

connecting cities

local transport, national connectivity,
and economic growth

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About Centre for Cities

The Centre for Cities is an urban policy research unit, currently based at the Institute for Public Policy Research (ippr). It is taking a fresh look at how UK cities work, with a strong focus on the economic drivers behind urban growth and change. The Centre has strong networks across Whitehall, cities throughout the UK, and in the private sector. It will become independent from ippr at the end of 2007.

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Abbreviations

AGMA	Association of Greater Manchester Authorities
APUDG	All Party Urban Development Group
BCC	British Chambers of Commerce
CBI	Confederation of British Industry
CfIT	Commission for Integrated Transport
DCLG	Department for Communities and Local Government
DfT	Department for Transport
HSR	High-speed rail
ODPM	Office of the Deputy Prime Minister
PTEG	Passenger Transport Executive Group
PTA/E	Passenger Transport Authority/Executive
RUC	Road-user charging
SACTRA	Standing Advisory Committee for Trunk Road Assessment
SBR	Supplementary Business Rate
TIF	Transport Innovation Fund

1. Foreword

by Richard Lambert, Director General, Confederation of British Industry (CBI)

Transport is the lifeblood of our national economy. Road, rail, air and sea-borne transport services underpin England's productivity and competitiveness. Business depends on transport networks that are reliable, efficient, and cost-effective.

The evidence – bolstered by the publication of the Eddington Transport Study in December 2006 – speaks for itself. But are we doing enough to ensure that England's cities have the right transport connections, in the right places?

This report, which draws on high-level seminars held in Newcastle, Birmingham, Liverpool, Bristol and Reading, is well timed. It sets out a case for greater investment in local transport, just before the arrival of a new Prime Minister in Downing Street and the 2007 Comprehensive Spending Review.

It argues that investment in local transport has major economic returns – and that more needs to be done to ensure that urban transport systems can cope with demand.

Whitehall must do more to help England's regional cities to deliver transport improvements, by ensuring they have the appropriate powers and by encouraging more private investment.

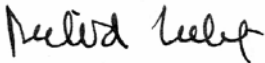
The scale of the challenge is clear. Thanks to decades of under-investment, England's cities and towns do not have the transport infrastructure they need to live up to their full potential. Although the current government has increased transport investment substantially, there is much more still to be done.

As business leaders, we have long recognised the importance of high-quality transport services to the performance of our cities and towns.

We have made repeated calls for sustained public investment in urban transport, both in London and in regional cities across the UK. And we have demonstrated interest in innovative solutions to England's urban transport crunch – including new public-private partnerships to finance transport infrastructure, targeted forms of road-user charging, and smarter travel planning.

This report makes an important contribution to the debate on the future of transport in England. By convening local stakeholders, and focusing on the transport challenges facing our regional cities, it provides decision-makers with a much needed 'view from the streets'.

Business looks forward to working in partnership with city leaders, other local partners and central government to ensure that England's cities are well connected – and delivering on their full economic potential.

A handwritten signature in black ink, appearing to read "Michael Kelly". The signature is written in a cursive, flowing style.



Executive summary

Connecting Cities reflects the views of local stakeholders in five of England's regional cities, where local transport has been the subject of intense debate in recent months. The report is based on a series of five seminars – and brings together a range of messages for national decision-makers.

Connecting Cities does not make definitive policy recommendations. Instead, it reports on the state of the transport debate in England's cities. The views expressed by local stakeholders were particularly strong in six topic areas:

1. Reform of local transport governance

In big conurbations like Tyne and Wear or Birmingham, stakeholders favour the creation of strategic city-regional transport authorities exercising public transport, highway and traffic powers. This suggests that Passenger Transport Authority/Executive (PTA/E) reform should be tackled by the Road Transport Bill and the Sub-National Review of Economic Development and Regeneration. In smaller cities, like Bristol and Reading, the key challenge is to develop effective sub-regional transport arrangements that reflect local economies and markets.

2. Devolution of financial power to cities and city-regions

Local stakeholders agree that greater financial freedom – with local revenue streams to unlock investment in urban transport priorities – is critical. Cities, business leaders and government must reach agreement on supplementary business rates, which would jump-start key projects like the development of Birmingham New Street Station. Cities also argue that their investment depends on retaining local road-user charging revenues for 30+ years.

3. Road-user charging

England's cities accept that there is a strong case for road-user charging in principle. However, they have important concerns about implementation. First, government must clarify its intentions with regard to local and national charging schemes. Second, Ministers need to account for cities' con-

cerns – such as the scale of up-front investment, incentives to overcome ‘first mover disadvantage’, and the uncertain impact of road charging on local economies. And third, stronger city leadership will be critical to making local road-charging schemes work.

4. Bus services

Cities believe that the Government’s proposals for bus reform would give them the freedom to choose the best model for local bus services, in order to connect people to jobs, support regeneration, and enable economic growth. The ‘menu’ approach proposed – where cities would have a range of options, including the current deregulated system, stronger partnerships, or London-style franchising – is the right way forward, but the cost implications remain unclear.


5. Inter-city rail services

Local stakeholders prioritise improved rail connections between regional cities – not high-speed rail. Future rail investment plans must tackle both national and local needs. In major employment centres, stronger commuter rail services would deliver economic benefits, reduce congestion, and promote public transport use.

6. Airports and ports

Cities agree that international gateways are essential to the economic prospects of England’s regional cities, but they must be managed in a sustainable manner. Improved road and rail access to key hubs, such as Birmingham and Manchester airports, is a top priority. And local stakeholders believe that targeted expansion at Manchester and Birmingham would positively affect the economies of the Midlands and the North.

In England’s regional cities, there is a strong will to engage with the private sector to leverage greater local transport investment. Forthcoming legislative reforms and policy changes must enable cities and private-sector partners to work more closely together to deliver key local transport improvements.



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1. Introduction

Transport is a critically important issue for England's cities, impacting on both local and national economic performance. Over the last three decades, however, England has underinvested substantially in transport infrastructure. Many cities now face critical infrastructure gaps, coupled with the difficult and costly task of upgrading local transport networks in order to support local economies.

Since 1997, the Government has almost doubled overall transport investment (HM Treasury 2006), and launched a range of new initiatives to improve the planning, funding and delivery of transport solutions, both locally and nationally.

But England's cities say that they still do not have the statutory powers, governance arrangements, financial tools or revenue-raising mechanisms required to deliver better transport – and to underpin economic growth.

“Many cities now face critical infrastructure gaps, coupled with the costly task of upgrading local transport networks”

Connecting Cities brings together views, collected during a series of seminars held between October 2006 and February 2007, from key public and private stakeholders in the five cities of Newcastle upon Tyne, Birmingham, Liverpool, Bristol and Reading. The seminars were timed to gauge cities' views either side of the Eddington Transport Study, and ahead of the 2007 Comprehensive Spending Review (CSR).

This report discusses cities' reactions to the Eddington Transport Study, views on road-user charging, and their top local investment priorities. These perceptions and experiences reveal a number of messages for national decision-makers – ahead of the transition to a new Prime Minister and the CSR.

