Transport Committee

Oral evidence: Better roads, HC 850

Monday 24 February 2014

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Evidence from witnesses

Watch the meeting

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

Questions 197-279

Examination of Witness

Witness: **Graham Dalton**, Chief Executive, Highways Agency, gave evidence.

Q197 Chair: Good afternoon and welcome to the Transport Committee. Could you give us your name and position, please?

Graham Dalton: I am Graham Dalton, chief executive of the Highways Agency.

Q198 Chair: Thank you. Could you tell us why you think the UK has fallen from 24th to 28th in the World Economic Forum's global competitiveness rankings? Do you know what that is all about?

Graham Dalton: I know what the tables are about—I could answer you literally—but I am not sure I can tell you why we have fallen from 24th to 28th. If the question is why we are in the 20s and not the teens, or sub-teens, I think there are a couple of things. We have a strategic road network in this country, in England—don't forget I am just responsible for the road network in England—that is vital to everyday business in a big economy in a very crowded, busy island. We have a dense population with a lot of traffic on it and a network that has remained much the same shape or size for 20-odd years, and it has had tactical improvement but not a big programme of improvement to it. It is a cycle of invest and then stabilise, and now pressure is growing on it again.

Q199 Chair: The Government plan to change the structure and ownership of the Highways Agency. How will the plans change things? What do you think is the most important thing?

Graham Dalton: I think the real benefit—the real advantage—that the plans will bring is a clear brief. The Government's proposals are for a step change in performance on the network. It is not just managing it better; the vision is a real step change in performance of the network. With the proper medium to long-term plan that the new company is charged with delivering, based on outcomes and how the network performs, not tactical interventions, it will be far easier to hold the company to account. It will be easier for the company to plan and to deliver in the most cost-effective and least disruptive way it can, and then concentrate on actually operating the network very well.

Q200 Chair: But why could that not be done now? Why does it need such a major change?

Graham Dalton: It is really about making it a boring business. I have been doing the job for nearly six years. I have had my budget revised in five of those years, normally upwards on most of those occasions, but it tends to be a very short-term planning cycle. In most regulated businesses—in utility businesses—they have a five-year detailed plan and a further five-year, or even 10-year, plan beyond that. I tend not to have that long-term plan and that long-term vision.

Q201 Chair: The unions tell us that in the current situation there is over-centralisation and interference from the DFT. Do you agree with that?

Graham Dalton: I do not think I would choose quite those words, because I am not sure whether the Minister has arrived.

Q202 Chair: Do you agree with the sentiment?

Graham Dalton: Is there over-centralisation? On some aspects, there are degrees. The Highways Agency and my staff are part of the civil service, so for all sorts of good reasons we are part of a one-size-fits-all set of controls with instructions on how we work. We are part of an annualised financial planning cycle. Of necessity, there is central Department and Treasury input, and we operate with things like pay and recruitment that are set centrally, whereas with a big infrastructure business I might be better off doing things in a slightly different way.

Q203 Chair: What would you do differently without that central involvement—if not interference?

Graham Dalton: I would have different contracting arrangements with my suppliers. I would have a longer-term programme, and would know with confidence what I am going to be taking to the market not just next year but in three, four or five years' time. Forget about the big projects for a moment. For renewal of roads and the infrastructure, I would have a plan four or five years ahead, so when I go out on a maintenance contract I don't try to make it flexible because I don't know what the funding is going to be like; I lock in as much as I can. It gets me better pricing, and I can get more risk transfer into the market that way.

Q204 Chair: How would you change the relationship with your suppliers? You have just said that if you had the freedom to do so you would. Could you give us any indication of what that means?

Graham Dalton: For maintenance and renewal of the asset, at the moment I go to the market and—to simplify it—ask them to do the day-to-day housekeeping of the network for a lump sum for five years. I ask them to give me a schedule of rates, a set of prices or a menu for all the renewal—resurfacing, new barriers, new lighting and new structures—over that time. Each year we work out what programme is affordable and what the priorities of the country are and then negotiate the price for each one.

Good asset management would mean that when I go out to contract renewal I have that predicted five-year bank of work there. I have spent the time and investment up front on asset knowledge, getting the data together and predicting the decline of the asset, and ultimately I could say to them, "By the end of the five years I want you to have done the following renewals, and you, Mr

Contractor, can choose whether it is most efficient to do it all in year one, all in year five, spread in between, or however it might be, as long as you keep the network running in the meantime."

Q205 Chair: From your experience, what would you say is the best way of involving the private sector in the building and operating of roads?

Graham Dalton: They are pretty involved now. I have worked as a consultant and a contractor in my career, and that is one of the ways in which I have more switch of people between the client company and the suppliers. We contract out almost all the work we do now; it is only the traffic officers who are directly employed staff. All the people doing work out on the network are private sector people.

If you are probing towards long-term contracts, PFI and investment with the contracts, I think it is more about having a very clear proposition that you are putting to the market and, whatever the length of the contract, making sure that it is a bankable proposition and you, as the client, are not going to change your mind part-way through the contract term about what you want.

Q206 Chair: What lessons would you draw from the operation of the M6 toll road—the section that is tolled?

Graham Dalton: If one were doing it now, I think we would find a way of putting a different proposition to the market. The M6 toll itself as a road is operated fairly effectively. It was built well; it is in good condition, and it carries about 35,000 vehicles a day satisfactorily and very reliably. It is fast flowing with very rarely any delay on it. The trouble is that in excess of 100,000 vehicles a day use the old route. The concessionaire was at liberty to set pricing, so there is not a measure of what the impact is on the original network. It means in effect that here we are, 10 years or so on, spending rather a lot of money upgrading and increasing capacity on the old route, when on the face of it one would want to put more traffic on the new one. The two have been run quite independently. I do not have any control or say over the M6 toll; I work with the concessionaire at the links either end. If you are going to let something like that, you need to think about its contribution to the whole network, not just carve off a piece and see what the market would do.

Q207 Chair: Could you give us examples of perhaps any differences of view you have had with the operator of the toll road, or things you would have wanted to do but you cannot do?

Graham Dalton: Not major ones. We have another concession that is still live and one that finished. The Dartford crossing—the QE2 bridge—was a concession that served its term and paid back. On the Severn crossing—the second Severn bridge—they took the two crossings and charged a toll on both, and that is paying back the debt for building the second crossing and maintaining both. When that concession expires in about 2017, we will take the two back. Those work very well.

On the M6 toll, my regional director has a regular dialogue with the concession company. We do not get any say in, and they do not discuss, what the toll ought to be. We discuss management of traffic on the approaches. They would like us to funnel more down there. It is in our interests to see more traffic go down the alternative route, but it has to be fair. I do not want Ministers getting complaints back saying, "You misled me and sent me the wrong way." We manage that interface quite tightly. We plan and co-ordinate works between us and plan for contingency events. What if something catastrophic happens on the old route? What is the protocol for tolling or lifting tolls for a short period on the alternative route if that happens?

Q208 Chair: Is there an agreement on what would happen if there was an emergency or a serious accident?

Graham Dalton: Yes.

Q209 Chair: So that is not a problem.

Graham Dalton: No. It is a constructive relationship, but we are just running two quite distinct and separate bits of the network. From an operator's point of view, it is not being run as though it were one network. If we were an operator—you see it sometimes in France—we would be giving more active advice and information. If it was not costing the road user differently to go either way, we would be managing traffic more actively around the two routes.

Q210 Chair: What lessons do you draw from all of that?

