in the UK only two pension funds invest directly in the infrastructure space. The trend for more private capital seeking infrastructure investment will continue. That means that they will want investment. I think that Nicola is right. They will differentiate between greenfield investment and brownfield investment—investment where there is a track record of patronage and performance versus new-build. What has been most successful is where you have coupled both together; you might have 80% of an asset base as brownfield with 20% incremental capital expenditure obligations by the private sector. Fundamentally, structures that allow private investment have generally been successful in a RAB model or a private finance model where there is some sort of revenue availability stream.

Q167 Chair: Mr Meaney, do you have any comments on this? Where would you see opportunities for private sector investment in infrastructure?

Andrew Meaney: I certainly agree with Miss Davis that there is a lot of private capital looking for this type of asset. Miss Palmer said that there have been hiccups, particularly in Australia, on these new greenfield-type investments. If you want to attract private capital into the roads network there are really two choices. One is a PPP/PFI long-term contract, where the private sector takes some volume risk, potentially, or is asked to make the road available to users. That can work well for individual assets, or you can have a more regulatory model such as you would see in the water or energy sector, but that would have to apply on a network-wide basis. There is certainly an opportunity to involve private capital in the road network through either of those two mechanisms.

Q168 Chair: Professor Glaister, do you want to comment on this issue?

Professor Glaister: Only to agree with everything that has been said and to point out, in case it is not obvious, that you can draw private investment into these assets, but that you do not have to privatise the asset to do so. There are all sorts of models that allow you to do that; there are examples all over the world, in large numbers, where this has been successfully done. We have been speaking about the failures, but let us not forget that this has been done on a massive scale in Canada, America, Australia and any number of places that you might care to mention. It can be done very successfully.

Thinking about the UK, we have already heard—I think everyone would agree—that there is enormous appetite from pension funds for this kind of asset. It is a wonderful opportunity for the private sector to invest. It is a simple asset, the demand for it is growing, there has been historical underinvestment and it is absolutely the right kind of thing that pension funds would like to invest in, if only there was a model into which they could invest—in other words, if only there was an income stream through which the private sector could get its return. At the moment, there is not.

Q169 Chair: Could you give us any examples of where investment of this sort has been successful?

Professor Glaister: My colleagues will know better than I do, but Australia has, I think, 14 toll road schemes—Sydney has nine of them. I know that two of those have failed, because of the problem that was mentioned of immaturity of the market, overbidding and so on, but that is just a feature of a commercial market, with people taking risks and occasionally things not turning out well. Fundamentally, however, if you go to Australia, you will buy a single tag that will allow you to travel on a number of toll roads in Sydney, Melbourne and Brisbane. Broadly speaking, that has been successful, hasn't it?

Nicola Palmer: As a broad concept, I think that is right. The development of toll roads in Australia started in the early '90s and for a good 15 years there was a huge number of success stories in the toll road sector. What we have seen in around the 2007 or 2006 period was some overaggressive bidding in the market against traffic forecasts, and I think that there has been recognition of some of the failures of those schemes and measures taken to address them, but I would emphasise them as hiccups, rather than the lesson being, "You shouldn't do private sector finance of toll roads." The reality is that Sydney and Melbourne now have wonderful networks of roads, which have all been financed by the private sector very successfully. They are constantly looking at new opportunities. Another road is now being planned in Melbourne, where they have done a basic east-west route; they will do the north-south route in the next few years.

Professor Glaister: France has the best motorway network in the world.

Q170 Chair: Do you have any examples to cite that would be applicable here in the UK for private investment in roads.

Tara Courtney-Davis: I was going to mention something closer to home, which is France. That is the kind of regime where it is not a user-paid toll road right at the end of the spectrum where the private sector has complete discretion over the tolling and the patronage; that regime has to negotiate with the authority how it tolls and what capital expenditure obligations it will meet over a five-year period for a given set of tolls. So we would use a hybrid, in some ways, between a pure patronage-based direct toll road and a RAB-based system. Interestingly, the French system is marketed on the basis that for 1 km of privately financed toll roads, £7 million of taxpayer money goes elsewhere, and that foreigners as well as domestic users of the toll roads pay tolls. It is a slightly different approach, but it seems to be successful in France.

