

2.4 IDENTIFYING THE ECONOMIC PRIORITIES FOR FUTURE TRANSPORT STRATEGY

The transport sector faces significant challenges

4.1 The focus of this study is on the relationship between the transport network and economic success, and this volume therefore seeks to identify the economic challenges facing the transport sector. However, there are also very significant environmental and social challenges facing the sector. In particular, Sir Nick Stern's recently published Review on the economics of climate change set out his analysis of the challenge to the transport sector in terms of reducing emissions of greenhouse gases.

4.2 In light of this, the next volume of this report, which makes recommendations on the best policies to meet the economic challenges, considers the environmental impacts of different policies alongside their economic impacts, so as to make a fully-balanced judgement.¹ The Government, in considering the analysis presented here, will of course want to adopt a transport policy targeted at meeting all the challenges facing the transport sector.

THE STRATEGIC ECONOMIC PRIORITIES

4.3 This chapter brings together the central conclusions in this volume in order to identify a set of economic priorities for future transport policy. The central conclusions are:

- the changing structure of the UK economy and internal migration patterns continue to shape the nature of transport demand in the UK;
- as a result, there are likely to be changing demands on the UK's network;
- those networks which support the UK's urban areas, as centres of services growth, and the UK's international trade gateways, are likely to see the fastest growing demands;
- due to its economic geography, overall UK demand tends to be focused on the same pieces of infrastructure and at certain times of day;
- the UK has comprehensive networks in place to meet these demands, including to meet the demands for domestic inter-urban journeys through a combination of road, rail, sea and air links;
- much of the network is uncongested for the majority of the time: however at those key points where economic success has concentrated demand, notably within and around urban areas, at international gateways and on busy inter-urban corridors, congestion, delay and reliability are already real issues;
- without action, continued economic success is likely to exacerbate these problems under a range of plausible scenarios: congestion and reliability are likely to worsen in these areas.

¹ See Volume 3: Meeting the challenge: Prioritising the most effective policies.

4.4 The key economic challenge facing the UK's transport system is, therefore, not the extent of the network but its capacity and performance. On the basis of the evidence above, it seems clear that this challenge will be greatest in the following three places – the Eddington Study's three **strategic economic priorities**:

- **The UK's congested and growing urban areas and their catchments:** those urban areas where rapid economic growth, often evidenced by high land values, labour shortages and congestion, is coupled with a lack of capacity in the transport system. The result is that increasing congestion and capacity constraints threaten to impede growth and dampen the boost to national productivity offered by urban agglomerations.
- **The UK's international gateways and supporting surface infrastructure:** in particular, the major international passenger routes and principal international freight routes, where delays, including on surface access routes, and current and future capacity constraints, look likely to damage the competitiveness of the UK's imports and exports, and its leading role in the global airfreight logistics sector;
- **A limited number of inter-urban corridors connecting urban areas and international gateways:** where the unreliability of the transport network is adding costs to business, threatening productivity and innovation in the freight and logistics industries and both inter-regional and international trade. From a passenger perspective these corridors connect urban areas with each other and with international airports, and from a freight perspective they connect ports with distribution hubs and distribution hubs with their eventual markets.

4.5 This study believes that these three strategic priorities should form the focus of transport strategy going forward. The next step is to consider the evidence for how best to respond to these challenges in a context where transport users must face the full costs of the journeys, recognising the environmental impacts. This issue is the subject of the next volume of this report.

4.6 The identification of these priorities should not be interpreted as giving support to any projects brought forward in these areas, nor that projects outside the areas should not be pursued. Instead, the priorities are intended to guide transport strategy and option generation, so that a range of policies can be brought forward to meet these economic challenges. Furthermore, these are strategic priorities based on transport's contribution to economic growth: policies designed to meet different policy goals, notably environmental protection, may also suggest the prioritisation of action on different sections of the transport system.

Recommendations 1 and 2

1. To meet the changing needs of the UK economy, Government should focus on improving the performance of existing transport networks:

- (i)** Government action needs to focus on tackling congestion, capacity constraints and unreliability on existing networks.
- (ii)** In some limited circumstances, there may be opportunities to extend the network which offer good value for money, for example Government may wish to explore the case for extending the reach of existing urban networks in order to deepen labour markets.

2. Over the next 20 years, the three strategic economic priorities for transport policy should be: congested and growing urban areas and their catchments; together with key inter-urban corridors and international gateways that are showing signs of increasing congestion and unreliability.

- (i)** Look for signals of congestion, overcrowding and high productivity as high-level indicators that transport improvements may make a significant impact on economic growth.
- (ii)** Bring forward and assess a wide range of alternatives to address transport performance in these areas.
- (iii)** To achieve the greatest benefits from available funds, prioritise the options in these areas that offer the highest value for money, based on a full appraisal of the economic, environmental and social impacts.

