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Delivering change

Making transport work for cities

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Executive Summary

People rely on transport to get around in their day-to-day lives. On-time trains and buses, roads free of traffic and routes for cycling and walking all keep a city moving. As cities grow they often become denser, more congested and more complex. Good transport, in turn, brings everyone 'closer' together, which saves time, money and helps businesses trade – all helping the economy grow. So investing in roads, trains, trams, buses cycling and walking infrastructure supports people, communities and the economy.

This report identifies five key challenges that need to be overcome if the transport systems in UK cities are to improve and provide the quality of service that workers, businesses and residents need:

- Inability to ensure bus services meet people's economic, social and environmental needs
- Short timescale and uncertainty of central government funding
- Limited freedom to raise money locally to fund local transport improvements
- Fragmented funding and management of different modes of transport
- Lack of integration of transport, economic development and housing strategies

To make transport work for people and the economy, it needs to be better planned, managed and funded. London has overcome the majority of these challenges because it has more control over its transport. Transport for London (TfL) - the body that oversees transport across Greater London - has had huge success in improving the capital's transport system. Now, more cities need London-style control if they are to have transport systems that better support their economies.

Cities need to have more say over their transport to help people get around. Through a 'tailored devolution' approach all cities should be given TfL-style powers to ensure road, rail and bus services better connect their people to work and businesses to customers.

All cities should be able to:

Regulate their buses. Private companies do not always meet the social and environmental needs of people, like providing regular service from some estates to where jobs are or reducing pollution with green buses. So, cities and citizens need to have a stronger say over local buses.

Have longer-term certainty over funding. Yearly funding decisions and politics both add a lot of uncertainty to transport projects and hold them back. Cities need minimum five-year funding settlements from government.

Charge users for the transport projects that benefit them. Right now, cities rely too much on money from Whitehall, meaning others pay for local gain. Instead, new ways of charging for transport projects within each city will put the costs on those people who benefit the most.

Larger cities, with more complex transport systems, have additional coordination and funding problems that need to be overcome. All of the UK's larger cities should have an Integrated Transport Authority (ITA) which can join up all the different types of transport – road, rail, tram and bus – into one system that covers the wider city region.

Those cities which are already have a combined authority – currently Manchester, Leeds, Liverpool and Sheffield – should be given TfL-style powers. This would enable them to not only better coordinate their transport system but join up it up to the economic, skills, jobs and housing strategies for their area and have more say over making sure transport meets the needs of people and business. This is about making transport work for people, the economy, and growth.

While calling for reform to funding and transport powers, cities can also learn from each other to develop strategies that improve transport within the current system. They can ensure standards for bus companies that operate in their city, vote for local taxes or fees for specific transport projects and they can join up transport with other services in housing, jobs and health to make their city an all-round better place to live. But too little of this is being done because the political and financial system is so challenging. This report seeks to highlight where cities have worked around the challenges to make transport work better for their economy.

1. Introduction and policy context: transport matters for dynamic cities

Effective transport is vital for the economy. Transport matters for workers: there are almost 29 million commuters in Britain.[1] One study estimated that even a 20 minute reduction in train journey time between Leeds and Manchester could increase average wages in both cities between 1 and 2.7 per cent.[2] It is also important for business – over 40 per cent of businesses consider "transport links with other cities and internationally" to be an "absolutely essential" location factor.[3]

Transport affects all parts of the economy. Transport is not the answer to economic growth in our cities, but it is the underlying enabler of the factors that drive economic growth. If cities need more housing, then new roads, widening existing roads and expanding bus services will all be needed to bring those houses forward. The success of employment programmes to get people in to work is reliant, in part, on people's ability to get to workplaces. Growing businesses need access to workers and other firms they trade with; and transport provides that link. In sum, transport brings everyone closer together, which saves time, money and helps businesses trade – all helping the economy grow.

Transport is not working in UK cities

The UK's transportation systems are stifling rather than underpinning growth. The Organisation for Economic Co-operation and Development (OECD) noted that public infrastructure should be a priority for the UK, especially relieving road and airport congestion and challenges with the rail system. These factors, it claims, impede business and constrain productivity in the UK. In addition, the financial challenges of the recession have held back private investment for infrastructure projects.[4]

Traffic is increasing across the country, putting more pressure on the transport system. World Economic Forum ranks the UK 24th for the quality of our infrastructure and with the UK population set to reach 73 million by 2035, there is little evidence that current planning can meet future population needs.[5] Car and taxi traffic in England is forecast to increase 12 per cent from 2010 to 2020.

Transport needs are also changing within and between UK cities. As cities grow and become more densely populated, there is a greater chance that commuters, residents and workers

1. Adamsone L et al. (2013) *Overview on the Smart Work Centres in Europe,* Institute of National and Regional Economy, Riga: Riga Technical University
2. Overman H et al. (2009), *Strengthening Economic Linkages between Leeds and Manchester: Feasibility and Implications,* Spatial Economics Research Centre, London: London School of Economics
This was due to changes in the workforce composition – e.g. in terms of skills or industry type - that come with increased connectivity, rather than due to rising wages for the same workers
3. McCarthy F. (2012), 'European Cities Monitor', Cushman & Wakefield, accessed 14 April, 2014, http://www.cushmanwakefield.co.uk/en-gb/research-and-insight/2012/european-cities-monitor-2011/
4. OECD. (2009), ***OECD** Economic Surveys: United Kingdom 2009,* Paris: OECD
5. Armitt J. (2013), 'The Armitt Review', September 2013, accessed 23 April, 2014, http://www.armittreview.org/

will shift from using cars to other modes of transport. But the right conditions have to be in place. Public transport has to be reliable, affordable and efficient. All too often it is not.

Cities face big challenges in making transport work for the economy

Despite most journeys being local, cities lack control over how they invest in and improve transport. Cities are at the mercy of Whitehall plans and funding to ensure quality bus services, potholes are filled in and new trams and trains are meeting the needs of growing places. Accordingly, there are five key challenges for making sure transport is doing its job - helping people get from A to B - and these need to be tackled by empowered and visionary cities (Box 1).

Box 1: Five key challenges for investing in better transport for cities

What is the challenge for providing transport in cities?

- **Coverage.** Transport systems need to cover the area where people live, work, shop, visit the doctor and play sport. But linking up transport with all these factors over that area is challenging.
- **Coordination.** Local transport is managed by too many players and funded through too many pots. This fractured approach leads to underinvestment.
- **Bus regulation.** Buses are the most popular means of public transport, but unregulated bus companies do not always serve the public interest by linking in certain areas or offering an Oyster-style payment card, for example.
- **Long-term funding.** Investing in transport is expensive and often financially risky. Because government is the major funder for projects, they can reduce the risks of investment, thus increasing investment, by funding local government on longer settlement terms.
- **Local funding for local projects.** Cities should be able to pay for the transport projects that they need to grow. But UK cities cannot raise money so that local people pay for local transport. Councils need to be partners with Whitehall in funding transport, and they need more powers to contribute to the investment.

Report Outline

Section 2 of this report outlines the importance of efficient transport systems across city regions by demonstrating commuting patterns and explaining the benefits of transport investment. Section 3 discusses the five challenges for cities in achieving better transport in the context of the varying needs of places. Section 4 demonstrates why the position of Transport for London (TfL) supports an efficient and effective transport investment system alongside housing, jobs, the environment and so forth. Section 5 outlines the five key reforms and recommendations for Whitehall and cities and discusses new ways of working for local government to make the most of their transport systems.

2. Transport essential for growth in cities

Why is transport important for cities?

Good transport connections have direct benefits to people, businesses, the environment, and the overall economy. For example, good transport can:

Help people access jobs. Good transport links can widen people's job-search area and help them find employment. It can also reduce commuting times and reduce the cost of living. Public transport is especially important for lower income groups, where 42 per cent lack access to a car or van (compared to only 8 per cent of those in the highest income group).[6] And high-skilled workers are more likely to travel across longer distances to work, especially if they are following good job opportunities.[7]

Support innovation, productivity and economic growth in cities and the national economy. Transport can encourage firms to locate near one another, bring them closer to their supply chain and share expertise. The increase in concentration (mainly referred to as 'agglomeration economies') improves firms' performance and increases productivity.[8] A recent study in America found that doubling transport investment in cities raised productivity and increased wages between 1.1 and 1.8 per cent.[9]

Help shape greener and healthier places. Reducing the reliance on cars and promoting greener modes of transport (such as public transport or cycling) can relieve congestion and reduce carbon emissions**.** For example, London's road emissions per person are the same as Brighton's because of the efficient public transport network.[10] Good transport can also improve individuals' health and reduce healthcare costs. For example, if one in 10 journeys were made by bicycle, NHS could save £250 million per year.[11] ONS also found that personal wellbeing of commuters is reduced as the time needed to commute to work rises.[12]

Help cities attract new firms. Good transport networks can reduce costs and improve access to skilled labour. Reducing business and freight road travel time by 5 per cent can save business up to £2.5 billion every year (0.2 per cent of GDP).[13] Almost 60 per cent of UK firms consider transport infrastructure as a major influence on their business location.[14] And a U.S