Q171 Jim Fitzpatrick: I just want to develop this a bit further. Professor Glaister said that you would not need to privatise the roads. Can you confirm what there would be—a tolling mechanism to produce the income stream, or another way of doing so? Also, Professor Glaister, in the foundation's evidence, there was a specific point about what might or could be done to attract this private sector investment?

Professor Glaister: To make this work, you need two basic features. First, you need a legally watertight structure—something well defined. I am talking about something in which your assets and liabilities are defined and whereby you know who gets what. The second feature is an income stream. That income stream can come from tolls, which we have been speaking of. It can come from some dedicated, ring-fenced other source of tax income. I am not advocating it, but it would be possible—

Q172 Jim Fitzpatrick: That was the point that you raised in your evidence—offsetting any tolling or any cost to the motorist against road tax and against licensing, for example. Can you incorporate that, as I think you were about to do, in your answer?

Professor Glaister: It would be possible for the Government to dedicate a portion—let’s say, for the sake of argument, half the vehicle excise duty, which is about £6 billion a year. They could put it into a pot over here. It would be dedicated for repaying debt and then the markets would raise something like, depending on the cost of capital, let’s say 10 times that as capital investment. Or a proportion of the fuel duty revenue could be put into this pot. But the crucial thing is that there is this legal structure and the money is put in trust there so that the markets can then go to the pension funds and say, “Here’s an investment and you will get a return.”

It is very helpful if there is an independent regulator to make sure that that happens. That is a very important feature of the water industry and our other regulated industries. One of the things that the regulators do is to protect the interests of investors to make sure they get a fair return. One of my worries about what the Government are proposing for the Highways Agency is that they are not proposing legally independent regulators at all. In the Passenger Focus proposal and the Office of Rail Regulation proposal, they are just advisory to the Secretary of State; they do not have any duties or powers to enforce what has been agreed.

Q173 Chair: So you see strong regulation as a critical part of any move in this direction.

Professor Glaister: Absolutely—proper regulation. This is an industry that accounts for 90% of the movement. Rail accounts for about 10%; the rest goes by road, and a third of that is on the strategic network, as we heard in the previous session. It is a big industry; it affects the interests of a lot of people, and it needs, I think, a properly funded body with proper powers to make sure it works properly, but that is not what is on the table.

Q174 Graham Stringer: You make that point several times in your submission—a great deal of money is spent on rail in this country. Do you think that we have got it wrong as a nation—we are not spending enough on roads and are spending too much on rail?

Professor Glaister: I wouldn’t argue one way or the other about the amount of expenditure on rail; that’s not my bag. But any number of independent experts—those are, in many cases, cited by the Government in their White Paper—would agree that over the decades we have under-invested in our road network. We simply have not kept up, and that is reflected in the very high rates of economic return that the Department for Transport itself estimates for road investments that could be made and, until now, have not been. I do welcome the other part of the new proposal, which is to invest quite a lot more—in fact, a threefold increase in the capital investment in the strategic road network. That is welcome and entirely justified by the rates of return, which, as I said, are a reflection of under-investment in the past. Whether it’s enough is another question.

Q175 Graham Stringer: Where do you think we should build these new roads? You make a case, in your submission, for the A14. Where else would you do this? Which other roads would you build? You say very clearly in paragraph 27 that one way of dealing with this problem is to build roads. Where would you build them?

Professor Glaister: I will answer that in a second, but—going back to the previous session—this is about capacity. It is not necessarily about building greenfield roads, but I think that's obvious. Managed motorways are great. There is the new concept of expressways for dual carriageways. That is all very sensible—using technology to get more capacity. But you are asking me about particular sites. With regard to the A14, it's a real scandal, in my view, that that has lapsed for so long, but it has now been agreed and that's great. The A30/A303 down to Cornwall is another classic example that needs doing, and there are others, but it is not really for us to say that. I think it is now for the Government and the Highways Agency, in its new form, to carry out a proper review, with the route investment strategy, and say what the needs are in the various corridors that they have identified and whether the return, in relation to either roads or railways, will justify the new investment.

Nicola Palmer: I just want to comment on that as well. I completely agree with you. Regardless of whether you have got private sector investment in roads, one of the things that seems to be lacking in the roads sector in the UK is strategic planning—planning over a five-year period from an entire network perspective, not just the strategic road network, but local roads and the interaction between them.

