Bang for Buck: The economic value of inter-city connectivity improvements

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Bang for Buck

As our economy seeks to forge its new future outside of the European Union, the imperative to have world class connections between our cities has never been greater.

Our transport network needs to improve radically, however, especially if we are to link jobs and businesses outside London to the new growth markets and trading routes of the world. The UK lies 27th in the World Economic Forum's global ranking of the quality of national transport infrastructure.[i] This is a totally unacceptable position given the economic challenges we must meet. We need to invest, carefully and shrewdly in infrastructure that yields a positive growth and productivity return; which better-connects our regional markets to one another and to the wider world.

Projects like HS2 and a third runway at Heathrow are going to be absolutely critical on this front. We therefore urge the Government not to allow their development to be mired in the delays and indecision that have unfortunately slowed their progress thus far.

While there are some huge national benefits attached to these projects, more focus is needed at the sub-national level. We are simply not doing enough to unlock the value of smaller, interconnecting upgrades and improvements that will lay the foundations needed to capitalise fully on the benefits big projects like HS2 will bring.

Regional connectivity is simply the most vital component in creating a more geographically balanced model of growth for the UK. Regional connectivity is also a lot quicker and easier to deliver than the big, national projects, and our analysis shows that a focus on smaller, shovel-ready interconnections between cities would boost productivity and growth across all the UK's regions radically.

Why transport infrastructure?

Transport infrastructure is simply vital for growth. The quality of transport infrastructure plays a direct and vital part in driving business investment and locating decisions – in fact, over 80% of UK firms see rail and roads as crucial to their business and many believe there should be more investment in improving this infrastructure.[ii] A recent survey also showed that 96% of businesses were worried about congestion on the roads and nine in ten that our rail system is full.[iii]

With this in mind, it is no surprise that business groups like the CBI and British Chambers of Commerce (BCC) highlight that Britain's infrastructure is not up to scratch.[iv] This is a view the public also share. Over 54% of people say that the UK's railways are not good enough; the equivalent figure for UK motorways and A-roads is 37%.[v] These results are unsurprising when you consider that:

• Railways in the UK now carry more passengers than at any time in the past six decades, on a network that is around 40% smaller than it was in 1950; [vi]

• The number of passengers on peak arrivals by train into many northern and Midlands cities is excess of capacity. For example, in Leeds, Manchester, Newcastle and Birmingham peak trains frequently have well in excess of 10% of passengers standing;[vii] and

• The average UK driver spends around 30 hours a year in traffic jams (84 hours for London drivers).[viii] Over 7.2 million hours a year are wasted in traffic jams on the strategic road network alone.[ix]

Large numbers of the public are clearly fed up with this situation: 85% want to see improvements and higher levels of investment.[x]

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The investment returns on improving connectivity outside of London

London transport connectivity has to date been the focus of a great deal of policy attention, devolution and investment – which is perfectly justifiable, given the economic importance of the capital. But, if we are serious about building a model of growth which spreads economic potential across all UK regions, we have to start looking more closely at regional connectivity.

The north appears to be in particular need of improvement. Analysis by HS2 Ltd, for example, has highlighted that slow travel across the north of England is severely limiting connectivity between cities in the region – with movements between Greater Manchester and the Leeds city region much lower than would be expected given the size of these cities.[xi] [xii] They rightly point to the huge loss of commercial potential this signals.

This is where even modest infrastructure investments in projects like road widening or rail signalling enhancements, would deliver huge benefits. We undertook new analysis of the value of such upgrades across the regions using official estimates of the value of time compiled by the Department for Transport. We calculated that shaving even tiny amounts off time from journeys within a city region would deliver billions in economic benefit.

Making average journey times between the major cities outside of London just 60 seconds faster, for example, would deliver economic benefits of £3.4 billion each year. The regional breakdown is below.

But our focus should not just be about increasing the speed or frequency of services. It is also about the quality of developments and the wider services that can be included. For example, new train station developments are including more and more retail outlets, click-and-collect services and restaurants and bars. Re-development at London Kings Cross and Birmingham New Street are prime examples of the success these approaches can have.

We believe the government could unlock these benefits with a one-off injection of as little as £2 billion of investment targeted at the regional road and rail network outside London. The key is to focus on the right schemes in areas of the greatest market need – such as road widening or rail signalling upgrades.

Region	Benefit per year
Northern regions	£1.1 bn
Midlands	£0.75 bn
South West	£0.4 bn
East / South East	£1.1 bn
Total	**£3.4 bn**

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Driving progress on bigger projects

A major barrier to the success of delivering larger projects is local support. While public support for improved transport links is high, those in local areas affected often put up vocal opposition to development on the ground.

One solution could be devolving decision making. When asked, just 3% of the public would trust Government ministers to make the right transport infrastructure investment decisions. Significantly more people would trust either technical experts (54%) or local councillors (22%) and local MPs (19%) [xiii].

Devolution is already a healthy policy agenda and clearly, more powers over transport could and should be devolved to local decision makers to drive forward progress.

But there could be a more direct route: paying people cash to accept development. New opinion research we commissioned for this report from YouGov shows huge support for the general idea that investing in new infrastructure is public money well spent, with 62% of people supporting this idea, against only 4% who disagree.

But when we asked respondents to imagine a project like a new motorway or rail route were being developed near to where they lived, many people did not like the idea and average acceptance rates across a range of different types of projects were only around 20%.

Suggest a fairly modest payment to local residents of £5,000, and average acceptance rates across a range of projects jump from 20% to 35%. People in the north of England are the most ready to accept projects in this scenario, with 42% acceptance.

Conclusion

It is clear that transport infrastructure is vital in driving both nationally and locally. Nowhere is this truer than in the City Regions outside of London – and with Brexit around the corner, there is no better time to want to drive progress in this area.

The key is driving faster policy progress. By devolving powers of development to the local or city region level we might improve local support, but the evidence is that quicker progress could be made simply by being more direct and paying people to accept development.

The fastest progress we could make, however, would be to develop a proper focus on improving the infrastructure that connects regional cities – investment in this specific form of transport infrastructure produces a very concrete economic return that, crucially, stays in the region.

For government, this would be public investment of the very best kind: spending that gives a clear and direct positive financial return. What is more, the projects needed to deliver this growth would be comparatively simpler to agree locally.

For these reasons, we urge the Government, as it develops its industrial strategy, to use the forthcoming Autumn Statement to give a boost to the shovel-ready connection upgrades in road and rail that will give all our regions the economic boost they need.

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