6. Department for Transport. (2009), *National Travel Survey,* London: Department for Transport
7. Cheshire J et al. (2004), *Cities are not isolated states,* Research paper, Department of Geography and Environment, London: London School of Economics
8. Marshall A & Webber C. (2007), *The case for better transport investment: Agglomeration and growth in the Leeds City Region,* London: Centre for Cities
9. Chapman D & Noland R. (2013), 'Transit Service, Physical Agglomeration and Productivity in US Metropolitan Areas', Urban Studies, 0042098013494426, 1 August 2013.
10. Swinney P. & Sivaev D. (2013), *Beyond the High Street: Why our city centres really matter,* London: Centre for Cities
11. Walker P. (2014), 'Cycling growth could save NHS £250m, says report', The Guardian, 10 February 2014
12. Office of National Statistics (2014), *Does commuting affect wellbeing?,* Newport: Office of National Statistics
13. Eddington R. (2006), 'The Eddington Transport Study, The case for action: Sir Rod Eddington's advice to the Government', accessed 15 April, 2014, http://webarchive.nationalarchives.gov.uk/+/http:/www.dft.gov.uk/about/strategy/transportstrategy/eddingtonstudy/
14. British Chambers of Commerce. (2008), *The Congestions Question: Business Transport Survey,* London: British Chambers of Commerce

study found that the quality of airport facilities is the most important factor determining where global firms want to set up their headquarters.[15]

Unlock new development sites for business and housing. In order for new houses or businesses to be built, roads, bus services and rail must be in place to service them. The expansion and investment in Birmingham's New Street station is expected to drive a wider regeneration on the south side of the city as a part of the Big City Plan.[16] The Cambridge City Deal focused on much-needed transport investment to help the city keep up with the needs of growing businesses.[17]

How do people use transport in cities?

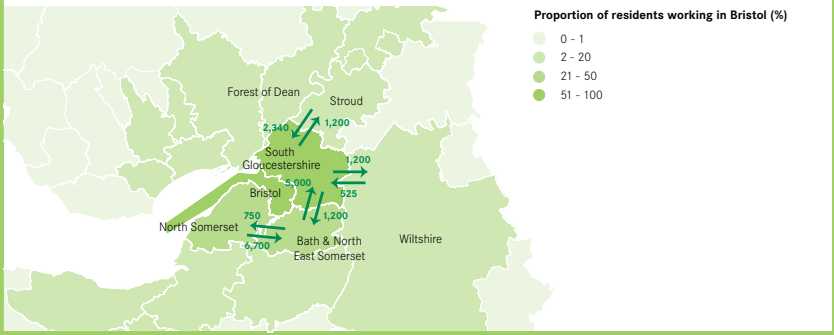
In the UK almost half of commuters in cities live and work in different local authorities.[18] This means that transport systems – road, buses, trams, rail and cycling routes – must link various combinations of routes across the city region.

Transport crosses boundaries. The maps below demonstrate that while most of the people across a city region commute into the city centre for work, a large number of workers also commute between other local authorities. For example, more than 230,000 people commute to Manchester from across the UK. These come mainly from neighbours like Oldham and Tameside, but can also come from cities further afield such as Blackpool and York. At the same time, thousands commute between the areas surrounding Manchester every day. Around 90 per cent of journeys to a job in Greater Manchester start from a home in Greater Manchester.[19]

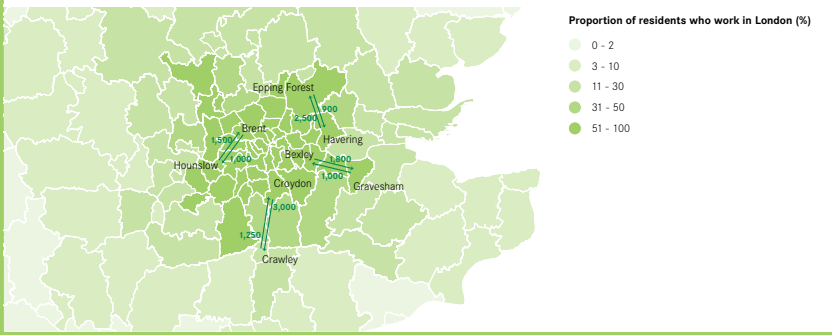
15. Strauss-Kahn V & Vives X. (2006), *Why and where do headquarters move*, IESE Business School, Pamplona: University of Navarra
16. New Street New Start, 'About the development', accessed 24 April, 2014, http://www.newstreetnewstart.co.uk/about-the-development.aspx
17. South Cambridge District Council (2014), 'Cabinet members back Greater Cambridge City Deal', South Cambridge District Council, 11 April 2014, accessed 24 April, 2013, https://www.scambs.gov.uk/content/cabinet-members-back-greater-cambridge-city-deal
18. Office of National Statistics (2011) Annual Population Survey commuter flows, local authorities in Great Britain
19. Manchester Independent Economic Review (MIER), April 2009, accessed 23 April, 2014, www.manchester-review.org.uk

Figure 1: Commuting patterns in UK cities

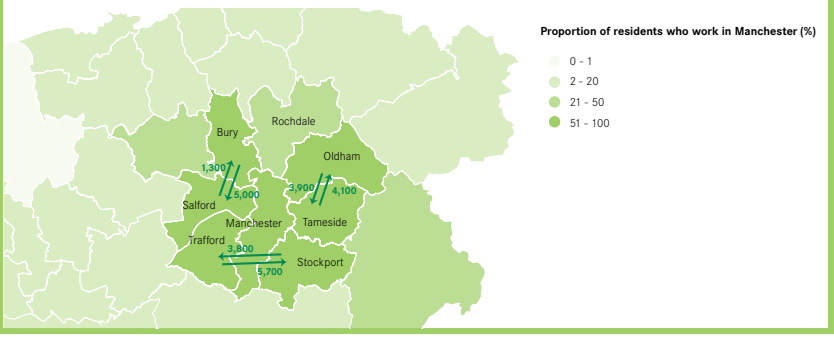
Bristol



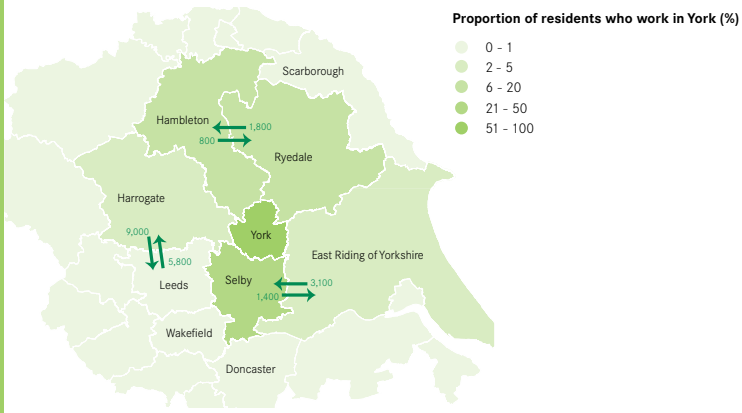
London



Manchester



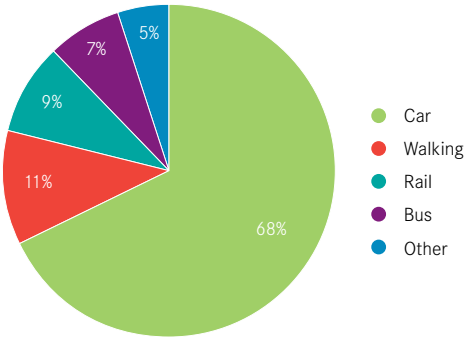
York



Source: Annual Population Survey commuter flows, local authorities in Great Britain, 2011

Transport is also multi-modal; people get around in many different ways. Cars still dominate for UK commuters, but cities bring together different modes of transport that need to seamlessly connect with one another. Figure 2 below shows the dominance of the car in commuting across the UK. But in the largest cities outside London, different types of transport such as bus, rail, walking and cycling are used to varying degrees.

Figure 2: Modes of commuting in Great Britain, 2012



Source: Department for Transport

Who is responsible for making transport work for people and the economy?

Management of transport does not match how people use it. Most transport projects are managed by individual councils.[20] However, a Travel to Work Area – the area over which most people commute – is often made up of many councils who do not necessarily work together. In larger cities like Birmingham and Liverpool, a cross-border group manages transport for the wider city region. But for cities within counties like Cambridge and Cambridgeshire or Preston and Lancashire, the funding for buses or management of traffic is not coordinated between the city and surrounding areas. Add the complexity of national transport organisations such as the Highways Agency and Network Rail and the forthcoming transport responsibilities of LEPs, and the system is increasingly complex and difficult to manage and fund effectively.

Box 2: The emerging role of LEPs

Cities should actually see a boost in transport funding in 2015/16, but that money will not be channelled through local government as it has in the past. Instead, much of the capital funding for local transport projects will be routed through Local Enterprise Partnerships in a competitive bidding process. So certainty and control over investment is the major challenge for cities.[21]

One challenge for LEPs in their new role will be to develop an approach for prioritising investment, weighing transport against housing, schools and other major project for a wide area. Transport investment will also need to be linked to other policy areas in order to improve outcomes across all policy areas. This should encourage investors and government to think about the full investment package of transport within the economy rather than an individual transport project.