In the water sector and other sectors where there has been regulation, there is a process by which the regulator signs off on a five-year plan and a five-year plan is developed—this is done by the water authority, for example, but it could be done by the highways network—and put forward, and then all the elements of that are assessed. An assessment is made of what they comprise in terms of capital expenditure, the benefits that that will provide to the system, the environmental consequences, the cost and whether the cost is justifiable. Then they go forward and they implement that over a five-year period. They might have a 25-year plan that sits further out, but they are looking at five-year chunks and deciding what they are going to achieve over that period. That seems to be completely lacking from the roads.

Andrew Meaney: The proposed changes give the opportunity for a co-ordinated rail and road investment strategy that could look 25 years into the future. What are the demands going to be on the road network, on the rail network and on parallel corridors, for example? Within that 25-year strategy, they could start to make trade-offs on a five-year basis, very much as they do on the water networks in England and Wales at the moment. You could then have these decisions being made on a co-ordinated basis for the long term but also the short to medium term over that five-year period. There is a real opportunity to change how we plan between rail and road and to make sure that we are taking investment decisions and even shorter-term decisions around maintenance and replacement on a consistent basis across the two networks.

Professor Glaister: I agree that that is a great opportunity, but I am not sure that the Government's current proposals are going to take it up. One of the most important parts of the proposal is indeed to have a five-year planning process for the roads, like we have for the railways and for water—exactly what Nicola was describing. That is great, having a longer-term view, but it is only road-based and in its own little silo. I do not think that there is any forum in which anybody is going to say, "Here is a corridor of need. To what extent will we meet that by road or by rail?" That is not on the table, and it should be. It is possible that if the current proposals go through and the Office of Rail Regulation has a role in protecting the taxpayer in terms of efficiency, they might develop the role of also having a debate about the extent to which road or rail should solve certain problems.

Q176 Chair: Do you think that that is in its current remit?

Professor Glaister: It is not, no.

Q177 Graham Stringer: I am slightly surprised that you do not have a view, beyond those two areas you have mentioned, about where investment should take place. In order to get to a strategy on road and rail investment, you have to have a way of assessing the costs and the benefits of each scheme. Do you think the Government's current way of assessing costs and benefits is sensible, and what would you put in its place? You make some intriguing statements in paragraph 25, where you say that you want to make it better, not worse, but you do not want to make it too much better because then you will have over-invested. What do you think is the best way of doing a cost-benefit analysis?

Professor Glaister: I didn't want to bore you with a list of schemes, but if you force me to answer the question you pose, I will get out a document I have in my bag that has a list of 100 schemes with what we know about the rate of return, as calculated by the Department for Transport standard cost-benefit methods. I could start at the top and go down it.

Q178 Graham Stringer: You could send it to us in writing. That would be helpful.

Professor Glaister: Absolutely. It is a public document, but I will give you the reference. As to your question about the methods, I think we have got a very good method for assessing individual roads, which has been developed over a long period. It is not perfect, and there are things you could do to improve it, but fundamentally if you see a scheme where the rate of return or cost-benefit ratio is 10:1—and there are such schemes—it is telling you something about that scheme. The time savings, lives saved and benefits to industry amount to 10 times the cost of the scheme. There are plenty of those schemes that need investment.

What I would concede, though, is that that only deals with individual schemes; it does not deal with the strategy on a network. That is a slightly more subtle issue and what Andrew Meaney was referring to, I think. We need to step back and think more strategically about how we are going to deal with the problems in particular corridors, and do both road and rail assessments. I think that if you did that you would find opportunities for rail, but broadly speaking the opportunities for rail are really quite limited.

If I could pick up a point that came up in the earlier session, although I do not want to comment one way or the other on HS2, I can say that it has been appraised carefully. Its effect on the M1, which runs parallel to it, is to reduce the traffic on the M1 by about 2%. That is two years' worth of growth. It does not make much difference, and that is because trips on roads are much shorter than trips by rail. With a few exceptions, they are different markets.

Q179 Graham Stringer: I have just one last question in this phase. We have heard from previous witnesses and there is written evidence that there are figures that say you are expecting roughly 43% or 45% growth in traffic over the next 25 years. Nobody gets those forecasts right, ever, but what concerns me is that basically if we take the advice of the Climate Change Committee, we will have done away with the internal combustion engine by the end of that period and will have moved on to electrically driven cars. Do you think that that is taken account of properly in those projections?