Overall, seminar participants argued that English cities and city-regions

need more flexibility to deliver transport improvements, together with private sector partners. To facilitate this, central government must deliver greater clarity on national objectives, and devolution that enables cities and their partners to devise transport solutions that underpin local economic growth. At the same time, cities must be realistic in their investment expectations, given the tightening public spending climate. And both sides must work harder to understand transport's economic role – and to ensure that transport investments have maximum economic impact.

About the seminar series

Held between October 2006 and February 2007, the *Connecting Cities* seminar series brought together more than 100 stakeholders from local and regional government, businesses, transport providers and user groups to discuss the key transport issues facing England's regional cities.

The seminars were intended to identify local transport concerns and the role of transport in the local economy. Each event examined the debate around transport investment from a city-centric point of view. The event format ensured that local concerns, rather than Whitehall initiatives, were at the heart of each discussion.

The purpose and structure of this report

Connecting Cities is the first in a series of reports on urban transport issues from the Centre for Cities. The views expressed here reflect current debates in England's regional cities, and are intended to inform the Centre for Cities' thinking and empirical work over the coming months, rather than to make detailed policy recommendations.

During the remainder of 2007, the Centre for Cities' *City Transport* work-stream will publish a range of new research outputs, including path-breaking work on the economics of transport investment in the Leeds city-region, and critical analysis of a range of key transport governance and finance issues.

For more information on our project methodology and the themes used to structure seminar discussions, please see the Annex.

The remaining chapters of this interim report:

- Briefly examine the national (and local) transport policy context (Chapter 2)
- Summarise local views on a range of key transport issues, and explore the extent to which messages vary from city to city (Chapters 3–7)
- Synthesise a number of messages for national decision-makers (Chapter 8).

Stakeholder opinions cited in this report do not necessarily reflect the views of the Centre for Cities or the Institute for Public Policy Research.

2. Understanding the policy context

The view from the centre

British transport policy is currently in transition. Transport provision is now seen as a critical economic lever, rather than simply a second-tier public service, drawing in a wider range of Ministers and government departments than ever before.

In line with transport's increased political and economic importance, expenditure – including both capital and revenue funding – has nearly doubled in real terms since 1997. In 1997/98 the spend was £10.4bn in real terms, whereas in 2005/06 it was £18.0bn (HM Treasury 2006). Although much of the funding increase has gone into the national rail network, the Department for Transport (DfT), the Treasury and the Department for Communities and Local Government (DCLG) have also focused increased attention on the role of transport in England's urban economies. And the Government has introduced a more stable transport planning process for towns and cities, with five-year investment programmes replacing a more reactive, stop-start approach.

How have these changes come about?

First, the DfT and the Treasury have developed a keen interest in the 'wider economic benefits' associated with transport investment (DfT 2005). Researchers have long argued that existing appraisal models do not take account of agglomeration effects – the wider economic benefits arising from the geographical concentration of people and businesses. Transport improvements have been shown to enhance these effects (SACTRA 1999, Glaister 2004, Rice and Venables 2004, Travers and Glaister 2006), but they remain outside the scope of conventional transport appraisal. Over the past two decades, cities have complained that their priority projects have lost out on funding as a result.

The DfT has responded constructively to this research by developing new methods to measure agglomeration (Graham 2005, DfT 2005, 2006e), earmarking most of the £15bn Transport Innovation Fund for projects that in-

crease national productivity, and encouraging England's cities to inject a stronger economic focus into transport planning.

Second, the Government-commissioned *State of the English Cities Report* (ODPM 2006), together with the Treasury's *Devolving Decision-Making 3* paper (HM Treasury *et al* 2006), have made it clear that Whitehall considers cities and city-regions to be the 'building blocks' of the English economy. Additionally, the Government has acknowledged that good infrastructure and efficient public transport are critical enablers of economic growth (DfT 2005, OECD 2006, Eddington 2006a). Across Whitehall, there is now widespread agreement that connectivity – local, regional, national and international – is an essential ingredient of the UK's economic performance.

“Connectivity – local, national and international – is an essential ingredient of the UK's economic performance”

This consensus was bolstered by the publication of the Eddington Transport Study in December 2006. Critically, Sir Rod Eddington urged the concentration of investment on 'growing urban areas and their catchments', together with 'key inter-urban corridors' and international gateways. And Eddington endorsed 'widespread' road pricing as a key tool for reducing congestion. The Centre for Cities has argued that Eddington's recommendations – if carried through into government policy – could have positive investment consequences for England's major cities (Marshall 2007).

Third, arrangements for sub-national transport planning and funding have been strengthened substantially since 2000. Five-year Local Transport Plans, with clearer objectives and funding allocations, have enabled transport authorities in England's cities and towns to plan more strategically. The introduction of Regional Funding Allocations has forced cities and towns to prioritise bids for major schemes – and develop a more coherent approach to infrastructure spending. And Whitehall is currently investigating the appropriate geographic scale for the delivery of urban transport, as part of the Comprehensive Spending Review.

The view from the city level

Despite this progress, local and national policymakers have different goals for the transport network. While both sides want a strong, healthy transport system, there are still important legal and financial constraints that must be worked out.

Many city leaders, business groups and public transport users argue that existing institutional arrangements prevent the delivery of integrated transport networks that support economic growth, social inclusion and environmental objectives. And crucially, as reported by the DfT (2006b), the public believe that congestion and overcrowding have got worse in the last few years, not better.

In recent months, press reports on England's cities and towns have focused on rising bus fares, service cut-backs, increasing road congestion, and cancelled tram projects – rather than Whitehall policies and position papers. The resulting debates have been somewhat heated:

- *Road-user charging*: By February 2007, 1.8m people had signed up to an online petition opposing the introduction of additional road-user charging schemes in England.¹ Recent research has shown that over 60 per cent of the English public oppose road pricing, despite the Government's argument that it is necessary to tackle congestion (Bird and Morris 2006).
- *Bus services*: There is unhappiness with the state of deregulated bus services in a number of major cities. The outbreak of 'bus wars' between operators in Greater Manchester (Rooth and Osuh 2006), above-inflation fare rises, and cut-backs to urban bus services, fuelled public discontent.
- *Overcrowding*: Pressures on commuter and inter-city rail services to city centres have led to instances of substantial overcrowding (Sherwood

1. See the e-petition on the 10 Downing Street website against vehicle tracking and road pricing, <http://petitions.pm.gov.uk/traveltax>, or the extensive media coverage surrounding the issue, for example: *Daily Telegraph* (2007) and Woodward and Milmo (2007).

2007), dissatisfaction and even fare protests (see, for example, BBC 2007).

- *Cancelled projects:* The high-profile cancellation of tram schemes in Liverpool, Leeds and other major cities negatively affected public confidence in central government and local transport authorities.

Local and national business groups, too, have registered a range of concerns (see, for example, Confederation of British Industry 2005, British Chambers of Commerce 2006). The instability and cost of the rail franchising system has left many local business leaders concerned about service levels, especially in services to London. And business organisations have repeatedly pushed for greater infrastructure investment to combat congestion, which has been found to cause substantial costs to the UK economy (OECD 2005).