Fractured responsibility and management means that UK cities do not get the most out of their transport systems. The quality of transport infrastructure in the UK is falling behind other developed countries and is often considered as a barrier to business growth. The latest World Economic Forum competitiveness report (2013) places the UK behind all Western European countries (except for Italy) in terms of transport infrastructure quality, and KPMG predicts that the UK will suffer from a £400 billion transport infrastructure funding deficit by 2020.[22]

The LSE Growth Commission found "Successive policy initiatives have failed to put in place adequate structures to support the identification, planning, implementation and financing of infrastructure projects, particularly in transport and energy. Thus, the provision of infrastructure now constitutes a persistent and major policy failure, one that generations of governments from all parties have failed to address".[23] So the time it took London's Crossrail project to secure funding means that by the time it is built, the extra capacity will be used up by London's population growth.

Section 3 presents a roadmap for local government and Whitehall to deliver transport systems that work for people, cities and the economy.

20. Transport is largely managed by county or unitary councils.
21. Abrantes P. (2013), 'HMT 2013 Spending Review: transport number crunch', Pteg, October 2013, accessed 23 April, 2014 http://www.pteg.net/resources/types/briefings/hmt-2013-spending-review-transport-number-crunch
22. RTPI (2014), *Transport Infrastructure Investment: Capturing the Wider Benefits of Investment in Transport Infrastructure,* London: RTPI
23. Besley T et al. (2013) *Investing for Prosperity, LSE Growth Commission,* London: London School of Economics

3. How can cities make transport work for them?

1. Local regulation of bus services for all transport authorities

Buses are the main means of public transport in all cities, but local government cannot ensure that bus companies meet local economic, social and environmental needs.

Challenge

Since the privatisation of buses in 1985, much of bus service quality, routes and pricing has been in the hands of private companies. This means that, while private sector competition is good in many cases, it also creates challenges for bus services, which must meet a wide range of needs of local people and communities.

Ensuring quality of bus services is difficult in cities. People are most likely to use buses if they provide a safe, clean and prompt service, and cities need more people across a wider range of incomes to use buses if they are going to continue to thrive in cities. Local government can use Quality Contract Schemes (QCSs) to ensure private bus companies meet certain quality standards, but they are incredibly difficult to implement and are yet to be used.[24][25] In Tyne and Wear, Nexus is going through a difficult process to implement a QCS which began in December 2011 and is yet to be finished.[26]

Private bus companies are not incentivised to provide services that meet wider economic and social needs. Subsidies account for around 45 per cent of all bus operators' revenues.[27] The Bus Services Operator Grant (BSOG) funds bus companies on the basis of the miles they travel rather than the number of riders or rider-miles, the true measure of success. The companies receive a bonus for electronic ticketing or having tracking systems for real-time information, which are both good aims. But they have failed to ensure take up in many cities that need them.

Because local government cannot set fares, they cannot ensure affordability or that profits are reinvested into quality bus services. Bus operators are largely free to set

24. Butcher L. (2012), Buses: franchising - Commons Library Standard Note, Standard notes SN00624, London: House of Commons. Under the Transport Acts of 2000 and 2008, local authorities have "franchising-like powers to implement what are known as Quality Contract Schemes (QCS)".
25. Pteg. (2012), 'Transport Committee - Competition in the local bus market, Further written evidence from PTEG (LBS 31A)', Parliament.uk, 26 March 2012, accessed 23 April, 2014, http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtran/10/10vw25.htm. However, proposals are too difficult to implement in practice and they must go through a QCS board, a public interest test and potentially through an appeal to a Transport Tribunal, in addition to often facing legal or tactical opposition from bus operators.
26. Nexus website, 'Bus strategy', accessed 17 April, 2014, http://www.nexus.org.uk/busstrategy
27. Butcher L. (2013), *Buses: grants and subsidies - Commons Library Standard Note, Standard Notes SN1522,* London: House of Commons

fares.[28] According to the local bus fares index, fares across the whole of England increased by 270 per cent between 1986/87 and 2011. In London, where fares are regulated, the increase over the same period was 203 per cent.[29]

Because cities cannot regulate buses or fares, Oyster-style smart ticketing often cannot deliver the same simplicity and ease for users. Oyster-style integrated ticketing offers the best service for residents, workers and businesses, and it can increase bus ridership, passenger satisfaction, boarding speeds and bus revenue. [30] Despite its benefits, lack of regulation of buses has led to minimal uptake of Oyster-style integrated ticketing outside of London. Merseytravel, serving Liverpool and surrounding areas, has taken years to implement its integrated ticketing system, the Walrus card, due to the complexities of working across the different systems of bus providers.[31] Integrated ticketing could become a norm if more cities had the power to regulate buses. The benefits of regulation clearly outweigh the costs of competition.

Delivering change

Whitehall should give cities the power to directly regulate bus services to ensure quality buses and the roll of out Oyster-style cards

Government should give transport authorities London-style powers over buses. London's regulation of bus services provides an overall more efficient service. Single management of the bus system and bus subsidy means that TfL can ensure quality of buses and bus services. Services and fares are specified by TfL and passenger revenues are kept for reinvestment in services – private operators are involved, potentially retaining some market incentives, but they bid for contracts on TfL's terms.[32] TfL also specifies destination displays, capacities and layouts for its buses and has acted to ensure all London buses keep the city's distinctive red colour.[33]

28. Stagecoach group website, 'Bus Industry FAQs'. accessed 16 April, 2014, http://www.stagecoach.com/media/faqs/bus-industry-faqs.aspx
29. Butcher L. (2012), Buses: franchising - Commons Library Standard Note, Standard notes SN00624, London: House of Commons; George N. (2014), *Quarterly Bus Statistics: Great Britain Q4 (Oct-Dec) 2013*, London: Department for Transport Across England, bus fares rose on average 4.1 per cent in the year to December 2013 – this represented a slight reduction in the rate of increase against the previous quarter, but was still above inflation.
30. Booz & Co. (2009), *The Benefits of Simplified and Integrated Ticketing in Public Transport*, for the Passenger Transport Executive Group (Pteg), October 2009, accessed 16 April, 2014, http://www.emta.com/IMG/pdf/Benefits_of_Simplified_and_Integrated_Ticketing.pdf
31. Weston A. (2014), 'Merseytravel's much delayed Walrus 'smartcard' to be rolled out later this year', *The Liverpool Echo*, 4 March 2014
32. Stagecoach Group, 'Bus Industry FAQs'. accessed 16 April, 2014, http://www.stagecoach.com/media/faqs/bus-industry-faqs.aspx
33. Transport for London. (2011), 'Specification for London Buses', WhatDoTheyKnow.com, 27 June 2011, accessed 16 April, 2014, https://www.whatdotheyknow.com/request/specification_for_london_buses

Box 3: Regulation for better bus services in Helsinki

Cities with more control over their bus services have been able to ensure better quality services. The provision of public transport in the Helsinki city region falls under Helsinki Region Transport (HSL) with almost 300 bus routes across the city region. Buses were the most popular mode of transport in 2012 (over half of total journeys), and over 80 percent of passengers reported being satisfied with the service.[34]

HSL joins together seven regional municipalities, and its responsibilities include coordinating the transport strategy across the region, setting fare prices and procuring bus and other public transport services through competitive tenders. These powers have enabled HSL to:

- Coordinate and set timetables
- Integrate the planning of bus services with other modes of transport
- Introduce a unified ticketing system
- Align bus services with the region's plans to cut carbon emissions – HSL is encouraging operators to reduce emissions by offering financial bonuses, and 45 per cent of the buses operating in the city region are low emission vehicles.

Regulation of bus contracts enabled TfL to implement the widely used Oyster card for payment. Usage of smart ticketing in the form of Oyster cards, travelcards and contactless payment has become so normalised that only 1 per cent of payments are now made with cash, down from 20 per cent in 2003. This has prompted a decision to scrap cash fares on buses altogether in 2014, which will save £24 million a year.[35]

Box 4: Benefits of Smart Ticketing

Booz & Co, with the Passenger Transport Executive Group (Pteg), identified a number of benefits of integrated smart tickets that extend beyond transport.[36] These included:

- People shifting from other modes of transport to buses, relieving congestion on those modes
- Social benefits, such as saving people time and improved transport satisfaction
- Wider contribution to city life and identity
- Gathering data on passenger behaviour, which can improve capacity and network planning.

34. HSL Helsinki Regional Transport. (2012), *Annual Report,* Helsinki: HSL
35. Hoscik M. (2014), 'TfL confirms cash bus fares will be scrapped this Summer', MayorWatch, 3 February 2014, accessed 16 April, 2014, http://www.mayorwatch.co.uk/tfl-confirms-cash-bus-fares-will-be-scrapped-this-summer/
36. Booz & Co. (2009), *The Benefits of Simplified and Integrated Ticketing in Public Transport*, for the Passenger Transport Executive Group (Pteg), October 2009, accessed 16 April, 2014, http://www.emta.com/IMG/pdf/Benefits_of_Simplified_and_Integrated_Ticketing.pdf

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In the meantime, cities should improve bus services, quality, fares and smart ticketing through their other powers over parking, planning and procurement.

Nottingham has provided better buses and services by working with bus companies and using other powers at their disposal. Working within the current system, Nottingham leads the way for local government in ensuring quality bus services by using related powers.

The key lesson cities can take from Nottingham is that they can flex their existing powers to improve bus services within the current system. Establishing a system that leverages powers over bus stops, timetables and routes, Nottingham has improved bus quality and services.

Nottingham uses its strengths as a city to make buses work for workers and residents. The City Council recognises that buses are a means to meet a wide range of needs, In turn, they have:

- Ensured that buses support students in both route and cost,
- Made sure most bus routes pass through the city centre,
- Used buses to reduce congestion,
- Used discounted ticketing to make buses affordable and attractive options for transport
- Leveraged planning measures to focus developments in the city centre or on major bus routes.

