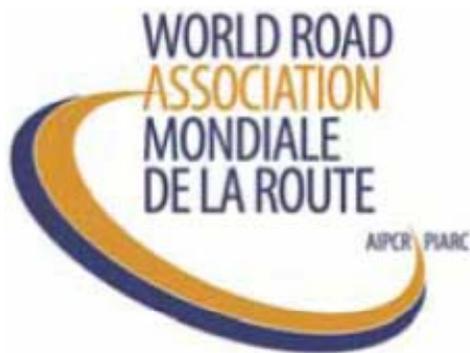


# World Road Association (UK) 2012 Congress Maximising growth through transport

WITH THANKS TO THE CONGRESS SPONSORS:





Frances Duffy

**Policy drivers for financing  
infrastructure in Wales**

WITH THANKS TO THE CONGRESS SPONSORS:



Welsh Government



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Welsh Government

[www.cymru.gov.uk](http://www.cymru.gov.uk)

# Policy Drivers for Financing Infrastructure in Wales

[frances.duffy@wales.gsi.gov.uk](mailto:frances.duffy@wales.gsi.gov.uk)

# Programme for Government



The Programme for Government sets out the Welsh Government's key priorities for this Assembly

Transport Infrastructure has a key role to play in enabling key outcomes set out in the Programme for Government

An effective transport system is a prerequisite for sustained economic growth and accessible, affordable transport options should play an important role in tackling poverty

## Delivering results

Our challenge over the next five years is to improve what and how we deliver for the people of Wales

Delivering Results means making a clear, real and positive difference to the people of Wales, and ultimately meeting the aims set out in the Programme for Government

To help us achieve this, we have set out five simple principles that are embedded into our policy development cycle and help to ensure that we meet these aims

