



REPORT

TRANSPORT FOR THE NORTH

A BLUEPRINT FOR DEVOLVING AND INTEGRATING
TRANSPORT POWERS IN ENGLAND

Ed Cox
and Luke Raikes

March 2015
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ABOUT IPPR NORTH

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SUMMARY

Background: the rationale and development of Transport for the North

There is a strong case for more devolved decision-making in transport policy in England. Evidence from London and Scotland, as well as from overseas, suggests that greater devolution of transport powers can bring economic, social, democratic and environmental benefits. However, the precise nature of that devolution, and the appropriate spatial 'tier' to which powers should be passed, is a matter of some debate.

In November 2012 IPPR North published some preliminary ideas for a body called 'Transport for the North', as part of our wider work on economic prosperity in the north of England (IPPR North and NEFC 2012). We argued that the remit of this body should be to work on key strategic transport issues across the three northern English regions, particularly those issues that transcend the existing remits of local transport authorities (LTAs), and now the combined authorities. It would, we suggested, be a key means of improving transport integration in England.

During 2014 a number of important developments took place in this regard, including the following.

- The formation of 'Rail North' – a consortium of 30 LTAs from across the North, which is involved in the tendering of the Northern and TransPennine rail franchises, and will co-manage these franchises once they are granted.
- A £15 billion package of transport investments was proposed by northern city leaders, in part at the request of David Higgins, chair of High Speed Two (HS2), and the Chancellor of the Exchequer, and dubbed the 'One North' proposition.
- The Transport for the North partnership was formed, constituted of the five northern city regions together with Hull and the Humber, in order to bring forward more detailed One North investment proposals by March 2015, and to work with the Department for Transport on a northern transport strategy.
- The 2014 autumn statement underlined the government's commitment to the 'northern powerhouse', and stated that plans for the High Speed 3 (HS3) rail link should be drawn up by March 2015.

In this context, we have been carrying out research to address four key questions.

1. What would be the main benefits of Transport for the North?
2. What additional responsibilities could such a body take on in future?
3. What role might it play in relation to integrated smart-ticketing across the North?
4. What kind of institutional form might Transport for the North take?

This policy-development process has combined data analysis, a literature and policy review on transport bodies in the UK and Europe, three roundtables in Manchester, Newcastle, and London, and a series of interviews with senior stakeholders in the project and experts in the field.

Purpose, objectives and vision

There is a great deal of evidence demonstrating how vital a role transport plays in driving economic development, not least in what the OECD calls 'intermediate regions' outside capital cities and other big growth hubs. By connecting cities

and towns, transport investment facilitates the interchange of goods, services, knowledge and skills, and builds so-called ‘agglomeration economies’ around areas of commercial specialisation.

The north of England has experienced disproportionately low levels of government investment in its transport infrastructure – low both in relation to London and, more importantly, in comparison with city-regions in continental Europe. These low levels of investment have historically held back economic development opportunities in the North. It is now widely recognised that carefully planned investment could unlock significant untapped potential for economic growth within and between the northern cities, as well as opportunities to address wider social and environmental concerns.

A significant part of the problem concerning transport investment in the North has been caused by the over-centralisation of decision-making structures and powers in England. There is evidence from London, Scotland and overseas that more decentralised transport planning and decision-making can lead to better outcomes for the economy and for transport users.

Based on our research, we propose that the vision for an enhanced Transport for the North (TfN) body should be:

to maximise the economic, social and environmental performance of the north of England by ensuring that it has the most effective forms of connectivity within and between its constituent parts, and extending out into national and international networks and markets.

This vision will be achieved through a clear focus on three overlapping outcomes.

Outcome 1: A more productive and competitive northern economy

- Transform northern city-regions into an interconnected ‘powerhouse’ through a multi-modal, integrated transport system for both personal travel and freight.
- Create a rebalanced economy with higher levels of investment in drivers of growth in the North, and greater tax receipts to the Exchequer as a consequence.
- Strengthen the northern economy by improving business connectivity, competitiveness and innovation, and by boosting employment, productivity and wages.
- Enhance connectivity to retail, leisure and tourism opportunities across the North.

Outcome 2: A more accessible and accountable transport network in the North

- Ensure that transport connections – particularly public transport – are available and accessible, at a fair and reasonable cost, to all who live in the north of England.
- Ensure that those who are often socially and/or geographically isolated, and those furthest from the labour market, are able to access transport connections.
- Give transport users – whether private individuals or business interests – a strong and meaningful voice on transport issues in the north of England, not least where public money is involved.
- Improve the customer experience by facilitating multi-modal travel through the use of the most advanced technologies available, including smart-ticketing and inclusive payment options.

Outcome 3: A more environmentally sustainable northern transport network

- Reduce CO₂ emissions by promoting sustainable transport solutions, including modal shift away from private car use and the electrification of key rail routes.
- Ensure that all modes of transport take further steps towards reducing their impact on the environment.

Table A.1

A summary of Transport for the North’s intended outcomes

1. Economy	2. Accessibility & accountability	3. Sustainability
An interconnected northern powerhouse	Public transport accessible to all	Reduced CO ₂ emissions through targeted investment in sustainable transport options, including walking and cycling
A rebalancing of public expenditure and tax take	Fair and affordable fares and costs	Investment in rail electrification
Improved business connectivity	A strong voice for all transport users	Reduced private car usage
More flexible labour markets	A great customer journey experience	
Connectivity to retail, leisure and tourism		

Despite the overarching nature of these outcomes, it is important to recognise that the TfN body we are proposing is not intended to supersede or assume the powers of more local bodies, including the LTAs. Nevertheless, we do propose a ‘northern transport compact’ which would seek to align strategic planning processes both from the bottom up and top down.

Timetable and blueprint for development

In order to achieve these outcomes we have drawn up a blueprint, developed through roundtables and interviews with key players in the field, which identifies a wide range of actions that would gradually enhance the capacity of the current Transport for the North partnership in three overlapping phases. This blueprint is detailed in full in chapter 3 of this report, but the three phases of development can be summarised as follows.

Phase 1 (2015–2017)

Building on the Transport for the North partnership and Rail North consortium.

- Between the One North proposals and the Rail North consortium, most if not all aspects of this stage are currently underway or in process.
- Central and local government commit to investing in a pipeline of strategic transport investments brought forward by the Transport for the North partnership, and work begins on key projects.
- Rail North develops a joint venture with DfT to co-manage Northern and TransPennine franchising arrangements.
- A strategy for multi-modal service integration is developed, including fare-setting, smart-ticketing and branding issues.
- The governance that would underpin these developments is already relatively well-developed; it is accountable and inclusive in the case of Rail North, and One North is still developing.

Phase 2 (2017–2020)

TfN becomes fully constituted as a single body covering all of the North, and its responsibilities grow.

- TfN brings forward more detailed infrastructure plans and a multi-modal approach to scheme appraisal.
- TfN co-manages the rail franchises, and takes on some of the responsibilities of Network Rail and Highways England; smart-ticketing becomes interoperable across all modes and geographies in the North.
- TfN works to embed collaboration and build capacity, and the One North and Rail North projects become part of the single TfN body, which has a governance structure similar to that of Rail North but with an executive transport commissioner and formal advisory boards for passengers and businesses.

- TfN works with city regions to take over station leases, and develops a rolling stock strategy.
- TfN develops logistics, airport and digital connectivity strategies.

Phase 3 (2020–2025)

TfN takes on even wider responsibilities.

- TfN finalises its governance arrangements following a review, and takes on responsibilities similar to those of other sub-national European transport bodies. It explores wider governance options, including an element of direct election.
- A northern transport capital budget is allocated independently to TfN by central government, set according to a transparent formula over a time period of at least five years, together with greater borrowing powers.
- TfN brings forward a long-term ‘northern infrastructure pipeline’, including the roll-out of multi-modal scheme appraisal and collaboration with constituent city-regions in major local capital investments.
- TfN develops an arms-length body to compete for rail franchises as a public sector competitor, and takes over station leases as agreed with city regions.
- Logistics, airport and digital connectivity strategies are rolled out.

Table A.2

Summary of proposed timetable for the development of Transport for the North

<p>Phase 1 (2015–2017): Next steps</p> <ul style="list-style-type: none"> • Investment secured for One North strategic infrastructure priorities • Rail North tendering process proceeds • Planning and capacity-building for extended TfN powers • A strategy for multi-modal planning and smart-ticketing
<p>Phase 2 (2017–2020): TfN takes shape</p> <ul style="list-style-type: none"> • New, inclusive TfN structure formally constituted and first transport commissioner appointed • Future infrastructure plans developed • Co-management of rail franchises, and the adoption of some Highways England and Network Rail responsibilities • Smart-ticketing becomes inter-operable across modes and regions
<p>Phase 3 (2020–2025): TfN in the driver's seat</p> <ul style="list-style-type: none"> • Governance review to include possibilities for an element of direct election • Earmarked transport budget devolved to TfN for a five-year period • TfN takes on wider responsibilities, including running rail franchise competitions, station management, and commissioning rolling stock • TfN develops an arms-length body to bid for rail franchises

1. INTRODUCTION

THE RATIONALE AND DEVELOPMENT OF TRANSPORT FOR THE NORTH

1.1 Background

Underinvestment in transport in the north of England has long been recognised as a drag on its economy. The productivity benefits of transport infrastructure are well evidenced, yet the North's infrastructure is dated, poorly integrated, and lacking the large-scale investment it needs. Recent investments in the Northern Hub, a programme of targeted railway upgrades, are welcome, but constitute only small steps in the right direction. Likewise, it is now widely recognised that in order for the North to fully benefit from the High Speed Two (HS2) rail link, internal connectivity must be substantially improved and an integrated national transport system put in place (Higgins 2014).

The wider case – democratic, social and environmental – for the devolution of transport powers to the North is also strong. Access to transport is crucial to employment prospects and leisure opportunities, but there are longstanding issues in the North regarding the cost and quality of services, and a lack of accountability for those issues. The environmental case for increasing patronage of public transport hardly needs stating, but the success of Transport for London (TfL) in this regard underscores the importance of devolved government and integrated transport policy.

Indeed, in most regards, the contrast between the North and those parts of the UK to which transport policy has been devolved (particularly London and Scotland) could not be more clear. TfL has enjoyed significant success, making good use of its powers to fast-track schemes for investment and, crucially, integrate and coordinate across modes. Transport Scotland is also realising the many benefits of devolved powers over rail and road, opening new stations and electrifying new lines.

Overall, in terms of transport, the UK compares poorly with many similar European countries. Though most policymaking in the UK is relatively centralised, the contrast is especially stark in the case of transport: other countries afford their regional and local authorities far more powers in this area, in many cases with great success. Internationally, England's centralised approach (notwithstanding the situation in London) is the exception. There is a more sensible balance to be struck between central and local government in terms of transport policy – but England is a long way from striking this balance.

