1.3 Lessons for future transport strategy

Headlines

- **The exact role of transport policy and investment in supporting economic success will differ between countries.**
- **Being smart about the location of transport investment can yield considerable benefits for the UK economy. In particular, targeted investment to tackle transport performance in congested and growing areas is likely to deliver economic benefits.**
- **A transparent, long-term, transport strategy can help deliver greater returns from transport, not least because it will help deliver benefits from complementary private sector investment. A clear vision of the future is essential but policy must remain responsive to changing economic, environmental, social and global opportunities and pressures.**
- **Understanding the full effects of transport on the economy and the environment, quantified through appraisal, will help sensible prioritisation of transport interventions. A future strategy must consider and take into account the full range of transport's effects, including economic, environmental and social.**

INTRODUCTION

3.1 Chapters 1.1 and 1.2 have focused on the role transport can play in supporting and generating productivity and growth rate benefits. In doing so, analysis has centred on the economic impact that transport interventions such as improvements in speed can achieve, or the deterioration in services that can result in congestion and unreliability. The nature of this relationship has been the focus of much debate and academic study, and no doubt will continue to be so in the future.

3.2 Despite this on-going debate, countries and governments worldwide recognise that a basic level of connectivity through transport is essential for the functioning of their economies, and that further development of more comprehensive networks and the quality of this infrastructure can ultimately influence the overall efficiency and success of their economies.

3.3 Whilst this contribution of transport to the economy is often more marked in developing economies with poorly developed and incomplete transport infrastructure, it is also visible in developed economies with a mature transport network. In particular, economic growth and success bring with them an increased need for high quality transport networks, to enable the UK to exploit trade opportunities arising from globalisation, to meet the rising expectations of consumers as incomes increase and to ease pressure as growth-generated demand catches up with existing infrastructure capacity.

3.4 However, because each country's economy, geography and existing transport network are different, it is likely that the exact role of transport policy and investment in supporting their economic growth will differ. Each country will therefore need to apply an understanding of the relationship between transport and growth to its own unique circumstances.

3.5 This chapter sets out the principles for taking forward a transport strategy for sustainable growth in the UK over the next 20-30 years.

TRANSPORT STRATEGY FOR THE LONG TERM

Long-term transparent framework

3.6 It is interesting to note that few countries adopt an overarching economic approach to designing transport policy. That is, transport policy is rarely treated as an instrument of economic policy, and appraisals of transport interventions fail to recognise fully the contribution transport polices or schemes can make to economic success. Indeed, at both national and local levels, the economic consequences of transport interventions are often considered only:

(i) once the transport problem has become extreme;

(ii) to justify a favoured transport solution; or

(iii) on the basis that competitor countries have introduced a particular technology or level of service.

3.7 A transport strategy needs to be sufficiently forward looking to anticipate (as far as possible), and deal proactively with, some very long-term, far-reaching issues. A clear vision on the future of the UK economy is essential to help define the future problems and transport needs. These challenges include:

- the strong growth in transport demand forecast as a consequence of economic success, which without action is expected to lead to increased congestion (see Volume 2 for further details), alongside growing expectations concerning the quality of infrastructure and transport services;
- transport's role in responding to the challenges and opportunities of the knowledge economy and globalisation, which will continue to shape the economic geography of the UK. Change is happening faster than has historically been the case;
- transport's key role in responding to the global challenge of climate change, as well as to more local impacts, such as air quality and biodiversity;
- responding to new technological advances, both general purpose technologies, for example the use of the internet and real-time information influencing demand for transport and its provision, and more transport-specific technology; and
- Demographic, social, environmental and scientific trends, and their implications for transport policy objectives and pressures.

3.8 A further challenge is that transport lead times are often long (years and often decades) and decisions can involve significant investments in some very long-lived assets, many of which, such as railway lines and airports, are quite inflexible once they are established.

3.9 Taken together this suggests that a long term strategic outlook for transport policy in the UK must extend over a 20 to 30 year time horizon. This would allow early identification of issues to be addressed, including where transport may contribute to productivity and to other government objectives, as well as consideration of the full range of appropriate policy options. It would also allow sufficient time for preparatory action by the government, and others affected by decisions, and the securing of funding for agreed priorities.

3.10 This strategic outlook could include, or be supported by, medium-term strategies for achieving particular strategic transport objectives, analysing the problem to be solved and setting out the range of policy options that could be pursued, and identifying those that were likely to be most effective. However, transport policy must be responsive to the changing shape of the economy. Logically, this can involve changing course, and even stopping doing some things, as well as doing more.

3.11 Governments need to be sufficiently forward looking in order to commit to implementing such long-term strategies, which will not necessarily come to fruition for many years. Furthermore, government decisions on transport can also have significant impacts on related private sector operations, investment and location decisions. As a result, providing certainty about near-term actions and transparency about long-term strategy can increase the impact that transport improvements have on economic success and environmental goals.

3.12 Hence, accompanying the long term strategic outlook and medium term strategies should be a short to medium term 5-10 year statement of commitment, that clarifies the policies to be implemented over this period of time.

