IPPR NORTH

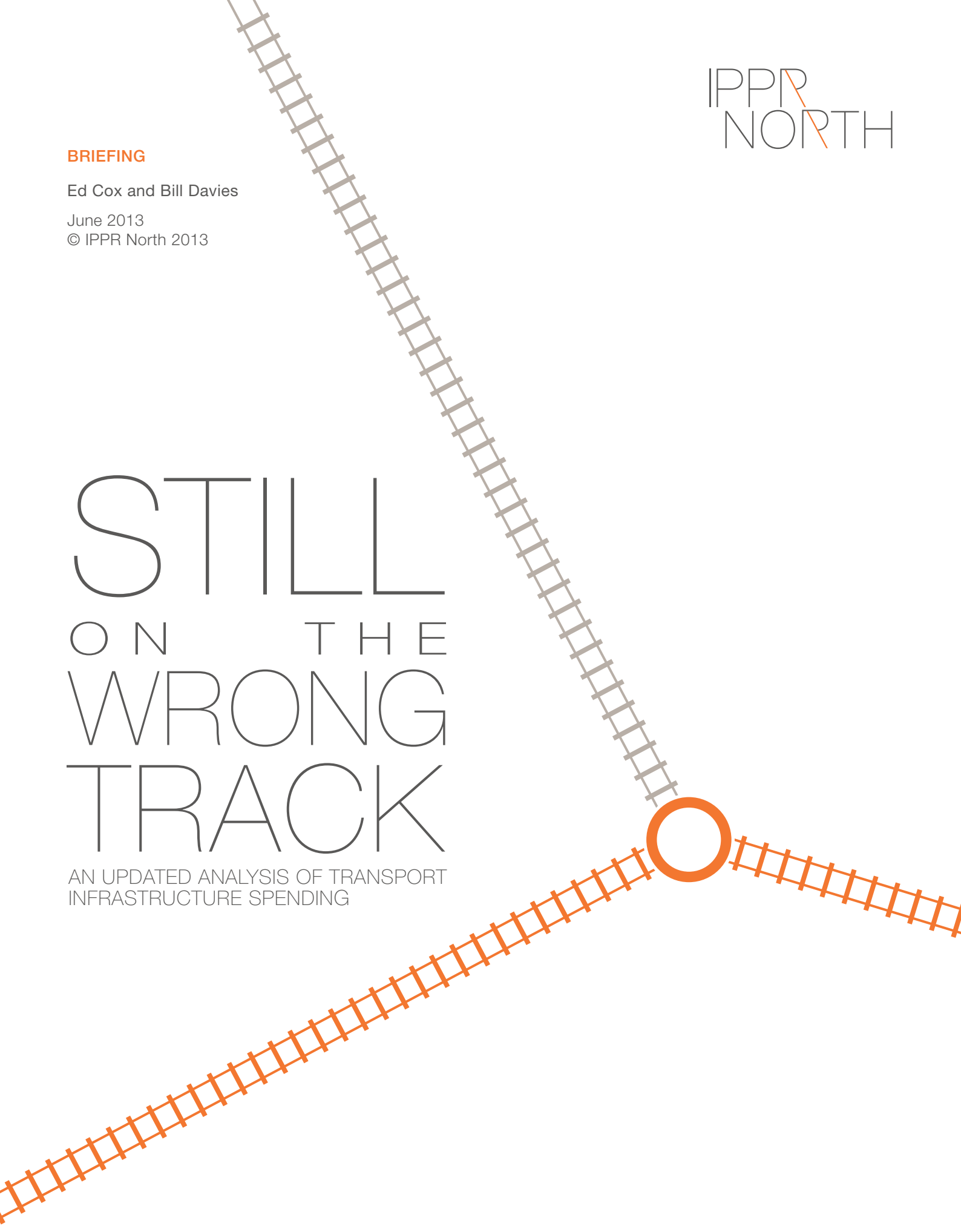
BRIEFING

Ed Cox and Bill Davies

June 2013

STILL ON THE WRONG TRACK

AN UPDATED ANALYSIS OF TRANSPORT INFRASTRUCTURE SPENDING



Institute for Public Policy Research

ABOUT THE AUTHORS

Ed Cox is director of IPPR North.

Bill Davies is a research assistant at IPPR North.

ABOUT IPPR NORTH

IPPR North is IPPR's dedicated thinktank for the North of England. With bases in Newcastle and Manchester, IPPR North's research, together with our stimulating and varied events programme, seeks to produce innovative policy ideas for fair, democratic and sustainable communities across the North of England.

IPPR North specialises in regional economics, localism and community policy. Our approach is collaborative and we benefit from extensive sub-national networks, regional associates, and a strong track record of engaging with policymakers at regional, sub-regional and local levels.

IPPR North
3rd Floor, 20 Collingwood Street
Newcastle Upon Tyne NE1 1JF
T: +44 (0)191 233 9050
E: north@ippr.org
www.ippr.org/north
Registered charity no. 800065

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INTRODUCTION

On 26 June, the chancellor George Osborne will announce the results of the current spending review and detail government spending plans until 2015/16. Significant attention will rightly be given to infrastructure spending, not least because it is considered to be a key driver of economic growth. And with the lion's share of infrastructure funding being spent on transport, the chief secretary to the Treasury has already announced that transport spending commitments are likely to be made that extend beyond the immediate period addressed by the review.

Ahead of these announcements, IPPR North has conducted new analysis of current infrastructure plans, based upon the most recent iteration of the National Infrastructure Plan, published at the last autumn statement in November 2012.

In December 2011, IPPR North produced a report – *On the wrong track* (Cox and Schmuecker 2011) – which provided a critical analysis of the recently published National Infrastructure Plan (HM Treasury 2011) and its pipeline data. The headline findings of the report were:

- Of the 505 projects included in the pipeline, comprising £300 billion of public and private investment, 88 per cent of the investment which involved public sector spending was devoted to transport.
- Of that transport infrastructure spending where public funding is involved, there was a shocking disparity between London and the South East and the rest of the country. At the extremes, this equated to £2,731 per person in London and the South East compared to just £5 per person in the North East.
- Of the largest 81 transport projects, three-quarters of those in London and the South East had been confirmed and started, compared with just under half elsewhere.