Graham Dalton: If you were doing it again, I would want to find a way of tying it far more into the main network so that it is operated as one. That is probably more of a PFI type. The Highways Agency in this case gets the thing back to operate it, but that does not stack up with a charge being collected on one route and not the other.

Q211 Chair: Do you think a PFI approach would be better?

Graham Dalton: A PFI approach, but that is still the public sector paying. The great thing about the M6 toll is that the public sector did not have to put its hand in its pocket and pay for it, so it saved on capital spend.

Q212 Mr Sanders: We heard in one of our evidence sessions that one of the biggest contributors to congestion on the motorway network is local traffic, and the motorway network is designed really for long-distance travel. Would that be an observation you would share?

Graham Dalton: It is not something I could put a lot of evidence around. There are clearly places where short distance traffic goes along two, three or four junctions. I was not around at the design of the motorways, but I cannot believe it was intended that people would not be able to go one, two or three junctions. There are definitely areas where there are short journeys, but if they are not on the motorway network where are they going to go? They are going to make urban congestion a lot worse or not do a journey that is an economic benefit.

Q213 Mr Sanders: But is there not a mission statement or purpose behind the highway network? Is it there just for everybody, or is its main purpose to deliver journeys across long distances primarily?

Graham Dalton: We run it as an open network, so anyone can turn up and use it, hopefully with a legal and compliant vehicle and with driving standards so they know how to use a high-speed network, but we make no differentiation on encouraging or discouraging people to use parts of it.

Q214 Mr Sanders: But if you have areas of the country where significant local traffic does lengthen the journey time for those who are travelling long distance, would that not be an economic issue for the country?

Graham Dalton: I think it is an economic issue. You have to think about what happens to traffic if you displace it. Some of the motorways have made possible journeys that were not there before. The M25 has a good few relatively short journeys, but, before it was opened, the relatively short distances from Hertfordshire or Buckinghamshire to Surrey, which meant crossing the Thames, were not particularly feasible, and yet you get very large numbers of people doing that. The demographics have changed over 20, 25 or 30 years. There are two-income households where one job involves travelling a lot further now.

Studies were done 10 or 15 years ago about taking out some of the lanes on the M25 and putting in feeder and distributor roads, but where does the traffic go? You are right: in some places the motorway acts effectively as a bypass and some people use it as such, but I would not say that is the predominant proportion of the traffic. We still have a lot of traffic flowing along the longer links between, with commerce and businesses on business parks outside and beyond towns. I see quite a lot of long-distance traffic running; it is not all just junction hopping by any means.

Q215 Karen Lumley: To go back to the M6 toll—it is near my patch—if the toll operator were sitting where you are today, would they think they have a good deal out of their contract?

Graham Dalton: I think you would have to ask them. Their incentives are different from mine. It is a financial investment. I am there to run a public interest business—a publicly owned business—solely for the purpose of the road user and the communities we serve. The most important thing for Midland Expressway Ltd is to pay back the debt they have got—it is a financial transaction—and make a return for shareholders.

Q216 Karen Lumley: You talked earlier about having a plan in place so that if there was a major accident people could perhaps divert on to the M6 toll. Who would pay for that?

Graham Dalton: We have an arrangement with MEL where over a short term there is a formula by which we would sort it out with them. But it would only last for a very short period of time.

Q217 Karen Lumley: So the British taxpayer would pay for that?

Graham Dalton: Yes, on behalf of the user, because they are not getting the classic route, but we are talking about hours, not days and weeks.

Q218 Martin Vickers: Sticking with the M6, you said that 35,000 vehicles a day used the toll road and 100,000 the non-toll road, and you were having to look at increasing capacity on the non-toll road. Surely, the logic is that if you do not do that more people will start using the toll road.

Graham Dalton: I have not looked at the numbers for a while, but I think there are in excess of 100,000 vehicles on the through route, and something like a third of that traffic has an origin or destination closer to the old M6, so would use it anyway. Of the other proportion of traffic for which a through journey or using the toll road would work, a lot choose to use the classic M6, because it is a significant charge. Evidence and experience show us that people will put up with quite a bit of congestion and go through that route, but there is big demand. Demand has grown. Before the toll was opened, those 35,000 vehicles were not going on there and we filled up the old M6.

Q219 Martin Vickers: Is it the agency or DFT that is deciding to increase capacity on the non-toll road, because it would seem to be a policy decision?

Graham Dalton: It is a Department and agency decision, and we do not have the opportunity to increase capacity on the other one anyway. We have been working for a number of years on reliable, consistent and predictable travel time. The M6 through the west midlands was particularly unreliable and poorly performing, and much of it is on the elevated section, so investment in, initially, active traffic management, or smart motorways as we now brand it, with technology and bringing the hard shoulder into use as a fourth lane, is getting capacity, flow and reliability. It is right that if the traffic is there we should be using it.

Q220 Martin Vickers: Are you satisfied that you are getting value for money with your service and maintenance contracts? Should we be getting more for our money?

Graham Dalton: I quite like getting more for the money. I have reduced unit costs over the last three to four years in the order of 20%. We are getting nearer 25% on some of the major projects. Some of that is through working harder and putting a very competitive proposition to the market; some of it is the hunger of the supply chain and the construction industry, which I am sure will disappear in a while. I am always after a little bit more, but we are working our suppliers quite hard, especially on the current form of maintenance contract.

Q221 Graham Stringer: On the toll road, when you are driving down the M6 towards Birmingham, the signs above the road regularly tell you that the toll road is empty. That is great, but I want to know, because it is free, whether the M6 is empty. Why do you not tell me that?

Graham Dalton: There are two signs which will tell you whether the M6 toll is clear. You are right. I do not think we normally put up signs saying that the M6 through the west midlands is clear, but quite often, if there is no incident, we will put up the travel time to a specific junction, normally around junction 8 and sometimes junction 5. That will give a travel time to the junction, and regular users will know how that stacks up against their norm for that time of day.

Q222 Graham Stringer: But that means the information you are giving out is biased towards the commercial operator and against the motorist who does not want to pay the toll.

Graham Dalton: It is exactly part of this tension, and some of the protocols were written down in the original concession contract.

Q223 Graham Stringer: You have to do that in the contract. According to the contract, you do not have to tell me that the M6 is free flowing?

Graham Dalton: It is not that clear. There are two signs there. We vet and control what goes on them, but they will normally tell you if the M6 toll is clear, and most of the time it is clear. We try to put up on the other signs what the travel time is on the main route or, if there is an incident down there, what the incident is and the delays down there.

Q224 Graham Stringer: I am grateful for the incident sign, but I ask you directly: in future will you put up a sign that tells me that the M6 is clear when it is clear? Why are you denying me that information as a taxpayer?

Graham Dalton: I cannot be certain that we do not do it.

Q225 Graham Stringer: I have not seen it, and I travel along there quite frequently.

Graham Dalton: At peak hours, we probably would not, because the chances—

Graham Stringer: In peak hours it may well be full.

Q226 Chair: Mr Dalton, are you saying that you think what Mr Stringer is asking should be done?

Graham Dalton: If it is absolutely free flowing and clear. I was just going to say that for most of the last four years, in one of three different sections we have had roadworks on that route anyway, so there has always been a temporary speed restriction.

Q227 Graham Stringer: There are times when it is clear. I use it, and there are times when it is clear. I just wish you would tell me about it so I know when I get to the junction that I can travel freely and not have to pay on the toll road. Will you do that?