**Fit** with the Government's programme and Ministerial priorities

**Impact** on the people of Wales and the supporting evidence

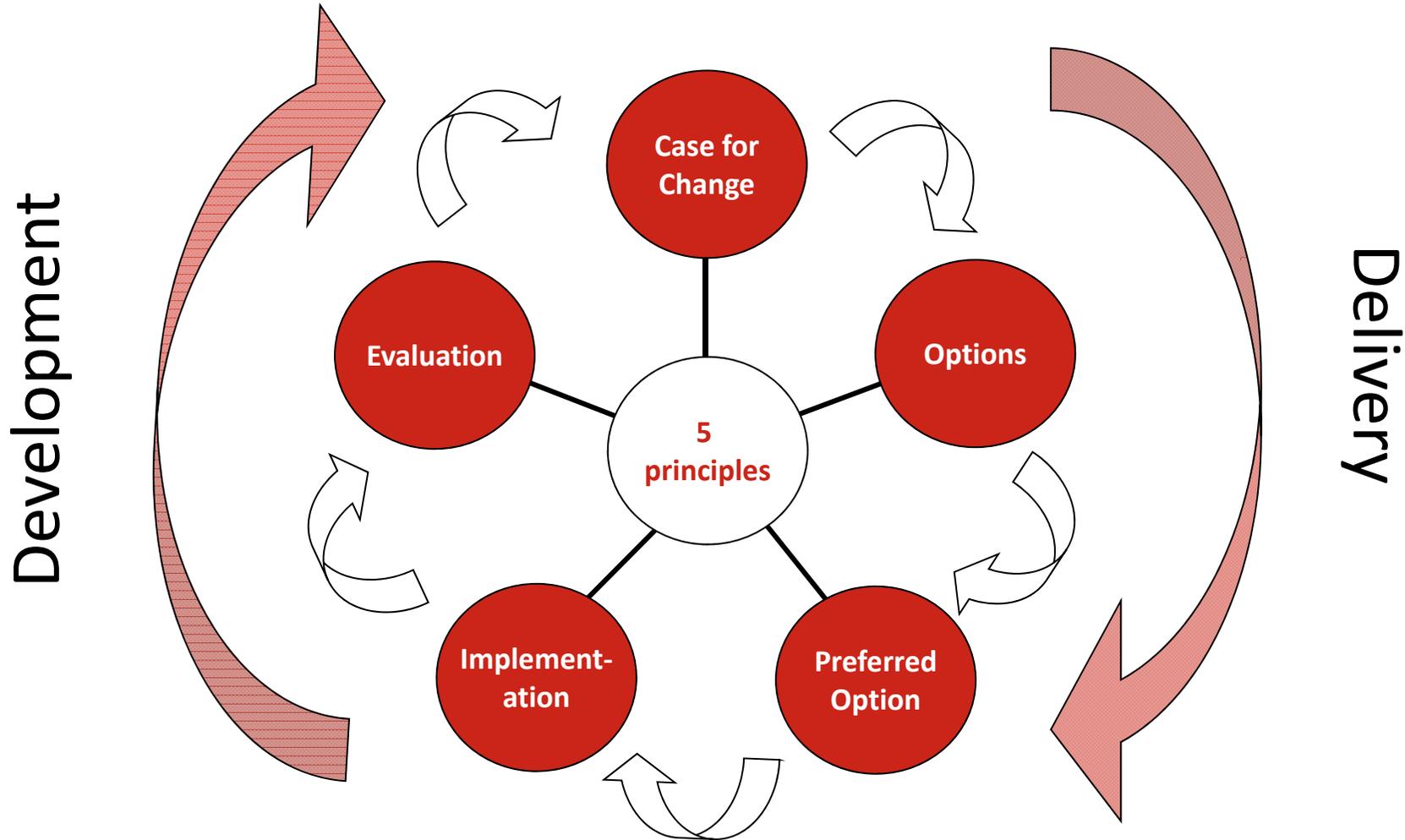
**Cost** of our investment

**Mechanisms** available to incentivise change

**Management** of the work

# Delivering Results

The five principles are considered at every stage of the policy cycle





## Programme for Government

Transport enables Programme for Government objectives:

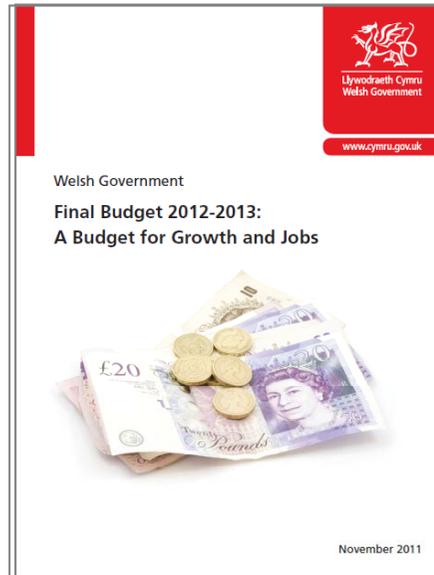
- Improving transport connectivity can enable people to access the things they need, such as jobs, health care, education, childcare, friends and family
- Getting the approach to transport infrastructure right can help us remove a key barrier to employment faced by many people and can support businesses to grow by enabling access for staff and customers and the goods and services businesses need



# Welsh Government Transport

- **Motorway & trunk roads (£12bn asset)**
  - Duty to maintain and powers to improve
- **Local Roads**
  - No duties, but powers to grant aid
- **Rail**
  - Arriva franchise co-signatory (specify/fund service, set regulated fares)
  - Powers to fund improvements
- **Buses**
  - Duty to fund concessionary fares
  - Powers to provide grants / subsidies
- **Walking and cycling**
  - Powers to grant aid infrastructure / schemes
- **Integrated transport**
  - Powers to grant aid infrastructure improvements
- **Air**
  - Some powers to promote routes (public service obligations, marketing)
- **Ports**
  - Surface access improvements