The majority of this paper revisits this regional analysis of infrastructure funding. It finds that despite a series of high-profile ministerial announcements about transport spending in the north of England, the overall pattern of planned capital investment in transport infrastructure is largely unchanged, with more than 89 per cent allocated to projects in London and the South East. Measured on a per-capita basis, where government money is involved, this shows that as a nation we are planning to spend nearly £2,600 on transport infrastructure for each Londoner: 500 times as much as the £5 per person for the North East; 150 times as much as in the South West; 20 times as much as the per capita figure for the North West, and over 16 times as much as in Yorkshire and the Humber.

Our previous findings have been the source of significant debate, with ministers and officials alike highlighting what they perceive to be flaws in the analysis. The second section of this paper addresses these criticisms.

Finally, the concluding section of the report makes a number of recommendations as to how improvements could be made, both in terms of how transport spending is appraised and analysed, but also more widely about how we consider infrastructure spending in the national context.

Our main recommendations are as follows:

1. National Infrastructure Plan pipeline data should be enhanced by:
   - clarifying and publicising the criteria by which projects are included – or not – within the plan, with an emphasis on lowering the threshold at which projects are included to £10 million, in order to capture a greater number of local and regional projects
   - ensuring that the data is as accurate and up-to-date as possible, as a practical means by which planning and analysis can be undertaken
   - improving the sophistication with which the benefits of investment are allocated across the regions, to align this methodology with that used for PESA data[1] as far as possible.
2. Capital spending commitments announced in the forthcoming spending review should be underpinned by three key principles:
   - Existing appraisal processes should place greater emphasis on the wider economic benefits that might be derived through public investment in key infrastructure projects outside London rather than more the more narrowly defined user benefits that tend to disadvantage the regions.
   - Extra capacity and resource should be dedicated by Network Rail, the Environment Agency and other agencies involved so that they can work more proactively to bring forward infrastructure projects outside London and the South East, however big or small.
   - As far as possible, capital spending should be devolved to local authorities and transport agencies, along with arrangements to allow greater scope to leverage private investment (as Transport for London has successfully demonstrated in recent years).
3. Government, media, business and civic institutions should promote a national debate about London in order to explore and clarify its position as a global city but also as the capital city and its role in relation to the wider national economy.
4. The new Cabinet Committee on Local Growth, chaired by the deputy prime minister, should develop a national spatial strategy to drive the National Infrastructure Plan. This would allow for better long-term planning and investment across the country and ensure a more joined-up approach to different transport modes (rail, roads, ports, airports) as well as energy and water supplies, science, innovation and industry hubs, and the relative roles of key cities and towns.
5. Local enterprise partnerships should collaborate to form their own ‘shadow committee on local growth’, thereby establishing an autonomous voice on the national spatial strategy, the National Infrastructure Plan and other matters of local growth.

1 Public Expenditure Statistical Analyses

1. THE NATIONAL INFRASTRUCTURE PIPELINE

The chancellor's autumn statement in November 2012 continued to emphasise the importance of capital spending on infrastructure, both to support the long-term growth prospects of the UK and to create jobs in the short term. The chancellor also consistently emphasised the importance of infrastructure spending in the north of England, a key tool in the economic objective of rebalancing the economy.

These are welcome goals, but our previously published analysis of the National Infrastructure Plan 2011 found that behind the rhetoric there remained a significant imbalance in the distribution of infrastructure spending between the regions of England (Cox and Schmuecker 2011). In November 2012 a further iteration of the National Infrastructure Plan was released, with new figures for regional spending (HM Treasury 2012a).

This chapter sets out an updated analysis of both the Treasury Pipeline Infrastructure spending tables with a particular focus on regional rebalancing.

1.1 About the infrastructure pipeline

Details of the infrastructure pipeline have been published by HM Treasury alongside the 2012 update to the National Infrastructure Plan (NIP).[2] The data details major capital spending projects that are underway or being brought forward over the next few years. For each project it provides:

- sector – for example transport, waste or communications infrastructure
- estimated total capital expenditure, and what expenditure will be allocated in which year
- source of funding – public, private, or a combination of the two
- how advanced the project is:
  - proposed – in the early stages of development, before proper planning begins (these projects generally do not have total capital expenditure estimates)
  - planned – a plan has been developed to take the project forward and work is underway to secure funding and finance and planning consent
  - confirmed – final preparations are complete, with funding, finance, planning consent and designs in place
  - started – delivery is underway;
- whether a project is considered to be either regional or national in nature.

Analysing the infrastructure pipeline

The NIP pipeline data outlines £374 billion of planned infrastructure expenditure, of which 85 per cent will be derived from private sources (HM Treasury 2012b). The plan identifies 576 unique infrastructure projects at various stages of development and across a range of different sectors, including communications, energy, water, flood defences, waste, water and transport.

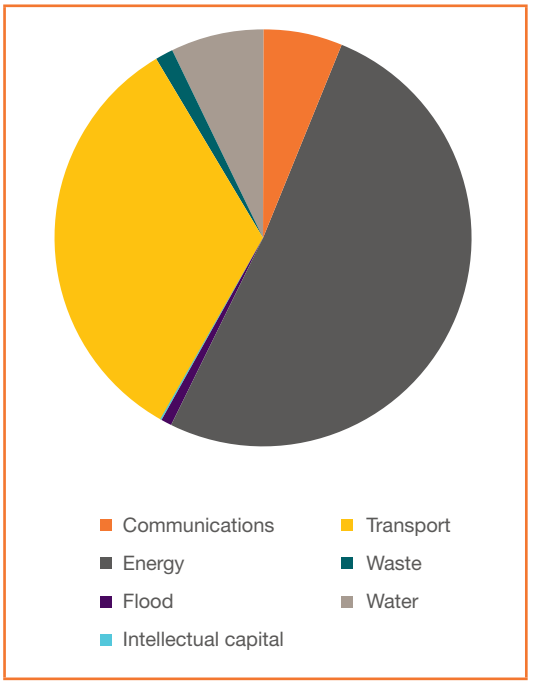
2 It is important to note that this data would appear to have changed, without explanation, between its first publication in December 2012 and the data that now appears at https://www.gov.uk/government/publications/infrastructure-investment-pipeline. We have used the most recent version. In total there appear to have been changes to 11 projects since the December 2012 publication, and the data now excludes altogether the £64 million redevelopment of the A1 at Lobley Hill, which has a significant impact on the figures for the North East. There is no reason given for this change. More generally, this highlights a key problem with the transparency and version control of the published data.