Graham Dalton: Can I follow that up for the Committee and say what I could do to say whether it is clear and free flowing? There is a divergence. There is the M5 junction on the way down there. The toll road does not suit a lot of people who want to know the time to that junction, and it is affected by—

Chair: We would like information on whether it is the policy of the Highways Agency to inform people that the free part of the motorway is clear.

Q228 Graham Stringer: There is obviously a benefit from that sign; it helps the commercial operators of the M6 toll. What is the cost-benefit analysis of all these signs that have been put up in the last 10 or 15 years over the motorways?

Graham Dalton: When you say signs, do you mean the ones with text on them or the gantry signs showing speeds?

Q229 Graham Stringer: The ones showing the time between different points, and you can change them according to the condition of the road. Is there a cost-benefit analysis of that? A lot of the time they are just telling me not to drink and drive, which I do not do. I think it is a bit bossy of them.

Graham Dalton: You may empathise with the Minister afterwards, because he and I have had some of those conversations. We do not often do an analysis on a single sign, but we normally equip a route, or key junctions on a route, and they all go through standard transport investment appraisal and will all come up with value for money in excess of two. They were put there primarily to do one of two things. They are either in advance of key junctions or nodes, so they give a driver genuine choice, particularly if there is an incident on a route, on what to do. If you come down the M40, which has not got an awful lot on it, as you are approaching junction 9, which could take you down the A34 or M40, there is a pair of signs that give you that advice. They have done it around there.

The others are about safety, and they went up in the more congested areas. We have a series of induction loops on all the core network that monitor for slow-moving traffic. I am sure you and others have got frustrated in the past when you see a number come up—a speed limit. It is an advisory speed limit, which means something is particularly slow-moving; probably the back of a queue has been detected. They give queue protection. Those have significantly and measurably reduced the number of rear-end shunts and queue-related incidents, so they do manage traffic flow. We are constantly trying to tune those. You see a speed limit come up and react to it when you need to, and as soon as it is clear it is off again.

Q230 Chair: You are saying there is a continuous assessment of the effectiveness of these signs.

Graham Dalton: At the time they are installed or the investment decision is made, they are subject to exactly the same investment criteria and appraisal criteria as any other capital investment in the network. We monitor how we use them. For example, there are signs advising motorists to check their fuel, which some people find patronising, but quite a lot of people manage to run out of fuel on the network. It is worse when there has been a big hike in fuel prices, because people are used to putting in a standard number of pounds' worth each week. We get hundreds of breakdowns through lack of fuel on the network each year. We keep monitoring for effect. We are running a littering campaign at the moment.

Q231 Chair: You can assure us that the signs put up are assessed for their effectiveness?

Graham Dalton: Yes. If it is a littering campaign, we monitor them in the regions where we run it. There is less litter there to be picked up than in regions where we are not running it.

Q232 Graham Stringer: Going back to the Chair's question about the benefits of your being set up as a company, you gave a reasonable answer about being able to get more cost-effective contracts over a longer period of time, which is good news for the taxpayer if it works. What about the motorist? How will the motorist know the difference? There will be a benefit to the taxpayer, but how will somebody using the motorway network benefit?

Graham Dalton: That is a really good point. At the moment I am a civil servant. I am not exactly a household name. The agency has got an awareness, but our focus is primarily towards our sponsoring Department and the Government. That is the No. 1 route. Being further away, we will be held to account, and that is part of the Department's proposals for a watchdog and monitoring—that there is a real voice for the road user: car drivers, truck drivers, haulage companies and businesses. Don't forget that an awful lot of traffic on the network is commercial, in various guises. There will be a more demanding audience, quite rightly, and I think they will get a better service.

Q233 Chair: Is that because of the regulators?

Graham Dalton: In part. I think it is planning discipline. We are just kicking off some proper route-based strategies. You build a five-year plan for a route that goes through scrutiny at the outset, so it addresses the needs of people who live near the network and people who use the network—the different categories of users. It is then kept there and people can come back to it; there isn't, "Ah, but the policy's changed." They can come back and say, "You published that plan four years ago and you haven't done it. Why not?"

Q234 Jim Dobbin: Mr Dalton, are we making much progress on the integration of freight on the motorway system from roads to rail?

Graham Dalton: As an agency, I do not do anything active. I take the traffic that comes to us. The Department could better answer about policy and the rail side of the policy. I would simply observe that both I and the railways operate congested networks.

Q235 Jim Dobbin: I was just interested in how deeply you are involved in that process. Not very?

Graham Dalton: As an agency, we are not actively involved in modal shift away from the network.

Q236 Jim Dobbin: I am assuming that you do not have any involvement in where distribution parks are placed.

Graham Dalton: We are consulted as part of the planning process. In any proposals that come up, we are statutory consultees, and we would look at the capacity and capability of our network to accommodate the traffic generated. If it is a freight distribution network, it would be quite significant.

Q237 Jason McCartney: Mr Dalton, can I suggest that if you want to be a household name maybe you should move to the Environment Agency?

First, some praise for my bit of west Yorkshire: Colne Valley and Huddersfield. The managed motorway scheme on the M62 was delivered on time and a little under budget as well. Congratulations, and thank you very much for that. It is now happening on the M1 from junction 39 north. One of the local council leaders there is Peter Box, the boss of the LGA. He told us he felt that the Highways Agency had "simply…not engaged in a way that we feel is helpful." Do you feel that view is justified, and how do you engage with local councils?

Graham Dalton: I do not know if there are any particular circumstances behind that case, and whether it is about a specific project or generally. There are a lot of local authorities, and I run a relatively lean business. I do not think we offer a full active dialogue all the time with all local authorities. There are two groups of local authorities. Some are highway authorities abutting our network, so clearly we will do the co-ordination and management of the network. For others, it is on a planning authority basis. If it is a two-tier local authority, the county will be the highway authority but the borough will be the planning authority, so there is a different conversation—a different dialogue. We have a couple of hundred-odd authorities to deal with, and I am sure some will think we do not engage enough, and some will be quite happy. I know that some are quite happy. It comes down to personalities on both sides, and it comes down to local needs and priorities. There will be times when the need to improve traffic flow and performance on a through route and major route, even for people going only a few junctions, overrides what some people might like to do on a local development.

Q238 Jason McCartney: Do you think that maybe the LEP—the local enterprise partnership—could be a more effective route, to use a pun, for you to do local engagement, rather than all these disparate councils? In my bit of west Yorkshire, we have one Leeds city region LEP which covers all those councils, for example, the M1 and M62.

Graham Dalton: I admit that I was a little sceptical about how LEPs would work when they were set up. From our point of view, it is a number of bodies that bring some of the local prioritisation we would not otherwise get. What I can't do and won't set out to do is broker between the different wants of adjacent boroughs.

Q239 Chair: How often does a situation arise when perhaps somebody does need to broker?

Graham Dalton: To take an example, in Cornwall last year four different companies had planning applications for a supermarket in one small town that could only ever sustain one, and it was going to be the first one that got building consent that went ahead. We found ourselves in the middle of the storm as the bad guys because we were not there and present, whatever we said about the different applications' impact upon the network. We can find ourselves in a difficult place and we play it absolutely straight, and it is important that we play it straight.

The LEPs are quite helpful because they have a strategic view and they see the contribution of the network, but that does not mean we should not listen particularly to local needs. There are places where there are particular local circumstances, and quite often it is about noise, environment and keeping the place sorted out. There are the trunk roads; 60% of the network is not motorway and there are different responsibilities there. We need the dialogue with local authorities, but it varies. The good ones are very, very good. The poor ones, where there are poor relationships, are not good at all.

