

Written evidence submitted by England's Economic Heartland (MTP0028)

England's Economic Heartland (EEH) brings together political and business leaders in a pan-regional strategic partnership, with a focus on the planning, development and delivery of strategic infrastructure. It is the Sub-national Transport Body for the region. Its membership stretches from Swindon to Cambridgeshire and from Northamptonshire to Hertfordshire, and includes the area identified by Government as the Oxford to Cambridge Arc: a nationally significant economic priority.

In February 2021 EEH will publish the region's Transport Strategy. The Strategy is a 30-year blueprint setting out the way the Heartland's transport system must evolve if it is to achieve a green economic recovery, level up parts of the region and achieve net-zero carbon emissions from transport no later than 2050 (with an ambition to reach this by 2040). The Strategy and the Investment Pipeline that flows from it are grounded in evidence-led assessment of the region's requirements. The Strategy has been endorsed by partners through two rounds of engagement. Delivery of planned growth in a sustainable way is dependent upon being able to plan, develop and deliver infrastructure investment with confidence and certainty.

Our work has identified opportunities wherein our work as a Sub-national Transport Body can help address some of the key barriers to enabling the timely and efficient delivery of required infrastructure.

If we are to accelerate the delivery of capital infrastructure projects it is essential that strategic priorities are identified within the framework provided by a 5-10-year indicative funding envelope. We have seen first-hand the added value and benefits realised by Network Rail and Highways England operating within such a framework. Extending the approach to the wider transport system would encourage more effective prioritisation at the regional level. By ensuring the Investment Pipeline is affordable the opportunity would be created to reduce (or even avoid) the need for competitions to be used to allocate the funding available. There is clear evidence that the use of competitions adds inertia to decision-making, adds avoidable costs and delays the realisation of economic benefits.

We welcome the National Infrastructure Strategy's commitment to accelerate the delivery of infrastructure enhancements. Government, in setting an indicative funding allocation within which STBs prioritise will ensure regional infrastructure proposals can be developed with clarity of affordability. It is on this basis we have prepared a response to the issues presented within the call for evidence.

Transport Infrastructure and Priorities

EEH supports the development of the National Infrastructure Strategy. It marks an important first step in setting out plans to transform the planning, development and delivery of UK infrastructure. We believe that the work of the STBs (individually and collectively) afford the UK with the ability to realise the transformation required at a practical level. EEH encourages the committee to build on the work of the seven Sub-national Transport Bodies to develop a National Transport Strategy that identifies the priorities for our road, rail, aviation and port networks and use our strategies to enable the alignment of investment to an agreed outcome.

Connectivity infrastructure, both physical and digital, is integral in realising Government's 'levelling-up' agenda and the economic growth of UK's towns, cities and the regions outside London. Levelling up should be less concerned with benchmarking against the economic

geography of London and the South East and more focused on narrowing the gap between the opportunities that people have considered in terms of social, economic and geographic factors.

To deliver this agenda, funding mechanisms need to be simplified and focused on delivering outcomes, as opposed to being limited to specific projects. We need to move on from funding decisions assigned by departments operating in siloes of one another. The ‘levelling-up’ agenda presents an opportunity for outcome focused decision making. Interventions and solutions should be driven by the extent to which outcomes will deliver strategic objectives and, in this regard, should be agnostic of which connectivity solution achieves this. To enable outcome led decision making transport infrastructure funding schemes must be less segregated and more integrated with other areas of policy.

The manifestation of the challenge to integrate transport investment with broader areas of public policy is demonstrated in the delivery of the East West Main Line. In this example, a transformational infrastructure priority, costing in excess of 1 billion pounds, is failing to deliver digital infrastructure provision, costed at circa £1 million pounds. This situation arises because DfT do not see digital infrastructure as their responsibility: DCMS do not see the provision of digital infrastructure as part of a transport scheme as their responsibility. Everyone – nationally, regionally and locally – agrees that it ‘makes sense’ to deliver the rail scheme as a digitally enabled corridor: the system conspires to make next to near impossible to achieve.