# Funding reduced and budgets must be prioritised



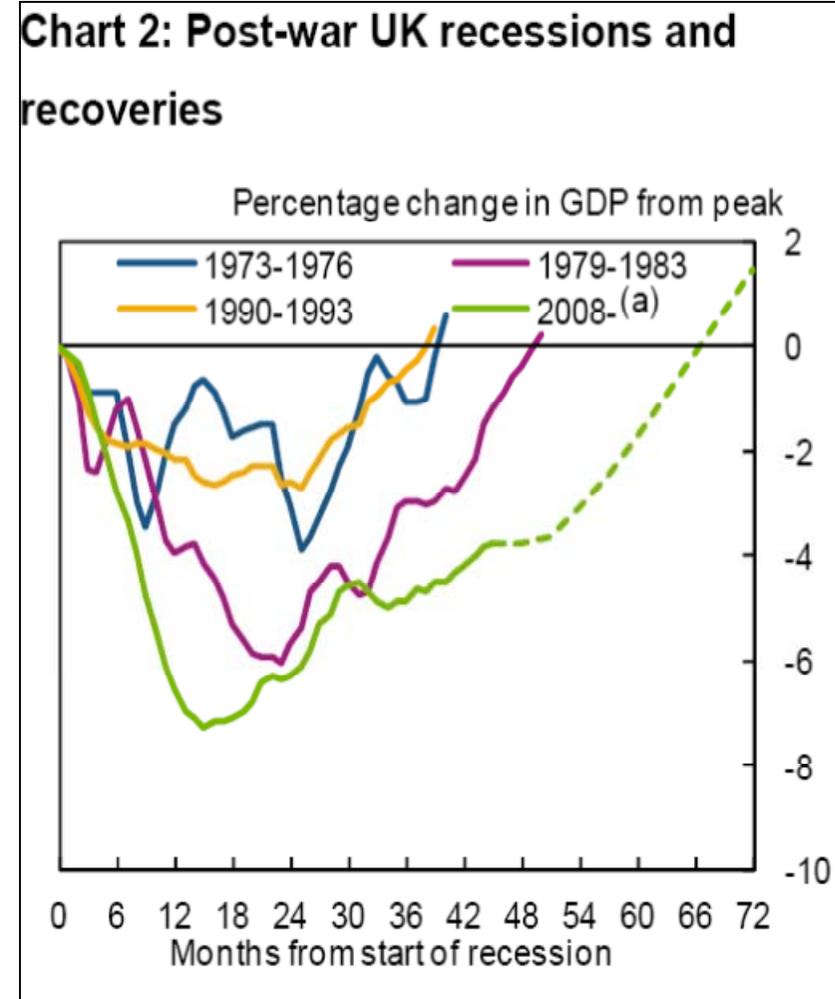
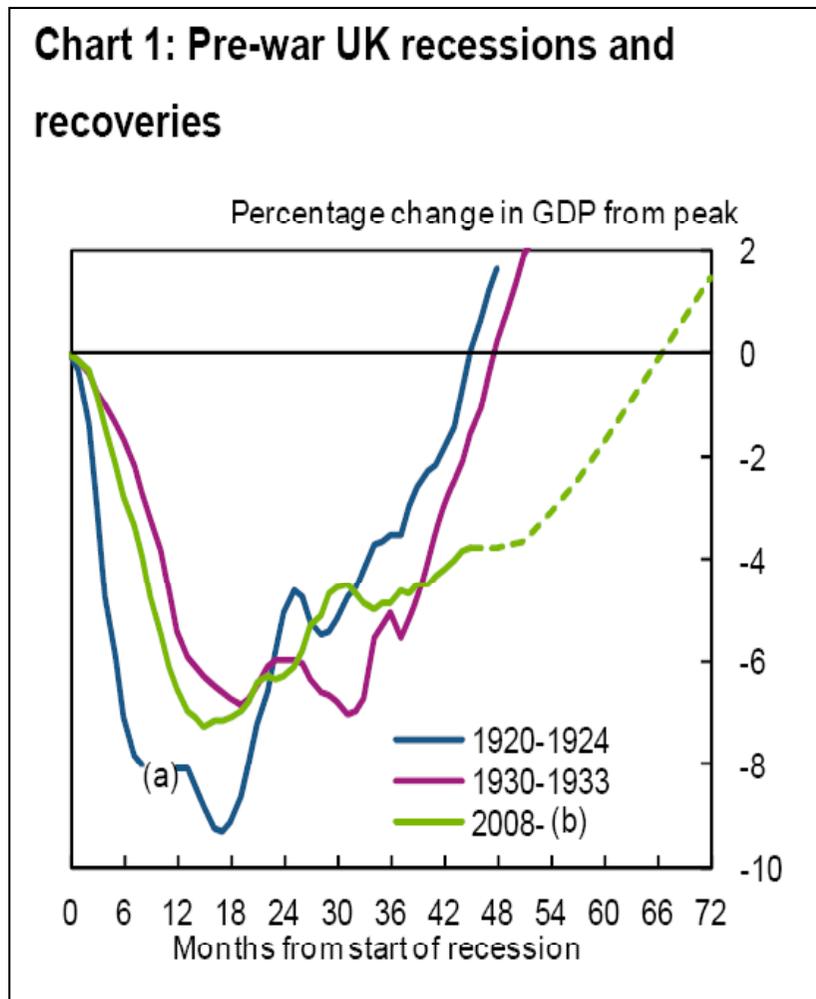
Substantial investment in transport