Q240 Jason McCartney: Please crack on with the M1 scheme as quickly as possible. We would appreciate that.

Graham Dalton: There are three of them up there, and I signed off two of them this morning.

Q241 Chair: We have been told that the agency is not up to speed in digital technologies used for managing the roads. Do you agree with that comment?

Graham Dalton: I think that is a little bit harsh. I do not know who told you that. I won't ask. Perhaps you are about to tell me.

Q242 Chair: How do you see the situation?

Graham Dalton: How do I see the situation for digital technology? "Not up to speed" might be a relative thing. We do quite a lot. I have a national traffic operation centre. My director of traffic management is quite progressive in how we use the data and how we monitor and manage the network. We use modern technology for analysing the network and managing it. We are in a reasonably good place there. And we use it for customer and user relationships. That is the trickier bit. On the former, the trunk road network is not as well covered as motorways. We have a lot of expensive and capital-intensive hardware installed at roadside to monitor traffic flow. That is expensive and it is used just for us, whereas mobile devices—floating mobile data—are becoming available, and there are fewer concerns about privacy than there were. That is a very valuable source for us. The likes of Google use it on their map applications to monitor traffic.

Q243 Chair: Do you feel that you should be able to do more?

Graham Dalton: We are doing a little bit of piloting on that now, and I think that will help us do more. The big conundrum about communicating with road users is getting information into the vehicle in a way that does not distract the driver. We are more relaxed than we were. Big electronic roadside signs are expensive. They are quite effective because you get the right message concisely to all the right people—you need to rely on them remembering it—whereas handheld devices, or even built into car devices, although becoming more common, are a distraction. They are undoubtedly a distraction. That is one of the reasons why one holds off a little bit. Experimenting with the use of Twitter for managing incidents and accidents is a good mass market way of getting information out to people, but I do not want people using that as excuses for just following Twitter while driving up the motorway rather than concentrating on driving. Just because there are laws against using handheld devices, it does not seem to stop everybody using them.

Q244 Chair: Is enough attention given to dealing with litter and other debris on the roads? Is it a safety hazard?

Graham Dalton: From the point of view of safety or the environment?

Q245 Chair: From either point of view. We have been told there may be a safety hazard. Is that an issue you are aware of?

Graham Dalton: I am aware that it is an issue, and we are being pursued fairly regularly by some people—one or two particular people, very regularly. It is expensive. It costs about £40 to go and pick up a sack of litter, and we pick up about 200,000 of them every year. That is a lot of litter to pick up. Generally, we only do the motorways; for trunk roads, the responsibility for litter clearance lies with the borough or district councils. We try to co-ordinate with them so they know when we have got protection in, or closures, so they can come in under cover of our roadworks. That co-ordination is variable—in some places it is very good, sometimes it isn't—but it is expensive to do. It can be dangerous for road workers to go and pick it up, so it is about finding a balance. I do not want to throw lots of extra money at having a slightly tidier network. I would quite like to spend the money on discouraging people from dropping it in the first place.

Q246 Chair: What would you say is the biggest challenge any successor body to the Highways Agency would have, if the Government's plans go ahead?

Graham Dalton: We have a vision, and we are building a vision with the new company, for a network that really does perform better than now, and where investment goes in the right place. The challenge is about building confidence in our supply chain—contractors and consultants—and our own staff to have a go at it. It will involve taking some risks, doing things faster, making investment faster and managing the network more firmly and aggressively. There will be some kickback, and it will not all work. It is about the company having the confidence of people when it is pushing the boundaries; if you do not try it and you don't take the risk, it is not going to work, but we have to make sure it is well funded.

Chair: Thank you very much.

Examination of Witnesses

Witnesses: **Mr Robert Goodwill MP**, Parliamentary Under-Secretary of State, Department for Transport, and **Paul O'Sullivan**, Deputy Director, Strategic Roads, Department for Transport, gave evidence.

Q247 Chair: Good afternoon and welcome to the Transport Committee. Could you give us your name and position, and your colleague likewise?

Mr Goodwill: I am Robert Goodwill, Parliamentary Under-Secretary of State with responsibility for the Highways Agency network. I am joined by Paul O'Sullivan, the deputy director at the Department in charge of strategic roads. I have been at the Department since October, but they have not yet given me the Highways Agency anorak to wear, so if there are any particularly anoraky questions I shall defer to Paul, who has an encyclopaedic knowledge of the A roads and motorway network of this country.

Q248 Chair: Let me ask you the first question. I do not know whether or not it is encyclopaedic. Are you concerned that the World Economic Forum's global competitiveness ranking puts the UK at 28th in terms of the quality of its roads? That is a matter of concern.

Mr Goodwill: We should recognise that any report like this should be a wake-up call for us to look at our infrastructure in terms of the way it services industry and commerce. It is unfortunately the fact that over a number of years we have neglected investment in our classic rail network, our Highways Agency network and to an extent our local roads as well, and that we have put off for too long making a decision on High Speed 2. All the delays in making those investment decisions have contributed to that.

That said, if we look at the way the Olympics was delivered and the way our airports and London infrastructure operated, it shows that we are still a first-world country. It is also worthy of note that in some of these rankings the actual gradations between being No. 21 and No. 35 are not necessarily that great and some are subjective judgments as well, but it does underpin the need for us to ensure that we invest in our transport infrastructure to make sure we have an economy that will support the jobs and growth we so desperately need.

Q249 Chair: Are you concerned about this ranking? Do you think it means anything?

Mr Goodwill: Obviously it is important, and to a degree it recognises the fact that we have not invested as we should over the years. There has been a lot of stop-go decision making. In my own part of the world, we were going to do pinch points on the A64 and then they decided, "Well, we won't do the pinch points. We won't do the bypasses round the villages. We'll dual carriageway the whole thing." Then the previous Government ran out of money, so they went back to plan A, which was to put in a few bypasses. In the meantime, nothing has happened at all. There are a number of instances round the country. Mr Stringer, the Mottram-Tintwistle bypass is one that comes to mind; a fortune has been spent on trying to build a road, and not one square inch of tarmac has been laid. We have had stop-go policies, partly due to the fact that the budgets have not been made available. When I speak to Ministers of other Departments I almost feel a bit guilty that we have a big budget; we have three times the budget that the previous Government spent. We have about £24 billion, or £26 billion, over this and the next Parliament to spend on roads.

Paul O'Sullivan: It is £24 billion.

Mr Goodwill: We have a war chest to build, and we need to make sure it is spent effectively. That is one reason why we are changing the basis of the Highways Agency to a Government-owned company to enable us to follow the model many other countries have followed to deliver effectively. It is not just about setting up the company; it is about making sure we have continuity in the supply chain, and continuity in the funding, training and expertise we need in this country. We cannot have that stop-go situation, which will have contributed to the slipping in the rankings. I am determined that we will move ourselves back up the rankings by investing the money in a cost-effective way.

Q250 Chair: But will setting up this company in fact achieve all that? Is the setting up of the company in itself achieving the objective? Isn't it going to need consistency of Government policy?

Mr Goodwill: It is chicken and egg in a way. Because we have that much increased budget and because we have made tough decisions in areas where it is difficult to make cuts, such as benefits, we are able to make the decisions that people out there want us to make on improving the infrastructure to enable them to get to work and for goods to travel freely round the country. Having secured that budget, we need the means to deliver it. I believe that setting up this Government-owned company will be a more effective way of delivering those projects over a number of years. It is all part of the package, and I think that will address some of the issues of competitiveness.