“The instability and cost of the rail franchising system has left many local business leaders concerned about service levels”

Many city leaders and Passenger Transport Executives (PTEs), which are frequently the target of these protests – argue that they do not have the power or resources needed to address these concerns. As the All-Party Parliamentary Urban Development Group (APUDG) argued recently, Whitehall continues to retain control of most transport and infrastructure funding streams (APUDG 2007). ‘Major’ schemes, that is those costing over £5m, require Treasury approval. And, for the most part, England’s cities lack the revenue-raising tools needed to finance key transport schemes themselves (see Marshall and Finch 2006).

In the wake of the Lyons Inquiry into Local Government (Lyons 2007), city leaders have also argued that Supplementary Business Rate (SBR) powers – a local ‘top-up’ of up to 4p on the national business rate – would help bridge funding gaps for key local transport priorities. Cities, business leaders and government must now reach agreement on how an SBR would work in practice.

Additionally, many local transport authorities feel hamstrung by their inability to link transport services to economic development efforts (Edding-

ton 2006b). Limited influence over bus services, rail franchise agreements, and the inability to create an integrated local transport system rank as key frustrations. Furthermore, many express concerns over the scale of transport governance, which often does not match up to economic realities (CfIT 2006, 2007). This has been a major theme of the Government's work around the Draft Road Transport Bill (see Chapter 3 for more).

Bridging the divide?

As this brief review shows, Whitehall and England's regional cities view key transport issues from very different perspectives. As subsequent chapters show, the findings from our seminar series reinforce this.

The 2007 Comprehensive Spending Review and the transition to a new Prime Minister represent a critical opportunity to bridge the divide between cities and central government. We now have a unique opportunity to develop a more flexible transport policy framework that enables England's cities to support economic growth.

The next five chapters examine the key issues – governance, bus services, road pricing, rail links and international gateways – in greater detail, and draw together a number of key messages and insights for central government.

3. City-regional transport: where next?

Local transport in England's regional cities faces two key challenges: governance and funding. This chapter examines:

- The prospects for transport governance reform at the city-regional (or sub-regional) level
- The need for financial devolution – including Supplementary Business Rates – to enable cities to deliver their own transport priorities.

The governance of local transport – and the range of services delivered by local transport agencies – is now being debated in major cities across the country. As reported by the Commission for Integrated Transport (CfIT 2006, 2007), the Passenger Transport Executive Group (PTEG 2006) and our seminar participants, there is a widespread consensus that more needs to be done to improve the quality, performance, and coverage of local public transport networks.

Business leaders and other stakeholders in regional cities look favourably on Transport for London, the capital's strategic transport authority. Many, such as Travers (2004), argue that the existence of a single authority covering public transport, highways and traffic management has helped London to make a successful case for increased public investment, including new capital infrastructure and large-scale annual transport subsidies.

In contrast, local transport in many other urban areas is highly fragmented, with specific functions vested in Passenger Transport Authorities (which lack highway and traffic powers, as well as funding levers) or single unitary authorities (CfIT 2006, 2007, Travers and Glaister 2006, OECD 2006). Two consequences of this have been patchy service provision and a poorly-coordinated approach to central government funding opportunities.

The Government is using the Draft Road Transport Bill as a vehicle to propose changes to Passenger Transport Authorities and Executives (PTAs and PTEs) in the biggest metropolitan areas, as well as new powers to regulate local bus services (see DfT 2006c and Chapter 4 for more).

What, from the cities' perspective, are the key priorities for reform?

What England's cities are saying: governance reform

Stakeholders at our regional seminars broadly welcomed the prospect of local transport governance reforms.

Powers to deliver

Fragmented, poorly integrated statutory powers were identified as a barrier in every city we visited. Business leaders, especially, argued that the maintenance of separate authorities for public transport, highways and traffic management undermined the prospects for better public transport in regional cities.

“Fragmented, poorly integrated statutory powers were identified as a barrier in every city we visited”

Participants in Newcastle, Birmingham and Liverpool – which have metropolitan transport authorities (PTAs) – argued that these authorities could not deliver adequate public transport services because their legal powers were too narrow. For example, the dependence of PTEs on individual councils for the provision of bus lanes has led to a variable approach within a single sub-region – and in some cases slowed or prevented the delivery of quality bus corridors. And although PTAs and PTEs oversee public transport, they cannot enforce traffic regulations to ensure that buses operate on time, since traffic powers remain with local councils.

Across our five cities, stakeholders argued that local transport improvements depend on three key legal changes:

- *Bus services*: whether through regulation or statutory partnerships, urban transport authorities need more control over bus routes, timing, fares and networks to deliver better services (for more, see Chapter 4).
- *Use of powers*: public transport, highway and traffic management powers need to be exercised together, as this will allow the development of

more effective integrated transport systems.

- *'Influence' over roads and rails*: cities feel that they do not have enough influence over rail franchising, rail infrastructure, or strategic roads. While stopping short of calling for 'control', local stakeholders argued that they need a greater strategic voice in these areas.

The Commission for Integrated Transport (CfIT) recently urged the Government to use the Road Transport Bill to create strategic transport authorities for city-regions and sub-regions – bringing together public transport, highway and traffic powers (CfIT 2007). The findings from our regional seminars support their conclusions.

Geographic scale

In the two non-PTE areas, Bristol and Reading, stakeholders voiced concerns about the provision of public transport services across local authority boundaries. While Greater Bristol's joint Local Transport Plan was viewed positively, there were fears that short-term political considerations could undermine voluntary partnership arrangements in the future.

In Reading – a unitary authority with a strong track record in delivering local transport solutions – the lack of strong sub-regional transport arrangements was viewed as a problem for the Thames Valley economy, because bus services between Reading and neighbouring areas were inadequate. Additionally, stakeholders felt that capacity constraints in smaller authorities rendered local officials less likely to engage with cross-boundary schemes and solutions.

Although PTEs operate in Newcastle, Birmingham and Liverpool, local stakeholders argued that their geographic extent no longer covered the economic 'footprint' of these urban areas. This made it difficult for PTEs to procure public transport services covering local labour markets. Although PTEs already have powers to provide services 25 miles beyond their boundaries, most are unable to do so, as local politicians understandably do not want to use limited PTE resources to provide services to people outside the PTE area.

What England's cities are saying: funding and financial devolution

Financial devolution

Participants in all five cities agreed that devolving additional powers to local transport bodies would have little impact unless matched with broader investment powers.

Both public- and private-sector stakeholders argued that local transport authorities need greater financial flexibility in order to use their powers to support sub-regional economic growth. This message echoes findings from recent reports by the All-Party Urban Development Group (2007), the Passenger Transport Executive Group (2006), and other bodies.

New financial mechanisms

Alongside greater flexibility, seminar participants argued that additional financial mechanisms are required in order to leverage private-sector transport investment.

Specific stakeholders wanted explicit local powers to enter into public-private infrastructure investment vehicles, together with revenue-raising powers to underpin prudential borrowing (for example, supplementary business rates – as recommended by the Lyons Inquiry). It was also argued that grant restrictions – such as the prohibition on the use of capital funding to support revenue expenditure – were preventing local transport authorities from using resources to support economic growth.

Tools to increase private investment

Strikingly, discussions in all five cities focused more on increasing private investment than they did on increasing government grants, reflecting consensus around the need to pursue innovative funding arrangements for transport projects. This finding echoes the Lyons Inquiry (Lyons 2007) and the Commission for Integrated Transport's recent *Better Transport for City Regions* report (CfIT 2007) – both of which argue for stronger local revenue-raising powers for transport.