Figure 1.1 below shows that the majority of infrastructure spending will be targeted towards the energy sector, and one-third will be spent on transport.

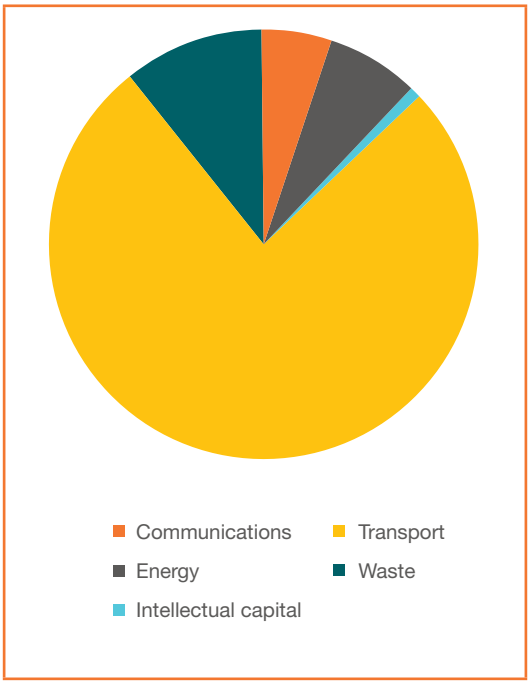
However, this does not give a full account of *public* expenditure, because the tables include projects which are funded in full by the private sector, and a vast proportion of this money is spending on energy infrastructure. If we examine only projects that the public sector is involved in funding (either as the sole funder or in partnership with the private sector) then transport spending emerges as the predominant area of infrastructure spending, at 76 per cent, as shown in figure 1.2.

Figure 1.1 (left)
Expected total capital expenditure on projects (where known) by sector, all projects

Figure 1.2 (right)
Expected total capital spend on projects (where known) by sector, where the public sector is involved as a funder



Source: HM Treasury 2012b



Source: HM Treasury 2012b
Note: The public sector is not financially involved in any investment project in the water sector.

Major projects

Looking at individual projects, we have focused on those projects that are identified as being of benefit to a particular region (rather than of benefit to the country as a whole). Table 1.1 (over) details the top 20 projects by anticipated cost. Of these, 12 are allocated to the Greater South East (London, the South East and the East of England), while three are allocated to the northern regions. None of the top 20 regional projects is allocated to the North East, East Midlands or South West.

A significant number of the projects outlined above are water utility investment projects that are being funded solely by the private sector. To get a stronger sense of how public infrastructure spending is being allocated, we compiled the top 20 regional projects where the public sector is involved as a funder (either as the sole funder or in partnership with the private sector) – this list is shown in table 1.2 (over).

Table 1.1
Top 20 regionally allocated (all projects)

Sector	Project / programme	Region	Funding source(s)	Total cap-ex cost, all funding (£m)
Transport	Crossrail	London	Public / private	£14,500
Transport	London Underground capital investment	London	Public	£5,672
Transport	Heathrow Capital Investment Programme	London	Private	£5,521
Transport	Thameslink	South East	Public / private	£4,396
Water	Thames Tideway Tunnel Main (Thames Water)	London	Private	£4,100
Water	Thames Water: Sewerage service	London	Private	£3,400
Water	United Utilities Water: Sewerage service	North West	Private	£2,188
Energy	Scotia Gas Networks – Southern – RIIO-GD1 initial	Southern	Private	£1,544
Water	Thames Water: Water service	London	Private	£1,513
Water	United Utilities Water: Water service	North West	Private	£1,384
Water	Severn Trent Water: Sewerage service	West Midlands	Private	£1,351
Water	Southern Water: Sewerage service	South East	Private	£1,283
Energy	Scotia Gas Networks – Southern – GDPCR1	Southern	Private	£1,280
Water	Anglian Water: Sewerage service	East of England	Private	£1,184
Water	Yorkshire Water: Sewerage service	Yorkshire and the Humber	Private	£1,149
Water	Severn Trent Water: Water service	West Midlands	Private	£1,100
Energy	National Grid Gas – East of Eng. – RIIO-GD1 initial	East of England	Private	£1,096
Energy	National Grid Gas – London – RIIO-GD1 initial	London	Private	£1,048
Water	Anglian Water: Water service	East of England	Private	£938

Table 1.2
Top 20 regional projects where the public sector is involved as a funder

Sector	Project / programme	Region	Funding source(s)	Total cap-ex cost, all funding (£m)
Transport	Crossrail	London	Public / private	£14,500
Transport	London Underground capital investment	London	Public	£5,672
Transport	Thameslink	South East	Public / private	£4,396
Transport	Reading	South East	Public / private	£680
Transport	Birmingham New Street	West Midlands	Public / private	£642
Waste	Greater Manchester Waste Disposal Authority	North West	Public	£637
Transport	Nottingham Express Transit Phase 2 PFI	East Midlands	Public / private	£581
Energy	Sellafield Power Station	North West	Public	£499
Transport	Sheffield Highway Maintenance PFI	Yorkshire and the Humber	Public / private	£464
Waste	Merseyside Waste DA	North West	Public	£436
Transport	Southern train lengthening	South East	Public / private	£406
Transport	Transport for London 'London streets' capital investment	London	Public	£396
Transport	Kings Cross Station improvements	London	Public / private	£374
Flood	Lower Thames Flood Alleviation Scheme	South East	Public	£333
Transport	Birmingham Highway Maintenance PFI	West Midlands	Public / private	£322
Flood	Thames Barrier and Associated Gates works – Next 5 years Approval Period & Beyond	South East	Public	£314
Transport	A1 Leeming to Barton	Yorkshire and the Humber	Public	£314
Energy	Sellafield Power Station	North West	Public	£300
Transport	A6 to Manchester Airport Relief Road	North West	Public / private	£284
Energy	Sellafield Power Station	North West	Public	£258

Prima facie, there appears to be some balance to allocated projects: nine are of direct benefit to the South East and another eight are allocated to northern regions. It is also evident that transport projects dominate regional public spending on infrastructure, making up 13 of the top 20 identified projects. Second most prevalent among the 20 top spending projects are those in the field of nuclear decommissioning, with all three such projects occurring at Sellafield nuclear power station.

