



The Chartered
Institute of Logistics
and Transport

Response by the Chartered Institute of Logistics and Transport to the

ORR 'Monitoring Highways England' Consultation

1. The Chartered Institute of Logistics and Transport ("the Institute") is a professional institution embracing all transport modes and whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. Our principal concern is that transport policies and procedures should be effective and efficient, based on objective analysis of the issues and practical experience, and that good practice should be widely disseminated and adopted. The Institute has a number of specialist forums, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This response has been co-ordinated by the Roads Forum.
2. The Institute welcomes the opportunity to comment on this consultation document and looks forward to further discussions with the ORR as it develops its new role. Our interest is in the efficient movement of all forms of road transport on the strategic network; but we have a particular concern about freight traffic. Recent analysis of the road traffic statistics by a TSB funded project (ABI3L) showed that road occupancy in the form of lorries and vans on major routes like the M6 and M62 is close to 40%, where a lorry is calculated as being the equivalent of 2.3 cars. This means that the UK has constructed its motorway network significantly for freight and to an extent that we think is not widely understood. Long distance coach traffic is also an important user of the strategic network. It is therefore important that the ORR's expertise and research should cover coach and freight traffic as well as cars.
3. We generally agree with ORR's proposals for carrying out and developing their work. So far as the first Investment Period is concerned, the programme and HE's objectives are effectively set already and are a sensible way of dealing with the next 5 years' activity.

Performance Objectives

4. Our main concern is about the development of performance objectives for the following two 5 year periods and therefore the advice ORR will be giving DfT on the development of the next Road Investment Strategy (RIS).
5. In our view Highways England should be given high level objectives of
 - ensuring that the network has sufficient capacity to cater for (economically efficient) levels of future demand

- preventing congestion from exceeding certain limits and
 - achieving a specified standard of reliability
6. We have no particular comment on the Government's targets for
 - a. Making the network safer (a 40% reduction in KSI)
 - b. Supporting the smooth flow of traffic
 - c. Delivering better environmental outcomes (though we suspect there are other impacts as well as noise and biodiversity)
 - d. Helping cyclists and walkers by providing better crossings
 - e. Keeping the network in good condition. We do not know what analysis lies behind the target of ensuring that 95% of the pavement does not require investigation. The general principle should be to achieve optimum long term costs in use and HE should demonstrate whether 95% is the right figure.
 7. Other objectives should include
 - a. reducing the unit costs of maintenance and new construction
 - b. a target for reducing the time between the planning and the completion of a scheme
 8. The current objective of monitoring the **average** delay on the network fails to pinpoint the times and places where congestion is particularly severe and where measures are therefore needed to improve matters. The performance specification should include identifying and monitoring peak delays (including the impact on different categories of traffic) and proposing the most efficient way to deal with them.
 9. This will not necessarily mean increasing capacity. An economically efficient response will include managing demand, including the use of peak pricing. At present HE does not have the power to introduce charging, but it should be able to propose legislation to confer such powers if it can be shown that peak demand management would be the most efficient way of improving economic performance. In 1996, the UK Government directed the *Standing Advisory Committee on Trunk Road Assessment* (SACTRA) to investigate to what extent traditional methods of transport investment appraisal – the familiar benefit cost appraisal techniques – reflected the actual economic impacts of new schemes. SACTRA was one of the first organisations to state clearly that transport investment did not lead to direct economic growth *per se*. Its report set out a number of important mechanisms through which transport improvements could, in principle, improve economic performance and the Department for Transport has undertaken further analysis of these mechanisms, as described in the recent report 'Transport Investment and Economic Performance' (Venables A., Laird J, and Overman H DfT 2014) . The SACTRA report also concluded that, if transport prices are currently too low due to uncharged congestion or environmental effects, then a transport improvement could lead to additional costs for the economy, whereas when charges were equal to or exceeded socio-economic costs investment could be beneficial.
 10. There is no reference in the current objectives to the effect of HE's programme on the local authority road network. HE proposes to work closely with local authorities; and we welcome this. But their objectives from Government must include the need to avoid transferring the problems of HE's strategic network to major local authority roads. This will almost certainly require joint plans to manage peak demand. HE should have a specific objective of minimising the adverse impact of its actions on the connecting local road networks