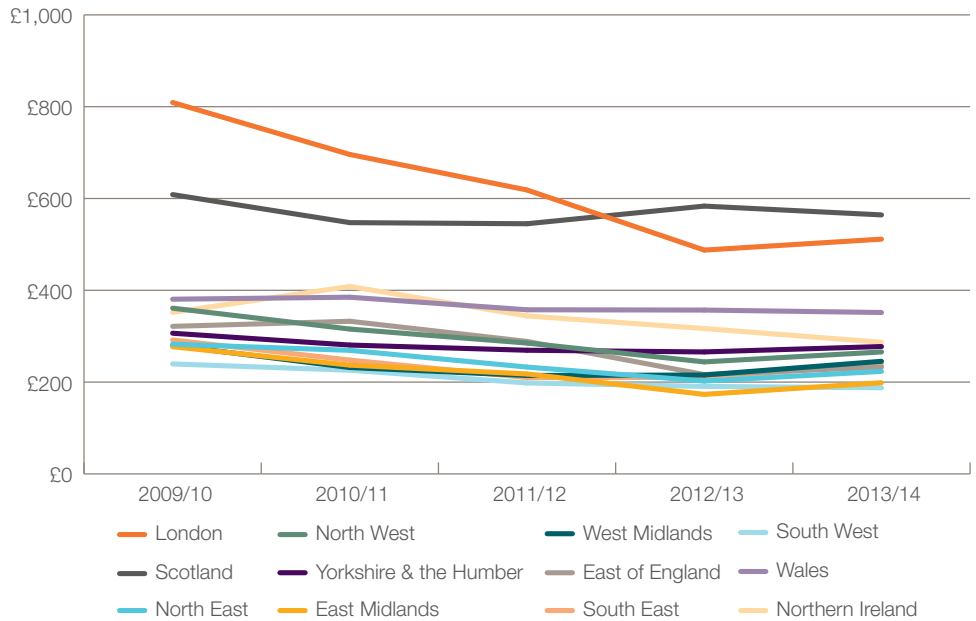
The situation as it stands presents the North with an uphill battle, but also with an opportunity to learn from the successes (and failures) of both London and comparator regions abroad. Recent developments offer the North a chance to catch up with and even overtake these other regions – to invest in a modern infrastructure, and apply coordinated and integrated policies across the region.

Transport investment in the North

The north of England has suffered from disproportionately low levels of government investment in its transport infrastructure – low both in relation to London (as illustrated in figure 1.1 below) and, more importantly, in comparison with city-regions in continental Europe.

Figure 1.1

Government expenditure on transport per capita by English region, 2009/10–2013/14



Source: authors' calculations using HM Treasury 2014a and ONS 2014

This disparity is set to continue: planned government spending on transport infrastructure from 2014/15 onwards remains heavily skewed towards London and the South East, as figure 1.2 illustrates.

If appraisal decisions on transport investment are based purely on benefit–cost ratios (BCRs) then the high-density, high-wage capital city will always receive the majority of investment – and there is a clear case for supporting one of the most prosperous and important cities in the world. Recently, Transport for London (TfL) and Transport for Greater Manchester (TfGM) made the argument for a ‘payback model’, whereby the net revenue generated from wider economic growth would be included in appraisals as overall cost reductions, as an improvement upon purely BCR-based appraisals (Volterra 2014).

By contrast, Transport Scotland has taken a different path by recognising the value of connecting its rural geography. Since the devolution of some transport powers to Scotland,¹ Transport Scotland has invested in many schemes where the financial costs have outweighed the financial benefits because they fit a broader economic argument as defined by the Scottish government. This has meant that many of the expansive road networks which extend across Scotland’s rural geography have been upgraded. These upgrades may not have been economic in the narrowest sense, but the Scottish government argues that they tie the nation together as a single economy (Scottish Executive 2006). A similar case could be made in the north of England, which also has many rural or otherwise isolated economies and populations.

Within the north of England, Merseyrail is one of the most punctual, reliable and intensively used railway networks in the UK, and it has also topped the passenger satisfaction league table (IPPR North and NEFC 2012). The Merseyrail franchise is the responsibility of Merseytravel (a PTE), and is currently delivered by a joint venture between Serco and Abellio. The authority is not exposed to any revenue risk, but it

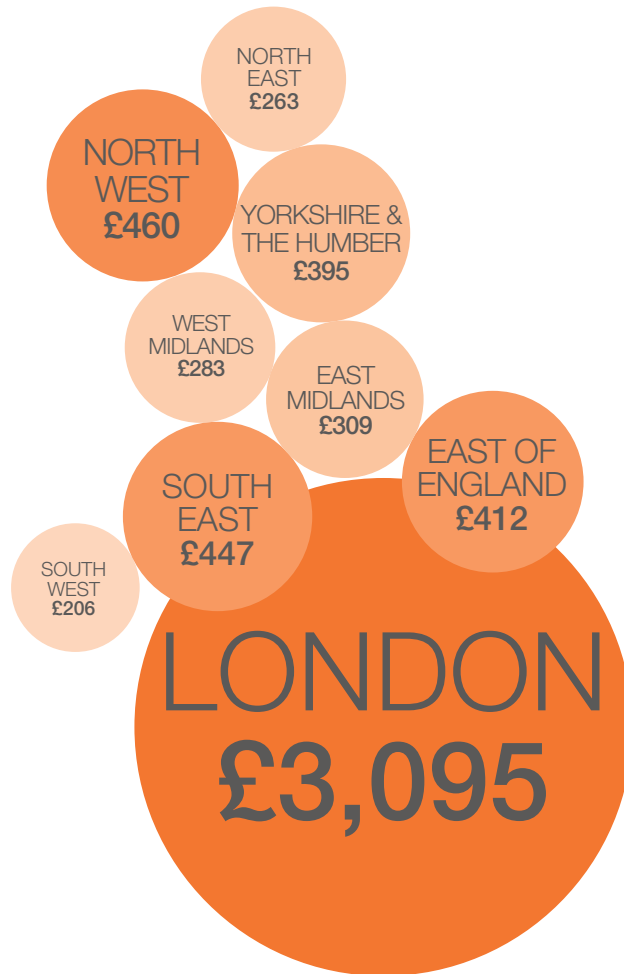
¹ Not all transport powers are devolved – for example, Network Rail still operates in Scotland, and the Office of Rail Regulation retains powers of safety regulation there.

shares in any profits and reinvests these in the transport network. The specifications that Merseyrail is governed by are very tight compared to other franchises, and a multi-modal smart-card has recently been rolled out.

It is also notable that devolution and expenditure priorities appear to be closely related. There is evidence that, across the OECD states, greater decentralisation tends to accompany greater investment in the drivers of economic growth – in education especially, but also in physical capital (Blöchliger et al 2013).

Figure 1.2

Total planned spend per resident on transport infrastructure from 2014/15 onwards, in real terms (2013/14 prices)*



Authors' calculations using HM Treasury 2014b and ONS 2014

*Note: figures only include projects in which public money is involved (public-private or public only)

1.2 The history and development of Transport for the North

In November 2012 IPPR North published some preliminary ideas for a body called 'Transport for the North', as part of a comprehensive study on economic prosperity in the north of England (IPPR North and NEFC 2012). This proposal built on the substantial body of work undertaken by the Northern Way (specifically its Transport Compact),² an initiative established by the three northern regional development agencies in 2004, and which is widely credited with the acceleration of the recent Northern Hub investments (GMPTE 2010).

2 <http://www.northernwaytransportcompact.com/>

We argued that, given the situation described above, the remit of this Transport for the North (TfN) body should be to work on key strategic transport issues across the three northern regions – particularly on those issues which transcend the existing remits of local transport authorities (LTAs), and now the combined authorities (ibid).

The report also noted that the experience of privatised public transport in most parts of the UK outside of London is generally poor relative to the capital, to services in Scotland, and to services such as Merseyrail. For this reason, IPPR North and the Northern Economic Futures Commission (2012) made the following recommendation.

'We... propose the creation of a new body – Transport for the North (TfN) – to take power over the northern rail franchise, major hub stations, rolling stock and smart ticketing. In due course, we propose extending TfN's powers to some aspects of bus regulation and Highways Agency responsibilities, so that integrated planning of transport across car, bus and train travel is made possible.'

IPPR North and NEFC 2012

The report also proposed that TfN should have the following powers and responsibilities:

- the letting and management of what are currently the Northern Rail and TransPennine franchises
- serving as the key strategic client for Network Rail in the North
- investment in and management of major hub stations
- management of a pan-regional smart-ticketing system
- management of inter-regional fares
- a greater voice in freight management, and control where appropriate
- acting as a rolling stock operator for the North, with the ability to lease rolling stock at a specified and reasonable price to franchisees (IPPR North and NEFC 2012).

These powers would be complementary to those of the LTAs and combined authorities in the North: the intent of our proposal was not to subsume powers from the sub-regional level, but rather to draw them down from central government. Services within the area of a combined authority would stay under their control, but those that extend significantly beyond these boundaries – such as inter- and longer intra-regional rail services – would become the responsibility of TfN, instead of the Department for Transport (DfT) and its agencies.

1.3 Government policy and Transport for the North

The current government has restructured devolved transport governance significantly, but until recently no moves toward a regional tier had been made. The Northern Way Transport Compact was swept aside in 2011 with the abolition of the three northern regional development agencies (RDAs) that it was comprised of. The removal of these bodies had the effect of significantly centralising economic development powers, which was compensated for to only a small degree by the creation of local enterprise partnerships (LEPs) which cover smaller, sub-regional geographies.

While LEPs cover more economically rational areas than the RDAs, they have far less funding (approximately a third of RDA expenditure) and fewer powers, partly due to concerns about their integration and accountability.³ However, the 'growth deals' which these LEPs struck with government had a heavy transport component,

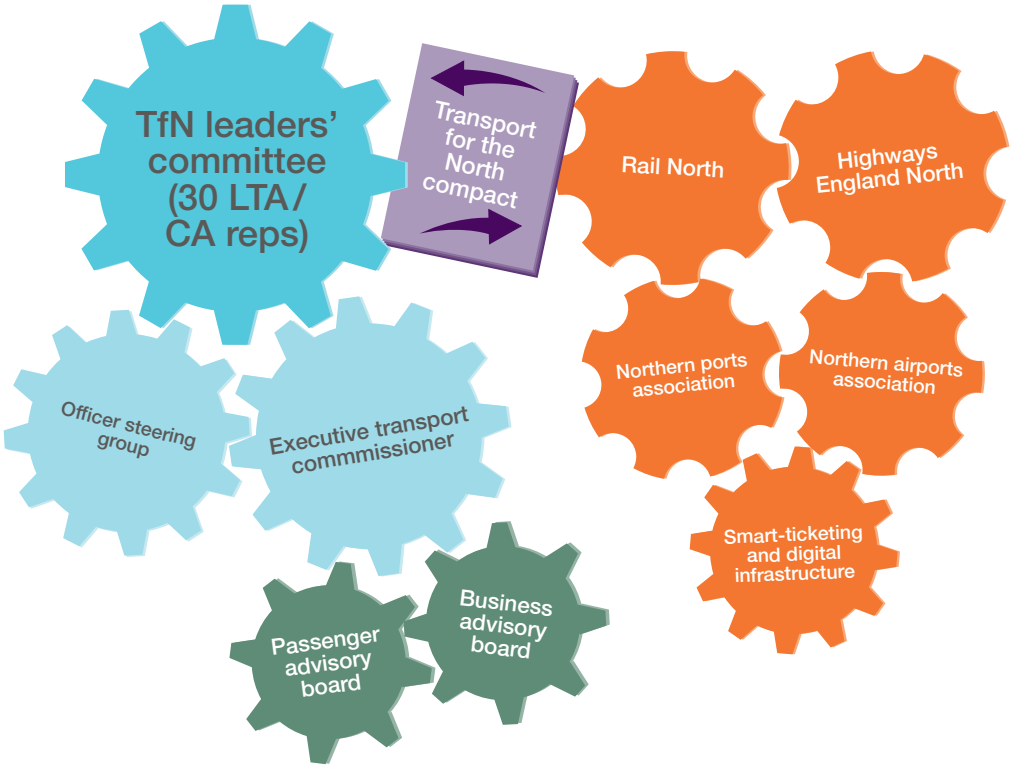
³ http://www.thenorthernecho.co.uk/news/10387535.Vince_Cable_savages_Lord_Heseltine_s_plan_to_hand_region_spending_pots/

as did the ‘city deals’ that preceded them. Looking forward, the government is proposing that LEPs take a stronger role in transport policy post-2015, while the Greater Manchester Agreement announced in November 2014 included many transport powers – notably the ability to re-regulate bus services.