Nottingham established a Statutory Quality Partnership Scheme (SQPS) which can regulate access standards, bus stop usage in the city centre and CO2 emissions. Though the process of establishing such a scheme is challenging, it provides tangible benefits for bus users and the wider city transport system. Only bus services that meet the quality specifications of the SQPS can use the bus stops in the city centre. This system works because the City Council can demonstrate that the public benefits of the SQPS outweigh any restriction on competition.

Through controls over bus stops, the City Council gives priority bus parking to members of the SQPS. In exchange, members of the scheme must meet specified standards for green buses and timetables, for example. Members of the scheme also benefit from the City Council managing the bus slot booking system, real-time arrival displays at bus stops and even marshals to help reduce pedestrian disruption to bus timetables.[37]

37.Nottingham City Council. (2010), 'Statutory Bus Quality Partnership Scheme (SQPS)', January 2010, accessed 16 April, 2014, http://www.nottinghamcity.gov.uk/CHttpHandler.ashx?id=43231&p=0

Some cities have ticketing schemes that work across operators, but the introduction of an Oyster-style travelcard in Nottingham has been especially successful. The Kangaroo ticketing scheme works alongside individual bus operator ticketing systems to provide easy ticketing for bus, trains, trams and cycling in Greater Nottingham. The Kangaroo card was set up as a voluntary scheme, but it is now effectively statutory as a part of the SQPS and is operated on behalf of the Council. One reason the card has worked so well is because the main bus operators work with the same ticket supplier, making negotiations and implementation easier.

However, without statutory regulatory power like TfL holds, cities have an uphill battle to make buses work for them. Despite its accomplishments, Nottingham City Council faces many of the same challenges as other cities. Each bus operator has their own smart ticket, and the Kangaroo tickets are subject to a fare premium from operators who require a fee in exchange for passengers' ability to use the card on any bus. This adds additional costs, compared to the regulated smart ticketing system in London.

2. Long-term funding settlements

Cities under-invest in transport because they do not have certainty in their budgets. In turn, other investors do not fund projects because they do not have certainty over future infrastructure.

Challenge

Government offers annual funding settlements to local government for transport, which makes funding transport projects riskier, more difficult and more expensive.

Annual funding makes it very difficult for transport to attract other investment. New housing or business parks are often paid for through a mix of funds, both private and public, which need certainty that local government has the resources at its disposal. Without a long-term commitment of funds, local government is constrained in its ability to offer that certainty to private investors. And when councils accumulate capital reserves for these projects, they are often criticised by the Government for building up funds during austerity.

Annual settlements hold back planning for transport projects. Up to 40 per cent of capital projects' costs are in the planning and design stages which have to be absorbed by the council if a project does not come forward. This presents a huge risk for local government schemes, as councils facing overall budget cuts will be less likely to pay up-front costs for planning projects. In turn, a lack of viable and certain transport investment has wider impacts on the ability of planning departments to bring forward housing developments, schools, and so forth.

Transport funding uncertainty has held back councils from unlocking major strategic sites. For example:

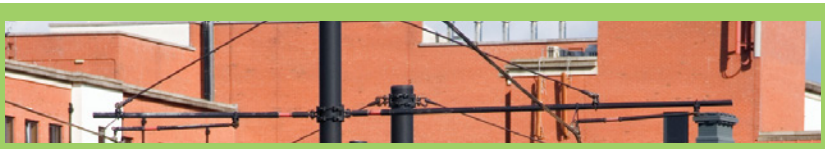
- **The Aire Valley Regeneration Project, Leeds:** Until it was designated an Enterprise Zone, lack of funding certainty for transport held back the redevelopment of a former industrial area south east of Leeds city centre. To ensure accessibility, the project requires new transport links including the Skelton Grange Bridge, £55 million worth of public transport improvements, new footbridges and cycle paths and the East Leeds Link Road (ELLR).[38]
- **Birmingham, West Midlands:** Birmingham's Local Transport Implementation Plan lays out a strategy for developments across the region. But these plans were stunted due to funding uncertainty around the timing of the 2010 Spending review and from several government funding programmes including the Local Sustainable Transport Fund.[39]
- **Barking Riverside, London:** The construction of 10,800 homes requires either an extension of the London Overground or the Docklands Light Railway. Only 1,000 houses have since been built since 2007 as a result of the lack of transport infrastructure. Currently, bus journeys to Dagenham town centre can take 30 to 45 minutes, while an Overground extension could reduce travel times to as little as six minutes.[40]

To help boost the economy, government wants shovel-ready schemes, but these are very difficult to develop without funding certainty and revenue funding to plan for these projects in the long-term. Local leaders have criticised central government's recent focus on short-term projects, as this means LEPs must prove projects are deliverable within a year to receive funding, but without the funding certainty to plan for these projects. This is to the detriment of longer-term projects that will strengthen local economies in the long run.[41]

Box 5: Long-term funding for projects can support the transportation industry

Funding for transport services needs more certainty. Long-term funding for local transport services like bus services, road maintenance and cycling can benefit from long-term settlements as the strategies and programmes for delivering these services spans many years. Recent cuts in bus services are having a negative impact on cities,[42] and longer-term settlements would give cities better ways to manage cuts from central government. Also, for cities planning to link in to the future High Speed 2 network, longer-term funding is needed to make sure that bus, road and cycle services meet the needs of the rail passengers.[43]

38. Core Cities Group & PricewaterhouseCoopers. (2008), 'Unlocking City Growth: Interim Findings on New Funding Mechanisms', accessed 14 April, 2014, http://www.britainforward.org/UnlockingCityGrowth.pdf. Aire Valley Leeds Enterprise Zone. (2012) 'Benefits', Leeds City Council, accessed 23 April, 2014, http://airevalleyleeds.com/ez/benefits/
39. Centro. (2011), 'West Midlands Local Transport Plan, Making the Connections, Local Transport Strategy, 2011-2026', Centro, 1 April 2011, accessed 17 April, 2014, http://www.centro.org.uk/media/2559/LTP-strategy.pdf
40.Hill D. (2014), 'The Osbornomics of Barking Riverside', *The Guardian*, 23 March 2014
41. Smith C. (2014), 'Whitehall push for 'shovel-ready' projects leads to alarm in LEPs', *Local Government Chronicle,* 24 April
42. Abrantes P, Fuller R & Bray J. (2013), *The Case for the Urban Bus,* Leeds: Pteg
43. Centre for Cities interviews.



Government should offer minimum five-year capital funding settlements for local government

Delivering change

Government can learn lessons from other cities about the strategy for, and benefits of, long-term transport funding settlements for cities. The funding arrangements between the French Government and cities, especially Paris, demonstrate how funding certainty opens up investment in transport that unlocks growth and creates jobs across the city.

Box 6: Central government support for local transport in France

In France, the central government supports local transport investment with longer-term funding settlements. Every city with 100,000 or more people must have a ten-year transport plan. There is significant national investment in five-year allocations with ten-year strategies. Compare this to the UK where cities are good at the strategies and visions but cannot secure funding to realise them. The long-term funding settlement provided more certainty for other investors including institutions and for taxpayers who part-funded the work. Increased certainty reduces costs in the planning stages and can often reduce the interest payments.

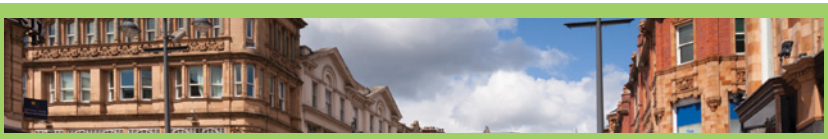
Paris recently received a long-term funding settlement for major rail investment. In March 2013, the French Government committed over £20 billion in long-term funding for the construction of the New Grand Paris transportation project. By 2030, New Grand Paris is expected to add 205 km of new metro lines to the region (mainly on the outskirts of the city), open 72 new metro stations and upgrade existing metro routes. It is expected to increase transport capacity, bring down the average commute per user from 24 to 17 minutes and create 15,000 new jobs per year.[44]

Some progress is being made in the UK, as government has made a recent move to five-year indicative funding settlements, but more can be done. Through the City Deals process, four LEPs will receive ten-year funding settlements for major transport schemes. Building on this approach, the Treasury needs to work with the Department for Communities and Local Government (DCLG), the Department for Business, Innovation & Skills (BIS), DfT, the Highways Agency and Network Rail to develop a longer-term funding package for local projects that makes the most of larger national priority projects. Otherwise, cities will not be able to make the enabling transport investment to make the most of the Northern Hub or HS2.

44. New Grand Paris (2013) 'New Grand Paris Express', accessed 23 April, 2014, http://www.societedugrandparis.fr/

3. Local funding for local transport

Challenge



Cities cannot sufficiently raise revenues for local transport projects residents and businesses need.

Councils are overly dependent on *central* government funding sources for *local* transport projects. Central government control of funding also limits local authorities' ability to raise money for transport projects, reduces transport investment and limits what councils can do.

Overly-centralised funding for transport is also more risky. Because central government is the major funder of local transport projects, they also carry most of the risk on the project. If a project falls through or costs rise, the burden largely falls on Whitehall. Because the risk is higher, central government is likely to fund fewer schemes or provides less funding for each project it supports. Risk is also higher for central government because they know less about the local economy and transport system. Because Whitehall cannot have the same relationships and local knowledge that councils do, they regard local schemes to be riskier than a council would, increasing cost and decreasing investment.