Other Observations

11. The means of achieving their objectives should be for Highways England to propose having considered the cost-effectiveness of a range of options including management of demand as well as provision of new capacity and the development of new approaches to improving the performance of the network. In our view this process is better carried out by the organisation responsible for the management of the network and at arm's length from Government. The Department would of course, as with Network Rail, become involved in the decision making process when the Company put forward specific proposals for the forward programme. But it would be for the Company to decide, at least in the longer term, which schemes or management measures would be the most effective in meeting the objectives. ORR and Transport Focus will also have an important role to play
12. It is not clear whether the Secretary of State or Highways England will be responsible for specifying the road schemes and other initiatives that make up the 5-year RIS. We consider that these decisions are best left with the HE. This will provide an incentive to ensure that the outputs are delivered at the lowest cost. A comparison of the 2012 rail High Level Output Specification with the 2007 HLOS is instructive. The most recent HLOS includes a much longer list of specific schemes, leaving Network Rail with less choice about how to deliver the high level outputs.
13. The setting of high level objectives which meet the requirements of road users and others affected by the network is a challenging task and requires urgent further research. It will need to explore how the needs of road users, which relate to the performance of individual links on the network at specific times of day, can be expressed as a high level target in a way which ensures that the delivery of this target over the 5 year regulatory period meets those road users requirements. The trade-offs between such outputs of the highway network as levels of reliability and journey times are complex and different road users have different preferences.
14. Current data collection on freight is not fit for purpose, is not widely available and cannot support the sort of policy finesse that will be needed (a recent meeting between the ITC and the DfT showed that the essential need to upgrade the measurement and report of freight cannot be over-emphasised.)
15. HE needs to develop a much clearer understanding of the causes of variations in journey times on its network, so that the Department or the ORR can estimate the amount of funds required to deliver the strategic objective of improving reliability on either all or on specific links by a given amount.
16. Some way will have to be found to reconcile the views of road users' requirements of the network, as reported by Transport Focus, with the Department's understanding, formalised in the WebTAG cost benefit appraisal method, of the value that road users (and others affected) put on improvements to the network. We are glad to see that Transport Focus will be working on an improvement to the User Satisfaction measure.
17. ORR will have a key responsibility in challenging the Company's view of how best to meet its objectives within the funds available. As in the case of Network Rail, there will need to be an open and transparent discussion between the Government, ORR (and Transport Focus) and the Highways England about the 5-year targets and the cost of

achieving them. In the longer term we assume that HE will be responsible for deciding how the outputs specified by the Secretary of State will be delivered through the most cost-beneficial mix of schemes and management. ORR will need to be involved in validating cost-effectiveness and value for money.

Answers to specific questions

Question 1: Are you clear what our role will involve? Are there aspects of our role which you would like more clarity about?

- The structure proposed appears to provide a professional governance framework for the new company in the context of clear objectives with which we agree. The outcomes will depend on the quality of execution.
- We particularly endorse the contents of paragraphs 2.8 and 2.12 and the focus on measurement and stakeholder engagement.
- The ORR in its rail role does a good job, albeit on a simpler problem – it is to be hoped that this skill is extended to the road network

Question 2: Do you agree with our strategic objective for our highways monitoring role?

- We agree that the immediate priority is to monitor performance against the performance objectives set by government for the first reporting period. But considerable effort will be required to develop better monitoring data (see paras 13-16 above) and advising the Secretary of State on objectives for the next period (see paras 5-10). HE and ORR need to develop a much more integrated view of demand and capacity and, in the context of freight, how demand can be managed to mitigate inadequate capacity. This needs to be a pan network view since what happens in Doncaster can influence capacity in Dartford.
- Effectiveness will depend entirely on the agenda that is set and the evidence that is put before the respective bodies in the governance structure – the risk is that the wrong problem will be solved in the best possible way.

Question 3: Are there specific ways you would like us to engage with you beyond the industry forums already referred to in this document?

- We would welcome the opportunity to share the results of our own research and that of others on the measurement of freight traffic and costs and to discuss what further work is needed. This is likely to require advanced research and modelling skills alongside improved data gathering.

Question 4: Have we identified the key areas that require monitoring? Are there particular areas of Highways England's performance and efficiency which you consider require specific focus or an alternative monitoring approach?

- The KPIs for freight and logistics are rather different from passenger traffic and should be isolated and reported separately. There is evidence that the cost of congestion is much greater for freight but also that it can be regulated to run counter cyclically with peak passenger periods; measures should therefore attempt to

capture the economic and national productivity impact of current capacity on freight as a support for investment decisions specifically targeted at road freight

- In the ORR's rail remit, it could also start to take an integrated view across road and rail freight which would assist in the modal shift policy execution which is a declared DfT policy.

Question 5: We have set out our initial plans for reporting on Highways England's performance and efficiency. Is there further information or analysis that you think we should produce?

- See above – evidence based modelling that feeds back to policy development and investment planning

Question 6: Is there specific information relating to Highways England which is not currently in the public domain which you think should be prioritised for publication?

- It will be how Highways England brings forward improved information and stimulates the debate on policy and investment choices that will be key to its success.

Submitted by:
Daniel Parker-Klein
Head of Policy
The Chartered Institute of Logistics and Transport

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