As a result, the scheme only goes so far in embracing the wider environmental and societal needs of passengers and place. To avoid issues of this nature resurfacing there is a need to identify a set of outcomes that are placed-based, and to then use the funding available to invest in strategic infrastructure as a single pot whose purpose is to realise those outcomes. EEH is realising these benefits in practice through its programme of connectivity studies that identify complementary interventions across sectors at a corridor level. The work of EEH (and the other STBs) is embedding such an approach to transport planning at the regional level and in this way is providing the leadership required to achieve the step-change we need to coordinate physical and digital investment to deliver agglomeration benefits.

Delivering EEH’s Transport Strategy by means of technical work presents the opportunity to integrate our programme of investment with wider economic and social infrastructure interventions; thereby contributing to the levelling up agenda. Further, the region’s location at the heart of England means that ensuring the quality and reliability of our strategic connections benefits our neighbouring regions and the rest of the UK. Indeed given that the region acts as a gateway to global markets for much of the UK the operational resilience and capacity of our road, rail and air links is integral to the long term success of the UK economy and levelling up.

The response to the coronavirus pandemic has challenged the assumptions upon which decisions on investment are traditionally made. We have observed fundamental changes in behaviour of individuals and businesses that have dramatically reduced the carbon footprint of the transport sector. Companies and organisations have and continue to evolve their business models rapidly and the consequences of this change create opportunities to significantly affect travel demand. Our approach to planning the future of our transport system needs to seize the opportunity shape the future if we are to build-back-better. In particular it is essential that transport schemes that facilitate green economic growth are

prioritised, and in particular schemes that can be delivered with ‘no-regret’. Government should build on the work of the seven STBs, with their evidence-led decision, to agree the strategic infrastructure requirements for England. It should then use the certainty created by such an approach to deliver those requirements as a properly resourced programme of investments.

Notwithstanding the implications of the global pandemic, EEH (and the other STBs) has demonstrated that our consumption of transport resources and land use allocation is not sustainable. As businesses and communities have adapted, so must the transport system if we are to meet the legal requirement of net-zero carbon no later than 2050. The decarbonisation of the transport system is the sector’s greatest challenge and will require a substantial overhaul in the vehicle fleet towards zero-emission vehicles, coupled with technological solutions and behaviour change to reduce the number and nature of motorised trips. EEH has harnessed the National Infrastructure Systems Model (NISMOD) to identify the most practical pathways to decarbonisation.

Our work demonstrated, unequivocally, that carbon appraisal must be embedded into all stages of scheme development. For too long, carbon reduction in transport schemes has not received the explicit consideration it requires. Rather it has been considered a secondary issue after the more conventional monetised impacts. Decarbonisation requires a complete rethink in the way we view and plan connectivity, with carbon treated as a finite resource on which investment decisions are made. Placing carbon reduction front and centre of transport appraisal will increase the visibility of the need for change: it will help shift the way we consider the future of our places and existing assets.

A significant part of the Heartland has been identified by the Government as a national economic priority – the Oxford to Cambridge Arc, however, emissions from transport here are higher than the national average, and the rate at which emissions have increased is almost double the UK average.

In order to achieve the step-change we believe is required we continue to provide leadership on the way the transport sector deals with decarbonisation. We are working to develop a regional carbon budget and associated targets as part of our approach and see the region as being a suitable pilot for the development of a new appraisal methodology that shifts the focus of assessment in favour of carbon reduction.

Appraisal and Funding of Transport Infrastructure

Government’s decision making and appraisal process is not effective. Our current system is overburdensome and overly centralised. Flagship investment projects contained at the heart of the Road Investment Strategy and Railway Control Periods slip in terms of delivery giving rise to additional costs that are avoidable. Moreover, it means the economic benefits of the investment are delayed in their realisation. Oven ready schemes, supported by strategies and business cases, encounter unnecessary delays as Government departments re-examine the need for and case in support of the proposal.

