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Sent by email: TASM@dft.gov.uk

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Dear Sir/Madam,

TRANSPORT APPRAISAL AND MODELLING STRATEGY: INFORMING FUTURE INVESTMENT DECISIONS

England's Economic Heartland established the Strategic Transport Forum in February 2016. Membership of the Forum covers the area from Swindon, through Oxfordshire, Milton Keynes and across to Cambridgeshire, and from Northamptonshire across to Luton and Hertfordshire.

The Strategic Transport Forum is the emerging Sub-national Transport Body for the Heartland region. It is the focus for a single conversation on strategic transport issues and maintains the overview of strategic investment priorities. The Forum works closely with the Department for Transport, Highways England and Network Rail, all of whom are members of the Forum.

Strategic Context

The National Infrastructure Commission's (NIC) has identified the economic potential of the Heartland area as being of national significance to the long term future of the UK economy. The Interim Report identified the potential to increase the value of the corridor's economy by between £85bn and £163bn over the next 30 years. The Commission identified improved connectivity as being one of two critical issues that needs to be addressed in order to realise that opportunity.

The Government's response to the NIC in the Budget (2017) endorsed the Commission's view of the national significance of realising the economic potential of the Heartland area.

England's Economic Heartland in its role as an emerging Sub-national Transport Body recognises that transport investment decisions need to be informed by a robust understanding of the range of benefits and impacts that proposals might generate.

The challenges presented by transformational growth, the resultant step changes in travel patterns, together with advancements in technology and environmental considerations continue to change the landscape of transport investment appraisal. In particular, technology enabled user centred services – such as those accessed via ‘apps’ – are fundamentally changing the way in which transport service providers are responding to user needs. It is essential that our approach to appraisal does not inadvertently encourage the continued promotion of solutions that reinforce current travel patterns and behaviours that are unsustainable.

It is essential that our decision making is supported by a flexible approach to appraisal, one that better recognises that the approach required for strategic decision making is different from that required when assessing the detailed options for a particular proposal.

Consideration of strategic options requires the need to take into account the wider economic and place shaping opportunities created by investment in infrastructure and services. However in so doing there is a need to review the approach to assessing the implications of transformational investment on the macro-economic situation.

For example, the underlying premise of the National Infrastructure Commission’s argument in support of the Heartland is our ability to improve economic competitiveness in global markets. In these circumstances, the increase in GVA sought by the investment should be viewed as being additional to the UK total, and not simply displacement from elsewhere.

England’s Economic Heartland’s work considers the wider strategic infrastructure requirements that are a consequence of planned and future growth. This approach ensures that our consideration of transport infrastructure needs takes into account the implications of investment in digital and other strategic infrastructure. It is essential that the approach to transport appraisal is better able to take into account these wider connections.

Our response focuses on future opportunities and constraints regarding WebTAG application within the five strategic themes set out in the consultation. Where possible, it will address the consultation questions posed by the DfT sequentially herein.

Overarching Comments

England’s Economic Heartland – together with our colleagues in the other Sub-national Transport Bodies – is putting in place the ‘regional evidence base’ that will underpin and inform the development of our overarching Transport Strategy.

For England’s Economic Heartland the ‘regional evidence base’ consists of three elements:

- The ‘database’ (available since February 2018) – this brings together information on planned growth (housing and economic), socio-economic data and transport information
- The ‘datahub’ (work underway) – in effect a ‘sandbox’ that supports the development of the eco-system across the Heartland that encourages innovation

- The 'Policy Scenario Model' (proof of concept now available, with full capability from spring 2019) – this will provide the Heartland with the capacity to explore the relative implications of different scenarios – this could be related to the scale and distribution of growth, it could also be related to different policy scenarios.

All elements of the Regional Evidence Base are/will be available to all local authorities across the Heartland for their own use, as well as being used by the EEH Business Unit to underpin the work of England's Economic Heartland Strategic Alliance.

The Policy Scenario Model has been developed specifically to enable the EEH Business Unit to assess the relative merits of alternative policy scenarios. The current approach to appraisal is hard to apply in support of genuinely long-term strategic transport planning. We strongly recommend that this is an issue that needs to be addressed as part of the review now underway. England's Economic Heartland would welcome the opportunity to work with the DfT in exploring this issue further.