Professor Glaister: Those figures you have quoted are the national traffic forecasts, which, by the way, the Government have recently incorporated as a formal statement of need in the national policy statement that they published in December. If you look at the national traffic forecasts you will see that they publish a central forecast, which you just cited, and

then a low forecast and a high forecast, depending on different assumptions about economic growth, the cost of fuel, which is what you are referring to, and different demographic assumptions, such as population growth. The low forecast by the date you gave is something in the order of 20% growth, and the high forecast is perhaps 60%.

There is a lot of uncertainty there, and you can take your view, but I do not think that the prospect of electric vehicles threatens that forecast at all. Our opinion is that electric vehicles will have a place, but are by no means the most important thing over that horizon. The most important thing is more efficient conventional petrol and diesel engines. That is what is going to make a very big difference. By 2050, we still think that there will be quite a lot of petrol and diesel engines around—fewer, but quite a lot—in hybrid vehicles. The big way forward is the hybrid, where you have a small petrol or diesel engine and a battery, but they are much more efficient. But none of that demolishes those traffic forecasts. You can deal with the climate change forecasts with this technology as well as having traffic growth.

Q180 Chloe Smith: Thank you all for coming this afternoon. My question is about a scheme that is due to come in in April this year, for lorry road user charging and HGV charging. It has been around the block a couple of times, in proposal form, but it goes back to one of the rather interesting points that Ms Davis raised, which was that other countries seek to make a scheme acceptable by charging both foreign and domestic users. That seems quite crucial in both the acceptability of the scheme and the revenue that you get from a scheme. Perhaps you have views on the scheme and could tell us the lessons learnt already from it, if it is not too early to do so.

Professor Glaister: The moving force for lorry charging was an equity argument about whether foreign lorries were paying, as we were paying tolls overseas. To that extent, I can see the reason for doing it. The revenue from the lorry charging scheme is estimated at £20 million a year, which is peanuts. It is an absolute drop in the bucket—it is tiny. The money does not go to mend the roads; as far as I understand it, it goes into the general Exchequer. I think, frankly, that lorry charging was a token. It did not really address the issue. The issue is traffic growth and how you are going to deal with it and pay for the extra roads. That is my opinion of it. Technically it will work, I am sure—there will be a lot of bureaucracy involved, and it will cause some grief for that reason—but I do not think it achieves very much.

Q181 Chloe Smith: May I ask you why it will work technically, then? What things are worth looking out for within it? Even though it is small, you have confidence that it will work.

Professor Glaister: In administrative terms, it will not be a disaster, because it has to do with inspection of permits. I have no reason to think it will not work, although it will be quite expensive to administer, but it will not achieve very much. It will not make much difference to lorry traffic, and it will not provide much revenue.

Q182 Chloe Smith: Is it scaleable? Is it the kind of scheme that we ought to make bigger?

Professor Glaister: It is absolutely scaleable. One of the problems with the lorry charging scheme was that European law said that the charge could not exceed £10 a day, which is not enough to make any difference. What I am interested in, as were some of the witnesses during the previous session, is what we are going to do about managing the demand growth we have all talked about. Given that we are not going to be able to provide enough

roads—by the way, we do not have the money to expand the road network in the way we want—the only solution is to introduce road charging in some form across the piece, to answer your point about scaling. We must scale it so that everybody pays to use the roads. Maybe we would consider just the strategic network first, but not just the odd road and the odd lorry; it has got to be done properly.

The other feature which we have to recognise is the fall in fuel duty. For the reasons that we have been discussing, fuel duty revenue is going to fall quite rapidly. The Office for Budget Responsibility has a figure. On our calculation, by 2029, rather than getting £38 billion a year, the Treasury will be getting £13 billion less because of this. The money is going to fall from fuel duty, and the demand is going to go up. We have not got enough money to build the roads that we need. There is only one way out of that, which is to choose some form of road charging. It can be done technically, as our colleagues will demonstrate.

Q183 Chair: Where Governments of the past have considered introducing road charging in a significant way, there has been a very strong public reaction, and Governments have then changed their mind. How can that be addressed, or can it ever be addressed?