Although seminar participants repeatedly mentioned the transport 'funding gap' between London and other urban areas, discussion focused predominantly on prospects for greater local revenue-raising, and greater

local control over existing transport resources – rather than new subsidies from the centre.

Preliminary messages

The governance and finance of local transport is a long-standing concern in both large cities – where existing metropolitan transport authorities are unable to deliver an integrated transport offer – and smaller urban areas, where tight boundaries and unitary councils can inhibit transport provision across natural economic areas.

Cities across England are now looking to government to clarify options for reform – including strengthened legal powers for Passenger Transport Authorities, and better integration between public transport, highways and traffic management responsibilities. Our seminar discussions suggest that a range of different governance solutions will need to be trialled, with some large cities more eager to move towards a strategic metropolitan transport authority than others.

Looking ahead to the Comprehensive Spending Review, regional cities should lobby for the implementation of Sir Michael Lyons's proposal for locally-set and locally-retained Supplementary Business Rates – which are critical to the delivery of a number of large local schemes, such as Manchester's Metrolink extension. Cities must work with business leaders and central government to reach agreement on Supplementary Business Rates.

Cities must also decide whether to address transport governance and finance independently of the broader city-regional/sub-regional agenda (as suggested by Travers and Glaister 2006), or whether cross-boundary transport should be addressed together with economic development, planning, housing and workforce development issues.

Additionally, seminar discussions made it clear that institutional reforms will not solve cities' transport problems without greater financial discretion, including both spending and revenue-raising. The Government must address finance issues head on – as they are a critically important component of improved city-regional or sub-regional transport powers.



4. Regeneration and growth: the role of buses and light rail

Seminars on this theme examined the role of buses and, to a lesser extent, light rail in local transport systems. Buses are the backbone of the UK public transport system and account for two thirds of public transport use in the UK (DfT 2006f)).

And yet bus provision at the local level is at a critical juncture. In large cities outside of London, bus networks have become locked in a cycle of decline. Rising costs, higher fares and service reductions have contributed to huge falls in bus use in recent decades in England's cities. Particular problems are being experienced in large metropolitan areas, where over the last 20 years there has been a 49 per cent decline in the use of buses, compared to a 27 per cent decline in non-metropolitan areas (DfT 2006f).

“Rising costs, higher fares and service reductions have contributed to huge falls in bus use in recent decades”

The Government has acknowledged these trends. The Department for Transport (DfT) published its *Putting Passengers First* proposals in December 2006, declaring that the current regulatory framework for buses is ‘not fit for purpose’ (DfT 2006c). The Draft Road Transport Bill includes a package of measures to address this, with the DfT proposing that cities be offered a range of options to address bus service issues, including the potential for bus franchising in the biggest urban areas.

Nevertheless, serious questions remain regarding the role of buses in local economies. In the seminars we asked local stakeholders for their thoughts on the role buses and trams can play in local labour markets by connecting people with jobs. We also asked whether these modes of transport play a catalytic role, promoting regeneration in economically-depressed areas and growth in cities that are doing well.

What England's cities are saying

Cities across England agree that bus services have hit a low point and must be reformed. Yet there was little consensus on the package of measures required, reflecting the fact that different urban areas have different experiences.

Buses are critical to connecting people with jobs and services in cities outside London. Time and again we were told that the delivery of regeneration objectives – along with growth targets in cities that are performing well – is dependent on major improvements in the performance of local bus networks.

Regulation

In all of our seminars, there was widespread dissatisfaction with the quality and frequency of existing bus services and broad agreement that the current framework for bus provision was in serious need of reform. In those seminars held after the Government's *Putting Passengers First* announcements (DfT 2006c), there was strong support for the proposed 'menu of options' as a way to address current deficiencies.

Stakeholders in Newcastle and the North East felt that local transport authorities such as PTEs require greater control over local bus services. Such concerns were echoed in Liverpool and Birmingham, where current bus services were viewed as being poor and unreliable. In all three cities, London-style franchising was seen as the best solution to the current problem. Stakeholders argued for increased subsidy packages to facilitate franchising and for some share of bus profits to be retained and re-invested in the network. Many participants were concerned that the Government would not offer subsidies that were adequate enough to permit franchising, given the high cost of the London system.

However, in Bristol and Reading local stakeholders were unsure as to whether their respective sub-regions should pursue all-out bus regulation. In Bristol, it was felt that existing partnerships between local operators and councils have achieved positive results, including the largest public/private bus programme in the country – the Greater Bristol Bus Network. And in Reading, public and private stakeholders agreed that the local authority-owned bus company was providing strong local services, eliminating the need for regulation.

Underpinning regeneration projects

In areas requiring regeneration, there are serious problems linking people to jobs and services. Workers often live substantial distances from employment sites, with access a major issue facing large sub-regional employers. And access to local services – although less widely discussed – is also seen to be a major issue.

These problems are perceived to be particularly acute in Liverpool and Newcastle, as both regions have relatively low car ownership rates. In Bristol it was noted that many potential recruits feel that they are poorly served by the bus network. Business leaders in Bristol and elsewhere felt that improved bus networks could support some regeneration and job growth at the lower end of the labour market (including both the city centre and edge/fringe employment areas).

“Some employers are reluctant to hire workers from regeneration areas because they find bus transport too unreliable”

Across England, the instability of services was raised as a key issue – commercial operators can (and do) change services with only two months’ notice. Birmingham, Newcastle and Liverpool are under-served by buses, and we were told that major employers are reticent to hire workers from areas undergoing regeneration because they find bus transport too unreliable. Further network integration is key here. In Newcastle, buses compete directly with the Metro light rail system, while in Liverpool, Newcastle and Birmingham, there is no integrated ticketing system for buses, leading to fares that are difficult to understand.

In these conurbations however, stakeholders felt that PTEs need additional powers to force better integration of services. As noted in Chapter 3, stronger regulatory powers are considered essential to ensuring that bus services underpin economic development efforts.

Supporting economic growth

Some areas aspire to use bus services to support economic growth. In these areas however, the challenges are different from those relating to regeneration, focusing on getting people to abandon cars in favour of buses.

Even in Reading and Bristol, where bus services are used in this manner and where relatively successful bus strategies have been implemented, stakeholders reported that the perception of buses remains poor. In order to achieve a shift away from the use of private cars – consistent with policymakers' economic and environmental goals – this perception problem must be addressed.

A second challenge for this kind of area is to obtain stronger private sector involvement in bus upgrades. There was strong agreement in Reading that developers and major employers in the city were playing a central role in bus service improvements. Business-funded infrastructure (through Section 106 contributions²) and contracted bus services (in partnership with Reading Transport) have provided important alternatives to car use in the area. This is a model that could be adapted and used by other urban areas seeking to connect transport hubs to peripheral centres of employment.

Light rail

In light of the failure to secure funding for a number of high-profile tram schemes, regional cities across England have reappraised the cost and benefits of light rail. While most still see light rail transport as something that shifts perceptions of an area in a positive direction, stakeholders in the cities involved in this study were realistic about the prospects for additional light rail projects moving forward.