APPROACH TO THE DEVELOPMENT OF STRATEGY

3.13 Although governments globally are responding to their citizens' demand for transport, this Study attempts to provide a more sophisticated understanding of this relationship: being smarter about where the UK might want to invest to get the best returns, whilst reflecting environmental, social and other Government objectives. It suggests four key principles that should inform a transport strategy aimed at identifying and funding those policies which most cost-effectively deliver Government's objectives:

(1) Start with a clear articulation of the policy objectives and the transport outcomes required to deliver these objectives, focusing where relevant on the 'whole journey' rather than particular stages or modes in a journey;

(2) Consider the full range of policy options for meeting the policy objectives, including different modal options, and policies for making more efficient use of existing capacity as well as small and larger scale capacity enhancements and packages of policy measures;

(3) Prioritise limited public resources on those policies which most cost-effectively deliver Government's objectives, taking account of the full social, environmental and economic costs and benefits of policy options; and

(4) Ensure the evidence base can support this process, providing information on the needs of users, current and anticipated use and performance of the network, supporting option generation through modelling and appraisal of options, and evaluating impacts to inform future decision making.

3.14 Volume 4 explores in more detail the implications of these key principles for Government decision-making and strategy. An initial explanation is set out below.

1. Start with a clear articulation of the policy objectives, and the transport outcomes required to deliver these objectives, focusing where relevant on the whole journey, rather than particular stages or modes in a journey

3.15 Transport policy should start with an understanding of the goal that is being sought and not with a proposed transport solution. For example, the economic goal may be to facilitate larger and deeper agglomerations. Transport policy could help facilitate commuter travel in such areas and contribute to the expansion of labour markets. Similarly, an environmental objective may be to protect the environment and reduce transport's contribution to carbon and air quality emissions. Policy could help facilitate this through the use of price signals to ensure users pay their external environmental costs, by making best use of existing capacity and promoting more efficient technology.

3.16 It is clear that these economic objectives are not modally specific and, as such, policy should adopt a whole journey approach without prejudging the importance of a particular mode. Many journeys utilise several modes of transport, or make use of different networks (e.g. local roads and motorways) as part of one end-to-end journey. Failure to understand the requirements of the user, for example, the need for connectivity, speed, reliability and cost, may mean that policy does not fully achieve its goal.

3.17 The established nature of the UK transport network means that transport improvements are most likely to enable growth where such investments respond to clear market signals about future underlying transport demand and future growth, such as congestion or very high wages and land prices. In the absence of such evidence, and in a world with limited funding, any transport investment is likely to be high risk in terms of delivering economic returns. Consequently it is important to monitor and collect relevant data and information to support the identification of such problems.

3.18 It is critical for policy to recognise that infrastructure cannot create economic potential: it can only realise such potential where appropriate conditions exist, in particular the availability of business capital and skilled labour to drive output growth. At any given time, the transport needs of individual places are likely to be different, and it would, therefore, be sensible to invest more in some places than others.

3.19 For areas that are not performing, transport investment might not be the best way to achieve growth. In many cases, it will not be transport capacity that is constraining the growth potential of a particular area. Policy makers should not shy away from these issues, and transport should be considered alongside other types of policy responses for delivering growth.

2. Consider the full range of policy options for meeting the policy objectives

3.20 Different modes will be best placed to achieve different economic, social and environmental goals in different circumstances. The nature, scale, cost and impacts of different interventions vary considerably. Choice of mode should therefore be a second-order issue centred on the selection of the best solution and not a predetermined policy decision.

3.21 Transport policy considerations should also take into account complementary policy instruments to secure growth benefits. In particular, although the Study has not explored housing and land-use policy in any detail, it is very clear that such policies will have important read across to transport interventions and their resulting success.

3.22 In some circumstances, projects may claim to deliver transformational economic benefits, which substantially change the geography of economic activity through the location of business and jobs. There is no substitute for careful cost-benefit analysis based on substantial economic analysis, and there are many examples around the world of speculative projects that did not deliver intended economic benefits. Policy needs to avoid making the mistake of pursuing projects with speculative and unproven returns.

3.23 As with any other business making an investment decision, Government must seek to get the highest returns on its resources. To be confident of finding the best returns, the option generation process is crucial. The first priority in economic terms must be to explore policy options for relieving pressures and improving performance in areas where there are signals of current or future transport problems or shortages, manifest, for example, through congestion. Investing in such areas has the potential to make a significant and effective contribution to national productivity.

3. Prioritise limited public resources on those policies that most cost-effectively deliver Government's objectives

3.24 Choosing between different transport solutions would not be possible without some form of monetary valuation of the impact of alternative schemes, delivered through transport appraisal. In the UK, transport appraisal is a highly developed art, well rated in peer opinion; it has been evolving considerably over the last 30 years. However, this is a complex area, with a developing evidence base. Detailed transport appraisal techniques should reflect, as far as possible, the full economic, environmental and social costs and benefits, in order to allow effective prioritisation. It is important for transport appraisal and policy to continue to evolve to capture the full range of impacts.

3.25 At the macro level, it is important for transport strategy to recognise these long-term dynamic effects of transport policy, even if they cannot be captured in the detailed appraisal of individual schemes. This will allow policy makers to be smarter about prioritising transport spending targeted at growth, as well as understanding the cost of not taking action: that a delay or lack of response will forgo growth and productivity benefits provided by a transport intervention.

4. Ensure the evidence base can support this process

3.26 It is important to collect evidence and develop analytical tools to support this process, providing information on the needs of users, current and anticipated use and performance of the network, supporting option generation through modelling and appraisal of options, and evaluating impacts to inform future decision making.

3.27 Volume 4 explores in more detail the implications of these key principles for Government decision-making and strategy, and sets out the recommendation which emerges from this analysis.