Andrew Meaney: There is clearly a legitimacy point here. I think the lorry user road charging case study is a good one, as is congestion charging in London, because it shows that under the right conditions, this can be acceptable to users. There is an equity argument about foreign and domestic hauliers and making sure that there is some equivalence there. Congestion charging in London is acceptable because people accept that there are alternatives to paying. There is a set of steps that can be taken to reassure the public that when they are charged for leaving their drive, that will be done on a fair and equitable basis, so it is not an additional charge—there is some offsetting against existing taxation, for example.

Professor Glaister: That is crucial.

Andrew Meaney: There could be something done to make sure that people do not feel that this will increase ever more into the future, that there is some limit and regulation on the charging that will be undertaken, and that people are seeing some benefit from that. There are insurance schemes that use boxes in cars that mean you pay less for your insurance if you drive in a particular way. People will accept that they are going to be charged on a per-mile basis if they see that overall, their bill is lower.

If we can find ways of developing the legitimacy of user charging, that is the way in which we can move towards a new situation. Now, people have to pay per annum through the vehicle excise duty to run their car, and they also have to pay a fuel duty when they fill up at the pump. They are being charged for using the roads, but in a different way from a per-mile charge as people leave the drive. There could be a change in people's education to say, "This is not going to be extra. This is going to benefit you in the pocket." There is a series of steps that can be taken.

Q184 Chair: But where there is significant private sector investment in infrastructure, is that seen as the private sector making profits at the expense of the public? Has that been a reaction where this has taken place in other places?

Professor Glaister: I don't think that that is true.

Nicola Palmer: No, but looking at the Australian example, which I am most familiar with, there was a definitive need for the road network to be built and the public could see that they were getting value for money in terms of the tolls that were being introduced—it was

across the network—so there was broad political acceptance. One of the first examples was the Sydney harbour bridge, which had a very small toll. They needed a second harbour crossing. They increased that toll five times and tolled the new harbour crossing in order to pay for the new harbour crossing. There was complete political acceptance of that happening, because there was a massive congestion problem and a need that the public could see.

The challenge you have in the UK is that you have an existing road network and you are talking about a lot of money that needs to be spent on upgrading it and improving on what is there, to deal with the under-investment that has gone on for a number of years. The key is to link a reduction in fuel taxes to the imposition of a different form of charging. Perhaps it is about pointing out to people some of the inequality in what is going on at the moment. You have a situation where poorer people with cars that use fuel—as compared with wealthier people who have hybrid cars or electric cars—are paying far more towards roads and general revenue than the wealthier elements of the community. That is just not right.

Q185 Chair: What about the M6 toll? What is your experience of that?

Tara Courtney-Davis: I actually sit within Macquarie Capital, which is not the division that manages the M6 toll. Taking a step back, the M6 toll is an example of a privately financed toll road, which is definitely a model at one end of the spectrum. The private sector took complete construction risk, has complete discretion on the toll and takes complete patronage risk, at no cost to the taxpayer. Obviously people have different views on how it has performed and so on, but that is just one model in a spectrum of models that are being discussed.

Q186 Karl McCartney: What is the strategy with the M6 toll road? I know it is not your division, but are you looking not to have to renew the surface by 2054?

Tara Courtney-Davis: It is not something I am involved in on a day-to-day basis, so I could not comment.

Professor Glaister: The problem with how the M6 toll road was set up was that the deal was that Macquarie, or whoever it was, could build a road and charge whatever toll they liked. On the other side of the deal, there was no restriction on what the state did with competing roads. That point was made in an earlier session. What happened was that the competing road was improved a great deal, so a lot of traffic has diverted there.

There were some errors made in the original forecasting on the amount of traffic that would in any case use the M6 toll. The promoters thought that it would be a lot of long-distance traffic going from London to Scotland, and actually a lot of traffic on the existing M6 is local traffic moving around, making deliveries and so on. That is why freight doesn't use the long-distance route very much. There was a commercial error made at the beginning and, importantly, a regulatory error was made. If you are going to do this, as has been said, you need a proper regulatory regime and proper rules of the game that mean there is a reasonable protection for investors so that they will get a return on their investment, as well as a decent deal for users.

Nicola Palmer: It comes back to the point we heard earlier on competing roads. You have to have charging across the system. You cannot just charge one road and not another road. It has got to be fair and equitable. There has to be a link between what the users are paying and what they are receiving in service on the other side.