In Liverpool, the failure of Merseytram was still seen as a substantial disappointment, and as reflecting the poor level of up-front investment and commitment generated in support of the project. However, it was reported that both public and private-sector stakeholders were focusing on putting forward a range of other suggestions for better use of bus and commuter rail networks to underpin regeneration and employment growth in the city region. In contrast to Liverpool, Bristol and Reading have successfully prioritised bus investment for some time, and are beginning to reap the rewards of this approach.

2. Section 106 agreements are a form of planning obligation, agreed by local planning authorities and developers. They are used to offset the costs of the external effects of development, particularly with regard to local infrastructure.

Preliminary messages

Whitehall is engaging constructively with cities on buses, as the Putting Passengers First proposals show (DfT 2006c). The DfT recognises that a range of solutions, each tailored to local circumstances, will be required to ensure that local bus operators help link up labour markets and support other economic development initiatives.

However, these proposals are only a first step. England's cities raise a further four critical areas for questions about the future of bus services, which regulation alone will not address.

First, the cost of franchising. In London, the Mayor receives a substantial transport subsidy – nearly £700m annually – and chooses to channel the vast bulk of this into supporting the capital's regulated bus network. If regulation is introduced elsewhere, cost will be a major consideration, especially as the Government has advised cities to be 'mindful of the cost implications' of any franchise proposals (DfT 2006c).

Second, the challenge of shifting perceptions. If bus use is to increase, whether in areas of regeneration or areas of growth, buses need an image overhaul. This will require significant investment at a local level to improve the reliability, quality and frequency of services. Critically, this investment must come from private-sector operators – not just the Government and transport authorities.

Third, uncertainty about the economic role played by bus services. While stakeholders believe that buses can support regeneration, or underpin economic growth, more research is required to understand the causal links between the provision of bus services and the relative success of local economies.

Fourth, the identification of best practice models. There is also a clear need to identify these – such as Reading's privately funded bus services to key employment nodes – and to understand how they can be used in other growing urban areas.



5. Managing demand: road-user charging

Road-user charging (RUC) (or road pricing) has featured prominently in national transport policy debates for some time. It shot up the government's agenda when Douglas Alexander took over as Transport Secretary in 2006, declaring it to be his top policy priority.

At present, Whitehall's main short-term objective is to pilot a road-pricing scheme in a 'sizeable city-region' outside London. The principle of road pricing has won the support of a number of high-profile backers, ranging from Sir Rod Eddington to Tony Blair (see, for example, Blair 2007). Several city-regions have already successfully bid for Transport Innovation Fund (TIF) money to study the feasibility of local RUC schemes. Stakeholders in Newcastle, Birmingham, Bristol and Reading – four of the five cities we visited – are currently engaged in this process.

“A British Chambers of Commerce survey estimated that congestion costs British businesses up to £17 billion per year”

There are several factors that explain the rise of RUC as a policy instrument. Total road traffic has grown by 82 per cent since 1980 (DfT 2006d). As a result, congestion is a growing problem for England's major urban areas, and in particular for businesses based in them. A British Chambers of Commerce survey estimated that congestion costs British businesses up to £17 billion per year. In the same survey, over 80 per cent of businesses surveyed felt that there is a problem with road congestion which affects their business locally, regionally and nationally (British Chambers of Commerce 2006). Meanwhile, the Eddington Transport Study found that eliminating congestion is the most critical challenge facing UK policymakers.

There is a strong economic and political case for the introduction of road-user charging in England. As the London example shows, RUC can help to cut congestion and pollution without adversely affecting economic growth.

But if the Government chooses to pursue local RUC schemes, rather than a single national system, a number of important barriers remain:

- First, significant public opposition. 1.8 million people signed an on-line petition on the 10 Downing Street website against road pricing in early 2007, and research shows that the Government has a long way to go to persuade voters of the need for wider road pricing (Bird and Morris 2006).
- Second, practical concerns. Serious questions remain over how a charging scheme would work, and whether it is possible to ensure that technologies used in one part of the country are compatible with those in another.
- Third, the potential cost. Charging schemes cost a lot to set up, and it remains to be seen who is going to foot the bill. Moreover, once they are established, which motorists will pay? And will the charge be offset by a reduction in existing fuel duties, or raise additional revenue for investment in transport?

Given such concerns, we asked city leaders, local transport providers and businesses about the prospects for charging in their home towns – and what would need to happen in order to make road pricing work.

What England's cities are saying

Public and private-sector seminar participants in Newcastle, Birmingham, Liverpool, Reading and Bristol agreed that there was an important in-principle case in favour of road-user charging. Most agreed that RUC was an important policy instrument – and that it would need to be used as part of a package of measures to contain congestion, encourage behavioural change and promote the use of public transport.

However, in each seminar, local stakeholders expressed a wide range of political and practical difficulties – and argued that the difficulty of implementation took precedence over in-principle support. Many city leaders argued that it would be politically impossible to implement local RUC schemes under current conditions.

Participants across England were also sceptical about the lessons to be learned from the London RUC scheme. Public transport is significantly less extensive in England's regional cities, and already faces capacity challenges even without there being a significant shift away from private car use. In the Birmingham seminar, it was argued that congestion charging in London has worked because there is a clearly defined central area to the city. Participants argued that in an area like the West Midlands, which has a number of large employment and service centres, it is much harder to understand the economic consequences of RUC.

“For local road charging to gain public acceptance, it must be part of a wider package of measures”

Participants in Newcastle were the most ambivalent towards RUC. Several questioned the Government's focus on charging schemes as opposed to wider strategic spatial planning and transport issues. They recognised, however, that congestion 'hot-spots' in their own region, such as the A1, would require some form of demand management in the near future.

Politics and leadership

In all of the seminars, stakeholders argued that local RUC schemes are politically difficult to pursue, due to a combination of intense public opposition and fears of the negative impacts such schemes might have on local economies.

In order to circumvent some of these issues, stakeholders in Newcastle, Birmingham and Liverpool argued that implementing RUC would be made easier by the simultaneous introduction of schemes in several major English city-regions. This, they said, would help to remove perceived threats to competitiveness and in turn, the 'first mover disadvantage' associated with the introduction of RUC schemes.

Up-front investment

In addition, participants in Birmingham, Newcastle and Reading felt that for RUC to gain public acceptance, it must be part of a wider 'package' of measures to improve local transport, including substantial up-front investment in existing transport infrastructure.

- In the West Midlands, this means investing more in buses, since participants argued that they would take the strain of any shift away from the use of the private car. This is especially true since there are a number of employment centres, some with poor rail connections, in the conurbation.
- In Tyne and Wear stakeholders argued that RUC must be preceded by substantial investment in the Metro light rail system, improvements to the A1 and A19, and river crossings.
- In Reading, infrastructure upgrades at Reading rail station, investment in park and ride, and improved public transport access to employment areas were cited as prerequisites for a local charging scheme.

Clarity – what is the congestion charge for?

In Birmingham, it was felt that the lack of detail from central government around the implementation of local charging schemes was problematic. Stakeholders were concerned that there is currently no timetable, no clear idea of the incentives, and little knowledge of the technological requirements of local or national road pricing schemes. It was felt that all of these questions must be answered, and a breakdown provided of costs and savings generated by congestion charging, before the support of the private sector could be guaranteed.