The limited financial tools cities have are not practical in many places. For example, business rates supplements are not viable in many cities outside London, as business rates have been burdensome for many firms. The same can be said for the Community Infrastructure Levy (CIL).

Local funding for local projects means people pay for the transport that they benefit from. Some element of central funding is usually necessary for transport projects. Any major transport scheme will have local, city-wide, regional and some national benefits, and funding for projects should reflect this. Because the vast majority of benefits from new transport go to local residents and businesses through reduced congestion, alternative modes of travel, fewer emissions or access to new homes or jobs, local residents and businesses should pay a higher proportion of the investment.

Local taxes and fees for transport projects align the costs, risks and benefits of investment with the businesses and residents in the area.

As Box 7 shows there are a range of local taxes, fees and charges for funding local transport projects that have been implemented by cities in the UK and abroad to bring in more transport investment that meets the needs of local people and businesses. These examples can be adapted to the particular transport investment requirements and needs or strengths of a city's economy.

Local government should set fares and fees as well as democratically voted, hypothecated tolls and taxes that support investment in their transport systems. This aligns the costs of investment with those who benefit.

Delivering change

Box 7: Local taxes, fees and charges to fund transport projects

Tax Increment Finance (TIF). TIF involves reinvesting a proportion of future business rates from an area into infrastructure today, making it possible to unlock regeneration projects without the need for additional taxation.[45] However, TIF has not been used in England outside of Enterprise Zones due to complications in the business rates tax system.

TIF is being used in the London's Northern Line Extension to the Enterprise Zone in Nine Elms.[46] The development project will include 16,000 homes, office and retail space, and could create up to 25,000 jobs by 2026.[47] Scottish cities can negotiate TIF schemes with the Scottish Government. Falkirk has a £67 million TIF scheme which is currently in construction. Through improvements to the M9 motorway links and Grangemouth flood defences, it is estimated that the scheme will unlock over £400 million in private investment and create almost 6,000 jobs.[48]

Milton Keynes' Urban Development Area tariff. In 2007, Milton Keynes applied an Urban Development Area tariff, which is a fixed amount payable by owners of land located in areas where new developments are most likely to take place. The tariff aims to support new infrastructure needed for those areas including roads, health facilities and schools. It is estimated the tariff will raise almost 20 per cent of the city's £1.6 billion infrastructure costs for the decade ahead.[49]

Paris's employer tax. The regional transport authority mainly relies on the employer transport tax to fund transport investment.[50] This approach levies a public transport tax

45. Core Cities Group & British Property Federation. (2010) *A Rough Guide to Tax Increment Financing,* accessed 15 April, 2014, http://www.corecities.com/what-we-do/publications/rough-guide-tax-increment-financing
46. Odell M & Pickford J. (2012), 'Plan to break Battersea transport deadlock', *Financial Times,* 4 December 2012
47. Transport for London. (2014) 'Northern line extension', TfL.gov.uk, accessed 23 April, 2014, http://www.tfl.gov.uk/travel-information/improvements-and-projects/northern-line-extension#on-this-page-5. Carpenter J. (2010) 'TfL to set out business case for Tax Increment Financing', Regeneration & Renewal.com, 12 March 2010, accessed 15 April, 2014, http://www.regen.net/news/989964/TfL-set-business-case-Tax-Increment-Financing
48. The Scottish Government (2014), £1.5 billion infrastructure investment, accessed 6 May, 2014, http://news.scotland.gov.uk/News/-1-5-billion-infrastructure-investment-be0.aspx
49. European Institute for Urban Affairs & PricewaterhouseCoopers. (2007), 'City Development Companies: National and International Experience, Implications for Birmingham', A City Development Company for Birmingham: Feasibility Study, accessed 17 April 2014, http://www.ljmu.ac.uk/EIUA/EIUA_Docs/City_Development_Companies.pdf. Hackett P. (2006), *Incentives for Growth,* London: the Smith Institute
50. OECD. (2013), *Funding urban public transport, Case Study Compendium,* Paris: International Transport Forum

on employers whereby a sum is collected from employees' salaries, depending on the location of the business. The tax is targeted, with higher rates in more affluent areas, and excludes start-up firms and small shops. In 2012, almost 40 per cent of the region's £6.7 billion public transport budget came from the transport tax.[51]

Denver's local sales tax. Due to its ability to raise local taxes, Denver Metropolitan region is undertaking a £2.5 billion train extension project called Fastracks. The project is mainly funded by a voter-approved 0.4 percent sales tax increase passed in 2004. Fastracks will add six new lines with 57 stations, improve existing lines and add 18 miles of new suburb-to-suburb routes.

Durham's congestion charging. In Durham, congestion charging has decreased traffic, increased bus usage and improved safety. The charges have generated enough income to subsidise an enhanced bus service that goes to and from the charging area and to support a Shopmobility scheme that increases mobility for the disabled.[52]

Nottingham's Workplace Parking Levy. The Workplace Parking Levy is a congestion charging scheme where a charge is placed on employers who provide parking. Employers must licence their workplace parking and pay the charge if they provide more than 11 parking spaces. In addition to discouraging car use, the scheme also boosts funding for local transport. The money raised helps fund Nottingham's tram system, railway station and Link bus network.[53]

When cities are able to levy local taxes or set fees to invest in local transport projects, it benefits the wider transport system and the economy. Taxes and fees, when responsive to local transport needs, can raise money to make projects viable and align the costs of transport with those who benefit from it.

51. Freemark Y. (2009), 'How to Fix Transit Financing', *The Transport Politic,* 4 March 2009, accessed 23 April, 2014, http://www.thetransportpolitic.com/2009/03/04/how-to-fix-transit-financing/
52. Wafer D., 'Durham City Centre Road Charging Scheme', Durham County Council & the Chartered Institution of Highways and Transportation, accessed 15 April, 2014, http://www.ciht.org.uk/download.cfm/docid/560EA947-66D1-490D-8E91A97F34D979D0
53. Nottingham City Council., What is a Workplace Parking Levy (WPL)?, accessed 15 April, 2014, http://mynottingham.gov.uk/whatisaWPL

4. Single management of transport systems: helping people commute across the city region

Challenge

Funding for transport investment and services is too fractured, holding back investment and reducing quality.

Under the current system, transport planning and funding do not align with how people use transport services. If the way that local and central government think about, plan for and invest in transport doesn't match how people use it, the transport system will not serve people or the economy the best it can. This is for two mains reasons.

First, transport planning covers the wrong geography.

Sometimes the scale is too small. Outside the Integrated Transport Authorities (ITAs) that exist in the former metropolitan county areas, coordination of transport strategy largely falls to unitary authorities and county councils. This means the way government pays for and plans roads, buses and rail very often doesn't reflect how people actually use it, unless local authorities proactively work together to increase coordination.

In other instances, boundaries may be too splintered and complicated. For example, in Birmingham, three LEPs work with the West Midlands Passenger Transport Executive (Centro). This creates incentives for councils and LEPs to compete for funding and avoid sharing information, rather than encouraging them to collaborate and coordinate. Priorities are set by the LEPs for Centro to deliver, leaving Centro to weigh up and balance resources in developing schemes across each of the LEP areas to attract funding.

National transport projects tend not to coordinate with local transport systems. Highways Agency and Network Rail are national transport bodies managing large-scale and long-distance transport, but they lack incentives and capacity to coordinate those major road and rail projects with cities.

Second, funding pots for transport are fractured and uncoordinated. Funding for transport is split by different modes, geographies and timelines, which makes it harder to coordinate investment across cities.[54]

54. Centre for Cities Interview

Local authorities, LEPs, the Highways Agency, Network Rail and private bus companies share control over city transport systems, but their funding and the strategies used to allocate it are not coordinated effectively. A non-exhaustive list of other DfT funds includes a funding settlement with TfL, funds for pothole repairs in England, local capital block funding, Better Bus Areas, Pinch Point Funding, Local Sustainable Transport Fund, Green Bus Fund, Emergency Funding, Private Finance Initiative, Exceptional Maintenance, the Community Infrastructure Fund, Concessionary fares, Bus Funding and Cycling and Walking funds.[55]

It is not the existence of different funding streams that is the challenge, per se, but the complexity and complications for coordinating them into one transport system for a city region. The fixed funding and management boundaries between these different streams prevent flexible decision-making and coordination across the different areas they are each earmarked for, which will often be interrelated in practice.

Delivering change

More cities need ITAs, and ITAs should be bolstered with more powers

ITAs are cross-boundary bodies with responsibility and control for the transport investment and management process. ITAs overcome many of the geographic coverage and funding problems for transport because they:

- Cover a city region geography, coordinating across local authorities
- Bring together investment and strategies for various modes of transport
- Provide a high-level body to coordinate with Highways Agency and Network Rail
- This is not about creating a new body or institution; rather it is about bringing together existing organisations and funding to use them in a more strategic way.