Q187 Karl McCartney: But—I will come back to you, Ms Palmer—Professor Glaister, in your view, it is academic. How is Ms Courtney-Davis’s company making money at this point in time from the M6 toll—or are they not making money? Are they likely to make more money in the last 20 years of the contract—from 2034 to 2054—when we are supposedly looking at a huge increase in traffic, if you believe other stats we have been given so far today?

Professor Glaister: They are now in a position where the investment costs are sunk, and to that extent not relevant. By the way, I think Macquarie took quite a bit of capital out of the scheme, which people forget about. It has not been as much of a commercial disaster as some people claim. Taking into account the maintenance costs they have to incur, their strategy will now be to charge a toll that will maximise the revenue, net of maintenance costs. That will be their—

Q188 Karl McCartney: Hence my earlier question about whether they are looking to resurface the motorway between now and 2054.

Professor Glaister: I see; because of the termination?

Karl McCartney: Maybe.

Professor Glaister: But that is just another defect of the regulatory regime. The regulatory regime should have dealt with that and said that at the end of the concession they would have to hand the road back in a good condition. I don’t know whether that condition exists, but that is what it should have said, like all these things.

Nicola Palmer: Coming back to some of the lessons learned on past projects, you must ensure that very clear performance measures are set for the private sector, and that if there is a maintenance obligation, or perhaps even an obligation to expand a road when it gets to a certain level of congestion, that is clearly spelt out and put into the contract up front. I would emphasise that if you look at any of these individual problems, you would call them more isolated blips, rather than reasons for writing off the entire concept of private sector investment in toll roads. You should look to learn from those lessons and think about how you can do things better in future, rather than write it off as an option.

Q189 Karl McCartney: So if we have further toll roads, we will not have any more of your countrymen claiming that they are a licence to print money, which I think was said a few years ago.

Nicola Palmer: You don’t necessarily have to do toll roads—that does not have to be the revenue source. To follow on from Stephen’s example, you can think about other forms. The most important thing is that it is fair, transparent and ring-fenced from general revenue—that it is very clear where that is coming from.

Professor Glaister: I think we have 12 shadow toll roads in this country now, where the operator gets a toll from the Government in relation to how much traffic flows, but the user does not see it.

Q190 Chair: Are you saying that it is about looking at different ways of doing things and learning from mistakes?

Professor Glaister: Yes.

Q191 Chair: On the proposals for changing the Highways Agency and the transport structures in the Government's paper, how could we assess whether value for money was achieved in how the proposals operate? Would there be any way of assessing that?

Professor Glaister: Absolutely. I think that would be a legitimate job for an independent body that could stand back and see whether the costs have been successfully delivered economically and efficiently—that is the job of a regulator—and could assess the benefits of the scheme in terms of how much traffic was using it, what the time savings were and whether the safety performance had been what it was. We know how to do those things.

Q192 Chair: And is the proposed regulator—or two proposed regulators—sufficient to do that?

Professor Glaister: I don't think it is. What is currently proposed is that the Office of Rail Regulation will use their skills in judging economy and efficiency to see whether the system is being run at reasonable cost. They are good at that, and I think they will do that well enough. They have no powers to enforce against inefficient performance; they will just report that to the Secretary of State.

I have no problem with Passenger Focus, but their skill is in representing the interests of public transport users. They would have to expand greatly their portfolio of skills to deal with road users, not least because a third of this traffic is freight. They are also not in the business of measuring the performance of the network, as distinct from measuring the attitudes of users. They are good at doing surveys of users—they survey train passengers and so on, and that is good stuff—but what they do not do is have an independent view of how the quality of service offered to users has or has not been delivered.

There is a big issue that I think you were referring to: you must have really good scientific measures of the level of service being offered, and whether on this network it is up to scratch and maybe as good as this one over here—like you have for the railways.

Q193 Chair: Are there any other views on that?

Andrew Meaney: In terms of value for money, you are looking to develop a long-term strategy, which I have discussed, and you then make appropriate trade-offs within the short to medium term. That is decided by the amount of money that is available, whether that is coming directly from users or from the taxpayer, and how that money is spent within that five-year period. You need to ensure that the money is being spent in a way that is being monitored effectively. A lot of work goes into the other regulated utilities, in particular rail but also water, where people are employed by the regulator to go into the company and to make sure that money is being spent in an efficient manner; so quite a lot of resource will have to go on checking the money that has been spent. You then need to ensure that the outputs are being delivered in a way that interests users and makes them willing to pay, and that the right trade-offs are being made between maintenance and renewal and between managed motorways and building extra roads, for example. There are many checks and balances that we see in other infrastructure sectors that we would expect to see coming into the strategic road network and, to the extent that it is relevant and necessary, into the local road network as well.