Meanwhile, in Reading it was stressed that time and investment are required in order to understand the impact of a road-pricing scheme on Reading and the wider Thames Valley economy. Many participants felt that Whitehall was exerting too much pressure on local authorities, urging them to move ahead with local road-user charging without an adequate understanding of its impacts.

This feeling was echoed in Liverpool, where participants were concerned that the Transport Innovation Fund (TIF) is the only new public investment stream, and that a road-pricing scheme (as part of a 'package' of transport improvements) is a *quid pro quo* for access to the fund. Stakeholders expressed a fear that a lack of congestion, or lack of a local TIF pilot, could result in exclusion from future investment resources.

In addition, across England it was felt that cities need long-term control of RUC revenues to use a borrowing tool. So far, Whitehall has only promised to guarantee this for ten years. Participants, particularly those in Birmingham, felt that the uncertainty generated by this decision was a key factor in much of the local resistance to RUC schemes. A number of regional cities argued that without a guaranteed revenue stream to underpin investment over a 30–50 year period, they could not make a local charging scheme financially viable.

Preliminary messages

There is a strong, evidence-based case in favour of road-user charging (see, for example, Bird and Morris 2006, Glaister and Graham 2006, and Kakkad and Rossiter 2007). As the Eddington Transport Study recently recognised, ‘the potential for benefits from a well-designed, large-scale road pricing scheme is unrivalled by any other intervention’ (Eddington 2006: 39).

Yet England’s regional cities have understandable concerns about the implementation of road-user charging – especially if the Government chooses to prioritise local rather than national schemes.

First, and most importantly, the Government must be clearer on the purpose of RUC. In the aftermath of the Number 10 website petition, the Government has refined its message and focused its arguments on the negative economic impacts of congestion. Now ministers and civil servants must formulate clear long-term plans if local stakeholders are to be convinced of the feasibility, both political and economic, of RUC.

Second, regional cities rightly point out that public transport capacity is severely limited – and that investment will be required before, rather than after, the implementation of a local RUC scheme. For local RUC to work, the Government will have to define a clear ‘package’ of incentives in order to win over local businesses and council leaders – including a mechanism for cities to retain RUC revenues for a long enough period of time to finance borrowing for the underpinning of public transport investments. Such incentives could transform existing perceptions of first-mover disadvantage into a race for first-mover advantage between England’s cities.

Third, there is some truth in the argument that London's experience with RUC is not directly transferable to other cities. The structure and density of regional conurbations differ significantly from the capital's. As a result, it is somewhat more difficult to predict what the economic consequences of RUC would be outside of London. But there are still important lessons to learn from London's experience: the role of information in promoting public acceptance of the London scheme, along with strong local political leadership, are two key examples.

As Ministers refocus RUC policies during the coming months, they need to account for cities' concerns. But they must also push cities to act. The evidence from our seminars suggests that one of the key barriers to local RUC is political – and centred on the lack of strong local leadership. And cities also need to be realistic about the level of investment and incentives that government is able to put forward.

6. After Eddington: priorities for national rail

While England's cities understandably focus a great deal of attention on local transport issues, they have long been concerned about national and international connectivity as well. As the Eddington Transport Study points out, 'transport corridors are the arteries of domestic and international trade, boosting competitiveness of imports and exports' (Eddington 2006a: 5).

Links between cities matter. Inter-city road and rail networks are the principal corridors for both passenger and freight traffic. But inter-city networks – especially the railways – face substantial challenges.

"Links between cities matter. Inter-city road and rail networks are the principal corridors for both passenger and freight traffic"

The number of journeys made by national rail has increased by 42 per cent over the last 25 years, and distances travelled have risen by 43 per cent (DfT 2006d). As a result, England's regional rail networks are under significant strain – for example, passenger volumes at Birmingham New Street station have increased by 53 per cent over the past decade (PTEG 2006). Overcrowding is forecast to increase significantly under current fares policy, particularly in approaches to cities, where short-distance commuters place a heavy strain on long-distances lines. It is estimated that rail unreliability problems have recently cost business at least £400m a year, and without action, this amount will ultimately rise as growing demand puts more pressure on the network (Eddington 2006a).

Given the scale of recent growth, the Government is looking carefully at the future of the railways. The Department for Transport is currently preparing both the High-Level Output Specification – a technical, costed investment plan for the next five years – and a new 30-year rail framework document, which is expected to appear during the summer of 2007. This is expected to discuss forecast demand on the rail network, the role of the railways in delivering sustainable economic growth, and crucially,

the Government's future investment plans.

In anticipation of these documents, and the broader debate about the future of the national rail network, we asked England's cities about their inter-city rail priorities, both in terms of services and infrastructure investment needs.

What England's cities are saying

Across all five seminars, there was broad agreement that rail investment was necessary within and between urban areas, and that 'pinch-points' on existing networks must be addressed.

Connections between core cities

Across the seminars, it was felt that greater investment in cross-country rail lines would enable the development of better services, as well as economic links between city-regions.

Participants in both Liverpool and Newcastle argued that major investments are needed on the East–West rail lines that traverse the North. It was felt that connections between major cities are particularly weak, and existing infrastructure could not cope with the growth and conflicting needs of both passenger and freight services seen in recent years. The Trans-Pennine corridor and lines between Liverpool and Central Manchester were said to be particular priorities.

Stakeholders in Bristol also argued for greater investment in rail links between the UK's core cities, stressing that more needed to be done to develop inter-urban connections that do not require transfers at London stations.

Balance between national and local service priorities

In Newcastle, Birmingham, Bristol and Reading, several participants expressed concerns regarding the disconnection between local rail service needs and the wider national network. In these areas, commuter rail services – critical to city economies – and long-distance trains compete for space on the same track. In areas with no dedicated commuter rail services, such as Bristol, the use of inter-city trains for short-distance commuting now raises major capacity and overcrowding issues.

Liverpool – by contrast – has avoided this problem due to the segregation of local and long-distance services.

Major pinch-points with local and national economic include:

- *Manchester ‘Hub’* – Constrained track capacity in central Manchester (the ‘Hub’) was repeatedly mentioned as a problem for local, regional and national rail connections. Participants in Liverpool argued that investing in the Hub could have major positive economic effects for cities across the North.
- *Midlands* – Track capacity between Wolverhampton, Birmingham and Coventry is a key issue in the Midlands. Limited capacity is currently divided between national and commuter rail services, with no easy way to achieve a balance that addresses local and national economic needs.
- *Birmingham New Street* – Expanding the capacity of the station beyond its planned redevelopment is a priority for the city’s business leaders, and for local councils. However, seminar participants were concerned that neither Network Rail, nor central government, was giving adequate attention to this in the medium-to-long term.
- *Reading station* – Planned investment in infrastructure improvements at the station to increase capacity were of critical importance for local stakeholders. However, stakeholders argued that these improvements require greater government attention and resource commitment.

High-speed rail (HSR) not a priority

High-speed rail received a mixed response in England’s regional cities. Although there was some interest, most public and private sector participants believed the marginal time benefits of a high-speed line would not be worth the likely cost of such a project.