If you go round the world and look at countries that have not invested in infrastructure—Brazil is a case in point—they have expanded car ownership dramatically but not built any roads or transit systems in their towns, and they are now paying the price. We have not let ourselves get into that situation. We still have an effective transport network and you can still get round the country, but it is important that we continue to invest to make sure we are competitive and, as the Prime Minister keeps saying, can compete in the global race.

Q251 Chloe Smith: Welcome back to the Committee, this time as roads Minister. I have two questions, and both relate to your role as Minister at the fulcrum of the organisation you lead. One is about evidence and the other about accountability. On the evidence side, do you think there is a need for any improvement to the way business cases are presented to you? For example, we have heard some concerns about the national traffic management model, and we also all look for common sense items to be taken into account in business cases, such as the value of time given up and commuting time. We know that some of this occurs in the rail space. What do you expect from a business case that is presented to you, and how do you think it can improve?

Mr Goodwill: The formation of the LEPs—the local enterprise partnerships—has been a very good move because it means that businesses are central to the decision-making process. Local Members of Parliament are also important; I seem to recall a recent delegation of Members from Norfolk talking about the need to invest in the A11, and how important the Acle straight just outside Norwich is.

Miss Smith: The A47.

Mr Goodwill: Sorry. That is after you get to Norwich. It is important that business is engaged in this process. As a Department, we have what we call route-based strategies. We have identified six very important routes where we know there are shortcomings and where we need to identify where we can best spend that money to get maximum benefit for road users, the taxpayer and the economy. The way we can deliver that is by ensuring we have the proper cost-benefit analysis. Only the other day I was looking at the A30-A303 corridor to the west country, which is a very important route, particularly if the rail network gets knocked out due to flooding. Each section of that road has its own cost-benefit analysis.

However, one must look at the whole road as a route in order to make sure that money spent improving a section, by dualling it or—dare I say?—putting a tunnel past Stonehenge, or a dual carriageway through the Blackdown hills, or wherever, is not just pushing the problem further along. The route-based strategies are aimed at doing that. I think that is a very good, joined-up way of doing it to make sure that, while we do listen to Members of Parliament making their representations, we also look at the economic case put to us by the LEPs, and at the raw data on congestion and accidents, which is something else many people ignore. We have some roads that are not overly congested, but the danger to the travelling public is very great—the A1 north of Newcastle is one that springs to mind in that regard—where we need to look at other aspects of road safety apart from the economic benefit.

Q252 Chloe Smith: Do you have confidence in the raw data and methodology being cranked out in the basement of the DFT before it lands on your desk?

Mr Goodwill: In terms of congestion, you can’t argue with the data; the traffic is either moving or it is not. If you go to the Highways Agency website, it has a very good real-time congestion map of the country—I think it is called map beta, or is it plan beta?—where you can actually see the speed of the traffic on a particular road. I know that around Salisbury it is always particularly slow, but you can see it in real time. We have those data on the problem areas, and we have addressed some of that by pinch-point funding of over 120 schemes. That will be delivered by the spring of 2015 to address particular pinch points where small projects can do that.

I am sure that as the new company develops its strategy we will be in a better position to make those decisions. I would not want to prevent local Members of Parliament from coming to tell me that their local business park is going to expand and, therefore, we need to look ahead. My colleague Mark Lancaster always tells me that in terms of highway provision we should follow the old grammatical rule of i before e: infrastructure before expansion. I suspect one of the reasons we have got ourselves into problems, particularly in the south-east, is that we have let expansion rip ahead without the infrastructure to catch up. One of the challenges we face with this much enlarged budget and the new model is to get ahead of the curve and start to deliver the infrastructure before that expansion takes place, to ensure we are not always in the position of reacting to congestion. We need to get ahead of the curve and make sure that, as new investment and new housing come into areas, we are planning for that in provision, particularly in the Highways Agency network, but also local roads as well.

Q253 Chloe Smith: My second question is about accountability and what role you would envisage for yourself as Minister, and the many generations of Ministers to come after you, in interacting with this new model of the Highways Agency. When you have to stand up in Parliament and explain its decisions, how will you go about doing that?

Mr Goodwill: The new company will be responsible to its shareholder, who will be the Secretary of State for Transport. The Secretary of State is responsible to Parliament. He can come and give evidence to this Committee, and of course you can also invite the chief executive of the new company to come and give evidence. I do not think there will be any diminution in the accountability of the new organisation. If anything, the contrary will be the case because if we can involve user groups, in the same way that Passenger Focus represents bus and tram riders and rail users, that will give an additional aspect to how it works.

We also need to ensure that we scrutinise very well how effectively money is being spent, or not, as the case may be. That is the other aspect of scrutiny. I am still undecided as to the best way of doing it. I am not sure whether the Office of Rail Regulation is the right route, or whether a panel of experts would be the way to do that. The argument put to me about using an existing structure to police and monitor this organisation is that we do not want to set up another quango, and I can see that argument, because this Government have made promises to cut red tape and quangos. But if it just means having another department in the Office of Rail Regulation, with another 40 or 50 or more people working there, just so we do not call it another quango, I am not sure that is a very good argument. I would be very happy to go to the Cabinet Office and argue that yes, we do need to set up a specific quango—a specific monitoring organisation—particularly in terms of financial performance. It may be better to do that and not be too swayed by political arguments that really do not have any practical sway, but may appeal to people who write columns in *The Sunday Telegraph* saying that we are meant to be getting rid of quangos but we have just created one to monitor the Highways Agency. I would be very interested to hear the Committee's views on that because, as far as I am concerned, the jury is still out on the best way of doing this. Passenger Focus is a good model and I am reasonably disposed to look at how they may engage and represent road users. In terms of financial and practical management, I am still pretty much of an open mind, and would be very interested to read your report and what you think would be the right way forward.

Q254 Chair: Do you see the new structure modelled on Network Rail?

Mr Goodwill: Network Rail is completely different—I have a brief on it here—in terms of the way they deliver. They are financed by track usage, as opposed to the Highways Agency, which will continue to be financed in the main by general taxation. That may be a starting point. I am not quite sure that will be seen as a model for it. I do not know whether Paul has a point to make on that.

Q255 Chair: When you say the Highways Agency would continue to be financed from general taxation, does that mean you do not have plans to bring significant private sector funding into it?

Mr Goodwill: Certainly not. The decision on the A14 Huntingdon-Cambridge bypass was a very important one, which the Secretary of State and I thought about long and hard. There is a general view in this country, whether or not it is actually the case, that the roads have been paid for through the tax disc on the car window and the fuel duty that has been paid, and people would not take kindly to paying for it over again. The A14 was an unusual case, as it was a new piece of infrastructure rather than the dualling of an existing road or an improvement in motorway capacity, but it was important that it sent out a very clear signal that we do not intend to fund new motorway and A road provision by imposing tolls, with a few possible exceptions where I think there would be more public acceptance. In your neck of the woods, Madam Chairman, Merseylink, where a new bridge is being built, will be tolled, together with the existing bridge, which currently is not tolled, in order to finance that operation.

I think there is general acceptance that, if you are using a tunnel or a bridge, that situation is slightly different from a piece of road just laid on the terrain. The only one that would come immediately to mind where probably a good case could be made would be the lower Thames crossing. We already have the Dartford crossing, which has a congestion charge on it, not a toll, because the toll has finished paying for the road. I think there would be an acceptance that, if either of the two options were developed, charging a toll on the existing crossing and the new crossing would be a good way of financing it. That is probably one of the few exceptions to the rule, but be in no doubt in this Committee that the move to setting up a Government-owned company to run the Highways Agency network is not a shortcut to privatisation; it is not a way of introducing charges to the existing network, but a way of delivering better value for money and ensuring that, as we deliver the big projects that we are committed to delivering, they are done in a cost-effective way.