Although not the subject of this consultation, a key component of the approach to appraisal is understanding the financial envelope within which investment decisions are to be taken. As an emerging Sub-national Transport Body, England's Economic Heartland continues to argue for the Government to set an indicative funding envelope within which investment priorities are then made.

The Government provided the National Infrastructure Commission with an indicative funding envelope when it was tasked with providing advice on national investment priorities for the longer-term. A similar approach at the regional level would provide the decision makers – the Sub-national Transport Bodies – with a clearer context within which to develop their investment priorities.

Priority Themes

England's Economic Heartland in principle agrees that the five strategic priorities reflect some of the most pressing priorities for development of its appraisal and modelling guidance. However this must be seen in the context of the point made above. The level of detail required to enable decision making at the strategic level is different from that required when considering the detailed options for a proposed scheme.

A fresh focus on capturing the needs of people, place and the environment is core to future appraisal considerations. Planning for uncertainty within WebTAG will be challenging but is absolutely essential, particularly when the appraisal period used is so long, and the likelihood is that societal and business needs will fundamentally evolve during that time period (encouraged by policy frameworks established by other Government departments). It is thus essential that our approach to appraisal is underpinned by a commitment to understanding and allowing for social and policy changes via scenario planning. DfT may want to consider previous literature in this area, including CIHT 'Futures' study, Highways England 'Planning for the long term' and the Commission on Travel Demand 'All Change' report.

We agree that appraisal of major infrastructure projects must better capture their broader objectives and benefits. A particular challenge that needs to be addressed is the need to



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consider the potential benefit of co-ordinated smaller scale interventions – both capital and revenue – that are potentially better targeted in addressing the needs of users.

Efforts must be made to capture impacts of transformational investment that transcend conventional transport boundaries and benefits. England's Economic Heartland is keen to ensure such an approach informs the work taken forward on the Connectivity Study to understand how communities not on the Expressway itself can still benefit from it. We would offer this piece as a potential test bed for considering how our approach to appraisal might evolve to enable such flexibility.

Finally, those themes that focus on the WebTAG user are recognised by England's Economic Heartland as being core to new guidance. Improving the user experience and considering new sources of transport evidence will ensure that decision making is more responsive to changes in the expectations of users – both individuals and businesses.

People and Place

England's Economic Heartland argues that the existing WebTAG appraisal guidance must do more to capture cross-sector benefits. Town centre schemes may do more to shape place-making and revitalise the local economy, and the majority of benefits in sustainable travel schemes are often centred on health. The undue weight afforded to journey-time savings in WebTAG means appraisal of softer walking/cycling schemes are systematically undervalued, resulting in an inevitable bias towards road-based projects. Health benefits (air quality, noise, inactivity) are underestimated in WebTAG at the expense of journey-time savings but have a much higher value in reducing deaths and serious illnesses.

These journey time savings are often not realised in the long term. Analysis has shown that a reduction in journey times have translated in commuters opting to live further away, where the time saving is exchanged for increased journey lengths. In addition, individual's choices on location are often a consequence of multiple factors – including housing affordability, the location of work for parents, access to schools and other services. The guidance must review the limitations within the appraisal system that are the consequence of the limitations inherent to the ability of traffic models to predict short term changes in behaviour that has arisen as a result of capacity expansion, shifting dormant traffic onto the improved part of the network. Modellers should be cautious of changes in latent traffic demand, particularly when monetising journey time savings.

In summary, when considering options at the strategic planning level, non-monetised elements of the transport analysis must be given greater emphasis within the appraisal framework. Whilst consideration of the Benefit: Cost Ratio is important, it should not be the dominant driver in strategic planning.

Reflecting uncertainty over the future of travel

England's Economic Heartland believes that national policy can mitigate uncertainty by agreeing on a shared vision addressing what it wants to achieve long term, and policy scenario models should subsequently 'fine-tune' plausible future states as opposed to developing them from scratch.