Birmingham and the other West Midlands authorities are planning to establish a new Integrated Transport Authority (ITA) which will aim to improve coordination in the city region and increase cooperation between the three local LEPs. The new ITA will consist of the leaders of the seven local councils and will be mainly responsible for developing a coherent overall strategy across the city region coordinating project delivery with Centro (the Passenger Transport Executive) and local authorities[56]. In addition to coordinating strategies across the three LEPs, the new ITA will coordinate all modes of transport and bring the LEPs into the decision-making process, particularly around strategy setting.[57]

55. http://webarchive.nationalarchives.gov.uk/
56. Centre for Cities Interview
57. Brown G. (2013), 'Councils unite to form new transport authority', *The Birmingham Post,* 8 August 2013

The GMCA coordinates transport at the city region level. Greater Manchester Combined Authority (GMCA) was the first combined authority established in the UK. The combined authority incorporated the powers of the ITA with the regional governance body. GMCA, Transport for Greater Manchester (TfGM), which acts on behalf of GMCA, and the ten local authorities in Greater Manchester are governed by a clear division of roles that enables GMCA and TfGM to manage strategic transport matters for the city region.[58] It operates as a city region authority but draws its resources from the ten councils, and 64 per cent of TfGM revenue funds come from a levy on the ten authorities. It also controls the Metrolink system farebox, which GMCA has used to support prudential borrowing that underpins half of the current £1.5 billion Greater Manchester Transport Fund (GMTF). Importantly, GMTF prioritises projects based on its ability to secure wider economic, environmental and social returns than are captured by traditional transport appraisal.

Greater Manchester has developed good relationships with other transport bodies. GMCA and TfGM have worked effectively with Network Rail at an operational level on projects such as the Northern Hub and are now looking to build on this with regard to HS2. The Greater Manchester partners have also benefited from a long-standing stake in Manchester Airport, which has enabled planners to join up the airport with other transport modes within city region transport strategies. Some early steps have been taken to coordinate highways activities in Greater Manchester, including GMCA providing the urban traffic control signals function for the Highways Agency and ten highways authorities through GM Urban Traffic Control, which runs the second largest traffic signal network outside of London.[59] However, GMCA leaders feel more still needs to be done at city level. This is highlighted in the Greater Manchester Growth and Reform Plan (SEP) submission to the Local Growth Fund, which proposes highways, rail and bus market reform policies alongside a forward investment programme.

Greater Manchester's success provides a strong rationale both for local authorities to pass powers upwards to a combined authority or ITA and for central government to grant transport funding and coordination powers to ITAs.

58. Greater Manchester Combined Authority. (2011), 'Report: Transport and Economic Development Protocols', 1 April, 2011, accessed April 17, 2014, http://www.agma.gov.uk/cms_media/files/transport_and_economic_development_protocols.pdf
59. Transport for Greater Manchester, 'Traffic Signals in Greater Manchester', accessed April 17, 2014, http://www.tfgm.com/Corporate/Pages/UTC.aspx

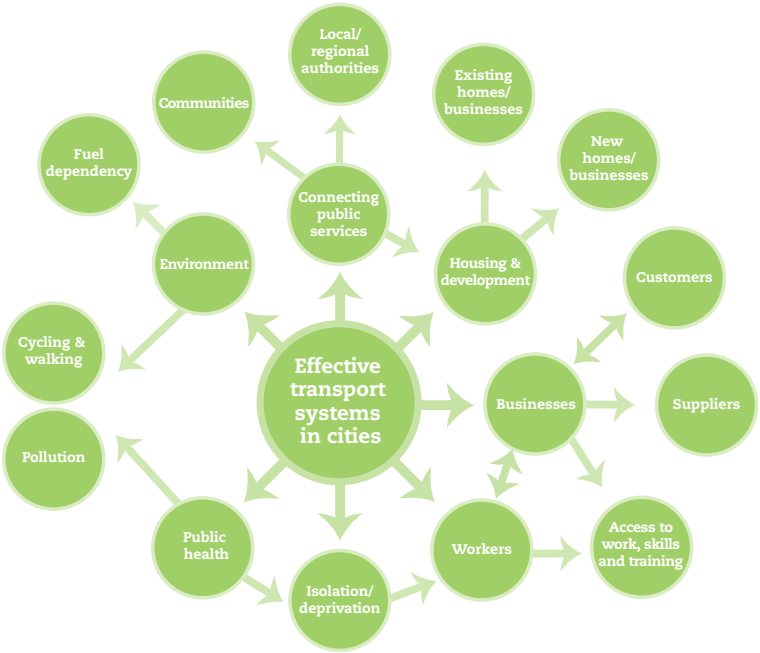
5. Integrating transport into the wider growth agenda

Challenge

Disjointed transport systems that don't operate in a way that responds to people's day-to-day needs.

Both central and local government tend to treat transport and infrastructure in its own silo. But investment in transport, or lack thereof, has an impact on the wider economy. Car dependency has changed the way cities are planned – with many developments being organised around roads – which has an effect on how people get to or are able to find jobs. One small part of transport, the use of cars, thus has wide ranging impacts across the local economy. Figure 3 below demonstrates the wide reach that transport has in local economies.

Figure 3: The knock-on effects of cuts to transport spending across different government departments and the impacts on growth



LEPs lack a means to gauge the costs, benefits and growth generation from transport projects as opposed to the benefits of other types of investment. When they take control of major transport investment in the Single Local Growth Fund (SLGF) from 2015/16, LEPs will have a responsibility for deciding the trade-offs between transport, housing, schools and other big investments in the area.

Concerns have been raised that the DfT is contributing at least £200 million of funding to this pot, but the economic and social value of transport may be overlooked by individual LEPs. The Eddington study noted that traditional cost-benefit analysis (CBA) does not take adequate account of all the benefits of transport projects, such as reduced congestion and any potential environmental benefits.[60]

Coordinating transport policy and funding across government functions using combined authorities and joint teams at the local and national levels.

Delivering change

Transport strategy and funding should take into account the wider impacts on housing, regeneration and jobs. Building on the coordination discussed in Section 3.4, the West Midlands and Manchester have not only linked-up their different modes of transport, but they also link transport with other policy areas.

Many examples exist within the current system where councils have joined up transport with their other objectives to make them work for each other.

Connecting transport and jobs

Through the Workwise Programme in Birmingham, Centro has helped 14,000 Jobcentre Plus customers overcome transport barriers and get back to work. Funded by the Government's Local Sustainable Transport Fund, Workwise offers long-term unemployed people unlimited day passes to attend interviews or training and up to eight weeks of free travel passes once they start work.[61] Additional support includes advice on journey planning, information on sustainable modes of travel and a cycling option whereby jobseekers are offered a free recycled bicycle, safety accessories and other complementary support.

60. Eddington R. (2006), 'The Eddington Transport Study, The case for action: Sir Rod Eddington's advice to Government', accessed 15 April, 2014, http://webarchive.nationalarchives.gov.uk/ and /http:/www.dft.gov.uk/about/strategy/transportstrategy/eddingtonstudy/
61. Cameron P. (2013), 'Centro scheme celebrates 10 years supporting the region's jobseekers', MyNetwork, 1 July 2013, accessed 23 April, 2014, http://mynetwork.org.uk/MonoX/Pages/NewsDetails.aspx?newsid=3e5f0368-56da-402d-bcec-a1ee01324232

The Nottingham 'Jobseeker Citycard' scheme has helped cardholders find jobs by making travel to interviews, Jobcentre appointments and work easier. Jobseeker Citycards allow holders who are either job-seeking or in the first four weeks of a new job to access:

- Half-priced day travel tickets
- Subsidised bike hire
- Access to personalised travel information.

Connecting transport with environmental and health objectives

In Bristol, cycling is used more widely than in other UK cities – over six per cent cycle.[62] One reason for this is that cycling is part of a broader programme to reduce congestion, reduce pollution and improve health, tackling multiple challenges through a targeted, cross-cutting approach. Bristol is the Green Capital of Europe 2015 and became Britain's first designated 'Cycling City' in 2008.[63] Bristol City Council has noted the health benefits of cycling and advised that infrastructure, behavioural change and 'bikeability' (cycle training) were key for promoting cycling.[64]

Connecting transport to housing can bring forward more homes

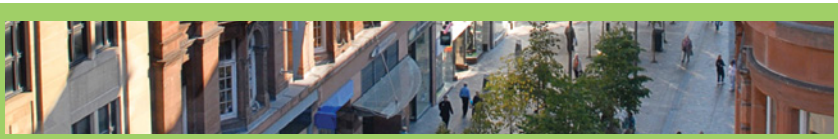
London's Metropolitan Railway (today the Metropolitan Line of the London Underground) gave rise to what was known as 'Metroland' when it was first built in the early 20th century, a set of growing suburbs in the north-west of the city that grew along the route. These suburbs grew out of the need for more housing for the capital's booming population and normalised commuting into central London. Housing estates were developed in the early 1900s at Wembley Park and at Cecil Park in Pinner on land next to the railway lines, in order to boost the usage of the line.

Integrating transport into economic development

The Greater Manchester Combined Authority shows how better coordination frees the city from the narrow constraints of traditional transport appraisals and enables better integration of transport within local growth priorities. Manchester has opened up new investment opportunities – beyond what national transport appraisals would offer – that meet the needs of their local economy.

Local government and LEPs need a cross-cutting measure to compare and prioritise investments. The Single Local Growth Fund is a major new responsibility for LEPs, who will now have to prioritise transport projects in conjunction with other big schemes in housing, schools and energy, for example. Past investment patterns have been criticised for either being arbitrary or too heavily based on narrow cost-benefit analyses (CBA), which focus on economic efficiency and can exclude broader goals, such as encouraging economic growth.