In Liverpool and Bristol there was strong agreement that the development of high-speed rail was not the most important challenge facing the rail network. In both cities, greater priority was given to the performance, reliability and capacity of existing services. This included both long-distance services to London, and links to other major regional cities.

Participants in Newcastle expressed some interest in HSR, arguing it would potentially reduce the region's feeling of peripherality. However, public sector stakeholders in Newcastle were clear that HSR was not the most important investment on the city-region's wish list – falling some way behind local projects such as the renewal of the Tyne and Wear Metro.

Preliminary messages

City leaders, local businesses and national agencies must engage in more detailed discussions in order to ensure that rail travel can support local economic growth. Currently, there is a disconnection between the Government's objectives for the national rail network and local economic development goals. Bridging this gap could help to buoy local economies, with knock-on effects for national productivity and growth.

In addition, the evidence suggests that city-regions – not just national agencies – need to identify alternatives to overloaded national rail lines. Regardless of the formal relationship between local transport authorities and rail franchises, cities must work with operators to address capacity issues. Greater cooperation and communication – as opposed to laying blame at one another's door – is the best way forward.

Critically, the Government's forthcoming 30-year rail strategy must offer greater clarity on the role and importance of local as well as national rail travel. Although the delivery of national, long-haul services is crucial, especially to deliver environmental objectives, the rail network must also contribute to the delivery of economic growth in England's regional cities. Pre-Eddington Study interest in high-speed rail – which was concentrated at national, rather than city level – diverted substantial attention away from the need for better conventional rail services, especially outside the Greater South East.

A stronger emphasis on local commuter rail services and short-haul inter-city trips, which deliver wide-ranging economic, social and environmental benefits, is needed. The 30-year strategy must take account of the concerns raised by city leaders and businesses, and aim to deliver significant infrastructure improvements at a local, as well as national, level.



7. Gateways: new directions for airports and ports

According to the Eddington Transport Study, international gateways – airports and seaports – must be one of Britain’s top transport investment priorities, alongside urban transport and inter-city links. There are several reasons for this.

England’s regional airports are of growing economic importance. Air traffic in England has risen dramatically in recent years, increasing by over 50 per cent between 1995 and 2005. In the same period, the share of UK air traffic accounted for by London fell by 6 per cent DfT (2006d). Access to these gateways is also becoming a priority for business. According to the British Chambers of Commerce (2006), better access to Manchester and Birmingham airports is more important to businesses in the North and the Midlands than accessing Heathrow or Gatwick.

Demand at UK ports is also on the rise. Between 2002 and 2006, ports in England have seen substantial increases in total sea traffic (DfT 2006d). In addition, nearly half of businesses indicate that their usage of the sea network has increased in the last five years, mainly as a result of a rise in freight requirements and a greater international focus (British Chambers of Commerce 2006).

Recognising these trends, the Aviation White Paper (DfT 2003a) set out a strategic framework for the development of airport capacity in the UK over the next 30 years, including new runways and increased capacity at some of England’s regional airports. Similarly, the Ports Policy Review (DfT 2006a) advised on the likely future demands for port capacity, and on how to best connect ports with local communities and businesses in the future.

Rising demand at regional airports and seaports may generate a positive economic dividend. But as a recent report from ippr demonstrates, demand must be balanced against a range of other objectives – especially environmental sustainability (Retallack *et al* 2007). In the wake of the

Stern Review (Stern 2006) and the Government’s long-standing commitment to reducing carbon emissions, climate change considerations will place important limits on air- and sea-port expansion during the coming decades.

“Climate change considerations will place important limits on air- and sea-port expansion during the coming decades”

Against this backdrop, we asked stakeholders in English cities for their thoughts on the role of airports and ports in the local economy, and how these facilities could play a stronger role in promoting local economic growth.

What England’s cities are saying

Stakeholders from all five cities recognised the significance of airports and ports to growth in the regional economy.

Access and accessibility

Despite having better access than most other UK airports, participants in Birmingham felt that rail services to the airport were in need of improvement. Investing in better rail (and road) links to the South Midlands would allow the airport to foster a solid customer base in areas like Milton Keynes, and maximise the benefits of its strategic location.

In Liverpool, stakeholders expressed strong support for growth at John Lennon Airport. The airport is seen as a key growth node in the Liverpool city-region economy, especially as a low-cost hub. However, it was felt that more needs to be done to expand the airport’s potential catchment area, with particular concern being expressed over the lack of a direct rail link to the airport.

Access to the Ports of Liverpool and Bristol was another key issue raised. Currently, road and rail access is highly constricted, and participants felt that rail gauge enhancements and improved road access would boost the role of the port as a local economic asset. Small improvements – as suggested by the Eddington Study – could have a substantial effect on a city’s bottom line.

Long-haul services (airports)

In Birmingham, securing long-haul services to ‘areas of opportunity’ is a major local objective. Participants felt that the city needs direct connections to the Far East, the Indian sub-continent and the US (beyond New York) in order to boost business growth and investment.

Stakeholders in Liverpool were supportive of long-haul growth at Manchester International Airport, which they agreed was the key business hub for travellers from the city. Following from this, it was felt that an improved rail link from Merseyside to Manchester Airport would greatly improve access to the North West’s key air hub. This reflected the general sense that Manchester and Liverpool airports play complementary roles in the Northern economy.

Capacity limitations

Stakeholders in both Liverpool and Birmingham felt that capacity limits at air and sea gateways acted as a constraint on their city-regional economies.

“Cities must present clear and targeted cases for improvement at key gateways”

In Liverpool, there was broad support for transport and property company Peel Holdings’ proposal to expand Liverpool Port with a new terminal to accommodate large new container ships. It was hoped that this project would secure the port as a principal gateway for trans-Atlantic shipping. There was frustration, though, that the terminal had been delayed by planning and regulatory issues, particularly as Peel is prepared to pay for the new infrastructure itself.

Similarly, stakeholders in Birmingham argued that the airport runway must be lengthened in order to develop the facility into a ‘global gateway’ alongside Heathrow, Gatwick and Manchester. However, this development has struggled to gain momentum and participants were disappointed by the lack of support received from the national level.

Preliminary messages

In our seminars, city stakeholders argued that a stronger focus needs to be placed on the role played by gateways in local economies.

Strikingly, local actors said little about the contradiction between growing demand for aviation, and the environmental consequences of that growth. This suggests that the issues are not yet being considered together in England's regional cities, and that Ministers will need to do more to 'link up' the economic and environmental issues surrounding regional aviation.

Thanks in part to the concentration of high quality air services in the South East, we found that England's regional cities favour regional airport expansion and the development of new routes. Their wish list is long – and unlikely to be fulfilled. So what should happen next?

First, cities must present clear and targeted cases for improvement at key gateways. Although growth at gateways could yield economic benefits, presumptions are shifting against additional runways and large-scale expansions due to negative environmental consequences. So while limited development and improved access at Manchester and Birmingham Airports could make a substantial contribution to economic growth in the North West and the Midlands, expansion at all regional airports is unlikely to occur. Other cities will need to temper their expectations, prioritise improved access to a smaller number of key hubs, and investigate options for controlling overall demand – especially for domestic aviation.