Given the preponderance of public infrastructure spending given to transport, the following sections now focus on transport projects in the NIP pipeline.

1.2 Transport projects

There are 106 different transport projects in the NIP pipeline data; of these, 94 have some level of public funding attached to them. Indeed, the transport sector dominates public spending on infrastructure projects in the pipeline.

Number of projects

Of the 94 projects partly or wholly publically funded under the transport category, 79 are allocated to English regions. Table 1.3 sets out the number of projects planned in each region, and how advanced they are. London and the South East have the largest number of projects overall, as well as the largest number that have already started.

Table 1.3
Transport projects in the pipeline for the regions, by project status and region

	Proposed	Planned	Confirmed	Started (partly or fully)	Completed	Projects
East Midlands	1	1	4	1	2	**9**
East of England	2	–	1	2	–	**5**
London	–	1	1	5	2	**9**
North East	2	–	1	–	–	**3**
North West	1	1	2	2	–	**9**
South East	6	1	6	11	1	**24**
South West	–	–	3	2	–	**5**
West Midlands	1	–	3	3	–	**7**
Yorkshire and the Humber	2	1	2	2	1	**8**
Total	**15**	**5**	**23**	**28**	**6**	**79**
London and South East	6	2	7	16	3	**33**
Northern regions	5	2	5	4	1	**20**

Note: Three North West projects are included in the NIP pipeline tables but their progress is unclassified. They are included in the total numbers but not in the row.

By looking only at those projects where the public sector is involved as a funder, the picture changes somewhat (see table 1.4, over). Under this analysis, the South East emerges again as the region with the most planned projects and the most already underway. London, however, falls some way down the rankings. This is because the private sector is solely responsible for funding three of the projects currently underway in London. The same is true of two of the projects currently underway in the South East.

This underlines the stronger position that London and the South East are in to attract private sector funding for transport investment – this observation is also reflected in the total regional spending on projects shown on the following pages, where London and the South East attract a significantly larger volume of private sector investment in infrastructure than the northern regions.

Table 1.4
Transport projects in the pipeline for the regions where public funding is involved, by project status and region

	Proposed	Planned	Confirmed	Started (partly or fully)	Completed	Projects
East Midlands	1	1	4	1	2	**9**
East of England	2	–	1	1	–	**4**
London	–	1	1	4	–	**6**
North East	2	–	1	–	–	**3**
North West	1	1	2	2	–	**8**
South East	4	1	6	10	1	**22**
South West	–	–	2	1	–	**3**
West Midlands	1	–	2	3	–	**6**
Yorkshire and the Humber	2	1	2	2	1	**8**
Total	**13**	**5**	**21**	**24**	**4**	**69**
London and South East	4	2	7	14	1	**28**
Northern regions	5	2	5	4	1	**19**

Note: Two North West projects are included in the NIP pipeline tables but their progress is unclassified. They are included in the total numbers but not in the row.

Size of projects by costs

When we consider transport infrastructure projects which are deemed by Treasury and the Department for Transport to be primarily 'regional' and which involve some element of public spending, we can identify 69 projects with a combined projected cost of £32 billion. Here, a very clear picture of the dominance of London becomes clear. Two-thirds of planned spending on regional transport infrastructure is committed to London alone; when combined with projected spending in the South East, 86 per cent of is committed to London and the South East. By comparison, just 6 per cent is committed across the whole of the north of England – or just 0.4 per cent in the South West.

Table 1.5
Planned transport project expenditure by region (projects where the public sector is involved as a funder)

	£m	%
East Midlands	£993	3.1
East of England	£303	0.9
London	£21,296	66.5
North East	£77	0.2
North West	£700	2.2
South East	£6,312	19.7
South West	£123	0.4
West Midlands	£1,047	3.3
Yorkshire and the Humber	£1,161	3.6
Total	**£32,013**	

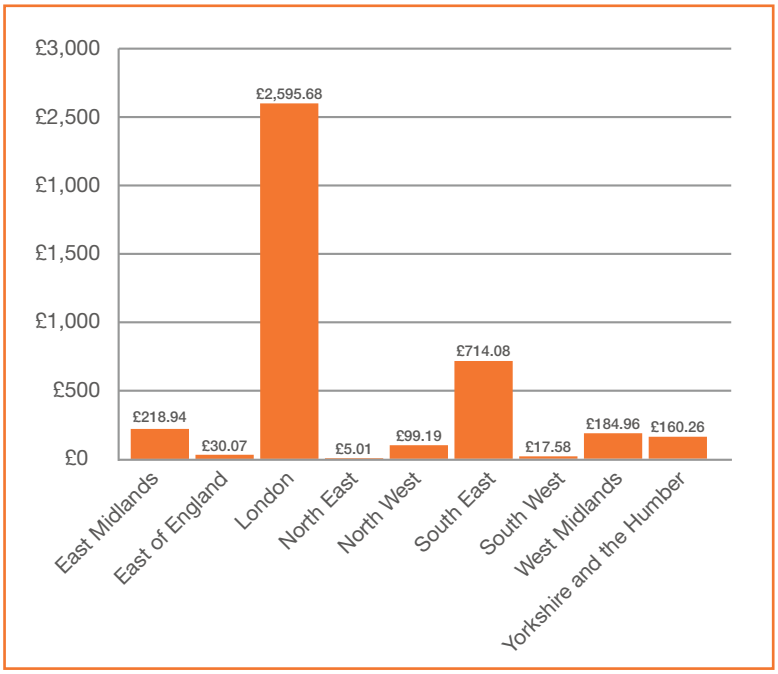
Of course, some of this includes private investment, but stripping away all private involvement in projects, leaving only purely publically funded infrastructure projects, the value of such projects allocated to specific regions is £7.958 billion. This weakens the position of the South East relative to other areas such as Yorkshire and the Humber, but the South East persists as the second-largest recipient of public funds, and London's position of dominance is unchallenged. Little investment is targeted at either the North East or the West Midlands, despite the fact that both areas suffer from persistent economic challenges, including high unemployment, and despite those areas' apparent difficulty in attracting private investment.

