REGIONAL TRANSPORT FORUM – 22 June 2012

A FRESH START FOR THE STRATEGIC ROAD NETWORK

Report by: Alan Kirkdale, Highways Agency

Purpose of report:

- To update members of the Secretary of State for Transport’s response to the review that examined whether Government had the right approach to operating, maintaining and enhancing the strategic road network.

Recommendation:

1. To note the report.

1 Background

1.1 As part of the spending review settlement in October 2010, the then Secretary of State for Transport agreed to commission an independent review to examine whether Government has the right approach to operating, maintaining and enhancing the strategic road network. Alan Cook, the non executive chairman of the Highways Agency, led this review and his report “A Fresh Start for the Strategic Road Network” was published in November 2011. The report can be found at http://www.dft.gov.uk/publications/strategic-roads-network

1.2 Alan Cook set out eight main recommendations in his report plus a further six relating to the way in which the new Highway Agency Board would conduct its business. The recommendations covered four main issues: policy, funding, internal management and institutional reform. The recommendations are detailed in Appendix A.

2 Secretary of State for Transport Response

2.1 The Secretary of State (SoS) is accepting - either in detail or in principle - many of the actions which the review recommended that she or the Board of the Highways Agency should take. The area where the SoS is not - at this stage - progressing the review’s recommendation is on the question of changing the status of the Agency within the public sector. The full response is at http://www.dft.gov.uk/publications/roads-reform/

2.2 The SoS set out a programme of work to transform the Agency into a best in class executive agency by:

- Delivering a long term strategy and setting an outcome performance specification for the strategic road network, providing far greater clarity about what Government wants, as well as a basis for consistent and transparent challenge to the Highways Agency to deliver against this specification.
• Championing the road user. The SoS is determined to ensure that the voice of the user is listened to and championed. She will be bringing a stronger ‘consumer focus’ to the Department’s role, by developing our ability to test and understand the views and concerns of users and to respond to those through the setting of the performance specification.

• A much smarter approach to planning through the production of route based strategies. These documents will set out investment plans to inform our decisions for the next spending review and will support much greater participation in planning for the network from local and regional stakeholders.

• Work towards smarter financial relationships with Government. The SoS is not accepting in full the review’s recommendation about funding certainty and ending annuity, but she does propose to work closely with the Highways Agency and HM Treasury to consider the evidence for embedding greater certainty and flexibility into the funding regime of the strategic road network. This will help to inform any future decisions that may be made on changes to the funding regime in any operating or ownership model for the network.

2.2 At the same time as publishing her response to the review the SoS published the terms of reference for the study which the Prime Minister asked the Department of Transport and HM Treasury to carry out, into the feasibility of new ownership and financing models for the strategic road network. The terms of reference are at Appendix B.

2.3 The SoS does not propose to make any decisions on the need to change the Agency’s status ahead of this feasibility study concluding and the government taking decisions on the future reform of the road network.

3 Conclusion

3.1 The report is to be noted.
Appendix A

A Fresh Start for the Strategic Road Network

Recommendation 1

Within six months of the Government’s response to this review, the Department for Transport (DfT) should publish a long-term strategy for motorways and trunk roads.

Recommendation 2

Within 12 months of the Government’s response to this review, the DfT should set out a predominantly outcome-based specification for the current network, detailing firm commitments for the next five years. The specification would set out the levels of capacity and performance, and the safety and environmental standards, that the Government intends to secure from the network manager over that period, along with a challenging target for financial efficiency modelled on an ‘RPI – X%’ type approach, reflecting the interests of taxpayers.

Recommendation 3

Ministers and the DfT should focus on a distinctive new strategic role as the champion of road users. The DfT should ensure that its specification for network performance reflects the experiences and reasonable aspirations of road users. The DfT should challenge the network manager on an ongoing basis to ensure that its specification is consistently achieved, aiming to provide similar pressures to those on comparable infrastructure companies in the regulated sectors.