In terms of value for money, it is about setting out the policy objectives and being clear about what is being required from a policy perspective from the new highways company, and then being quite transparent about its performance from a user perspective but also from a

technical perspective, as Stephen highlights. It is then about finding ways of making that company accountable, which could be through the monitor and watchdog arrangements. The Office of Rail Regulation is the monitor and Passenger Focus is the watchdog, for example. Some further accountability checks are also probably required, such as, most likely, to the Secretary of State, as set out in the Government's current plans, but probably also to Parliament. There is also the reputation of the people on the board of the new highways company, because we know from other regulated sectors that it is about not only financial incentives, but also the reputation of the people on the board—that they have done a good job and can take that with them when they go somewhere else.

Professor Glaister: Just to repeat: the current proposal is for those two bodies, Passenger Focus and the Office of Rail Regulation, to have no powers, but rather to advise the Secretary of State; so it all comes down to the Secretary of State, who can then enforce things through the licence that he will issue to the company. You talk about accountability, but there is no accountability to those two bodies.

Q194 Chair: No, we just want to work out what it is you are saying, and we will then think about how it stands in relation to the proposals.

Does anybody else want to comment on value for money?

Tara Courtney-Davis: I have just one other comment in terms of models and value for money. I think what has worked so well in the gas, water and electricity sectors is that different areas of the country actually compete against each other. Therefore, the regulator can see who is providing value for money for the end consumer, because benchmarks are available. Clearly, this is one entity, so it is slightly harder to benchmark.

Q195 Martin Vickers: Obviously, a successful economy demands an adequate road network, but excessive costs on industry can actually thwart economic growth. I have the Humber bridge in my constituency, where, after a 30-year campaign, it was recognised that the high tolls were actually a barrier to growth. Subsequently, evidence is beginning to show that that was the case and the local economy is benefiting. Does any member of the panel have any evidence that we could thwart economic growth?

Professor Glaister: If you are going to charge a toll, you have to set it in relation to the economic benefits and the circumstances. The Humber bridge toll was quite falsely set on the basis that it was somehow going to recover a historic capital investment, which was a sunk cost and had no relevance. You therefore had a bridge that was being under-used because of a toll that was too high. It was a crazy way of setting the toll. That was the problem there.

Our argument would be that if we don't change the system so that we can bring in private investment and get some more resources into the road network, road users as a whole will get a very bad deal. Industry and public and private users will get a very poor quality of service compared with one where tolls are set reasonably, where fuel duty is reduced as part of the deal—that is of course a big benefit for industry, as Andrew was saying—and we get some more investment in a better quality network. So there is a good value for money outcome from that.

Nicola Palmer: I think this comes back to some of the things we have talked about before, in so far as, if you are just tolling one element of the system—a very small element—it does have a greater potential to be economically detrimental to the area that is being tolled, or the specific circumstances in which it is being tolled. While everything else is free, you are

not getting a fair deal. So it is about being consistent across the network in terms of what we are doing with road pricing.

Q196 Martin Vickers: Earlier, when you were talking about the Australian experience, Miss Palmer, you mentioned political acceptance on a number of occasions. Was there cross-party political acceptance?

Nicola Palmer: I am trying to cast my mind back to it. I think so. One of the projects I was personally very involved in was the Melbourne CityLink tunnel, which was a project that basically put an entire road network right through the middle of Melbourne. While there was some rhetoric from the Labor party, I think Jeff Kennett, who was premier at the time, was able to get a huge amount of general political acceptance, because it was just so necessary to do something about the network there.

Looking at Victoria now, they are now looking to address, as I said, the other direction, and essentially doing the project from the other direction. Obviously, the public in Melbourne now think that it was a successful project, in retrospect.

Chair: Jason McCartney.

Jason McCartney: I was going to bring in exactly the same point as my colleague about the Humber bridge and the experience there, and the way in which the Government had to step in with the autumn statement and help them to reduce the debt to make it economically viable for the users. We have covered that.

Chair: Any other questions? Does anyone else want to raise anything?

Thank you very much for coming and answering our questions.