

Written evidence submission from Midlands Connect (MTP0022)

Midlands Connect is the Sub-national Transport Body (STB) for the Midlands and transport partner of the Midlands Engine. We are an independent partnership of Councils and Local Enterprise Partnerships (LEPs), funded by Government to research, identify, develop and recommend the strategic transport infrastructure requirements and priorities for the Midlands. Midlands Connect, therefore, has a strong and relevant interest in the appraisal of major transport infrastructure projects and welcomes the opportunity to provide the below written evidence. Whilst Midlands Connect has also contributed to a joint STB submission, the below provides more detail on our specific views.

Transport infrastructure strategy and priorities

- The Government's transport infrastructure priorities, including those set out in the National Infrastructure Strategy;

Midlands Connect supports the need to deliver infrastructure projects better, greener and faster in the Midlands, as a significant part of the UK economy. We are encouraged that the publication of the National Infrastructure Strategy last November focuses on speeding up the delivery of infrastructure improvements. We will continue to use our major projects expertise and coordinating role to help accelerate major projects that will create extra capacity for people, businesses and goods on the Midlands' roads and railways, future-proofing our region's transport network for generations to come. We're committed to working with our partners and Government to ensure the improvements are implemented as soon as possible, and to ensure we secure the best possible transport deal for the Midlands. Indeed, we are currently updating our regional Transport Strategy (to be published later this year), which will set out what we believe needs to happen to ensure the Midlands is well equipped to more effectively develop and deliver the infrastructure and connectivity it needs. This will incorporate several themes discussed here, particularly those associated with funding, capacity and skills.

To support the economic recovery, now, more than ever, is the time to invest in our roads, railways and the green technology central to our carbon-neutral future and we advocate the following:

- **Greater flexibility in assignment of funding:** currently, funding arrangements are constrained or over complicated by the separation of funds across Government Departments and the different funding requirements this brings. Funding transport development in silos doesn't reflect the way in which different modes interact. Often, transport schemes need to incorporate more than one mode of transport to meet strategic objectives or for a transport scheme to be feasible improvements are required to other modes of transport and other infrastructure. Being able to access funding that is less segregated allows for more joined up planning and the delivery of schemes in unison without the risk of delay/termination of one aspect of the scheme. The fragmented approach means that bringing these funding streams together in the right place and at the right time is extremely difficult and often means that the ultimate vision for a project is not delivered.

- **Delivering HS2 in its entirety as a key driver of Levelling Up:** we strongly reject calls to alter HS2's route or remit, as it would compromise Levelling Up opportunities. We are convinced by the body of evidence that HS2's Eastern Leg must be delivered in full and integrated with Midlands Engine Rail. Cancelling the planned High Speed station at Toton in Nottinghamshire and downgrading the Eastern Leg would be a costly mistake, hampering connectivity to towns and cities across the Midlands and the North and stifling local regeneration, including a 'once-in-a-generation' plan for a Development Corporation and critically impeding the East Midlands' economic recovery.
- **Equipping regions and local partners to decarbonise:** this is essential to enable areas to identify and fulfil what will be required at a sub-national level to contribute to meeting the net-zero carbon emissions target by 2050. We eagerly await the DfT's Transport Decarbonisation Plan and further information on support for Local Authorities and regional partners to rise to their part of the challenge, within a clear and complementary set of national measures.
- **Corridor and Place Based Schemes:** funding tends to be based on infrastructure orientated solutions. Midlands Connect believes there are significant benefits to be had from shifting to a place and corridor-based approach to investment. This would allow the full impacts of investment to be unlocked through an integrated and holistic approach across transport, housing, education and skills and industrial policy. The current work that Midlands Connect is undertaking to scope a Productivity Growth Plan for the TransMidlands Trade Corridor, stretching the spine of England from Gloucestershire to the Humber, is an example of how this may work in practice, but faces the challenge of bringing together ministers and officials across a range of different Whitehall departments.
- **NIC Infrastructure Spending Target:** the NIC has asserted that Government should aim to spend 1.2% of GDP on infrastructure spending up to 2050. Whilst this target is to be welcomed, given the unprecedented economic circumstances, this should be subject to review to reflect the opportunities and potential of increased investment aiding the economic recovery and the benefits from infrastructure investment to Levelling Up.
- The contribution transport infrastructure can make to the Government's 'levelling-up' agenda and the economic growth of the UK's towns, cities and regions outside London;

The UK, on many measures, is one of the most spatially unequal countries in the developed World. The macroeconomic stagnation that many parts of the country have experienced since the 1970s is mirrored in patterns of transport investment and connectivity improvements that have occurred over the same period.

The best linkages tend to be radial routes from London and the South-East with other regions such as the Midlands. The lack of poor connections between non-core locations risks undermining the economic potential of areas outside of the South-East. The Midlands Connect programme seeks to address this by improving connectivity between

the economic centres of the East and West Midlands and integrating the regional economy.