Q256 Jason McCartney: Minister, you will know all too well how clogged up and congested the M62 and M1 are in west Yorkshire. We often hear various figures and forecasts being bandied about as to what traffic levels will be in years to come. We have the figures here. On the strategic road network, the forecast in "Action for Roads" is that by 2040 traffic levels will have increased by 46%. How much confidence do you have in that forecast?

Mr Goodwill: In so far as the forecast of growth between 2003 and 2010 followed the model, there is some confidence that that could happen. With any forecast, some of the criteria you use are pretty much set in stone. In this country, whatever we do about immigration, we are seeing population growth. That is set in stone. Longevity seems to be pretty much a fact of life, and it is interesting that, as people live to ever greater ages, they show no real wish to get rid of their cars. We have not seen any lessening in the wish of older people to enjoy their retirement by having access to a car and mobility. Even if in some cases they may not travel many miles, they keep their car.

Other factors are more difficult to predict—things like long-term oil prices and the rest—but even at the bottom end of the forecast, the lowest forecast for traffic growth over the next 25 years is 24%, and there is not a very high degree of certainty that it will be anything like as low as that. I think the figure of 43% is the one we need to use as a basis for our provision. We also need to bear in mind that the current network in very many cases, such as the M62 and the M1, does not actually meet the current demand. We are not in a situation where we need to put better infrastructure in place and increase capacity because of projected demand over the next 25 years; we need to catch up on roads like the M62, on which I have often had the pleasure of being stationary as I travel across to Manchester.

The forecast is one that I am prepared to defend, but it is dependent on some factors that are more difficult to predict. It would be irresponsible of any Government not to use these figures, which are the best, and the national transport model, which is designed to forecast long-term trends.

Q257 Jason McCartney: Is HS2 part of that forecast? Or do you see that figure of 46% as part of the compelling case for HS2 to go ahead as quickly as possible?

Mr Goodwill: HS2 will not be coming in until 2025-26 on the Birmingham route, and maybe 10 years later.

Q258 Jason McCartney: But this is the forecast for 2040, you say.

Mr Goodwill: Exactly, so HS2 will have an impact on that.

Q259 Jason McCartney: Has that been factored into this forecast?

Paul O'Sullivan: Rail is included. The model at the moment does not have HS2 directly in some of the rail forecasts, largely because, if you look at the HS2 demand forecast, 4% of the trips on HS2, it is predicted, would otherwise have been made by road. I think you are talking about 3.5 million trips compared with 40 million trips on the M1 corridor.

Q260 Jason McCartney: Would you not think that with a 46% increase on the roads, even with the managed motorway scheme using the hard shoulder on the M1 going north, using this as a case for HS2 will increase even more the compelling case? We talk about capacity on rail, so why is capacity on the roads not now a compelling case for HS2?

Mr Goodwill: Certainly, one of the arguments put forward in support of HS2, which I know many of the cities in the north particularly support, is that it will open up capacity on the existing classic rail network, which means we can get more freight on to rail and off the roads, and also take some passengers off the rail network, but it has to be said that about 90% of the journeys are by road at the moment.

Paul O'Sullivan: I think 90% of vehicular journeys are by road. Overall, 63% of trips are by car versus about 3% by rail, so you have a big disparity in the size of the road market compared with rail. That does not mean there is not a strong case for action on both.

Q261 Martin Vickers: Minister, the motoring public will welcome your "certainly not" statement in respect of tolling more generally, but can I probe you a little further on how you are going to meet the demands on the budget without at least giving some further consideration to that? You are aware, for example, of the campaign in my constituency over many years to reduce tolls on the Humber bridge, which has had a very positive effect on the local economy, but the opposite argument is that without adequate road communications we are not going to be able to expand many parts of our regional economies. Are you satisfied that, despite the increased budgets you have already announced, we will be able to meet the demands of industry and commerce over the next, say, 20 years without bringing in private finance and, therefore, tolls?

Mr Goodwill: Since arriving at the Department a number of people have been knocking on my door and coming up with all sorts of schemes either to introduce private finance to the way we build new roads in this country or, more ambitiously—I think Professor Stephen Glaister would be one of these, and Steve Norris, one of my predecessors, would be another—in some way to transfer the Highways Agency network to a private fund that would then have access to the vehicle excise duty, maybe some fuel duty as well, and deliver that in a cost-effective way. If we were in Greece, I might have thought that was not a bad option. The good news is that we are not in the situation that Greece is; we are in the situation that the UK Government can borrow money at very competitive rates, and certainly more competitive rates than some of the institutions and contractors that would be coming up with schemes of this sort. Therefore, it is absolutely right that we have allocated that substantial budget—£24 billion over this and the next Parliament; three times the previous roads budget—and we can deliver the projects that we have in the pipeline, plus the ones we are looking at seriously, within the budget allocated by the Treasury. I think that is a cost-effective way of doing it.

I am not going to digress too widely, but if you look at some of the other PFI schemes that have been delivered round the country, in terms of schools and other public buildings, I do not think they have necessarily covered themselves in glory. The reason for that would be that we are, as a Government in a country that has got its finances under control, able to borrow money at very competitive rates. That money is for genuine investment; these are projects that I can describe as investment because they will be here in 20 years' time. They are not Government job creation schemes up and down the country that there will be no evidence of in 20 years' time; they are genuine investment schemes. We have the budget from the Treasury, and by locking in these budgets over the medium to long term, and organising the Highways Agency in a way that gives them the continuity to work closely with contractors and train the people to do these projects, and ensure plant and machinery is available in a way that will also ensure cost-effective use, I believe we are in a very good place indeed, and there will be no need, in my opinion, to opt for schemes like the M6 toll, or some of the design-and-build schemes that we had around the country. We have got the budget, and the Chancellor has been very wise in understanding that the most cost-effective way of delivering these infrastructure projects is as Government schemes, not in this case using the private sector, although I am a big fan of the private sector in almost every other situation.

Q262 Martin Vickers: Perhaps I can follow on from Miss Smith's question about accountability and scrutiny of an arm's length agency, company, call it what you will. In the same way as many PFI schemes have not covered themselves in glory, to use your phrase, some arm's length operations do not, in the sense that they remove themselves from the accountability and scrutiny of elected representatives. We have heard from the LGA that even the agency as it is at the moment is perhaps not responsive enough. You spoke earlier, as did Mr Dalton, about being closer to road user groups and the like, which can of course mean that you are more distant from elected representatives. Are you absolutely satisfied you will ensure that local authorities and Members of Parliament will have at least as much influence as they have at the moment?

Mr Goodwill: As I pointed out before, the Secretary of State will be the sole shareholder of this company, and as such they will be responsible to him and he will be responsible to Parliament. The chief executive of the new Government company will be able to come to Parliament and give evidence. As an additional tier that we do not have at the moment, we will also have scrutiny built into the system, where road users are represented, and where also the taxpayer and those who are paying for these projects are represented, through an overview body looking at financial performance and other key performance indicators of the company. I do not believe that we will lose control of the company; if anything, we will have better control over it and a better handle on it. It certainly will not prevent Members of Parliament from raising their own particular bypass or trunk road at Questions, and the agency, or the new company that will take over from the agency, will have to respond to points raised in Parliament and work very closely with the Department.