The irrefutable logic of a regional tier in transport policy has meant that the ideas of the Northern Way have survived despite the policy changes of recent years, and have helped guide government spending decisions on smart motorways as well as the Northern Hub and rail electrification. Instead of being imposed from above, however, regional governance has crystallised from the bottom up.

The Rail North partnership that has been formed will be heavily involved in the development of the Northern and TransPennine franchises, and will co-manage these with the DfT. After years of development, Rail North became a legal entity in September 2014, and will come into its own in 2015 ahead of the re-letting of both franchises due in February 2016. Comprising a consortium of 30 LTAs from across the north of England,⁴ Rail North has negotiated and agreed a partnership with the DfT, the first phase of which will see northern authorities involved in and contributing to the re-franchising process, and working with the DfT to achieve their shared and individual objectives. In the second phase, a formal integrated partnership between Rail North and the DfT will be established in the run-up to 2016 to manage the new franchises. Both the local authorities and the DfT will be represented on this partnership’s board, with voting rights allocated relative to the share of risk borne by each party, and lines of accountability will be established to both the DfT and local authorities (Rail North 2014).

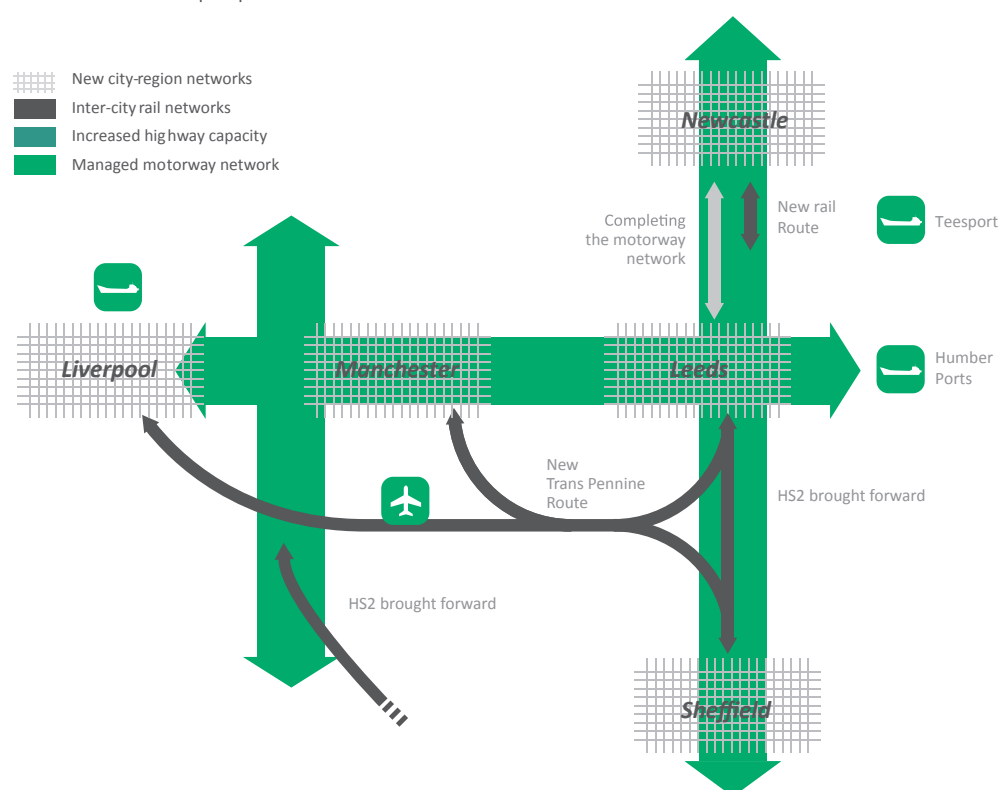
Figure 1.3
An organogram of Transport for the North under our proposals



⁴ Several authorities in the north of the midland regions are also included.

A further development has been the One North proposition brought forward by the city-regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield, who subsequently, with Hull and the Humber, formed a Transport for the North group. Further details of the One North proposition are currently under development, but they constitute a plan to invest £15 billion in northern transport across several modes. The proposition is in part a response to the challenge made by David Higgins, chair of HS2, to develop transport proposals that capitalise on the planned HS2 north–south rail link. One North aims to make an economic case for investing in and integrating infrastructure within the region: its plans cover both passenger and freight transport, and account for all modes between and within cities, with the emphasis on faster, more frequent rail services and increasing road capacity.

Figure 1.4
The One North proposal



Source: IPPR North 2014

David Higgins subsequently published his own report, *Rebalancing Britain*, which was heavily influenced by the One North proposition, and which recommended that a series of investments in the North be brought forward. It recommended upgrades to rail connections between Liverpool, Manchester, Leeds, Hull and Newcastle as a means of capitalising on HS2 and helping to rebalance the economy (Higgins 2014) – recommendations that were largely endorsed by the chancellor. It was also in this report that the Transport for the North idea was proposed by Higgins; the idea was backed by the transport secretary, the chancellor and the prime minister in their responses to the report (PMO et al 2014).

Recent announcements signify careful but determined progress, with key milestones approaching in the near future. While the chancellor's 2014 autumn statement declined to announce any actual investment as many hoped it would, such an announcement is expected in March 2015. However, in that 2014 autumn statement, the chancellor did affirm that the government would work with the Transport for the North partnership to produce an interim report, to be published in March 2015, which will include more details of the proposed High Speed 3 (HS3) east-west line and other elements trailed in last year's One North proposition. A northern transport strategy is also being developed jointly by the Transport for the North partnership and the DfT: its broad objectives will also be outlined in March 2015, and a full strategy published by 2016.

All of these developments are highly significant, but they must be understood in context. While the current momentum behind the decentralisation of transport policy is encouraging, as these pledges stand there remains a considerable amount of work to be done. The North's economy needs a long-term programme of investment to be locked down and, ideally, to enjoy cross-party as well as cross-regional support. The highly laudable One North proposals are being progressed by northern leaders and the DfT, but if the necessary investment is to be brought together then long-term commitment to these detailed plans from national politicians of all parties must be secured.

Furthermore, the focus of these developments has also been quite narrow, given the potential for the devolution of broader transport policies. Investment in infrastructure has taken centre stage, while Rail North's agreement with the DfT on franchising has received little attention and falls somewhat short of its initial devolutionary aspirations. There is still a significant gap between the scope of the proposals currently being driven forward and that of IPPR North and the NEFC's Transport for the North proposal (2012), under which far greater powers would be devolved and the real power of transport policy to shape the north of England would be unlocked.

As such, as attractive as the proposed new investments may be, it is Higgins' vision (endorsed by the government) of the body called 'Transport for the North' that holds the most potential for maximising the long-term prosperity of the North's economy. To this end, the five city-regions involved in One North⁵ have now formed a Transport for the North partnership board and a wider Transport for the North regional reference group, both of which met for the first time on 12 January 2015. Crucial in terms of integration is the fact that the partnership board of this organisation includes representation from the Highways Agency, Network Rail, HS2 and the DfT. However, only the five city-regions, plus Hull and the Humber, are represented on the board.

A wider role for the Transport for the North partnership has yet to be set out in detail. However, given the relatively narrow and limited nature of recent initiatives to devolve transport powers, its potential for contributing to the long-term growth and prosperity of the north of England is hugely significant for a number of reasons.

- In the absence of an integrated national transport strategy,⁶ this body could make the case for ongoing coordinated investments not just in and across rail, road, sea and air, but also in digital infrastructure and energy generation – all of which need to be aligned in order to maximise growth.
- In the absence of a spatial plan for the north of England, this body could build the cooperative framework and evidence base needed to underpin a series of longer-term investments and strategies.
- While northern cities taking the lead in this area is a welcome development, it is important that connectivity is promoted across the whole of the North,

5 That is, Liverpool, Manchester, Newcastle, Leeds and Sheffield.

6 Something for which Higgins (2014) has called.

rather than remaining focussed on the city-regions of Liverpool, Manchester, Newcastle, Leeds and Sheffield. To truly capitalise on the many soft and hard assets across the North, plans must also factor in wider infrastructure assets, and enhance the connectivity between rural hinterlands and their high-growth urban economic centres.

- Rapid technological change is revolutionising the way people travel. This poses a challenge to established infrastructure – and offers an opportunity for regions that are currently lagging behind – to embrace the newest of technologies. These innovations range from new smart-ticketing systems and contactless technology (which are already established throughout some entire countries such as the Netherlands), to engaging customers through social media and apps for planning multi-modal passenger journeys. Transport systems across the world are progressing rapidly in this field, and the North must grasp its opportunity to catch up with, and perhaps even overtake, its peers.

Figure 1.5

Four pieces of the puzzle: towards a Great North Plan



1.4 Our research

In this context, our research has focussed on four broad questions.

1. What would be the main benefits of Transport for the North?
2. What additional responsibilities could such a body take on in future?
3. What role might it play in relation to integrated smart-ticketing across the North?
4. What kind of institutional form might Transport for the North take?

To address these questions we have reviewed policy and wider literature, analysed new data, and collated stakeholder views drawn from three roundtables held in Manchester, Newcastle and London, as well as from a series of interviews with senior stakeholders and experts in the field.

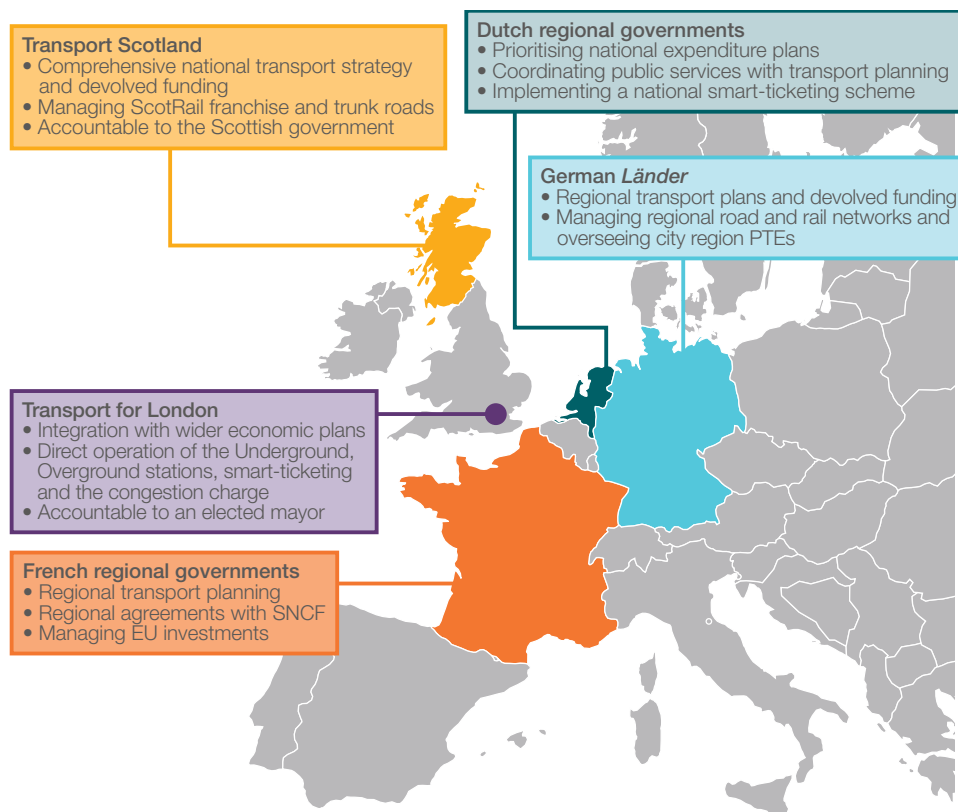
Chapter 2 of this report will summarise the evidence base for devolved policymaking and the economic, democratic, social and environmental outcomes which a Transport for the North body should be tasked with achieving, as well as the proposed body's overall vision. In chapter 3 we will present detailed recommendations for how Transport for the North should develop in three phases between now and 2025.