Table 1.6
Planned transport project expenditure by region (projects where the public sector is the sole funder)

	£m	%
East Midlands	£192	2.4
East of England	£79	0.9
London	£6,322	79.4
North East	£77	0.9
North West	£239	2.9
South East	£435	5.4
South West	£123	1.5
West Midlands	£84	1.1
Yorkshire and the Humber	£407	5.1
Total	**£7,958**	

Levels of expenditure per head of population also produce a stark picture, with Londoners in receipt of more spending per head than inhabitants of all the other regions combined. The South East also fares well, receiving more than double the third-ranked region, East Midlands. Once again, the North East trails far behind.

Figure 1.3
Spending per head on transport infrastructure projects by region (projects where the public sector is involved as a funder)

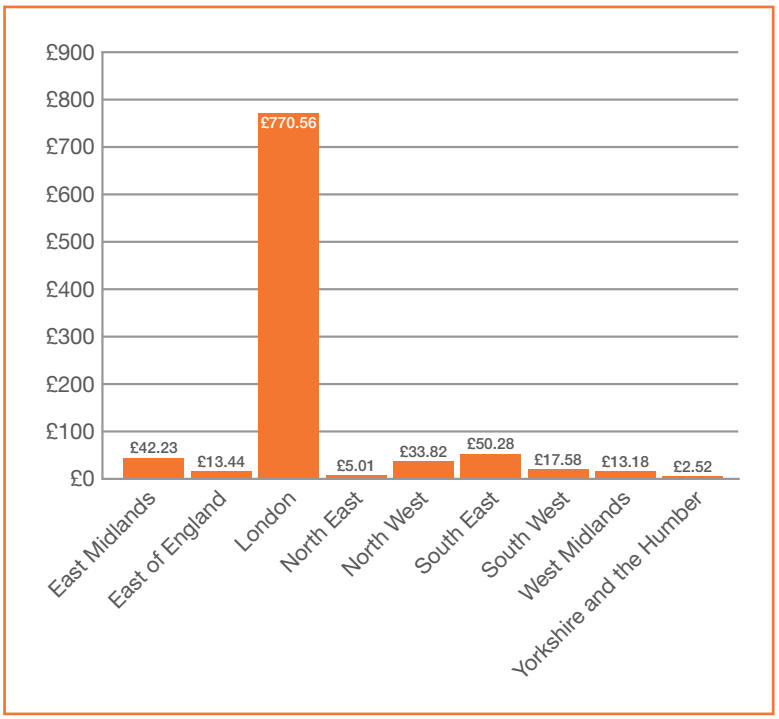


Source: HM Treasury 2012b

The imbalance is extraordinary: where projects involve public sector spending, the transport infrastructure expenditure per head of population in London is £2,595.68, against £5.01 per head in the North East. This analysis of public-private partnership-funded projects also reveals a poor capital investment position for the South West and East of England.

Spending per head of population on purely publically funded investment projects is shown in figure 1.4 (over). Regardless of which funding model is analysed, the expenditure per head of population is highest in London. Under this purely public measure, Yorkshire and the Humber claims the lowest investment per head, at £2.52, followed by the North East and West Midlands.

Figure 1.4
Spending per head on transport infrastructure projects by region (projects where the public sector is the sole funder)



Source: HM Treasury 2012b

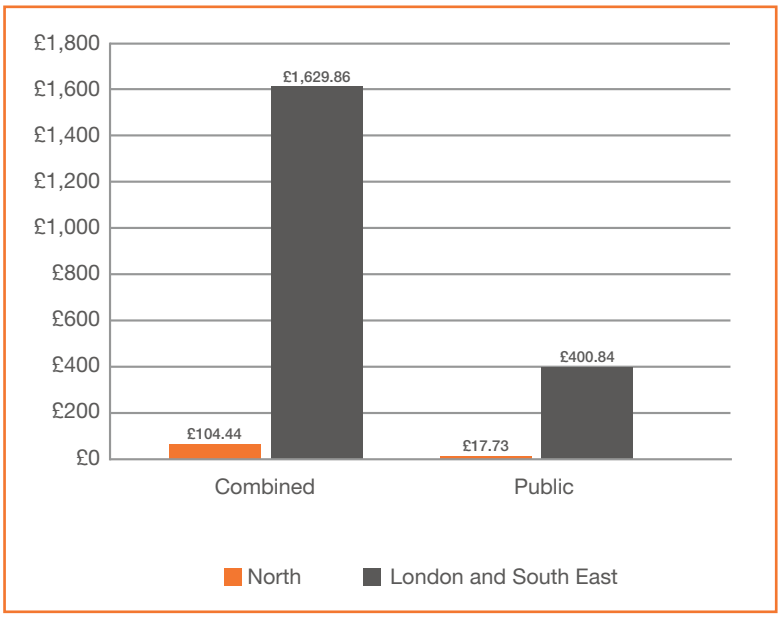
What is also apparent from our research is that, as a proportion of investment, London and the South East have proven far more capable of attracting infrastructure investment from private sources than have other regions of England.

Table 1.7
Spending per head on regional transport projects (projects where all funding is private sector investment)

Region	
East Midlands	£–
East of England	£21.66
London	£725.71
North East	£–
North West	£1.56
South East	£109.21
South West	£36.79
West Midlands	£11.59
Yorkshire and the Humber	£–

To conclude, figure 1.5 (over) provides the most revealing picture of all. If we look at per-capita spending for both combined public and private and purely public projects, the differential in investment between the northern regions and London and the South East is considerable.