62. Office of National Statistics. (2013), *2011 Census Analysis - Method of Travel to Work in England and Wales,* London: Office of National Statistics
63. Bristol City Council. (2013), 'Bristol welcomes cycle funding announcement', 12 August 2013, accessed 23 April, 2014, http://www.bristol.gov.uk/press/environment/bristol-welcomes-cycle-funding-announcement
64. Bristol City Council, 'Benefits of cycling and walking', accessed 23 April, 2014, http://www.bristol.gov.uk/page/transport-and-streets/benefits-cycling-and-walking



LEPs can use a cross-cutting strategy for investing in transport in the Single Local Growth Fund.

Delivering change

The forecasting, modelling and appraisal frameworks for transport investment should be independently reviewed so as to take account of the wider economic impacts and links between transport, land use and economic development.

In the meantime, Multi-criteria analysis (MCA) is one option for LEPs, because it allows decision-makers to rank projects against multiple objectives and reflect local priorities.[65] MCA can help account for the impact of transport infrastructure on "(1) costs; (2) convenience; (3) environmental aspects; (4) strategic factors; (5) political factors and national prestige; (6) alignment with policy goals and objectives; and (7) income distribution considerations".[66] MCA is not new to the UK, as it has been used by UK government agencies to guide investment in highways, for example, taking into account considerations such the cost of construction, travel time saved, reductions in accidents and social and environmental effects.[67]

Box 8: Weighing the benefits of transport within other economic priorities

In Canada, cities such as Calgary have developed a data-led qualitative and strategic model to consider the overall impact of transport projects on economic competitiveness. This has helped city leaders decide whether they should invest in social infrastructure (housing, community centres) or 'hard' infrastructure such as roads.[68] Accordingly, LEPs and combined authorities could use this approach for a more structured, coordinated and holistic approach to decision-making.

65. Schutte IC & Brits A. (2012), 'Prioritising transport infrastructure projects: towards a multi-criterion analysis', *Southern African Business Review,* 16 (3), p.97
66. Schutte IC & Brits A. (2012), 'Prioritising transport infrastructure projects: towards a multi-criterion analysis', *Southern African Business Review,* 16 (3), p.97
67. Department for Communities & Local Government. (2009), *Multi-criteria analysis: a manual,* London: Department for Communities & Local Government
68. City of Ottawa & Infrastructure Canada. (2009), 'An Analysis of Social Infrastructure and City Competitiveness – Synthesis and Key Findings', Outreach and Awareness Research Program, accessed 15 April, 2014, http://suma.org/cmsupload/fckeditor/Research/City%20Competitiveness%20and%20Infrastructure%20Investments%20Synthesis_Report.pdf

4. TfL is a model for transport investment and management in other UK cities

The governance model under which TfL operates and the powers that it holds enable it to have much greater control over London's transport system compared to other UK cities. These features represent some of the main reasons behind the capital's efficient and high quality transport system, characterised by a higher usage of public transport and lower carbon emissions compared to other areas. For example:

- **High Rate of public transport usage.** 44 per cent of people in London commute to work by public transport compared to only 16 per cent in England and Wales.[69]
- **Bucking the trend with buses.** Since 2000, the number bus journeys increased by 60 percent compared to a decrease in cities up and down the country.[70]

Convenient, user-friendly Oyster cards. London benefits from an integrated ticketing system whereby a single card can be used on all transport services across London. This system also allows the generation of commuting data used to model the impact of delays on congestion and commuting patterns and better inform investment decisions.[71]

The TfL model is characterised by five main features which address many of the challenges that hinder transport policy in other parts of the UK.

1. Control over the provision of bus services
2. The ability to negotiate for long-term funding settlements
3. Ability to raise local funds
4. A governance structure characterised by the single management of most public transport
5. A transport strategy that is integrated with other policy areas

These features, although imperfect, provide the framework for devolving powers and funding to Greater Manchester and the newly formed combined authorities. Offering them the long-term certainty and flexibility to strategically invest in their transport systems will help them increase the take up of public transport, cut carbon emissions and promote economic development in the city region.

1. **Control over the provision of bus services.** London is the only city in the UK that regulates its bus services. TfL has the powers to:
   - **Sign up to seven year contracts with bus operators**. These contracts provide the bus operators a set income dependent on performance and encourage certainty, which in turn encourages investment in quality buses and bus services by the bus companies.

69. Office of National Statistics. (2013), *2011 Census Analysis - Method of Travel to Work in England and Wales,* London: Office of National Statistics
70. Hill D. 'Where are London's buses going?', *The Guardian*, 10 September 2013
71. Transport for London. (2011), *Business Plan 2011/12 - 2014/15*, London: Transport for London

- **Control of the fare box to set prices**. This creates an income stream, which TfL can borrow against and fund future investment.
- **Set the bus routes** before tendering them individually to private sector operators.

2. **The ability to negotiate long-term funding settlement.** By submitting the yearly capital spending plan for transport, the Mayor was successful in negotiating with the Government for a six-year funding settlement in 2013. This success was mainly due to the integrated, strategic, and long-term plans the Mayor provided which made the case for long-term funding. This settlement also helps TfL exploit other sources of funding, mainly by reducing risk and supporting prudential borrowing to leverage government grants.[72]

3. **Ability to raise local funds to reinvest in transport.** TfL has additional revenue raising powers (such as in the case of congestion charging) and has been the first to use some schemes (such as business rate supplements).
   - **Congestion Charging.** London is the only large city to introduce congestion charging in the UK. In 2011/2012, TfL reported a net income of £136 million from Congestion Charging, which was reused in transport investment. This initiative also helped reduce traffic by almost 20 percent between 2000 and 2009, improve the reliability of journey times for users, improve the efficiency of distribution of goods and services, encourage people to use public transport and reduce carbon emissions. [73]
   - **Tax Increment Finance.** In April 2013, the Greater London Authority (GLA) announced that it will borrow £1 billion to fund the Nine Elms regeneration scheme. TIF will be used to repay £660 million of the total over 25 years while the rest will be funded using Community Infrastructure Levies and cash provided by the GLA.[74]
   - **Business rates supplement (BRS).** In 2010, the GLA introduced a business rates supplement to raise £4.1 billion for the Crossrail project estimated to cost £14.5 billion in total.[75]

72. Centre for Cities interview
73. Transport for London. (2012), *Congestion Charging Impact Assessment, Public and Stakeholder Consultation on a Variation Order to Modify the Congestion Charging Scheme,* London: Transport for London; Transport for London. (2007), *Central London Congestion Charging, Impacts Monitoring, Fifth Annual Report*, July 2007, London: Transport for London
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75. Greater London Authority, *Crossrail business rate supplement,* London: Greater London Authority

4. **A governance structure characterised by the single management of most public transport.** TfL is part of the Greater London Authority, is chaired by the Mayor of London and manages most of the transport modes in the city region (including Underground, Overground, bus services, cycle lanes and other transport infrastructure).[76] This multi-modal integration enables planning and investment at scale and gives strategic influence on transport investment across all authorities in Greater London.

5. **A transport strategy that is integrated with other policy areas.** The Mayor of London sets out London's economic growth policy in three documents; the Mayor's Transport Strategy, the Economic Development Strategy and the London Plan. The transport strategy is coordinated and integrated within the wider economic strategy for the city region, which allows TfL to consider the impact of transport investment on other areas of public provision. To use health as an example, TfL produced the world's first transport action plan for health which sets out plans to promote walking and cycling, improve health and reduce costs for the NHS in London.[77]

What next for London?

As it stands, TfL provides the model for devolving powers to Greater Manchester and the newly established combined authorities. Other elements, such as greater control over buses, ability to negotiate long-term funding settlements and the ability to raise local money can be implemented in smaller and medium sized cities.

However, TfL could also benefit from more power over its transport system, including:

- **Longer-term funding certainty over capital investment** would provide TfL and private investors with greater certainty over future investment and help unlock land value to fund infrastructure in the capital.
- **More control over commuter rail and franchising of lines that link nearby places and cities with London** would help TfL integrate planning of rail services with the overall system and improve links between the capital and other cities.
- **Additional tax raising powers** such as more control over local taxation (retention or supplements) and the removal or reduction in borrowing limits would help TfL fund new investment and unlock new development in cities for housing and regeneration.

76. The full range of transport that comes under the responsibility of TfL includes: Underground; Overground rail, including some national rail services into Liverpool Street; trams; buses; river services; 580km of streets and all traffic lights; cycling; traffic management on red routes; taxi licensing and regulation; Dial-a-ride; Congestion Charging; the Docklands Light Railway and Air Line
77. Hendy P. (2014), *Improving the health of Londoners, Transport action plan,* London: Transport for London

5. Five recommendations for Whitehall and cities

Transport underpins many of the drivers of economic growth in UK cities. But the system is not working. Underinvestment in transport in UK cities is damaging local and national competitiveness. To address this:

Whitehall needs to reform how transport is funded and coordinated from DfT and the Treasury with other departments, especially DCLG, BIS and the Department for Work and Pensions (DWP).