Regional and national exemplars for Transport for the North

In continental Europe, more powerful sub-national governmental structures have enabled strategic investment and technological innovations to be pushed forward and coordinated at the regional level. We considered evidence from a number of devolved transport bodies in the policy-development process, and will return to these case studies throughout this paper as appropriate.

Figure 1.6

European exemplars for Transport for the North, their powers and responsibilities



Transport for London

The role of Transport for London (TfL) is to deliver the mayor's transport strategy, and in doing so to help 'support and shape London's social and economic development'.⁷ It is accountable to the mayor of London, which helps ensure that transport strategy is integrated with strategies for land use and economic development. Its powers include direct operation of the London Underground network and Overground stations, investing in infrastructure, tendering and managing the bus, London Overground, DLR and tram franchises, setting fares and managing smart-ticketing,⁸ running the network of major roads, and administering the Congestion Charge.

⁷ <https://www.tfl.gov.uk/corporate/about-tfl/how-we-work/planning-for-the-future/the-mayors-transport-strategy>

⁸ First via Oyster, and now also via contactless bank cards.

Transport Scotland

Transport Scotland is an executive agency which aims to ‘increase sustainable economic growth through the development of national transport projects’.⁹ Directly accountable to the Scottish government, its powers include tendering and managing the national ScotRail franchise, overseeing investment across all modes of transport, the management and maintenance of trunk roads (assuming the Highways Agency’s role in Scotland), smart- and integrated-ticketing, and policy and grants for freight, ports and canals. However, there is only a weak tier of regional government within Scotland, and while regional transport partnerships comprising groups of local authorities are in place, only the Strathclyde Partnership for Transport has any notable powers, and these are minimal.

Germany’s Länder

Germany’s strong regional governments (*Länder*) come into their own in terms of transport policy. They are responsible for developing regional transport plans, directing regional infrastructure, managing and maintaining regional rail and road networks, funding national and regional transport at public transport association, city-region and district levels, and managing and overseeing public transport associations.

French regional governments

Regional government is also stronger in France than it is in the UK. They are charged with formulating regional transport policy and plans, organising regional roads and railways, planning infrastructure and managing EU investments. Regional councils agree regional rail services with the national state-owned rail company SNCF.

Dutch regional governments

In the Netherlands, regions have less control over transport than those in some neighbouring countries, though they do still have significant flexibility. Authorities are responsible for translating national guidelines into practice, prioritising the spending of centrally distributed funds, coordinating related public policies, creating regional transport plans, and funding and coordinating physical infrastructure.

9 <http://www.transportscotland.gov.uk/our-purpose>

2. PURPOSE, OBJECTIVES AND VISION

The previous chapter highlighted the growing consensus around the importance of transport in driving economic growth, and the benefits to be gained from a more devolved approach to transport decision-making. This section explores the evidence for the role that transport can play in achieving economic, social and environmental goals in more detail, and establishes a series of clear outcomes that a Transport for the North body could achieve.

2.1 The economic case for transport investment and devolution

There is a great deal of evidence that underlines how vital transport investment is to driving economic growth and prosperity. There are particular benefits for what the OECD calls ‘intermediate regions’, which lie outside capital cities and other big growth hubs (OECD 2012). By connecting cities and towns, transport investment facilitates the interchange of goods, services, knowledge and skills, and builds so-called ‘agglomeration economies’ around areas of commercial specialisation.

The theory of why and how transport can improve an area’s economy is well established, but is aptly summarised by Laird and Mackie (2010), who state that investment in transport can do the following.

1. Reduce journey time and therefore increase productivity and output.
2. Reduce transport costs, lowering prices and thereby allowing for an expansion of output.
3. Reduce commuting costs, therefore increasing the labour supply.
4. Stimulate agglomeration economies by effectively increasing proximity, raising productivity and wages.
5. Increase competition, leading to increases in net business productivity and output.
6. Increase migration, which reinforces agglomeration impacts and changes the composition of the workforce.
7. Increasing employment and real wages, which has a social benefit via taxation (adapted from Laird and Mackie 2010).

The case for greater connectivity in the north of England is particularly strong. In the context of the UK’s unparalleled spatial imbalance, the OECD (2012) highlights transport as being particularly crucial for the regions such as the North. The economic geography of the North is also very different to that of the South in that it is (or has the potential to develop further as) a polycentric system, similar to that of Nordrhein-Westfalen in Germany. This uneven and varied economic geography means that there is a need to capitalise on the potential of all of its cities, infrastructure and other assets.

While the geography of the North requires a distinct approach, the capacity of transport planning to stimulate northern growth is not in doubt. The core Rail North and One North documents place economic development at the heart of their objectives (Rail North 2014; One North 2014). Analysts have calculated that the Northern Hub programme that is currently being rolled out will bring benefits to the value of £2.1 billion per annum by 2021 (GMPTE 2011), while Rail North has estimated the GVA impact of delivering their strategy at £900 million per annum (Rail North 2014).

The movement of freight is an important economic consideration, and it must be central to transport policymaking. Network Rail (2010) state that while it is often overlooked, freight is crucial to the national economy. Rail freight operations have also been privatised, and so provision has fragmented; Network Rail highlights how competitive the sector is in the UK, in contrast to arrangements on the continent which tend to be dominated by a single national operator (ibid). The North has especially good reason to focus on freight, given its substantial port infrastructure – the ports of Tyne, Tees, Liverpool, Hull, and Grimsby and Immingham – its enduring manufacturing base and its rapidly-growing wholesale and retail sector. As such, much of the One North project is rightly focussed on enhancing freight capacity. However, such investment decisions need to be considered as part of a far broader picture, as the infrastructure can be quite sensitive to a wide variety of policy changes at national and international levels. Changes to energy policy, for example, can render some ports and their rail infrastructure redundant (Cox et al 2013).

The tourism sector is also a key consideration: it is extremely important to the North in general, and to specific cities (such as Manchester – the third most visited city in the UK), the coast, and national parks such as the Yorkshire Dales, Peak District and Lake District. Tourism also underpins many areas with more fragile and seasonal economies, many of which suffer from deprivation and economic decline and which without tourism would have even less opportunity. In certain areas of the north of England tourism employment is particularly concentrated – in East Cumbria, Blackpool and York, for example, where almost one fifth of employment is in tourism-related industries (ONS 2012).

However, infrastructure investment is only one of many significant considerations in relation to transport and the economy. Evidence shows that devolved decision-making can be important to enabling other aspects of transport policy to support economic growth, not least in terms of enhancing integration across modes for both passengers and freight. TfL, which fulfils a far broader role than other UK transport authorities, is a case in point, having introduced congestion charging, smart-ticketing, simpler and more readily understandable fare structures, and timetable integration. The importance of devolution in this context is clear: various modes and aspects of transport can be better integrated if placed under the authority of a single local public body which facilitates far smoother multi-modal journeys with aligned timetables and ticketing, and can coordinate its activities with wider policy areas such as land-use planning and economic development. Most of this integration needs to take place at the sub-regional level. However, if the northern cities are to fulfil their ambition of functioning as an interconnected or poly-centric economic area, there must be firm agreement between constituent authorities – and between the major cities in particular.

On the basis of our research, we believe that Transport for the North should aim to achieve the following economic outcomes.

- Transform northern city-regions into an interconnected ‘powerhouse’ through a multi-modal, integrated transport system for both personal travel and freight.
- Create a rebalanced economy with higher levels of investment in drivers of growth in the North, and greater tax receipts to the Exchequer as a consequence.
- Strengthen the northern economy by improving business connectivity, competitiveness and innovation, and by boosting employment, productivity and wages.
- Enhance connectivity to retail, leisure and tourism opportunities across the north of England.

2.2 The democratic and social case

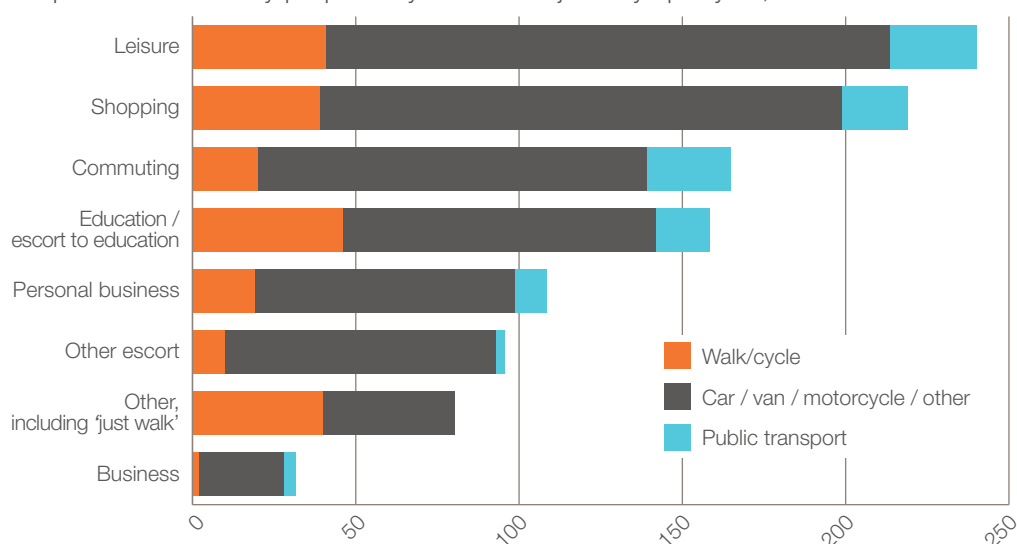
While economic growth can translate into the social benefits of higher wages and employment, we cannot assume that it will do so automatically. The impact that transport infrastructure has on economic growth is clear, but while this growth is a necessary precondition for rises in employment and wages, it is not sufficient to deliver them. As Laird and Mackie (2010) point out, higher employment and wages do not necessarily follow from increases in output and productivity. They highlight the fact that improving the transport supply can – in the long term – actually increase the elasticity of the labour supply, or increase competition for jobs (ibid). As such, it will be important for TfN to prioritise connecting areas of economic disadvantage with centres of economic opportunity, and for it to act as more than simply an investment pipeline and consider public transport fares and access, for example.

More fundamentally, transport policy has to tie in to other key economic and social considerations, from which it is inextricable in any case. Economic development, public services, housing and skills all need to be joined up at the appropriate tier of governance. We argue that to allow this to happen, far more policymaking should be done at sub-regional tiers (Cox et al 2014).