Figure 1.5
Spending per head in the northern regions versus London and the South East, by funding model



2. ADDRESSING CRITICISMS OF OUR ANALYSIS

Such alarming statistics have quite rightly led to significant debate both in the media and among national policymakers. Indeed, the publication of our previous *On the wrong track* report (Cox and Schmuecker 2011) and the Passenger and Transport Executive Group's reports on transport funding (PTEG 2011 and 2012) led to questions in parliament, with the House of Commons Scrutiny Unit carrying out an analysis of transport spending on behalf of the transport select committee, and a letter from the transport secretary, dated 20 September 2012, being filed in response.[3]

Clearly, when the disparities are so stark, government is rightly concerned. Nonetheless, critics of our analysis have attempted to highlight a number of flaws. Each of these is addressed here.

2.1 The figures are inaccurate and not intended to be used for this purpose

The Department for Transport has claimed that NIP pipeline data is too inaccurate to be used for the purposes of regional comparison. The data includes private sector investment, the department says, and too much depends upon a rapidly changing economic context for a reasonable forecast of future spending to be made. There is of course some truth in this argument. Nobody would expect that planned expenditure totalling over £300 billion over five years or longer is likely to be spent exactly according to plan. The pipeline cannot include every last local project and so it has to draw a line above projects of a certain size that are not included in the analysis – many of which will be of local benefit in the regions.

Our rebuttal of this critique is to say that we are simply analysing the data provided by HM Treasury and the Department for Transport. If the data is inaccurate then the onus must be upon the government to improve its quality and detail.

It is interesting to note that in December 2011, following the publication of our first report, transport minister Norman Baker was quick to announce a series of additional major local authority transport schemes, complete with a regional breakdown of figures. In the November 2012 data update, it would also appear that some exceptions are now being made to the general principle that schemes of less than £50 million are excluded from pipeline data, with the effect of boosting the number of projects allocated to different regions, even if this does little to alter the proportions of planned spending.

Critics have also argued that it is wrong to consider private investment in our analysis. Our figures clearly separate out projects receiving private sector investment alone, those involving both private and public funding, and those receiving public funding alone. In each case, the disparities are very similar. It is also important to note that such patterns become self-reinforcing: strong public sector investment over a sustained period provides the basis for greater private sector investment.

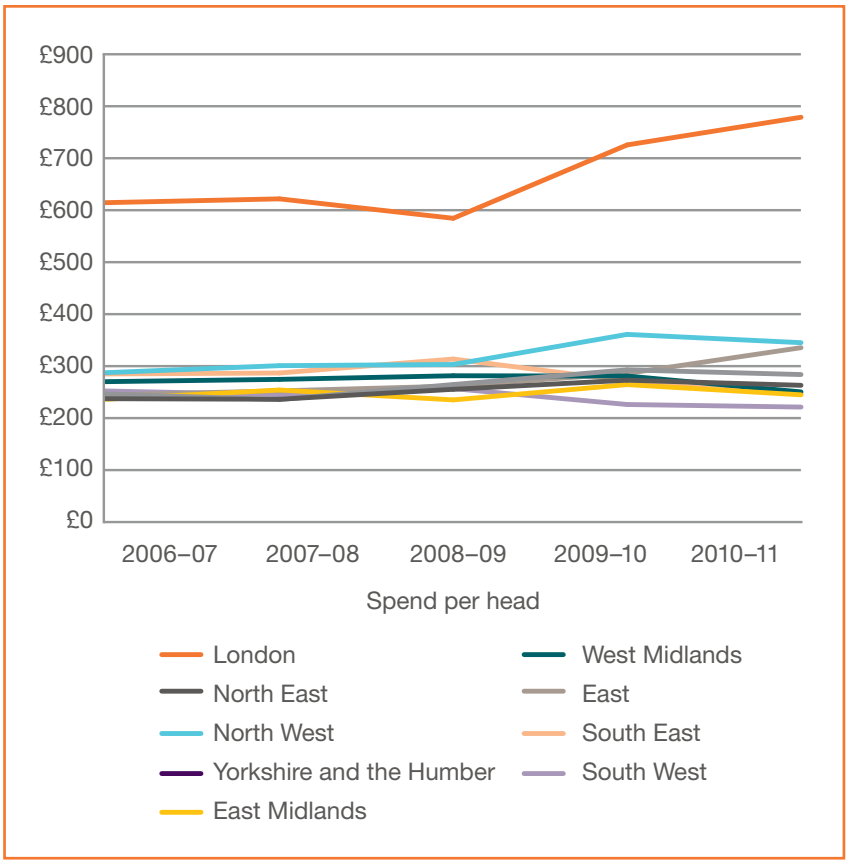
It is also argued that the overall shape of spending is the outcome of a complex set of different sectoral and project-specific decisions without any explicit intention of gearing investment around London per se. The problem with this argument is that infrastructure investment has enormous lock-in effects and decisions made today – even if made on a project-by-project basis – have a strong bearing on the geographical trajectory of long-term economic growth.

3 Evidence and letter available at http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtran/writev/regbreak/contents.htm

This points to a more fundamental issue. If it is wrong to use NIP data in order to make reasonable judgments about the shape of future transport spending, or for more strategic reasons, then what is its purpose at all? If the problem is more specifically about the data's capacity to sustain regional comparisons then surely questions must be asked as to how worthwhile it is to allocate projects to regions in the first place. Of course, we would argue that a National Infrastructure Plan, complete with a regional breakdown of projects, is of critical importance to the government and to private investors alike. However, it must be subject to continual improvement and greater definition with each new iteration.

Some have suggested that Treasury PESA figures are a more reliable source of regional comparison than NIP pipeline data, as they show exactly how funding has been spent rather than trying to predict the future. This may be true. Nonetheless, the overall pattern – while not so stark – remains much the same. On a per-capita basis, London receives more than twice the infrastructure investment of any other region – and an amount that has risen significantly in the past three years – while investment elsewhere has flatlined.