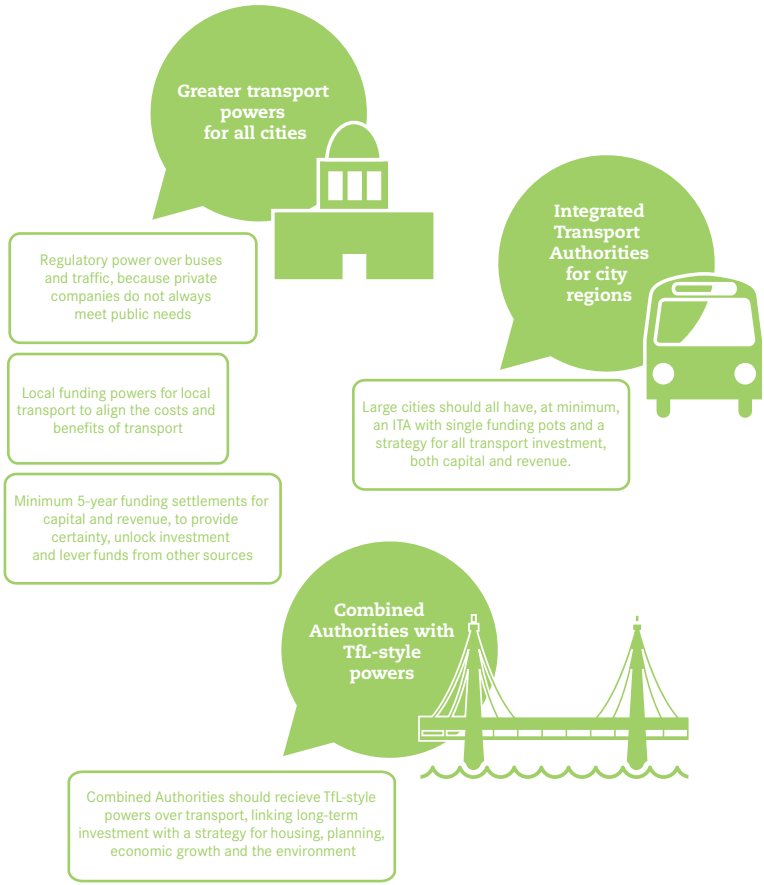
To reflect that places are different, Whitehall needs to put more power in the hands of city regions for developing transport plans, managing investment and raising funds.

Cities need to be more proactive in calling for greater control over their transport systems and flexing their existing powers to improve transport.

Ultimately, cities need to learn from one another to work around the system while calling for greater powers from government. Many cities are working around the challenges of the centralised transport system, and cities should share lessons learned and ways of working to support transport investment today.

Transport needs a 'tailored devolution' model. This would give all cities greater power over local transport issues, with the precise powers varying according to the transport system in place. This is outlined in Figure 4.

Figure 4: Tailored devolution for transport



Recommendations for all cities

All cities should be given more powers over how they invest in and manage their transport systems.

Most important are buses and roads, the major forms of transport in cities. Cities need to regulate local transport systems in order to enable them to provide better services and meet the needs of the public. And new investment in transport should be unlocked with long-term funding settlements from government and more local funding sources for local transport programmes. In turn, this certainty can attract new investment into UK cities.

1. ***Cities need London-style powers over buses, including Oyster Card-style ticketing***

- Greater coordination of and control over the bus system is critical to allow Oyster Card-style ticketing systems for buses, making them easier to use, more efficient and providing a revenue stream for local government.
- Government should support cities to use existing powers – such as fees, parking regulations and procurement rules – to ensure that bus and road services meet local needs.

2. ***Minimum five-year funding settlements***

- Government should offer minimum five-year settlements for transport capital funding to unlock investment in transport.
- Cities should use five-year funding settlements in order to lever in other funding and finance.

3. ***Local funding for local transport***

- Local government should be enabled to create user-pays mechanisms to support transport investment, supported by the Treasury as appropriate.
- Local transport taxes and fees should only be used to support transport projects and programmes and should be subject to referenda.

Integrated Transport Authorities (ITAs) for city regions

Larger city regions should be covered by an ITA that coordinates transport across the wider city region. In turn, ITAs should be empowered to drive investment and coordination over those local authorities.

ITAs already subsidize bus services for socially necessary travel, set fares and timetables of some local train and metro services (for example Merseytravel in the Liverpool City Region), plan and fund new public transport (such as light rail), and work with their local areas to produce local transport plans. But they are constrained in their ability to coordinate key elements of the local transport system, notably the service levels, quality and pricing of local bus services, as well as the investment decisions taken in their areas by major transport agencies including Network Rail and the Highways Agency. This needs to change and, once established, **ITAs should be given the ability to effectively integrate transport across the city region, in a way similar to TfL.**

4. ***ITAs in the UK's larger city regions not already covered by combined authorities***

- Single consolidated management of transport systems (road, commuter rail, bus, tram, cycling) across a functional economic area, including statutory collaboration from Highways Agency and Network Rail.

- From 2015/16, LEPs will have a strategic role in transport investment, and they should give ITAs a lead role on strategic prioritisation and integration of projects.
- ITAs should be able to raise local funds through transport fees or other local fund-raising mechanisms, set up for specific projects or programmes and subject to appropriate local democratic and accountability.
- TfL-style powers for combined authorities.

Combined authorities now need TfL-style coordination powers to integrate transport into the wider economic strategy of the area. With control over the integrated transport system, combined authorities will be able to link transport to housing, employment and regeneration strategy, as well as areas such as the environment and health. This means cities with the platform to coordinate these areas can break through the silos of government to make sure that bus services are best organised to help more people get to work, shops and other destinations across city regions; and to ensure that infrastructure spending across road and rail systems best complements local regeneration, inward investment and housing priorities.

5. *TfL for combined authorities*

- A single funding settlement for each combined authority should provide a five-year (at minimum) ringfenced settlement for transport investment. This should operate on the same funding timeline as Network Rail and incorporate local funding to link in to major infrastructure projects such as HS2 or the Northern Hub.
- Combined authorities should ensure transport systems are integrated into the wider economy including access to jobs, shops and housing.
- Combined authorities should continue to integrate professional teams to link transport planners with skills agencies, business organisations, housing developers and infrastructure, including water, waste, phone, internet and power.
- Better coordination will aid the transport system to adapt to a growing city and make sure that systems are linked up to unlock growth.
- Because housing and transport, for example, will be better coordinated, transport investment will be more capable of levering in private investment and funding from other areas, such as developer contributions for new development.

London

Following on from the work of the London Finance Commission, London should be given more powers to fund its transport systems. This means government loosening the reins on the GLA and London boroughs to allow them to develop new financing models, removing or reducing constraints on borrowing, greater devolved tax powers to support London investment for London transport and greater control over road congestion charging and fees.

Next Steps: Making transport work for cities

Leading not waiting. While cities wait for government to enact these reforms, they should be taking action to make the most of the current transport system. This means city regions working together more and collaborating with LEPs on major investments from 2015/16.

The Independent Armitt Review of Infrastructure (led by former Olympic Delivery Authority chair Sir John Armitt) put forward national-level recommendations on how to improve the prioritisation and delivery of infrastructure that could be adapted for cities.

Using the Armitt Review city regions and LEPs should establish an advisory panel that will guide the long-term infrastructure investment strategy of the place. The role of the panel would be to:

- Ensure transport planning meets the needs of people and covers the appropriate economic area
- Determine how different infrastructure providers, transport organisations or bodies and areas of local government can best work together
- Examine ways of diversifying funding streams, introduce new local fees and taxes and greater fiscal autonomy
- Bring together planning authorities, developers and investors to coordinate and streamline transport for new developments
- Learn from other transport authorities, including TfL, to build up best practice and share innovative transport solutions
- Work closely with the Highways Agency and Network Rail as well as any relevant aviation body, port, bus company or tram operators.

Appendix: Combined authorities and Integrated Transport Authorities[78]

What is a combined authority?

A combined authority can be set up when two or more neighbouring local authorities, covering an area's natural economic footprint, want to collaborate more closely to support economic development. Unlike Local Enterprise Partnerships (LEPs), a combined authority must be a legal body and a local authority may only be part of one combined authority. The benefits of forming a combined authority are intended by government to include:

- Streamlined governance arrangements
- Improved long-term strategic decision-making
- A clear external voice to government and investors
- Improved alignment, coordination and delivery of economic development and transport related initiatives
- A means by which to steer significant streams of work.

When a combined authority is created, its constituent local authorities decide which of their economic development and regeneration functions the combined authority takes on. Most combined authorities bring together strategy for transport, economic development, housing and regeneration, but they may also include strategy for skills and inward investment.

A combined authority is also responsible for delivering an integrated public transport network in the area it covers, similar to Passenger Transport Executives and Integrated Transport Authorities. However, the Secretary of State has the option to hand a combined authority additional transport related powers and responsibilities.

What is an Intergrated Transport Authority?

Passenger Transport Executives provide transport services often on behalf of an Integrated Transport Authority (ITA) which covers multiple local authorities' transport services, including:

- Contributing to the planning of local rail services (in partnership with DfT)
- Planning and funding socially necessary bus routes
- Working with private operators to improve bus services
- Running concessionary travel schemes - including those for older, disabled and young people
- Investing in local public transport networks - including new rail and bus stations
- Developing and promoting new public transport schemes
- Providing public transport information services
- Managing and maintaining bus interchanges, bus stops and shelters.

78. Sources: Pteg, 'What are PTEs?', accessed 25 April, 2014, http://www.pteg.net/about-us/what-are-ptes and Smith R. (2012) *Combined Authorities: Stronger Together?,* London: Centre for Cities

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