While economic growth and its overspill effects tend to be the primary focus of transport policy, there are other relevant social considerations. The many purposes of transport in all its forms are summarised in figures 2.1A and 2.1B below. Despite the attention paid to it in transport policymaking, commuting ranks only second in terms of miles travelled, and third in terms of number of journeys. Transport is more often used for leisure, and for shopping – people travel particularly far for leisure purposes (DfT 2014). Surveys also highlight airport access as a high priority for both passengers and for business (Passenger Focus 2012; Grant Thornton 2014). There are clear social and economic benefits to be gleaned from factoring in such considerations.

Figure 2.1A

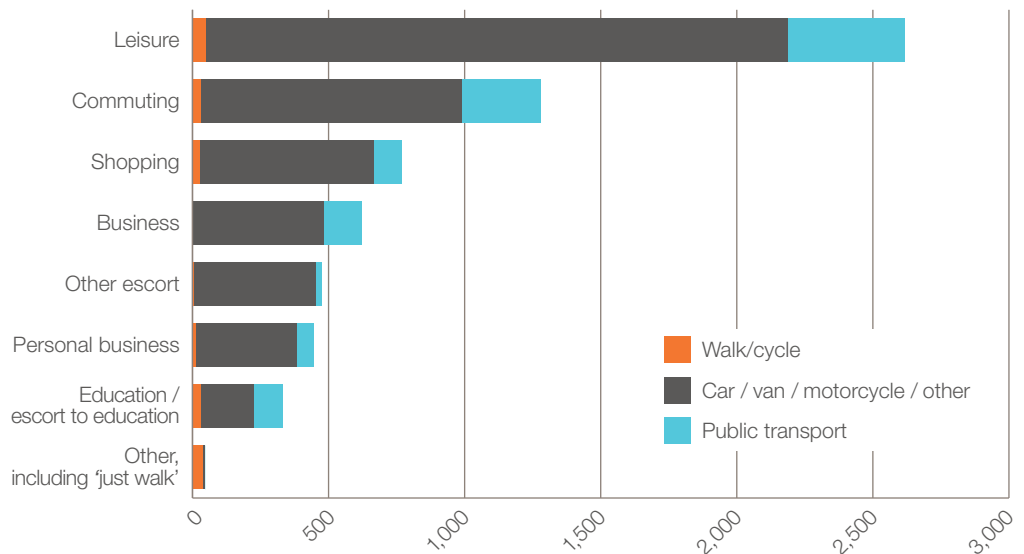
Proportion of travel by purpose by number of journeys per year, 2013



Source: DfT 2014

Figure 2.1B

Proportion of travel by purpose and miles per person, 2013



Source: DfT 2014

Transport costs are also a key consideration, and the costs of some modes of travel have risen significantly in recent years; rail fares in particular have risen sharply. Many people in the poorest households cannot afford to run a car, and so are dependent upon public transport (Rowney and Straw 2014). There is a clear case for a regional transport authority that can deal with cross-boundary journeys, for example – and Rail North represents a move in this direction, although decisions about franchising and fares are still made by the DfT.

Many travel routes in the North are widely recognised as dire: this lays bare a disconnect between transport users and the authorities responsible for it. For example, passengers surveyed about the Northern and TransPennine rail franchises highlighted quality, overcrowding and airport access as problems (Passenger Focus 2012), yet there is no individual who can be held directly accountable for these problems – a mess of companies and quangos sit between the citizen and the secretary of state.

There are many politically difficult decisions that need to be made in transport policy, particularly during a period of unprecedented fiscal consolidation and rapid technological change. Fare-setting, stations and staffing are difficult challenges that must be dealt with in the process of re-franchising the Northern and TransPennine rail franchises. Likewise, as the responsibilities of TfN increase, the remit of each public authority must be delineated and made transparent to all actors – especially the public.

Smart-ticketing: examples from the UK and overseas

The terms 'smart ticketing' and 'integrated ticketing' are often understood in a different way by differing stakeholders, but the DfT defines them as follows.

- Smart-ticketing describes a system whereby 'the ticket is stored electronically on a microchip, commonly contained in a plastic smartcard [and] tickets are checked by presenting the smartcard to a smart reader'.
- By contrast, integrated ticketing is defined as 'tickets [which] are valid on more than one operator and/or mode of transport; [these] do not have to be smart tickets' (DfT 2009).

However, these two concepts must increasingly go hand in hand. Smart, integrated ticketing is an important means of integrating services in order to improve the customer experience, as well as broadening access to public transport and making fare-setting fairer (see for example PTEG 2014; AECOM et al 2011).

Transport Scotland are pursuing smart and integrated ticketing, and TfL are building on the success of their Oystercard with the rollout of new 'open-loop' technologies, which allow passengers to pay using a contactless bank card or mobile phone. Smart-ticketing is clearly on the rise both in the UK and globally. However, there is a danger that if it is implemented in the absence of a central authority for regulation across all modes, fragmentation will occur, with different operators or groups of operators developing their own closed-loop systems which cannot be used in other areas or on other forms of transport. The recent move by the UK's biggest bus operators to cooperate on smart-ticketing is a positive move away from the status quo, but it runs the risk of modal isolation – passengers will be unable to use the card on trams or trains. Ensuring technological convergence around open-loop systems is critical to enabling integrated ticketing and fare-setting. Another benefit of open-loop systems is that they leave card-issuance to the banks, allowing operators to concentrate on fare-setting and the customer experience.

The Dutch example suggests that total integration is the optimum solution in terms of connectivity, although it does present some challenges in terms of governance. The rollout of smart-ticketing in the Netherlands took (at least) four iterations and decades to get right, which demonstrates the difficulty of achieving integration and coordination within a system that is fragmented in terms of both modes of transport and governance arrangements.

The example of TfL shows that franchise tendering and management, as well as stronger powers of regulation, are a precursor to better transport integration and the smooth roll-out and development of smart-ticketing. Given that the North's transport system and governance is currently far more fragmented than that of the Netherlands, coordination will be required to realise the opportunity. Transport for the North would be ideally positioned to coordinate and drive forward a unified approach to smart and integrated ticketing, provided that it is equipped with the necessary framework and enabling powers.

Smart-technology is clearly a key element of modern transport policy, and rightly attracts a lot of attention from policymakers. In their survey of rail passengers, Passenger Focus (2014) found that the idea is popular: passengers value speed and ease of payment, and flexibility in particular; they dislike cross-boundary anomalies in fares, but were uncertain about its availability and concerned about the security of contactless technology. But complementary policies around integration and fare-setting need to be in place before the benefits of such technologies can be realised, and in any case the evidence suggests that smart-ticketing is 'necessary but not sufficient for the realisation of many of the potential benefits desired' (AECOM et al 2011).

More details on smart-ticketing in the North are set out in chapter 3.

Fundamentally, in order to discharge the functions that are required of it, TfN must be accountable and transparent to those who are impacted by its decisions. Democratic accountability is vital both for its own sake and in order to drive up quality. The mayor of London's direct accountability has undeniably been a contributing factor to improvements to the capital's transport infrastructure; similarly it is clear who is responsible for transport in Scotland (unlike other areas of devolved policy). There is a risk that without due care, TfN could become yet another opaque layer of bureaucracy. From the outset, policymakers should work to prevent this scenario from occurring.

Furthermore, it is vital that due consideration is given to the share of financial risk and reward under any devolution settlement for transport powers. This applies to both spending and raising finance, and to capital and revenue budgets. The recent history of transport policy – especially with regard to rail franchising and rolling stock – supplies us with many clear cases in which financial risk and reward have not been appropriately shared, to the detriment of not only the public finances but the broader public interest (Bowman et al 2013). More broadly, there are many examples of poor contract design and management which have meant that capital investments have

not been able to strike the proper balance (HoC-TC 2011). The lessons of these failures to manage risk and reward must be taken on board.

Based on our research, we believe that TfN should aim to achieve the following democratic and social outcomes.

- Ensure that transport connections – particularly public transport – are available and accessible, at a fair and reasonable cost, to all who live in the north of England.
- Ensure that those who are often socially and/or geographically isolated, and those furthest from the labour market, are able to access transport connections.
- Ensure there is clear accountability for transport decision-making in the North, and give transport users – whether private individuals or business interests – a strong and meaningful voice on transport issues in the north of England, not least where public money is involved.
- Improve the customer experience by facilitating multi-modal travel through the use of the most advanced technologies available, including smart-ticketing and inclusive payment options.

2.3 The environmental case

Transport and environmental policy are intimately linked. A quarter of all UK CO₂ emissions are due to transport (second only to energy generation), a fact which rightly underpins the many investments in public transport and complementary policies in areas such as congestion charging and parking. London is an exemplar in this regard: between 2000 and 2013 it saw a 10.6 percentage-point shift in modal share towards public transport, walking and cycling (TfL 2014). TfL credit both investment in public transport and policies to restrict private car usage for this success. The London example demonstrates that an authority with a remit that extends across most public transport, which holds powers of regulation and which covers a sizeable economic geography, can achieve a significant modal shift away from more environmentally damaging forms of transport.

With many journeys taking place *within* sub-regions and not necessarily *between* them, much of the responsibility for reducing CO₂ emissions should clearly lie with sub-regional authorities. However, there is an additional role for TfN in facilitating and streamlining longer-distance journeys by public transport, and integrating ticketing and coordinating timetables so that connections between and within cities are seamless, and uptake is therefore improved.

Based on this research, we believe that TfN should aim to achieve the following environmental outcomes.

- To reduce CO₂ emissions by promoting sustainable transport solutions, including targeted investment in walking and cycling schemes and shifts away from private car use.
- To ensure that all modes of transport take further steps towards reducing their impact on the environment, including the electrification of key rail routes.

2.4 Summary: Transport for the North's vision and outcomes

This section has made a strong case for a TfN body that would deliver a series of benefits. This body has the potential to make a significant difference to the economy and quality of life in the north of England. Based on our research, we propose that the vision for a Transport for the North body should be:

to maximise the economic, social and environmental performance of the north of England by ensuring that it has the most effective forms of connectivity within and between its constituent parts, and extending out into national and international networks and markets.

This vision will be achieved through a clear focus on three overlapping outcomes.

Outcome 1: A more productive and competitive northern economy

- Transform northern city-regions into an interconnected ‘powerhouse’ through a multi-modal, integrated transport system for both personal travel and freight.
- Create a rebalanced economy with higher levels of investment in drivers of growth in the North, and greater tax receipts to the Exchequer as a consequence.
- Strengthen the northern economy by improving business connectivity, competitiveness and innovation, and by boosting employment, productivity and wages.
- Enhance connectivity to retail, leisure and tourism opportunities across the north of England.

Outcome 2: A more accessible and accountable transport network in the North

- Ensure that transport connections – particularly public transport – are available and accessible, at a fair and reasonable cost, to all who live in the north of England.
- Ensure that those who are often socially and/or geographically isolated, and those furthest from the labour market, are able to access transport connections.
- Give transport users – whether private individuals or business interests – a strong and meaningful voice on transport issues in the north of England, not least where public money is involved.
- Improve the customer experience by facilitating multi-modal travel through the use of the most advanced technologies available, including smart-ticketing and inclusive payment options.

Outcome 3: A more environmentally sustainable northern transport network

- Reduce CO₂ emissions by promoting sustainable transport solutions, including modal shift away from private car use.
- Ensure that all modes of transport take further steps towards reducing their impact on the environment.