We welcome the review of the Green Book by HMT and the emphasis on the need for objectives to drive the appraisal process and new guidance that defines ‘transformational change’. However, Government must avoid thinking that transformation only comes through major projects, as a comprehensive package of local measures aligned with interventions in other policy areas and new technology can equally deliver positive, irreversible change.

With respect to the development of business cases, our approach to appraisal needs to adept in enabling and encouraging assessing the value of a programme of schemes. If decisions are to be made on the extent to which an intervention satisfies a strategic objective, we will increasingly need to align investment in different parts of the transport system to achieve this – it is highly unlikely that a place-based outcome will be achieved through a single investment.

Scheme promoters need confidence that the appraisal process is capable of allowing for the situation where the value of a series of investments is maximised when they are collectively considered as part of an overall package. Further, EEH's experience of business case development has illustrated the need for greater guidance on the proportionality of analysis required from specific schemes, specifically at the early stages of development. Our view is that scheme development is too heavily front-loaded, with an inappropriate and overly expensive level of assessment required too early in the process. The level of time and cost associated with the early stages of scheme development is cumbersome and constrains our ability to be agile and deliver solutions that respond to the pace of change. The rigour applied by EEH (and other STBs) in developing our Investment Pipeline, if shaped by the availability of an indicative regional funding envelope offers the opportunity to simplify the early stages of scheme development significantly.

Business case development is also hampered by virtue of displacement and additionality assumptions that are baked into the Green Book.

The base assumption in appraisal is that new growth unlocked as a result of investment would have occurred elsewhere and is thus abstracted by an intervention. EEH's experience supporting the development of East West Rail Central section illustrates how this approach risks undermining business cases. In this scenario, the investment in the East West Main Line offers the opportunity to displace trips from the congested West Anglia Main Line. However, when one applies the assumptions of displacement it weakens the economic benefits of the investment. The reality, based on experience, is that the capacity released on the West Anglia Main Line would be filled by induced travel demand driven by economic growth in the Cambridgeshire sub-region; generating further economic activity. In nationally significant infrastructure projects such as this, it is more appropriate to view places competing to improve the quality of their offer, which subsequently creates a cycle of improvement that benefits the rest of the UK.

Until the pandemic, transport decision making has been shaped by the value placed on journey time saving. The underlying belief has been that to realise economic potential, transport should physically connect labour and markets to produce a concentration of economic activity. For nearly the past 12 months we have seen some sectors of our economy challenge this assumption. The greater use of flexible/remote working has enabled economic agglomeration to continue without the need to travel. For many businesses, remote working has proven that they can operate, as, if not more, efficiently and the attraction of significantly lower overhead costs through smaller, or less office space will be a decisive factor in whether a temporary model of a commercial operation becomes permanent. These changes to working patterns make the imperative of fast, resilient, fixed and mobile digital connectivity critical to business needs going forward. The appraisal system must take heed of the changes to working patterns and avoid excessive weight afforded to the monetary value of journey time

savings. It should favour an appraisal system where carbon reduction and outcome led planning are the pillars of transport decision making.

Transport Infrastructure Capacity and Skills

Many of the challenges facing strategic infrastructure delivery are well recognised. These issues are compounded at the regional and the local level by the disparity between Government initiatives that typically focus on realising short term impact and the reality that investment in strategic infrastructure requires clarity and stability over a longer timeframe.

A review of the infrastructure delivery process, undertaken in collaboration with our partners identified pinch points where lack of access to specialist skills and knowledge, particularly within the client side introduces risk into the delivery and development of infrastructure projects. The gap analysis concluded that the absence of technical skills is experienced most acutely during the procurement, project initiation and option testing phase of an infrastructure project.

EEH is working with the Department for Transport to develop proposals for a 'centre of excellence': a regional resource that will host specialist skills which partner authorities will be able to draw on as they develop their proposals to the point of delivery. Access to this resource will enable partners to realise efficiencies that help accelerate the delivery of investment and reduce costs. Establishing this resource will strengthen the quality of new proposals, reduce risks to delivery and disseminate accumulated knowledge that can be applied more widely.

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