In scenarios whereby the future is unclear, the strategic case should be afforded more weight in order to reduce the temptation to spend money on transport modelling that offers little insight into benefit realisation.

We believe a fundamental review of addressing future demand needs to be taken to ensure transport planners, scheme promoters, sponsors and decision makers are aiming for the same strategic vision and schemes can be aligned accordingly.

Modelling and appraising transformational investments and housing

In revising the WebTAG guidance there is an urgent need to consider how better to reflect the role of transport investment as an 'enabler' of economic connectivity. Currently, schemes tend to be appraised in isolation, despite the fact that infrastructure interacts with other projects as part of the wider place; the net result of the project is often much greater than its single value.

England's Economic Heartland believes there is a genuine case for greater devolution and autonomy in transport scheme appraisal to enable implementation of regionally led, cross-sector visions. The requirement to prioritise investment decisions within an indicative funding envelope will help reinforce the importance of decision makers making an informed choice based on the likely level of funding available.

In addition to this, appraisal methodology should consider the extent to which existing communities and demographics may create a behavioural change 'groundswell', particularly in the case of walking and cycling investment. Sustainable transport interventions can harness and accelerate new demand from associated growth effectively, particularly when interventions are delivered on a larger scale.

The needs of planning authorities and land based planning policy should be embedded into new appraisal guidance. The DfT's proposals for new measures to improve confidence in the estimations of land value uplift to monetise benefits need to be considered further in order to avoid placing unrealistic expectations on the planning system to secure financial contributions. The reality is that 'hope value' is 'locked-in' to land deals far in advance of land being identified through the relevant local plan. Moreover, viability assessments undertaken at the time a planning application is considered will not reflect the economic situation at the time a development is built out.

Alternative approaches to 'capturing' the added value have been put forward in the past – including the use of local 'roof taxes' and ring-fencing the increase in stamp duty for local communities for a time-limited period. Consideration of this issue requires a wider discussion across the public sector and with the private sector: it will not be resolved through a review of our approach to appraisal.

Supporting the application of WebTAG and making it more user friendly

Experience amongst transport planners suggests that WebTAG can be overly prescriptive. Notwithstanding assertions that the approach set out in WebTAG is guidance, the reality experienced by our partners is all too often that this is not the case. As a consequence, time



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and resources are spent preparing a 'WebTAG compliant' analysis as the 'base-line' against which a proposal is then considered.

This view can be felt strongest on smaller schemes with lower value; often viewed as a set of rules to be followed to unlock funding. Perhaps a less descriptive, strategically determined approach would allow for greater innovation and better capture of wider benefits.

Generating benefits from the appraisal process should consider less prescriptive techniques where possible, which in turn are less labour and time intensive. Appraisal guidance should deter analysts from re-calculating inputs to get a desired output where possible.

Once again, the identification of an indicative funding envelope within which prioritisation of investment is undertaken will ensure that decision makers in the Sub-national Transport Bodies make an informed choice within the level of public funding available.

Freight

England's Economic Heartland agree that the modelling of freight requires a more concerted effort to more accurately assess and forecast freight flows on the network. A review of best practice for freight modelling and gaps in understanding would be hugely beneficial, given the vital role that freight plays on the SRN and emerging MRN.

England's Economic Heartland has commissioned work to plan for the regions' long term freight needs and is happy to engage with you on this piece of work, particularly where there may be synergies with your analysis.

Developing modelling and appraisal tools that meets users' needs

England's Economic Heartland recommends that new WebTAG guidance incorporates the 'reflexivity' of transport planning intervention to predict and shape what future demands of the future network will be. Forecasts of the future based on past trends do not always favour transformational changes, and so travel demand forecasts should be treated with caution.

As referred to previously in this letter, the principle of appraisal should be aimed at plausible futures, and shaping them, rather than trying to get exact precision on the most likely vision of the future. England's Economic Heartland is appraising the impact of future 'what if' scenarios stretching out to 2050 by the use of a ground breaking modelling tool. This will help us to make well-informed decisions in the Heartland, and we're happy to share our findings with the Department for Transport.

Yours faithfully,

Martin Tugwell

**Programme Director
October 2018**