The Transport for the North compact: transport’s double devolution deal

Despite the overarching nature of these outcomes, it is important to recognise that TfN will be most effective only at certain tasks. The regional tier is crucial, but is only one part of a transport policymaking framework. Nationally, there is a clear need for a comprehensive national transport policy framework (and ultimately a national spatial strategy). There are equally valid cases for regional transport bodies for the Midlands and the south of England outside of London, and if such bodies do develop they should complement one another and work together as closely as possible.

There are also functions which a regional tier has no business interfering with: the regulation of buses, for example, is clearly one instance in which the sub-regional tier is most appropriate (Rowney and Straw 2014), and TfN can and should not supersede or subsume the powers of sub-regional transport authorities. The best way to ensure the integration and complementarity of governance across the North is to establish a ‘Transport for the North Compact’ which seeks to align strategic planning processes both from the bottom up and from the top down (see chapter 3).

3. TIMETABLE AND BLUEPRINT FOR DEVELOPMENT

3.1 Timetable for development

In order to achieve the outcomes described in the previous chapter, below we set out a blueprint for slowly enhancing the capacity of the Transport for the North body, in three overlapping phases.

Phase 1 (2015–2017)

Building on the Transport for the North partnership and Rail North consortium.

- Between the One North proposals and the Rail North consortium, most if not all aspects of this stage are currently underway or in process.
- Central and local government commit to investing in a pipeline of strategic transport investments brought forward by the Transport for the North partnership, and work begins on key projects.
- Rail North develops a joint venture with DfT to co-manage Northern and TransPennine franchising arrangements.
- A strategy for multi-modal service integration is developed, including fare-setting, smart-ticketing and branding issues.
- The governance that would underpin these developments is already relatively well-developed; it is accountable and inclusive in the case of Rail North, and One North is still developing.

Phase 2 (2017–2020)

TfN becomes fully constituted as a single body covering all of the North, and its responsibilities grow.

- TfN brings forward more detailed infrastructure plans and a multi-modal approach to scheme appraisal.
- TfN co-manages the rail franchises, and takes on some of the responsibilities of Network Rail and Highways England; smart-ticketing becomes interoperable across all modes and geographies in the North.
- TfN works to embed collaboration and build capacity, and the One North and Rail North projects become part of the single TfN body, which has a governance structure similar to that of Rail North but with an executive transport commissioner and formal advisory boards for passengers and businesses.
- TfN works with city regions to take over station leases, and develops a rolling stock strategy.
- TfN develops logistics, airport and digital connectivity strategies.

Phase 3 (2020–2025)

TfN takes on even wider responsibilities.

- TfN finalises its governance arrangements following a review, and takes on responsibilities similar to those of other sub-national European transport bodies. It explores wider governance options, including an element of direct election.
- A northern transport capital budget is allocated independently to TfN by central government, set according to a transparent formula over a time period of at least five years, together with greater borrowing powers.

- TfN brings forward a long-term ‘northern infrastructure pipeline’, including the roll-out of multi-modal scheme appraisal and collaboration with constituent city-regions in major local capital investments.
- TfN develops an arms-length body to compete for rail franchises as a public sector competitor, and takes over station leases as agreed with city regions.
- Logistics, airport and digital connectivity strategies are rolled out.

Table 3.1

Summary of proposed timetable for the development of Transport for the North

<p>Phase 1 (2015–2017): Next steps</p> <ul style="list-style-type: none"> • Investment secured for One North strategic infrastructure priorities • Rail North tendering process proceeds • Planning and capacity-building for extended TfN powers • A strategy for multi-modal planning and smart-ticketing
<p>Phase 2 (2017–2020): TfN takes shape</p> <ul style="list-style-type: none"> • New, inclusive TfN structure formally constituted and first transport commissioner appointed • Future infrastructure plans developed • Co-management of rail franchises, and the adoption of some Highways England and Network Rail responsibilities • Smart-ticketing becomes inter-operable across modes and regions
<p>Phase 3 (2020–2025): TfN in the driver’s seat</p> <ul style="list-style-type: none"> • Governance review to include possibilities for an element of direct election • Earmarked transport budget devolved to TfN for a five-year period • TfN takes on wider responsibilities, including running rail franchise competitions, station management, and commissioning rolling stock • TfN develops an arms-length body to bid for rail franchises

3.2 A blueprint for development

Below we set out our blueprint for the development of Transport for the North in full, structured according to four mutually reinforcing ‘pillars’: strategic investment; voice, governance and accountability; integration and capacity-building; and enhancing local and international connectivity. Each of the four tables below summarises the objectives that we recommend should be met within each of these pillars, within the timeframe of the three phases described above; our recommendations are described in fuller detail in the text that follows.

Pillar 1: Strategic investment in road and rail priorities for passengers and freight

Phase 1: 2015–2017	Phase 2: 2017–2020	Phase 3: 2020–2025
TfN brings forward the One North investment plan with a pipeline of strategic road and rail projects for investment – including plans for freight and logistics.	Roll-out of One North investment priorities through the Highways Agency (HA) and Network Rail (NR) spending rounds and future investment plans.	The development of a ‘Northern Infrastructure Pipeline’ to 2050 as a clearly defined sub-set of the National Infrastructure Pipeline.
Existing central and local spending pots are committed to One North investment plans.	A small number of pipeline projects are managed ‘independently’ of HA/NR.	A northern transport capital budget is allocated independently to TfN by the Treasury/DfT. TfN gains the capacity to borrow and introduce tax increment financing (TIF) mechanisms to bring forward investment.
	TfN oversees rail franchising arrangements, following its ‘merger’ with Rail North (see below).	TfN takes on the tendering and managing of rail franchises as they are retendered, including taking on revenue risks and rewards.
	Network Rail North and Highways England North bodies are formed with a single joint overarching TfN/HA/NR board (in part to enable better integration and modal shift).	The development of an arm’s-length rail delivery body capable of competing to run northern rail franchises, if deemed appropriate.
	Both a rolling stock strategy and a body to manage growth and subsidy arrangements for northern rolling stock are developed.	The development of a northern rolling stock operating company, if deemed appropriate.
	City-regions take over station leases, including more big hubs.	TfN takes over station leases, including more big hubs, as agreed with city-regions.

Pillar 2: A strong and coherent voice

Phase 1: 2015–2017	Phase 2: 2017–2020	Phase 3: 2020–2025
<p>The TfN body, made up of the DfT working with the five city-regions plus Hull and the Humber, and with a wider reference group, develops a One North investment plan.</p>	<p>TfN takes responsibility for One North and Rail North; its governance structure builds upon Rail North arrangements, including:</p> <ul style="list-style-type: none"> • extending membership to all transport authorities in the North • a partner authority governance body • sub-groups on key transport modes, such as Rail North • any relevant delivery bodies (see above). 	<p>A governance review to consider:</p> <ul style="list-style-type: none"> • the progress and embedding of TfN governance structures • wider developments relating to devolution and the economic development agenda • the development of advisory board arrangements and opportunities for more formal accountability mechanisms.
<p>Rail North develops a joint venture with DfT to co-manage Northern and TransPennine franchising arrangements.</p>	<p>Advisory boards are also formed, representing:</p> <ul style="list-style-type: none"> • business interests – LEPs, chambers of commerce, trade unions • passengers, including Passenger Focus, and wider stakeholders • remote/rural areas (if not part of a formal governance body) • other agencies such as the Environment Agency, ports and airports. 	<p>Subject to the review above, the formation of a statutory body which has a clear relationship with combined authorities and/or other devolved governance arrangements that might exist at the time.</p>
<p>Public consultation and engagement over One North and Rail North developments.</p>	<p>The appointment of a transport commissioner for the North by the TfN governance body.</p>	
	<p>A TfN ‘compact’ with key partner bodies including the Highways Agency, Network Rail, the West and East Coast Mainlines, HS2, and LTAs, with a view to aligning strategic planning processes and standard-setting.</p>	

Pillar 3: Enhancing integration, building capacity		
Phase 1: 2015–2017	Phase 2: 2017–2020	Phase 3: 2020–2025
A multi-modal approach to strategic planning.	The development of a multi-modal approach to scheme appraisal in the North.	Roll-out of the multi-modal approach to scheme appraisal.
<p>A strategy for service integration, with a clear customer focus, is developed to include:</p> <ul style="list-style-type: none"> • priorities for integration between modes • a framework for smart, integrated ticketing and fare-setting, building on LTA developments • branding strategy agreed with LTAs. 	<p>An integrated approach to fare-setting and smart-ticketing is rolled out across the North, building upon LTA developments.</p>	<p>Continuing roll-out of integrated fare-setting and smart-ticketing.</p>
TfN partner authorities pool capacity to drive forward One North and Rail North plans.	<p>Pooled budget contributions from partner authorities, matched by DfT, to form a TfN secretariat, including:</p> <ul style="list-style-type: none"> • in-house and pooled capacity and capability to handle the full range of TfN's responsibilities • co-location of TfN secretariat with Highways Agency, Network Rail and DfT offices and staff. 	TfN staffing arrangements are reviewed alongside a governance review.
A secondment programme with LTAs, DfT, the Highways Agency and Network Rail.	Secondment programmes with Transport Scotland and TfL.	
Ongoing discussions with city-regions, Transport Scotland and the Welsh Assembly government.	Opportunities for collaboration with Transport Scotland, the Welsh Assembly government, and other regional structures (if developed) are investigated.	<p>Joint investment programmes on:</p> <ul style="list-style-type: none"> • specific schemes is set up with Transport Scotland and the Welsh Assembly government. • collaboration with city-regions on major local capital investments above a certain size.

Pillar 4: Enhancing local and international connectivity

Phase 1: 2015–2017	Phase 2: 2017–2020	Phase 3: 2020–2025
<p>TfN works with passenger transport executives (PTEs) to:</p> <ul style="list-style-type: none"> • integrate the passenger offer with regards to buses/trams/light rail/cycling • pool legal and institutional capacity in order to support quality contract schemes (QCS) and other developments for buses within all northern LTAs • investigate economies of scale through commissioning smart-ticketing in PTEs. 	<p>TfN oversees:</p> <ul style="list-style-type: none"> • the management and regulation of bus and coach services that run outside of city-hinterland travel-to-work patterns, and ensures that the needs of those who can't afford to travel by rail are met. • the coordination of international, intra-regional and intra-city timetables. 	<p>New cross-LTA boundary bus and coach services are developed and commissioned.</p>
<p>Logistics considerations continue to form part of TfN proposals.</p>	<p>A northern logistics strategy (focussed on freight, ports and airports) is developed.</p>	<p>A northern logistics strategy is rolled out.</p>
<p>Airports considerations continue to form part of TfN proposals.</p>	<p>An advisory panel is established to facilitate cooperation between northern airports where there is common interest to be pursued, and a northern airports strategy (with links to logistics strategy) is developed.</p>	<p>A northern airports strategy is rolled out.</p>
<p>A northern digital connectivity body and strategy (including a focus on digital utilisation) is developed.</p>	<p>The northern digital connectivity strategy is rolled out.</p>	<p>A digital investment fund is allocated directly to TfN and the northern digital connectivity body.</p>

Pillar 1: Strategic investment in road and rail priorities for passengers and freight

One of the most urgent objectives of a Transport for the North body is to ensure that there is strategic investment in road and rail priorities in the North – an issue which has been neglected for too long. This ‘pillar’ builds upon the current work being carried out in this regard, but shows how it could be extended in the coming decade.