Figure 2.1
Public sector spending per head on regional transport projects, 2006/07–2010/11



Source: HM Treasury 2012c

While PESA data may be more accurate, in policy terms it is much less helpful. Being historical it is 'fixed' and nothing can be done to change it. With pipeline data, on the other hand, sufficient political could still see its distribution changed.

2.2 The figures don't properly address national/local benefits

Perhaps the principal defence of the disproportionate spending in London concerns the way in which projects are allocated. Ministers and officials are right to highlight that the NIP contains a small number of projects that are deemed to be of 'national importance' and so do not appear in regional figures – this includes projects like the East Coast Mainline upgrade, which will bring direct benefits to the north generally and the North East in particular. While of course this is true, our analysis has explicitly excluded these national projects and focused only upon those deemed by officials to be 'regional' in nature.

However, even among those projects deemed by officials to be regional, there are concerns that benefits accrue to those who are not resident in the area – this is particularly the case in London. In his letter to the transport committee, the transport secretary Patrick McLoughlin cited ONS Labour Force Survey estimates suggesting that London has 800,000 'inward commuters' using its transport system and claimed that 'once other journeys by non-residents are counted (eg business or leisure trips, visiting tourists, people making onward travel connections), it is likely that London transport networks serve, on a typical working day, around 1 million users who are resident elsewhere'.[4]

This argument has some merit, but it does not justify the current scale of the imbalance. The issues of non-resident transport usage affect all regions and not just London, though one would expect the issue to affect the capital city to a much greater degree. However, even if we were to assume that 5 million non-residents used London's transport system on a regular basis throughout the year then projected infrastructure spending per 'transport user' in London would still amount to more than £1,500 – 10 times greater than in any region in the north and over 80 times more than in the South West. Even with the most generous estimates of non-resident usage it is hard to see how the current scale of the imbalance can be fully justified on these grounds.

Following a similar logic, some critics have suggested that a small number of very large transport schemes that are set to benefit London and the South East – like Crossrail, London Underground upgrade and Thameslink – should not be included in the analysis as they 'distort' the regional picture. There is no obvious methodological reason for excluding these projects, as both the Treasury and Department for Transport have quite rightly assessed that they are primarily of regional rather than national benefit (notwithstanding the non-resident user issues noted already).

Table 2.1 (over) shows the revised distribution of spending if we remove Thameslink, Crossrail, and the London Underground upgrade from the figures. While this lessens the concentration of spending in London in particular, the disparity remains: 43 per cent of spending – or £185 per head – still goes to London and the South East compared to 23% – or £104 per head – in the North.

4 See note 3

Table 2.1
Spending per head on transport infrastructure projects by region – excluding Crossrail, Thameslink and London Underground upgrades (projects where the public sector is involved as a funder)

	Total (£m)	Per capita	%
East Midlands	£993	£218.94	14.68
East	£176	£30.07	2.61
London	£1,124	£137.00	16.61
North East	£13	£5.01	0.19
North West	£700	£99.19	10.34
South East	£1,783	£206.01	26.34
South West	£93	£17.58	1.38
West Midlands	£1,037	£184.96	15.33
Yorkshire and the Humber	£847	£160.26	12.52
Total	**£6,767**		
Northern regions	£1,560	£104.44	23.06
London and the South East	£2,907	£185.03	42.95

Finally, critics have also pointed out that the regional breakdown in the pipeline data would appear to be less sophisticated than that provided by the Treasury's PESA data, which is broadly focused upon roughly where the money is spent rather than who will necessarily benefit. Once again, we would advocate that it is government's responsibility to ensure that pipeline data is gathered and presented as effectively and clearly as possible. We see no reason why the methodology that is applied to PESA data should not also be applied to the NIP pipeline data when determining a regional breakdown and drawing regional comparisons.

2.3 The figures only consider capital spending

The third criticism that is often levelled is that the NIP pipeline figures do not take account of current or revenue spending on transport. This is significant, as it is argued (correctly) that in terms of revenue spending the imbalance lies in the opposite direction, with the two northern rail franchises and bus operators in the north receiving a significant fare subsidy.

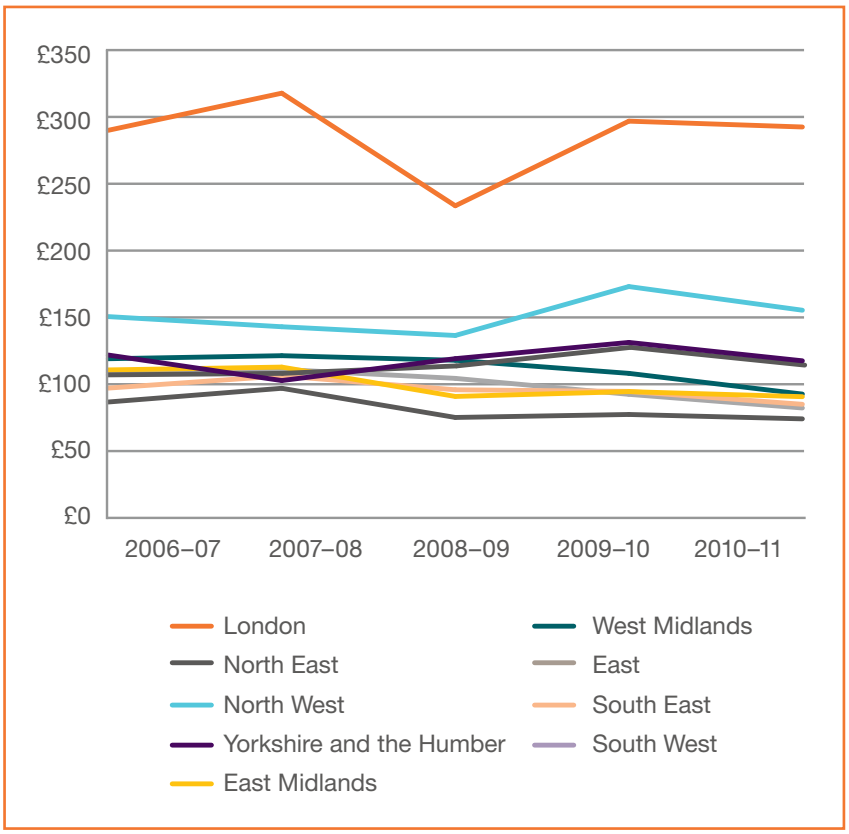
Current spending is on average around one-third of total public spending on transport per annum. While this is a not-insignificant amount, bald statements about the extent to which northern fares are subsidised by the state hide the fact that even if any given fare receives less subsidy, London and the South East still receive very significant sums of revenue expenditure – particularly on London Midland and Thameslink/Great Northern franchises.