To be successful in transport terms, Levelling Up needs to occur on 3 levels:

- **National:** addressing the imbalance between London and the South-East and the rest of the country. In transport terms, the contribution is made by improving strategic connectivity to link the non-core regions and major cities with each other; a key example being HS2. Improving journey times, reliability and efficiency are paramount, to provide the real possibility for broader, denser networks of both transport and economic nodes and spokes to develop, that enable increased opportunity, productivity improvements and economic linkages through supply chains on a non core-periphery basis.
- **Regional:** addressing the fact that many places do not even benefit from any effective form of transport linkage into the national strategic networks and suffer from a high degree of isolation from towns and cities and the negative economic consequences that this entails.
- **Local:** connectivity improvements, including active travel provision, is important to address localised pockets of economic isolation and deprivation, and encouraging the use of sustainable modes of transport.
- To what extent the coronavirus pandemic and its longer-term implications affects the necessity and cost-effectiveness of current and future major transport infrastructure projects;

It is important to review the long-term impacts of the pandemic and ensure that sensitivity and stress testing is conducted to give a view on the potential impact of the key drivers of uncertainty. However, there are many key schemes that are likely to be able to proceed on a no regrets basis, with HS2 being a key example.

- How major transport projects can be delivered while ensuring the Government meets its decarbonisation 2050 net-zero targets;

How the country and our region decarbonise transport over the coming years is likely to be our single greatest challenge. We look forward to the publication of DfT's Transport Decarbonisation Plan and welcome the more ambitious policy commitments in the Prime Minister's Ten Point Plan for a Green Industrial Revolution, accelerating the shift to zero emission vehicles.

As indicated above, Midlands Connect is currently refreshing its Transport Strategy, which includes a strong focus on a wider set of objectives, including an objective to positively contribute to the net zero carbon target by 2050. An important consideration within the strategy refresh is around how we develop schemes, interventions and programmes that contribute to this objective. This includes our programme of road investment schemes, whereby we are developing a holistic appraisal framework that considers the impact on the environment and the net-zero objective.

At the same time, we are in the initial stages of developing a regional-level transport decarbonisation pathway to help guide local and pan-regional Midlands priorities. This will have a significant impact on the focus of our work programme in the coming years and the major transport projects that we will be recommending for funding. While some infrastructure interventions, such as improvements to highway capacity, may, at least in the short-term, be forecast to lead to an increase in carbon emissions, this should be viewed at the holistic programme level and assessed along with potential carbon reductions from other schemes.

In addition to having created a carbon baseline tool to establish the scale of the challenge in the Midlands and the biggest modal contributors of transport carbon emissions, the following workstreams are underway and generating key pieces of pan-regional evidence to inform our pathway and recommendations for funding:

- **Supporting accelerated delivery of electric vehicle charging infrastructure:** we have undertaken a piece of work looking at the collective challenges and opportunities Local Authorities face in delivering on-street electric charging infrastructure in the Midlands, which has generated several recommendations we will be highlighting for funding. By collaborating at a regional level, Local Authorities are able to work at a scale, which enables them to accelerate delivery of charging infrastructure to a pace that matches the accelerated policy commitment towards zero emission vehicles and subsequently encourages the public to accelerate the take-up of electric vehicles.
- **Energy Hub Networks – Advancing Alternative Fuels:** over the past couple of years, we have been investigating the opportunities and constraints surrounding the wider adoption of alternatively fuelled vehicles, particularly focusing on the freight and logistics sector. Most recently, our work has identified locations in the Midlands which will be suited for refuelling or recharging infrastructure against a long list of criteria.

Appraisal and funding of transport infrastructure

- The effectiveness of the Government’s decision-making and appraisal processes for transport infrastructure projects and any changes required to the ‘Green Book’;

We are, in general, supportive of the approach taken by the Green Book and sitting below it, DfT’s Transport Analysis Guidance (TAG), which provides more detailed methodologies that are applicable to the appraisal of transport infrastructure. The Green Book provides a clear framework to develop business cases and ensures that evidence is central to decision-making and schemes are brought forward that are consistent with ensuring Value for Money for the UK taxpayer. However, regarding decision-making there appears to be some general misunderstanding on the role of the Green Book and TAG and the interaction between the Economic Case and the other 4 parts of the 5-part business case; the Strategic Case, in particular. We therefore welcome the recent review of the Green Book by HMT and the clarity this has provided. However, with regards to the development of business cases, greater guidance and the proportionality of the analysis required by specific schemes, particularly at earlier stages of the scheme

development life cycle, would be welcome. The costs and resource required to develop Strategic Outline Business Cases (SOBCs) is a frequent barrier to scheme conception and development and a problem exacerbated by the challenges in funding that many Local Authorities have faced in recent times. There is a danger that the pendulum may have swung too far towards a degree of excessive detail that isn't always proportionate to the scale of costs of the intervention proposed and may be hampering the development of the infrastructure pipeline. That said, ensuring business cases are based on good quality evidence and are adequately assured, is crucial and STBs are well placed to provide that function along with prioritising schemes to present to Government at a regional level.