One North: capital investment

In July 2014, the city-regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield published a ‘proposition’ document setting out plans for a more interconnected transport plan for the north of England. The proposition is in part a response to the challenge made by David Higgins, chair of HS2, to ensure that HS2 is integrated with the existing rail network, but it also seeks to strengthen the northern economy in its own right (One North 2014).

At their core, the One North plans boil down to a series of transport investments, including highways improvements, a new high-speed trans-Pennine rail route linking into HS2 (sometimes dubbed ‘HS3’), improvements to rail and port facilities to improve freight logistics, improved connections between South and West Yorkshire and between Newcastle and Darlington, and city-region rail connections into proposed HS2 hubs (ibid).

These plans have since garnered significant support from the chancellor and the DfT, and more detailed proposals are now being developed for publication ahead of the general election. The mooted package of transport investments is expected to amount to around £15 billion in the coming decade.

We have assumed that these One North plans will continue to progress during phase one of our blueprint, and that the necessary funding will be allocated in forthcoming spending rounds. Investment will then continue into phases two and three, and new schemes will be brought forward over time as TfN develops its capacity and gains greater autonomy over capital budgets (see below). It is proposed that TfN feeds transport projects into a ‘Northern Infrastructure Pipeline’ as part of the wider National Infrastructure Pipeline process, and into any National Infrastructure Commission that develops. It is not the intention of this paper to identify or debate the relative merits of specific schemes.

Rail franchising

In August 2014, a consortium of LTAs, LEPs and other business groups in the north of England and North Midlands, working under the leadership of the northern passenger transport executives (PTEs), published its *Long Term Rail Strategy for the North of England* (Rail North 2014). This group – Rail North – has also formed a partnership with the DfT to feed in to the tendering process and co-manage the franchises of the Northern and Trans-Pennine rail franchises, which are due for renewal by February 2016. The DfT is leading on the procurement process according to a common timetable.

We propose that once these franchises are let, Rail North and the existing Transport for the North bodies should become a single entity (see below), and that this new, merged body – called Transport for the North (TfN) – plays a growing role in managing the franchises, with DfT’s role diminishing over time. We propose that by the time the franchises are let again (around 2024–25) TfN should have primary control over the franchising process, and take on the main risks and rewards concerning revenues and subsidies.

We also believe that there is a case for TfN to establish an arm’s-length delivery body as a publicly owned company, much like East Coast Trains has been, which would be able to compete with the private sector in order to run rail franchises in its own right.

A northern transport capital budget

At present, strategic transport investment is generally allocated on a scheme-by-scheme basis, and is subject to scheme development, appraisal by DfT officials, and political decision-making. As evidence presented earlier in this report demonstrated, none of these factors has, until recently, been orientated particularly favourably towards schemes in the north of England.

We propose, therefore, that by 2025 a significant proportion of transport capital spending, which is currently held centrally by DfT and the Treasury, is devolved to TfN according to a clear and transparent formula and over an extended time period of five years or more – much in the same way as the Barnett formula operates for Scotland and Wales. TfN would then be able to undertake its own appraisal and decision-making processes (see below) and develop its own high-level output specification with reference to its railways, for example, as is currently the case in Scotland.

If TfN had its own capital budget under such an arrangement, it would have greater capacity to borrow and the freedom to introduce mechanisms such as tax increment finance schemes.

Network Rail North / Highways England North

Network Rail and Highways England both currently operate across the whole of England. This enables them to take a holistic, national view of rail and road strategy and planning, but it also shows its limitations when the bodies fail to focus sufficiently on the needs of particular regions. This is the reason why the Scottish government, for example, has much greater control over Network Rail's delivery programme in Scotland, and why Transport Scotland is responsible for its trunk road network.

For this reason, as TfN matures in phase three of our blueprint, we propose establishing two new bodies to sit within the English system. Network Rail North should be established as a separate division within Network Rail, responsible for delivering a high-level output specification determined by the TfN leaders' committee and transport commissioner (see below). Highways England North should also be created as a separate directorate of the new Highways England, in order to facilitate the prioritisation and implementation of major road schemes identified by TfN.

Placing both of these new bodies under the auspices of TfN will enable far greater integration of functions, and for holistic transport policy to be actively pursued, providing opportunities to drive modal shift.

Stations and rolling stock

The recent Greater Manchester devolution agreement recommends urgently exploring the opportunities for devolving control over the city-region's 96 railway stations to the mayor and combined authority. This includes both major hubs and smaller stations, to enable cross-subsidisation to work effectively. We propose that other city-region combined authorities are offered similar arrangements, and that by 2020 TfN might take a wider role in coordination, or indeed leasing and management, in the railways.

Most people agree that the rolling stock currently operating on the northern network is inadequate and urgently needs upgrading. For this reason we propose that TfN develops a rolling stock strategy to phase out the worst stock and bring in new investment. It should also set up an arm's-length body to manage growth and investment, and (following further investigation of the business case) consider developing a northern rolling stock operating company of its own.

Pillar 2: A strong and coherent voice

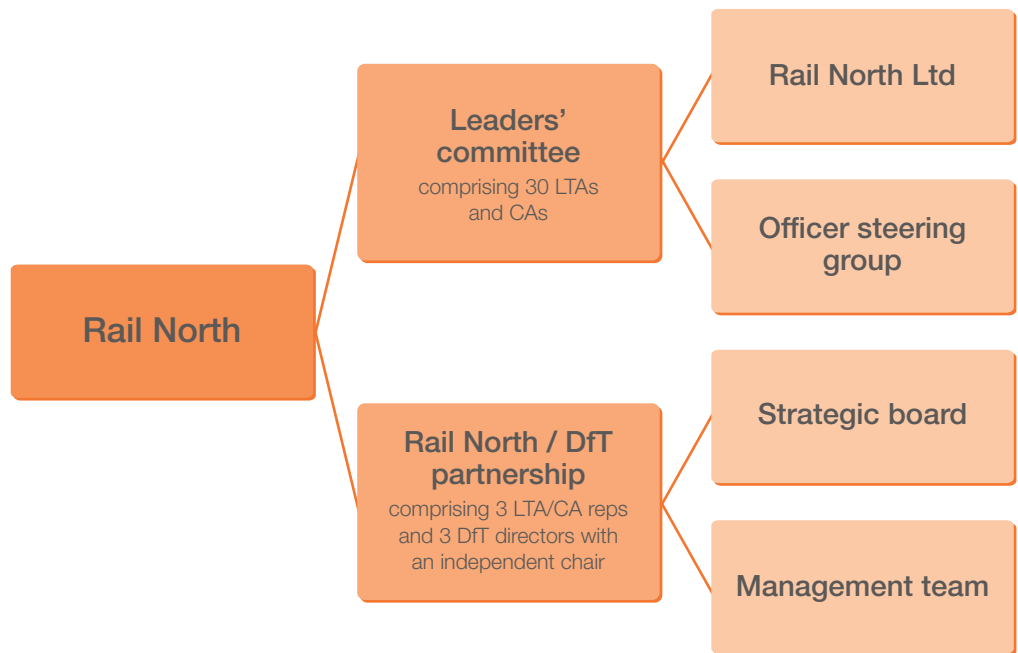
The second pillar of the development of TfN concerns the way in which it can drive and coordinate strategic activity across the north of England, and play into national and international debates. Alongside this, it is vital that TfN has the right levels of governance and accountability for the powers and responsibilities that we propose it exercises.

An overarching body and transport commissioner for the North

As it stands, Transport for the North is an unconstituted partnership between the five city-regions (Leeds, Liverpool, Manchester, Newcastle and Sheffield) and Hull and the Humber. This pragmatic arrangement is suitable for bringing together an overall investment plan, but not for long-term fiscal responsibilities or the kind of inclusive partnership required to address wider transport needs across the North and outside the city-regions.

Rail North, on the other hand, is formally constituted and has a governance structure that is broadly inclusive and representative. However, the remit of Rail North is largely confined to the arrangements associated with the two franchises.

Figure 3.1
An organogram of Rail North



We therefore propose a 'merger' of the two bodies, with Transport for the North retaining its remit for strategic planning across transport modes and across the whole of the North, but taking on the governance and accountability arrangements established by Rail North (a leaders' committee and officer steering group), such that it becomes a governance body made up of partner authorities: the Transport for the North leaders' committee.

Rail North would then become a subsidiary group of TfN, with particular responsibilities for rail, while other sub-groups could be established for other modes or themes such as highways, airports, ports, logistics and so on – although bureaucracy and sub-committees should be kept to a minimum.

In the absence of a pan-northern elected figure or directly accountable body, it is proposed that the TfN leaders' committee appoint a transport commissioner for the North. This would not be an elected role, but the commissioner would have executive functions and act as a clear figurehead for transport in the North.

Advisory boards

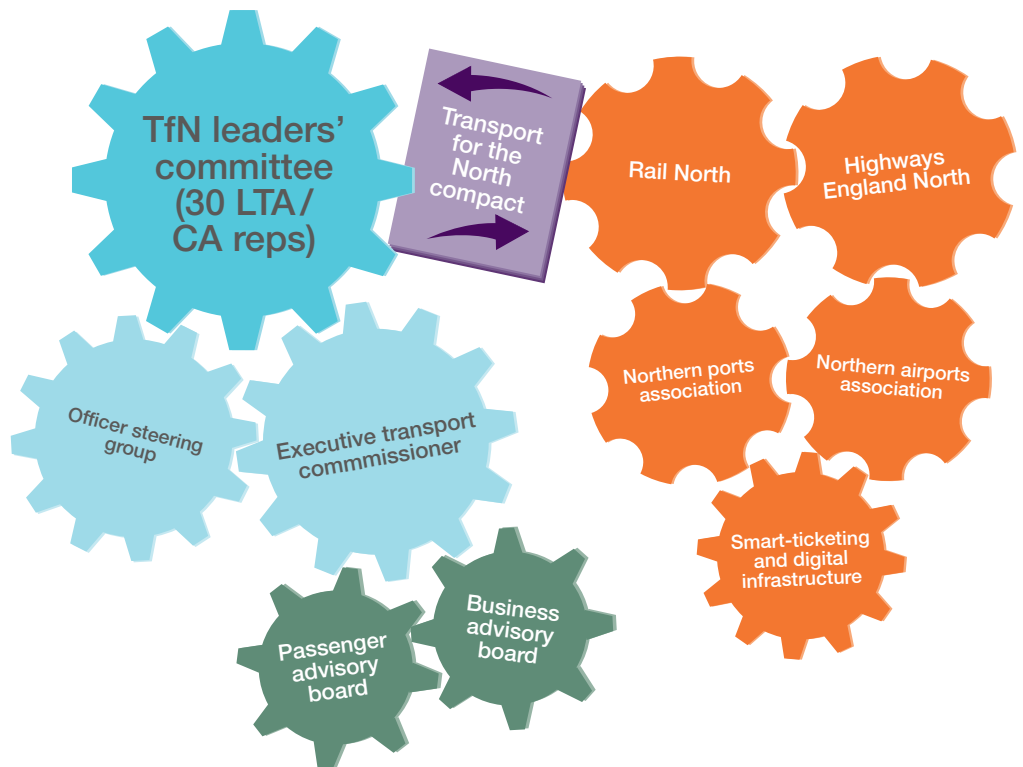
It is important that TfN is subject to much greater scrutiny and accountability than the various current local transport bodies are; we have seen the benefits of this in the case of TfL. For this reason we propose the formation of four advisory boards representing different interest groups.