That investment must be effective as possible

Not just deliver transport improvement but wider benefits in terms of jobs, business opportunities and tackle poverty

# Challenging financial context

The financial crisis led to a prolonged recession, and a historically slow rate of recovery

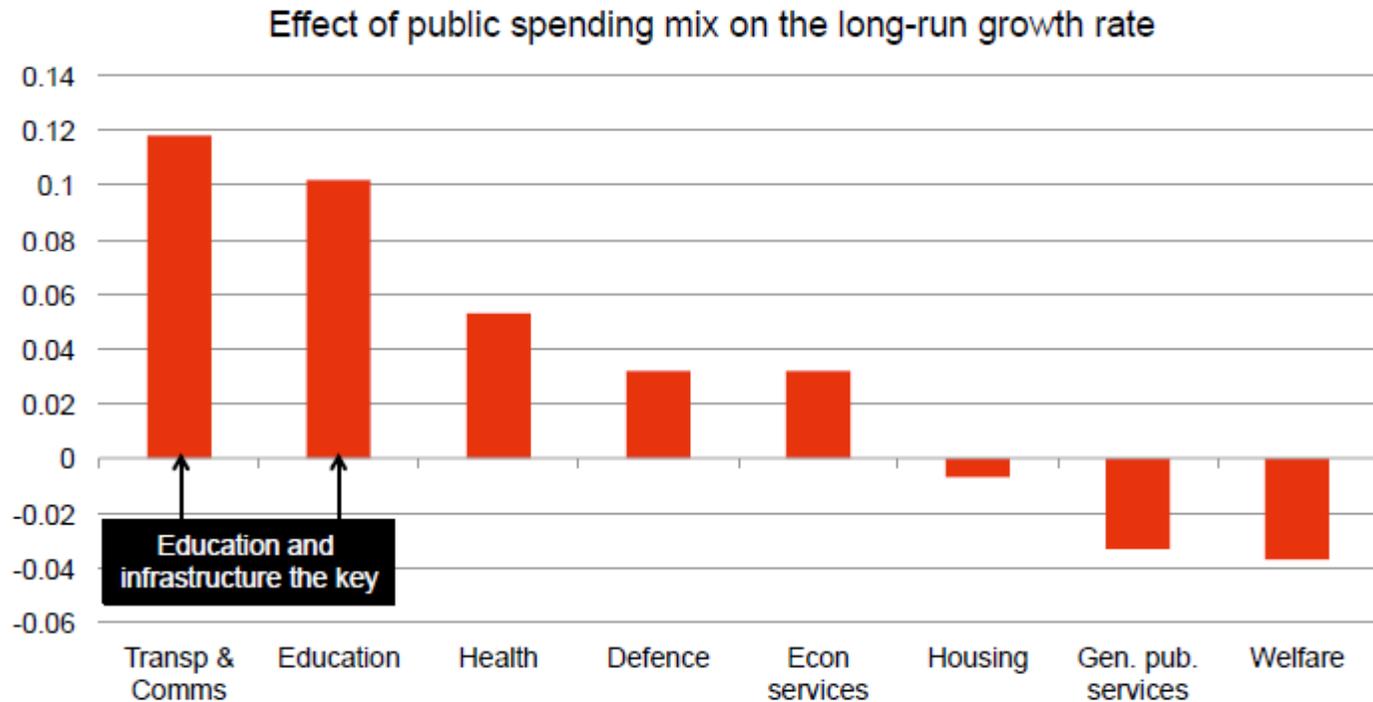


Source: Bank of England, Martin Weale (MPC) Speech, 25 November 2011

## LONG RUN: Evidence that allocation of public spending matters for growth (but relationships differ across regions):

Reallocating public spending towards infrastructure and education has a large and highly statistically significant effect on the long-run growth rate.

*Reorient spending...*



Source: Gemmell, N., Kneller, R. and I. Sanz, "The Composition of Government Expenditure and Economic Growth: Some Evidence from OECD Countries", *European Economy* (2008).