As a result, while fare subsidy might be proportionately higher in the northern regions, actual current expenditure on transport still shows a regional distribution that benefits London (see figure 2.2, over).

2.4 The problem lies with local authorities and public corporations, not central government

The final criticism of our analysis is that the majority of the 'problem' lies outside the remit of central government and that spending directly by the Department for Transport is more balanced. While it may be true that a significant proportion of public spending on transport is carried out by local authorities and public corporations, it is not the case that central government has no influence on this process. Indeed, it is central government that determines the level of funding that each body receives. Just because central government doesn't finally 'pay the bill' it is quite wrong to suggest that regional disparities are the result of more local decisions in isolation. This is tantamount to suggesting that schools are somehow responsible for the distribution of national expenditure on education.

Figure 2.2
Current public sector spending per head on transport, by region, 2006/07–2010/11



Source: HM Treasury 2012c

3. CONCLUSIONS AND RECOMMENDATIONS

In this short paper we have not attempted to untangle the deeper reasons for the significant disparities in spending between London and the regions. These are many and complex, and they concern transport appraisal methodologies, the nature of franchising arrangements, and political decisions going back over a decade. It is not, therefore, the intention of this paper to set out any detailed remedy to such a deep-seated problem. However, we believe there are four ways in which government can begin to redress such a stark imbalance.

3.1 Improvements to the National Infrastructure Plan and its pipeline data

Critics of our analysis have been the first to highlight the inadequacies of the NIP and its associated pipeline data. These criticisms range from the incompleteness of the data to the method by which the data is disaggregated by region.

Recommendation 1

National Infrastructure Plan pipeline data should be enhanced by:

- clarifying and publicising the criteria by which projects are included – or not – within the plan, with an emphasis on lowering the threshold at which projects are included to £10 million, in order to capture a greater number of local and regional projects
- ensuring that the data is as accurate and up-to-date as possible, as a practical means by which planning and analysis can be undertaken
- improving the sophistication with which the benefits of investment are allocated across the regions, to align this methodology with that used for PESA data as far as possible.

3.2 Spending review

With public spending severely constrained, the spending review provides very little opportunity for significant new investment in transport infrastructure outside of London which might begin to address the current disparities. However, if – as has been suggested – the chancellor is to make capital spending commitments beyond the 2015/16 period covered by the current review then these should be accompanied by a series of principles to support the rhetoric of regional rebalancing.

Recommendation 2

Capital spending commitments announced in the forthcoming spending review should be underpinned by three key principles:

- Existing appraisal processes should place greater emphasis on the wider economic benefits that might be derived through public investment in key infrastructure projects outside London rather than more the more narrowly defined user benefits that tend to disadvantage the regions.
- Extra capacity and resource should be dedicated by Network Rail, the Environment Agency and other agencies involved so that they can work more proactively to bring forward infrastructure projects outside London and the South East, however big or small.
- As far as possible, capital spending should be devolved to local authorities and transport agencies, along with arrangements to allow greater scope to leverage private investment (as Transport for London has successfully demonstrated in recent years).

3.3 The role of London

With many commentators asserting that London is likely to grow significantly in the coming decades, there is a growing need for a national debate on the role of the city within the national economy. Clearly London plays a vital role as the UK's only major global city and the source of very significant tax revenues to the benefit of the nation. Many argue that it would be foolhardy to jeopardise its position in the global economy and that ongoing investment in infrastructure to manage growing levels of congestion is critical. This does, however, become a self-fulfilling prophecy, the flipside of which is the steady diminution of the contribution of other major UK cities to national economic growth, as skills and wealth are steadily sucked towards the capital. And there is a substantive difference between addressing congestion by resolving local bottlenecks and by making strategic long-term commitments to massive spending on schemes like Crossrail.

As global 'hub cities' grow, there is increasing evidence of diminishing returns on investment and agglomeration effects beyond the size of 7 million people (OECD 2006). Meanwhile, there is growing evidence of the huge potential for economic growth in second-tier cities in Britain and overseas (see for example Parkinson 2012, IPPR North and NEFC 2012, Dijkstra et al 2013) which risks being squandered by a continuing preoccupation with growth in London.

Although it is clear that London has further scope to grow, we need to decide as a nation whether or not a national growth strategy predicated on investment that is focused so heavily on a single city is sensible. London also needs to consider its role as the nation's capital city and the extent to which it has a responsibility to support prosperity across the whole nation, other than through redistributive mechanisms.

While it is inconceivable that the immediate expenditure on key projects such as Crossrail and Thameslink should now be halted, such a debate needs to happen before further commitments are made to emerging projects, such as Crossrail 2 or 'Boris Island', irrespective of the proportion of private investment that might be involved in such schemes.

As debates on the HS2 high-speed rail project and national airport capacity are also highlighting, the future role of London needs to be considered in the context of a wider national spatial strategy. While many developed nations have very clear spatial strategies which provide a framework for investment in all kinds of infrastructure, Britain's NIP falls some way short of this.

Recommendation 3

Government, media, business and civic institutions should promote a national debate about London in order to explore and clarify its position as a global city but also as the capital city and its role in relation to the wider national economy.

Recommendation 4

The new Cabinet Committee on Local Growth, chaired by the deputy prime minister, should develop a national spatial strategy to drive the NIP. This would allow for better long-term planning and investment across the country and ensure a more joined-up approach to different transport modes (rail, roads, ports, airports) as well as energy and water supplies, science, innovation and industry hubs, and the relative roles of key cities and towns.

Recommendation 5

Local enterprise partnerships should collaborate to form their own 'shadow committee on local growth', thereby establishing an autonomous voice on a national spatial strategy, the NIP and other matters of local growth.

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