- **Business interests**, including LEPs, chambers of commerce, other trade associations and trade unions.
- **Passengers and the general public**, including lobby groups such as Passenger Focus, but also a forum for direct engagement with passengers.
- **Remote and rural areas** – this will be particularly important if these areas are not directly included within whatever governance arrangements are agreed.
- **Other transport-related agencies** that may not be directly included in the TfN governance structure – for example, the Environment Agency, ports and airports.

The Transport for the North compact

One of the most important functions of TfN will be to ensure that the range of different transport strategies that are developed by different agencies and at different spatial levels are properly integrated and remain stable over the long term. We therefore propose that the range of different agencies responsible for strategic planning – including Highways England, Network Rail and rail operators – all sign up to a shared 'compact'. It is particularly important that there is vertical integration between the plans of LTAs and TfN.

Figure 3.2
An organogram of Transport for the North under our proposals



Governance review

We propose that all TfN governance relationships are reviewed after five years, and modifications made to the structure as appropriate. Any revisions to the structure should also take into account any further developments concerning combined authorities, LEPs and other sub-national arrangements.

Pillar 3: Enhancing integration, building capacity

Our third pillar emphasises the importance of developing an integrated transport system. It also looks at the opportunities for building the capacity of a Transport for the North body.

Smart-ticketing and service integration

Integrated transport authorities are already working on improving service integration in a variety of different ways, including local initiatives to introduce smart-ticketing systems such as Greater Manchester’s ‘Get me there’ system and real-time information systems. These provide an important opportunity to provide a genuine multi-modal, customer-focussed approach to travel in the North, but require significant ‘digital infrastructure’ investment.

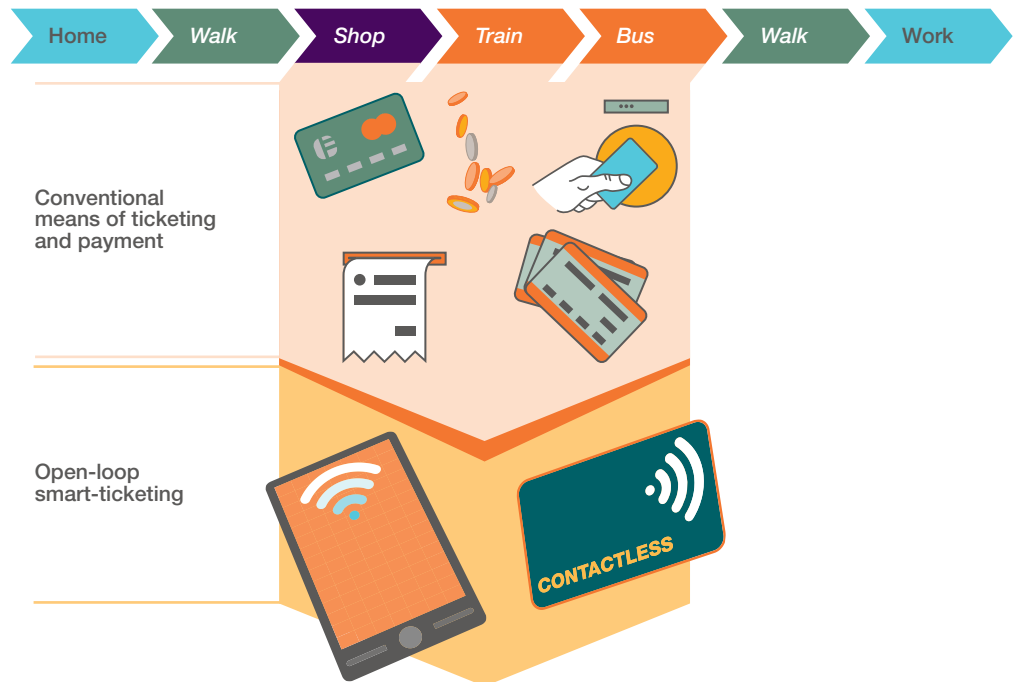
Table 3.2

The benefits of open-loop smart-ticketing

For customers	For operators	For policymakers
Easier transactions & boarding	Increased patronage & revenue	Better data on network usage
Best most flexible fares	Lower operating costs e.g. card issuance	More integrated transport planning
Easier to manage services online	More flexible pricing strategies	Concessionary fare flexibility
Greater fraud protection	Real-time information	Future-proofed technology
Use across parking, tolls, retail etc.	Reduced fraud	

Figure 3.3

The difference between conventional ticketing and open-loop smart-ticketing



The next stage in such developments is to introduce integrated smart-ticketing between LTA areas. This will require a number of factors to be aligned, which could be best done under the auspices of TfN. Two factors are critical in this regard.

- The adoption of shared, future-proofed technologies such as open-loop ticketing systems and the ability to use contactless payment cards¹⁰ and mobile phone payment systems.
- The development of an integrated, clear and consistent approach to fare-setting in order to maximise benefits to transport users.

Alongside smart-ticketing, decisions will need to be taken concerning branding. It is proposed that, in the main, local transport authorities retain and develop their own brands that resonate with their local populations, but that a TfN brand is developed which can be used alongside local brands.

Multi-modal appraisal systems

Central government currently has a sophisticated process of transport appraisal, although it is frequently criticised for being overly dependent on ‘user benefits’ and too narrowly focussed on particular modes. Alternative forms of transport appraisal are widely used in other countries – indeed, some LTAs have their own approaches which tend to place more emphasis on the multi-modal approach, or on capturing the wider economic benefits that result (see Volterra 2014).

Capacity-building

It would be possible to build the capacity of a Transport for the North body without excessive cost. We propose that in the short-term, TfN bodies continue to pool capacity in a virtual team working across city-regions. Over time, secondments should be made from the LTAs and from the DfT, Highways England and Network Rail, in order to form a TfN secretariat, co-located in the offices of a relevant body in order to encourage wider integration. It is proposed that partner authorities should make financial contributions into a pooled budget which can be matched by the DfT, in order to resource the TfN secretariat. It is also proposed that secondment programmes are developed with Transport Scotland and TfL in order to draw on wider experience and expertise.

Joint investment schemes

City-regions should be encouraged to collaborate on major local capital investments above a certain size, and TfN should develop a joint investment programme with Transport Scotland and the Welsh Assembly government on specific schemes.

Pillar 4: Enhancing local and international connectivity

Transport for the North will be responsible for strategic transport planning across the north of England, but a well-integrated transport system requires strong linkages ‘downwards’ into local transport systems, and ‘upwards’ to enhance international connectivity.

Buses, trams, light rail and cycling

It is vital that TfN plans are properly integrated with local transport plans, particularly bus, tram, light rail and cycling schemes. This would initially be supported by integrated approaches to ticketing and fare-setting, and underpinned by the TfN compact (see above).

In the longer term, however, we propose that while intra-city buses are devolved to the PTE level, TfN manages and regulates long-distance bus and coach services which extend beyond city-hinterland economic geographies. By 2020, we might expect TfN to have developed and commissioned new ‘inter-city’ bus and coach routes.

¹⁰ Spending on contactless card payment systems trebled in the year to February 2015. Contactless systems were introduced on TfL in September 2014, and in the subsequent five-month period accounted for 41 million passenger journeys. http://www.theukcardsassociation.org.uk/news/contactless_surgeJan2015.asp

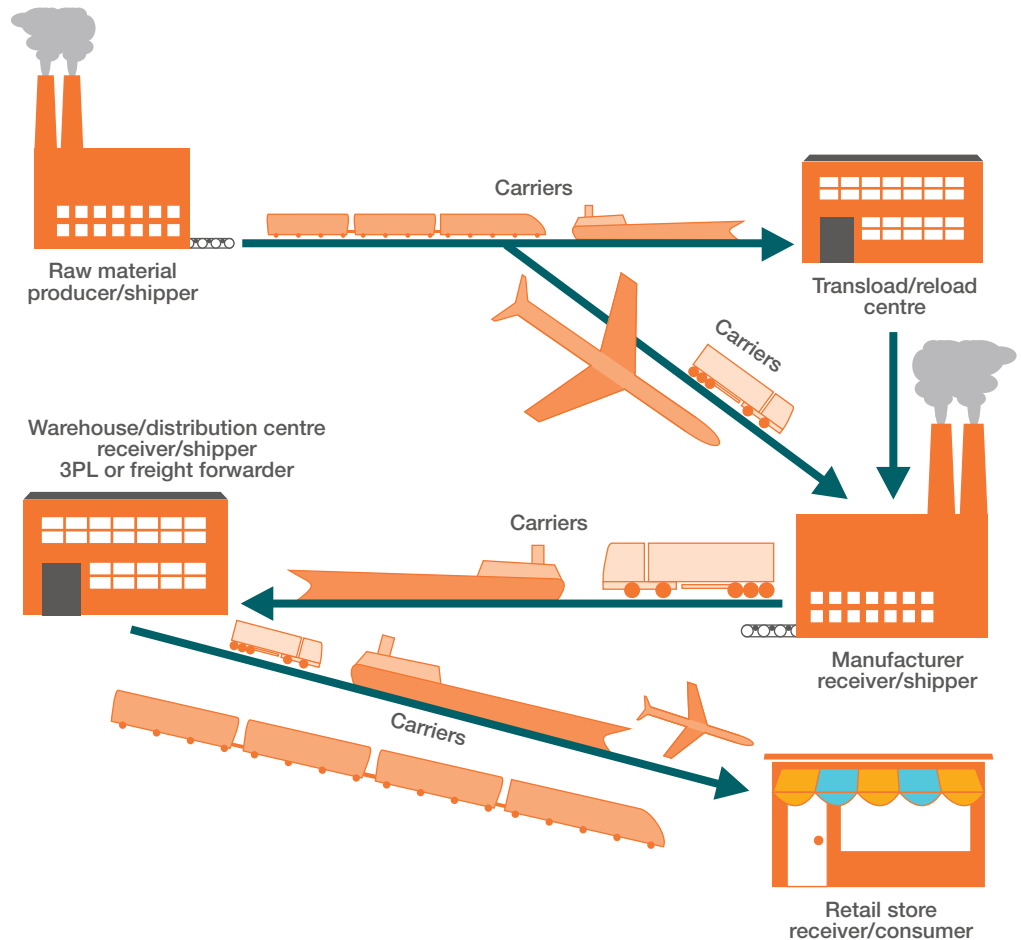
Ports, logistics and airports

Logistics are a critical aspect of the northern transport system, and the role of ports and their relationship with road and rail freight connections will be a key aspect of TfN's strategic planning. For this reason it is proposed that TfN be made responsible for developing a northern logistics strategy which sets out a clear vision for freight and logistics in the North and the necessary investment to support it.

Similarly, TfN should convene a body charged with enabling greater coordination between the North's airports. Although a level of competition between regional airports is healthy, TfN should work with northern airports to develop a high-level strategy to ensure that international connectivity is maximised for business, passengers and freight.

Figure 3.4

An illustrative multimodal supply chain of freight shipment



Source: recreated from WSA 2007; reproduced from Cox et al 2013: 56

Digital connectivity

It is beyond the scope of this report to examine the strengths and weaknesses of digital infrastructure and utilisation in the north of England. However, digital connectivity is an important component of any programme to enhance agglomeration and economic growth. For this reason, we propose that a special body, working within the TfN framework, is formed to develop a digital connectivity strategy, including a focus on digital utilisation. In the longer term, we propose that a digital investment fund is devolved directly from government to TfN and its specialised digital body.

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