Whilst, as referenced above, we are broadly supportive of the fundamental nature and principles of the Green Book and TAG, there are several gaps and areas of methodology that would benefit from review, some of which are referenced in the HMT review:

- **Additionality and displacement:** the base assumption in the Green Book is of zero net additionality - any growth that is brought forward in one location as a result of investment that would have occurred elsewhere in the counterfactual case. This reflects a fundamentally “static” conception of places and their attractiveness to businesses and households. It is more plausible to conceive as places competing to improve the quality of their offer and a virtuous cycle of improvement that benefits the country as a whole. The methodology also neglects the potential benefits of increasing the number of attractive locations and the higher costs that are likely to be incurred by continuing to focus growth in London as land and amenities become stretched. Whilst the increased focus on local impacts addresses this to a degree, more could be done.
- **Discounting:** the Green Book mandates a discount rate to be applied to benefits and costs initially of 3.5%. This is based on the assumption of a long run GDP growth rate of 2% which is no longer consistent with long-term OBR forecasts. There is a likelihood that this may distort the picture of schemes that deliver benefits a long way into the future.
- **Fiscal Multiplier and Construction Impacts:** the Green Book prohibits the calculation of any benefits that are the second order impact of public investment and the benefits brought about from employment generated by infrastructure investment. In the case of mega projects these impacts can be significant, for example HS2 will employ up to 20,000 workers over a 20-year period. Whilst the methodological basis for excluding these impacts is debatable in normal times, given the massive economic shock that has occurred, it appears hard to argue the economy is in equilibrium and a state of full employment at present.
- **Distributional Impacts:** the Green Book allows for distributional impacts to be accounted for in a qualitative manner. We would welcome an openness to also quantify these impacts in transport business cases in line with an established methodology developed by DWP. This approach allows for the comparison of schemes that benefit different income groups, providing a higher weighting to interventions that are more targeted towards those with the least to begin with. This is

likely to be of increasing significance given the economic fallout from the shock of the pandemic.

In addition to these components of the Green Book, there are several gaps to DfT's TAG that can risk the full impacts of schemes failing to be captured. These concern the lack of a methodology to appraise programmes of investment that include sectors beyond transport, the changes to economic geography that transport can generate (frequently called land use change) and the wider impacts of improved provision for freight.

Oversight, accountability and governance of transport infrastructure projects

- The relationship between the DfT and other Government departments and agencies, devolved administrations, and the private sector, in delivering major infrastructure projects;

As the Sub-national Transport Body (STB) for the Midlands, we research, develop and recommend strategic transport projects for Government's consideration. As such, we have an ongoing relationship with the DfT. We have been in existence and championing the Midlands for over 6 years, having secured £40m in development funding thanks to local partners and Government.

As a maturing organisation with a track record in working successfully with Government, we are now working towards formalising our relationship through a Charter/Collaboration Agreement. We believe this is an important step in cementing our role in the way transport infrastructure is developed and delivered across the region, as well as maintaining the good working relationship with Government.

As such, we have submitted our Charter/Collaboration Agreement to Government. It is underpinned by key principles: consensus and one voice for the region, evidence-led prioritisation, and confidence in Government's commitment to the Partnership. It sets out what we promise to deliver as being:

- Consensus and strategic consideration of transport needs at a pan-regional level.
- A partnership approach to develop and prioritise the region's Major Road Network and Large Local Major Schemes.
- Support to Government (DfT) to tackle big strategic challenges including freight, decarbonisation, rural connectivity, Covid-19 recovery, electric vehicles and others.

Transport infrastructure capacity and skills

- The extent to which there is enough capacity and the right skills within the UK to deliver the Government's transport infrastructure plans, and options to help address shortages in transport infrastructure skills.

Shortages of pipeline capacity and skills remain a challenge to both the delivery of existing planned transport infrastructure and would face greater strain in the case of any acceleration of rollout. Whilst the focus in this area is often on the downstream end of the pipeline, such as construction, the experience of Midlands Connect is confirmed by the

findings of a recent Capability and Capacity Review, whereby we engaged a wide range of stakeholders throughout the Midlands. A key conclusion was that skill and capacity constraints begin at the start of the whole scheme development process with many scheme promoters lacking sufficient resources to put into the initial development and testing of the initial viability of schemes. This reality risks leading to the neglect of the development of the best solutions to many connectivity problems and a lack of high value for money schemes being brought forward, an example being the development of major road network pipeline.

The Capability and Capacity Review recommended that greater resources be designated to both providing access to and developing the specialist skills to move business case development forward, with STBs such as Midlands Connect being well placed to aid the delivery of this capacity and coordinate across Local Authorities.

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