Second, cities need to do more to improve access to key gateways without waiting for the Government to take the initiative. Many of the access improvements required are relatively small-scale, and could be implemented at a city-regional or regional level, together with private-sector partners and capital.

Third, central government must clarify its vision for regional airports and seaports – and how they will be affected by changes to the planning regime for major infrastructure, as proposed by the Barker Review of Planning (Barker 2006).

8. Conclusions

As Chapters 3–7 make clear, our cities face a range of challenges and opportunities around transport and connectivity. Strikingly, all of our seminar participants – public sector officials, business leaders, transport providers, and users – agreed that the principal objective of both local and long-distance transport must be to support economic growth.

“Our participants agreed that the principal objective of local and long-distance transport must be to support economic growth”

This report seeks to advance this objective by communicating messages and transport priorities from some of England’s most important regional cities to central government departments and national business leaders. Over the next six months, a wide range of decisions will be taken that affect the scale and shape of transport investment across England. Through a range of policy documents, the Government will set out a fuller response to the Eddington Transport Study and the Lyons Inquiry into Local Government – both of which recommend reforms to the governance and funding of local transport. The choices made as part of the Road Transport Bill, the 30-year rail strategy, and this autumn’s Comprehensive Spending Review, are particularly critical.

Overall, the evidence from our *Connecting Cities* seminar series suggests that national decision-makers should focus their attention on four key policy areas:

- improving local transport governance
- devolving financial power to city-regions and sub-regions
- refocusing on road-user charging
- enabling stronger private sector engagement.

Improving transport governance

As recent evidence from the Commission for Integrated Transport has shown, strategic transport authorities – with highway, traffic and public transport powers – would perform better than the fragmented system

currently operating in large English urban areas (CfIT 2006, 2007).

The Government, through the vehicle of the 2007 Road Transport Bill, is actively considering reforms to improve metropolitan transport governance. This is to be welcomed. A better 'package' of local transport powers, exercised strategically, is a critical first step to improving transport services in England's city-regions (and sub-regions). The Centre for Cities, together with a range of partners, will take a closer look at the governance and funding of local transport later in 2007.

Devolving financial power to England's cities

On its own, improved transport governance is unlikely to prove effective. New or remodelled institutions, however well-intentioned, will not be able to deliver local transport schemes without greater devolution from the centre. England's city-regions require more control over local transport planning, funding, and scheme prioritisation. They also require additional financial mechanisms to lever in private sector resources.

Centralisation, as noted by the All-Party Urban Development Group, is a barrier to the delivery of local solutions for local transport problems (APUDG 2007). As a first step, we recommend that the Government, business leaders and cities reach an agreement to implement Sir Michael Lyons' proposal for a Supplementary Business Rate to fund local transport projects.

Both central and local government have an important role to play in delivering efficient, effective transport networks. But control over local transport – including financial levers – must shift decisively toward cities and city-regions so that transport can better underpin economic growth.

Refocusing the road-user charging debate

If the Government opts to pursue local, rather than national, road-user charging, then a clearer and more focused approach will be needed alongside greater financial devolution. Although central government must provide incentives and a clear rationale for RUC, it must continue to encourage cities to design and implement their own schemes – and decide

how revenues are spent.

In order to make RUC work, England's cities must be able to use the revenues generated as an additional tool to finance long-term infrastructure investment. To date, the Government has refused to allow cities to retain revenues for more than ten years, citing the potential introduction of a national scheme as a barrier.

Without a 30–50 year timeframe, cities will be unable to use local RUC revenues to go to the financial markets – and may fail to generate badly-needed investment in public transport and local infrastructure. In order to incentivise local charging schemes, the Government must give a long-term revenue guarantee – irrespective of whether it intends to introduce a national RUC system.

Bringing in the private sector

To date, debates over devolution and governance have occurred for the most part between different agencies, or different tiers, of the public sector. There is a real danger that the private sector's voice – and its role in developing and funding local transport solutions – is left out of the equation.

“The private sector can, and must, play a wider role in developing transport solutions in Britain's cities and towns”

The private sector can, and must, play a wider role in developing transport solutions in Britain's cities and towns. As our discussion in Reading made clear, businesses can help to design and finance critical transport links – such as dedicated high-quality bus services that connect key employment nodes and encourage people to leave their cars at home. In Birmingham, Bristol and elsewhere, private-sector resources are a critical part of plans to improve transport infrastructure and deliver economic growth.

Cities need to continue to work with major employers, developers and property owners to devise tailored transport solutions – and supplement traditional public-sector investment with innovative public-private solutions. And as cities and sub-regions gain greater discretion over local transport

services, they must use any new powers to develop transport solutions together with providers, major employers, and other business organisations.

City Transport

As part of our on-going *City Transport* workstream, the Centre for Cities will use the views expressed by local stakeholders to inform additional research on the challenges facing urban transport in England's major cities.

This research will focus on:

- Understanding the economic benefits of transport investment
- Communication between local, regional, and national tiers of government
- Appropriate geographic scales for transport planning and delivery
- The integrated 'package of powers' needed to deliver quality urban transport.

"A more mature dialogue between cities and Whitehall will help to ensure that our transport network delivers the right connections"

Transport is one of the fundamental drivers of economic performance in England's cities and towns. Investment priorities, governance arrangements, and strong integrated transport networks are critical to the success of our urban areas.

At a time when transport policy is in transition – and becoming far more 'economic' than ever before – a more mature dialogue between cities and Whitehall will help to ensure that England's transport network delivers the right connections.

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Annex: Methodology and discussion themes

Each Connecting Cities seminar, held under the Chatham House Rule, included between 20 and 25 participants drawn from a range of private and public sector organisations. The events included participants from across each functional urban area or sub-region – the level at which transport, planning, regeneration and economic development are best addressed. Each seminar focused on three out of the five themes below – though discussion often ranged across all five topics.

Three discussion themes focused on *local connectivity* in ‘growing urban areas and their catchments’ – one of the investment priorities articulated by the Eddington Transport Study.

City-regional transport: where next?

Are current governance and finance arrangements for local transport in this city/city-region fit for purpose?

What, if any, changes need to be made to 1) structures, 2) powers, 3) boundaries, 4) funding mechanisms, and 5) local leadership?

Regeneration and growth: the role of buses and light rail

Can specific types of transport help to underpin area regeneration, and/or major housing growth?

How can local transport help link individuals to labour markets?

Managing demand: road-user charging

What are the prospects for road-user charging in this city-region? What economic impacts are anticipated?

What are the preconditions that need to be met in order for a charging scheme to be viable – both economically and politically?

The remaining two themes concentrated on *national and international connectivity* – the links between, rather than within, cities. These themes relate quite clearly to the Eddington study’s emphasis on ‘key inter-urban corridors’ and ‘gateways’, respectively:

After Eddington: priorities for national rail

Viewed from a local perspective, what are the key investment priorities for the national rail network? Is high-speed rail an important consideration?

What needs to be done to improve inter-city connectivity?

Gateways: new directions for airports and ports

What role can airports/ports play in the promotion of economic growth?

Are there any barriers – such as accessibility or skills – that prevent the effective exploitation of airports/ports as economic assets?

Following each event, a short summary note was produced. These notes are available at www.ippr.org/centreforcities.