Recommendation 4

With the support of HM Treasury, the DfT should set out a funding package for the existing English motorway and trunk road network, committed for five years to accompany the specification, which represents the Government’s best assessment of the economic and efficient cost of that specification. The network manager should be given the commercial freedom to manage its own budget, including access to a working capital reserve, allowing the smoothing of investment and expenditure between budgetary periods and effectively ending the constraint of annuality.

Recommendation 5

If Ministers decide that new routes and connections, not provided by the current network, are required, the DfT should examine the business case for building and operating these as private toll roads in the first instance, using the new network manager as an expert adviser.
Recommendation 6

The DfT should initiate and complete the process of remodelling the Highways Agency to reflect best practice in successful infrastructure companies and provide greater independence from government, including:

- re-shaping the Board to create a majority of non-executives in line with commercial best practice;
- formal selection of a non-executive Chairman; and
- reforming the status of the network manager in order to provide a catalyst for change, so that it can operate with more certainty in its funding settlements, greater commercial flexibility, and less ministerial intervention on a day-to-day operational basis.

Recommendation 7

The Board should devise and lead a change programme in the Agency and subsequently the new organisation

- Expectations for the new Board:
- Taking a new approach to road users
- Refocusing its information strategy to place less emphasis on providing bespoke information services itself.
- Embedding an optimum whole-life approach to asset management throughout the business
- Achieving substantially greater value for money for future asset management contracts by changing the geographical size, scope, standards, reporting requirements and risk transfer of its maintenance contracts
- Implementing a study of its Traffic Management Services, to report within six months of the government’s response to this review on the optimum procurement model for delivery
- Investigating and reporting, within six months of the government’s response to this review, on the potential for a new approach to super network enhancement through route-based programming of smaller, incremental projects, procured through capacity and reliability milestones

Recommendation 8

The network manager, working with local authorities and Local Enterprise Partnerships, should initiate and develop a new generation of route-based strategies.
Appendix B

Terms of Reference for the Feasibility Study on Roads Reform

On 19 March, the Prime Minister set out his vision for infrastructure in the UK.

In that speech he made clear that the Government wants to ensure that the future strategic road network is run as efficiently as possible and has the investment it needs to support continued national prosperity and economic growth.

Last year, Alan Cook published his review of the way the roads are managed and made recommendations for change. The Government welcomes the report and accepts many of the recommendations, particularly around the need for a national roads strategy to guide future investment. In that report, Alan Cook highlighted the efficiency savings made in the regulated utilities, and Government wants to test whether similar savings can be made through a different structure for managing the road network.

The Prime Minister has therefore asked the Department for Transport and HM Treasury to carry out a feasibility study of new ownership and financing models for the national roads system.

The study will consider a range of questions, including but not limited to:

How different models could apply to roads: a range of options will be explored and compared, ranging from greater contracting and concessions via the Highways Agency, through to a regulated utility option similar to those used for existing privatised utilities (water, gas electricity). The study will consider these from the perspective of government, business and motorists.

The investment needs of the road network: the study will explore the investment opportunities present in the existing road network – identifying the priorities for any future private investment that would benefit the motorist.

Payments and the impact on the motorist: The study will consider how the different models would need to be financed and the investment in the road network paid for and the impact this has on the motorist. This will explore a range of options and how these interact with existing motoring taxation, but will not consider road pricing. It will also determine the role of tolling in the provision of new infrastructure, but it will not consider tolling existing capacity.

The role of regulation and performance frameworks: how a regulator and performance framework could be designed to protect the interests of motorists and ensure that the roads continue to be managed efficiently and to a high standard.

Value for money and efficiency: exploring the relative value for money of different options, including the cost of financing greater investment in the roads set against the efficiency gains that could be secured from a different delivery model.

Practical delivery issues: the study would consider how a change could be delivered, including legislative and administrative requirements and any potential timetable.

A joint Department for Transport and HM Treasury project team will undertake this work. The study will informally consult external stakeholders and experts. The study will provide a report to the Prime Minister in the autumn.