Q263 Karen Lumley: Do you think that building the M6 toll road was a mistake?

Mr Goodwill: I think UKIP said that in one of their leaflets I saw recently. We can learn lessons from the M6 toll. One of the mistakes that was made is that the way the tolling is structured means that basically lorries do not use it very much. That means that the maintenance budget for that road is very low compared with other roads of the same sort, because lorries damage roads by a factor of 10, 20 or 30 more than cars. The lessons we need to learn from that one is how the tolls are structured to ensure they do not just cherry-pick the users who do not wear out the road.

That said, I do not see the M6 toll as a model that we are going to deliver on. I mentioned the lower Thames crossing. That may be one where it would be appropriate to use a toll, but I do not think there are other instances around the country. The fact that we are not tolling the A14 sets a very clear line in the sand that we are not going to go down that route, and that people can be reassured of that fact. That decision sent out a very clear message not just to people in East Anglia, who were directly affected, but to people nationally that that was not a route we were going to pursue.

Q264 Karen Lumley: As you know, we have been to America and Canada to have a look at what happens there with road pricing. One of the things I found really interesting and thought was a good idea was that, when new roads were built, half of the road was tolled and half was not, so if you wanted to go quickly and did not want to queue you could. Is that something the Government would actively look at in the future?

Mr Goodwill: I remember in opposition looking at Orange county, which I think was the area where they were doing it, and the so-called Lexus lanes where people could pay to avoid congestion. The tolls on those lanes were based on congestion levels not quite in real time but certainly in the previous week. That is not somewhere we are going and it is not something we are looking at actively. We do not see the practicality of having additional lanes where you pay to use them on the existing network. By having smart motorways or managed motorways, or hard shoulder running, as I think most people call it, we are pressing that extra lane into use to everybody's advantage, and not having an "us and them" situation where those who can afford to pay get a congestion-free ride and the rest of us have to stick to those lanes and crawl behind heavy traffic or congestion.

Q265 Chair: Minister, you have made a number of very clear statements to us. One is that you do not intend to privatise the national road system. If I am correct, that is what you told us. If I am not correct, I would like you to put that right. But the Prime Minister commissioned a study on ownership and financing of the national road system from the Department for Transport and the Treasury, and it was due to report in 2012. Can you tell us what has happened to that study?

Paul O'Sullivan: The original work was on the feasibility study, the results of which came to fruition in "Action for Roads" and the Treasury's "Investing in Britain." "Action for Roads" says a bit about ownership and financing models, but was very clear about what direction the Government wanted to take, and it has been taken forward in the wider roads reform programme that has been set out.

Mr Goodwill: The "Action for Roads" document was published in May 2013 as a direct result of the work done on the previous one, and that has laid out how we can continue to invest and deliver better road infrastructure in the future.

Q266 Chair: There is no other study under way to look at changes of ownership and funding, apart from the papers we are discussing now?

Mr Goodwill: There is no secret plan in the Department that after the election we are going to do a U-turn and announce that we are going to start charging people to use the roads they have already paid for. I must make that absolutely clear. The fact that we made the announcement on the A14 sets it in stone. It is interesting that at the last election UKIP said, apparently—not many people read their manifesto—that they were going to start tolling, with Lexus lanes and the rest of it, and now they have said that we should not toll roads at all.

Of course, there is one group of vehicles that will be paying to use our roads after 1 April: foreign lorries. I am very pleased that, not before time, we are introducing the levy for all vehicles, including British ones, but of course British vehicles will be paying it as part of their vehicle excise duty. The one exception to the rule about not charging to use the existing network applies to foreign trucks, which will have to pay from 1 April.

Q267 Chair: That is an issue this Committee pursued over many years, and we are pleased that action is now being taken on that. Are you saying to us absolutely clearly and unambiguously that the Government will not be seeking more private finance for the national road system, and that the proposed new structure for the Highways Agency is not a means to privatisation?

Mr Goodwill: Absolutely. We are not using this as a sort of Trojan horse to deliver any form of privatisation, whether it be a wholesale sale of the network or as a way of leveraging more private money into the network. There are one or two possible exceptions to that. The lower Thames crossing would be one that may well fit into the model, given that it is a very expensive piece of infrastructure and people are already paying to use the Dartford crossing in that regard.

Be in no doubt: there is no plan B. There is no secret plan in a filing cabinet in the Department where we would suddenly start charging for roads. I went to the Czech Republic and Germany to look at their road-charging schemes. They were instigated primarily as a response to transit traffic. If you are the Czech Republic or Austria, you have lots of foreign trucks using your roads and not paying a penny towards their use, whereas in this country we are in a slightly different situation. We are at the end of the road rather than the middle of the road, and therefore we do not see that there is any prospect of doing that. Generally, the British people feel that the roads in this country have already been paid for by them, and they would not take kindly to being asked to pay again by tolling infrastructure that is already in existence.

Q268 Chair: How will the new scheme that you are proposing build in new incentives so that better value for money will be delivered through the national structure? What is going to be different about this plan?

Mr Goodwill: It is probably a good idea to look at other countries. Sweden would probably be the best example of how having a Government-owned company with a degree of independence has delivered better value for money. We are expecting this will save in the region of £2.6 billion over 10 years just through the efficiencies that can be built in.

I have already mentioned the stop-go policies on roads like the A64 in my area, but I recall going down to Rotherham to a plant sale to buy a low-loader 12 years ago. There was all this wonderful plant that was almost pristine. The reason it was all being sold was that, at the end of the contract, the contractor had budgeted to sell all the equipment because there was not another project to follow on—it all went to Ireland, by the way, to build their economic miracle. We need to look at better efficiency in terms of personnel. We need to hold on to our good personnel; we do not want all of them to go off to Abu Dhabi to build its road or rail network. We need to ensure we have that continuity, and that involves the contractors we work with, the staff we use and the way it is organised. Giving them the security of knowing that the budgets are there, and that they will be delivered year on year on year, will, I believe, be the major factor in delivering those savings. I do not know whether Paul has anything he wants to add in terms of how the operation will work on a year-by-year basis.

Paul O'Sullivan: It partly goes back to what we might learn from Network Rail and the rail side, where they have a high-level output specification and a long-term plan, and, alongside that, they have a statement of funding. We would be building into the long-term plans and funding assumptions about efficiency, and there will be performance specification and monitoring of how they are doing against that, with quite transparent reporting on it. It will be much clearer if the company is or is not delivering against the sort of efficiency savings that you are expecting. I think that starts incentivising in a way that we just do not have at the moment on the roads side, because we do not have that level of transparency.

Q269 Chair: You are going to use the Network Rail model for the incentives.

Paul O'Sullivan: The element of Network Rail in terms of having a clear plan, a clear statement of funding and clear outputs that you can monitor against performance.

Q270 Graham Stringer: What usually happens when the Government set up bodies that are a longer arm's length away from them than they were before is that salaries go up. Do you expect salaries to go up in the new publicly owned Highways Agency, or the public company that will be the Highways Agency?

Mr Goodwill: Funnily enough, that was precisely the conversation I had with Mr Dalton when we first talked about this. I said, "Isn't this just a wheeze to give yourselves bigger salaries?" To be fair, he made the point that in areas such as infrastructure delivery we need to make sure we have the best people. There has been a problem in the past with the Highways Agency in that some of their best people have been poached by contractors who are giving better salaries. In some ways, that has resulted in a situation where maybe the Highways Agency almost had one arm tied behind their back in terms of the way these contracts were delivered.

However, be assured that the salaries paid to the staff will be directly scrutinised by the Secretary of State, and he will have the opportunity as the shareholder to veto excessive salaries and bonuses. It is interesting, isn't it, that somebody was very critical of the salary Sir David Higgins was being paid as the new boss of High Speed 2?

Q271 Graham Stringer: And the bonus he was taking.

Mr Goodwill: And the bonus he was taking. But when you look at other sectors, Wayne Rooney has just been given a massively big salary. I am not trying to draw parallels.

Q272 Graham Stringer: To be fair, he plays for Manchester United rather than being the chief executive or chairman of Network Rail.

Mr Goodwill: But it is important that, if we are to attract and retain the best, we pay the sort of salaries that are needed in that particular field. Looking at other organisations that may poach our best people, such as the big contractors and consultancies—the Mott MacDonalds and Balfour Beatties of this world—the new agency will need to make sure that it can attract the best people, but ultimately the Secretary of State will be in a position to ensure that the salaries paid are not the sort of salaries that ordinary people, or even Members of Parliament—I suppose we are ordinary people too—would see as excessive.

The first question I raised when I met the chief executive of the Highways Agency was, "Is this just a wheeze to pay greater salaries?" To be fair, he did make the point that we need to pay competitive salaries, but we do not need the situation we have seen in some other parts of the public sector where people are paid many times in excess of the Prime Minister's salary for doing jobs where, in other parts of the private sector, they would not get anything like that. The BBC would spring immediately to mind.

Q273 Graham Stringer: So that's a yes to increased salaries?

Mr Goodwill: It may well be that salaries have to go up to ensure we get the best people, but the salary and bonus levels would be controlled by the shareholder, who is the Secretary of State. It is important that we pay the sort of salaries that the market dictates are needed to get the best people. In some cases it may mean higher salaries; in other cases it may not, but we need to compete in the market to get the very best people, because if we fail to deliver these projects efficiently, and the reason for that is that we do not have the best people, it would be spoiling the ship for a ha'porth of tar.

Q274 Graham Stringer: This is smoke and mirrors, isn't it—this long-term planning that you can do with an arm's length private company that you cannot do with a directly controlled non-departmental public body, if that is what the Highways Agency is? You cannot bind the next Government, whether it is a coalition Government, a Labour Government or a Conservative Government, or whatever it is, to any level of commitment. They can always change the plans of an arm's length body by removing subsidy. That can happen to Network Rail, so it is smoke and mirrors, isn't it? What you are doing is setting up an arm's length body with less control by elected politicians than you would otherwise have. You say that it will be easier to plan for the longer term. That can be done by the Government, can't it?

Mr Goodwill: As I mentioned before, the experience with Governments of all colours in the past has been a stop-go situation. They have turned the tap on and off and on again, and that has meant we wasted money on planning projects that we could not deliver. We have planned projects and, when they come round to delivery, a lot of the work is out of date and it has to be done again. We have wasted a lot of money.

If one looks around Europe, I mentioned Sweden where politicians have given clear long-term instructions to the agency that runs their roads so that they cannot chop and change plans when it suits their interests. Countries like Denmark, Austria, Spain, Germany and Italy publish 15-year infrastructure plans, with five-year road-specific sections. The Netherlands has achieved 20% savings on roads by extending contract terms from the normal one or two years to five or seven years and bundling more maintenance activities into the same projects, so we have seen around Europe how long-term planning has enabled projects to be delivered more cost-effectively.

You are absolutely right, Mr Stringer: we cannot bind future Governments, but we can make it much harder for them to carry out U-turns, if there was a change of Government at some point in the future, by locking in those budgets for more than the usual terms we have been dealing with in the past.

Q275 Graham Stringer: But they are not locked in, are they? They are not locked in. If you are funding Network Rail, or funding a Highways Agency that is a different legal entity from what it is now, and the Government say, "We've got a financial crisis, there's an oil crisis"—whatever the crisis is at the time—"and we're cutting your budget by 25%," you cannot stop them, can you?

Mr Goodwill: You are absolutely right in terms of their being locked in, in so far as politicians could not change them, but it is much more difficult for politicians to carry out a U-turn when they have announced projects with long time scales—when they have announced which roads are going to be delivered and when. One of the problems in the past has been that, when a Government have announced that they are not pursuing infrastructure investment, they have not necessarily had projects in the pipeline to cancel; they have just said there is less money, and therefore the projects that were in the waiting-room waiting to be approved did not move to the next stage. By announcing projects that will be delivered on a year-by-year basis, looking at the route-based strategies and those important pinch points around the country, for any Government to U-turn on them would not just be to U-turn on the principle of funding; they would have to say, "Sorry. The bypass you were going to get in Manchester, or the new road you were going to get in the south-west, will not happen in 2019 or 2021 because of the decisions we have made today in the autumn statement or the Budget." It makes it much more difficult for those changes to be made.

I hope that even Her Majesty's Opposition understand the importance of continuing to deliver the infrastructure. We are certainly of a mind on High Speed 2, and I suspect that in terms of the classic rail network and the Highways Agency network we all understand that we have neglected the investment that should have been carried out in the past. That budget is now in place, and I believe that locking it in, as far as we can as politicians, will give investors who want to come to our country to build factories and create jobs, or people who want to build developments in this country, more confidence that there will be that continuity. As we have seen from other countries around the European Union, that continuity has been very successful not only in delivering projects that were needed, but in securing them in a very cost-effective way.

Q276 Graham Stringer: As part of Her Majesty's Opposition who is in favour of long-term planning for infrastructure and economic development, in that long-term plan, can I ask when you expect there to be extra capacity on the M6 between Birmingham and the north-west?

Mr Goodwill: I think that is one of our managed motorway schemes, isn't it? The M6.

Paul O'Sullivan: Yes.

Mr Goodwill: I opened a managed motorway scheme in Birmingham before Christmas. That had been delivered ahead of time and on budget. We have managed motorway schemes that are already delivering better journey times. I am not sure what else is in the pipeline.

Q277 Graham Stringer: I was not really asking about using the hard shoulder and managing existing capacity. I was asking about extra capacity on that road, because it is one of the busiest routes in the country.

Mr Goodwill: With respect, I have been as surprised as anyone by how successful the managed motorways have been in pressing the hard shoulder into use. They have not only delivered increase in capacity as high as 25% or 30%, they have also delivered increases in safety on those roads of 50% or more. That has been quite a surprise to everyone concerned. The fact of the matter is that the hard shoulder is the most dangerous place you can be on a motorway; 8% of fatalities occur on hard shoulders on conventional motorways, despite the fact that very few vehicles spend time on them. Ninety per cent of stops on the hard shoulder are for non-emergency reasons and, by putting in the refuges, I would not decry the effectiveness of hard shoulder running in delivering better capacity on existing motorways in a way that cannot always be done, particularly if you have elevated sections. It is very hard to put additional lanes on those.

Q278 Chair: Are you saying that there are not any plans for additional capacity on that section of the motorway?

Mr Goodwill: Our primary mechanism for delivering better capacity on the motorway network is hard shoulder running. Other schemes would then have to compete with route-based strategies elsewhere.

Q279 Chair: There are not current plans for the M6?

Paul O'Sullivan: Route-based strategies will be looking at all the bits of the network, including this, and thinking about any further plans. Some of that will come to fruition for the road investment strategy later this year, although some of the route-based strategies will not report until 2015. I think it is being considered, but there are no plans immediately in the pipeline.

Chair: I just wanted to clarify that. Thank you very much.

Mr Goodwill: Thank you very much.