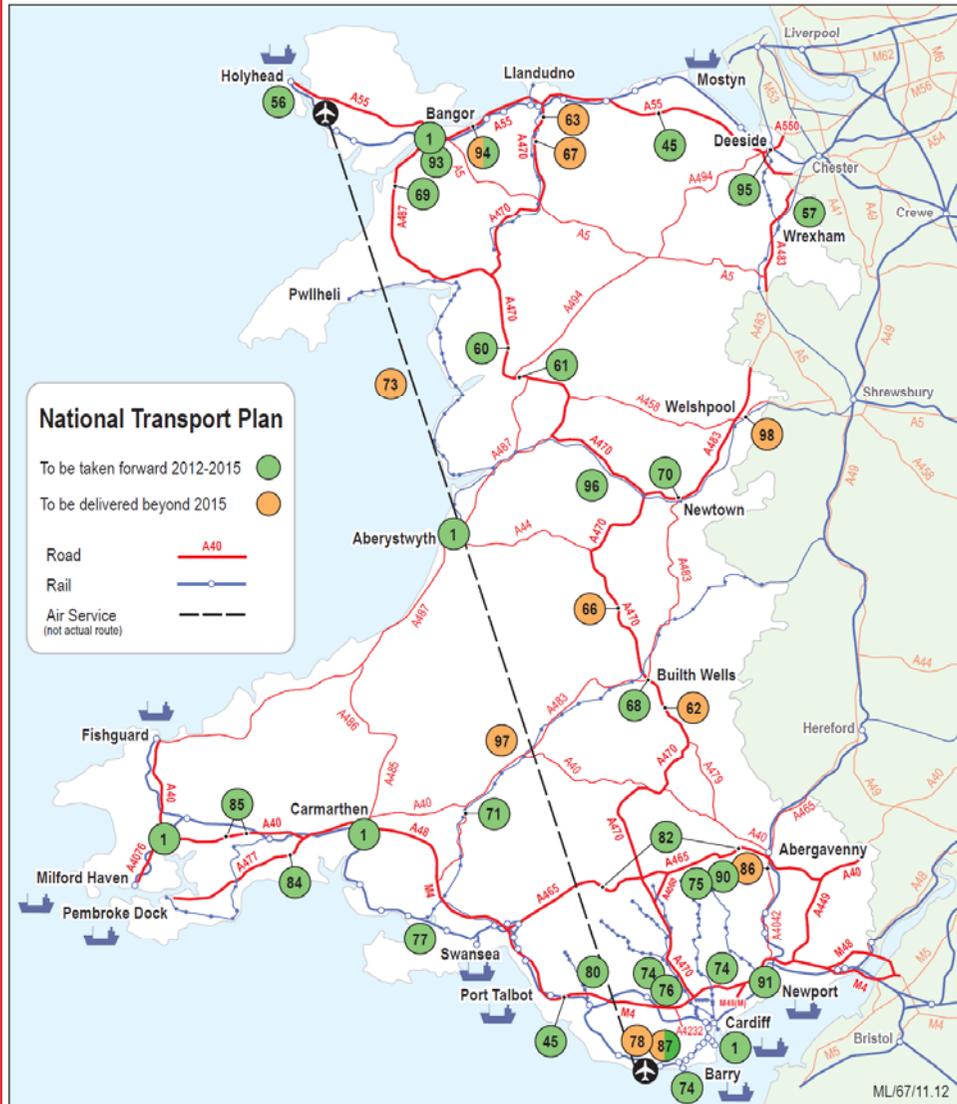


## Challenging Financial Context

Welsh Government's capital spending power required to deliver transport infrastructure reducing sharply

By 2014/15 capital budget will be 40% lower in real terms than 2010-11 and 50% lower than its peak in 2009-10

New approach focusing on priorities, capitalising on innovative funding models and driving efficiencies in the delivery of infrastructure required – Wales Infrastructure Investment Plan



# National Transport Plan

Bringing forward investment that will make the transport system in Wales work better to help tackle poverty, increase wellbeing and assist economic growth.

## To be taken forward 2012-2015

- (Map ref: 1) Sustainable travel centres.
- (Map ref: 45) Continue our pilot traffic officer service, on the A55 and M4.
- (Map ref: 56) Y Gerallt Gymro Holyhead to Cardiff fast train service, and programme of continued improvements.
- (Map ref: 57) Enhancing capacity of the section of rail between Shrewsbury and Chester, via Wrexham.
- (Map ref: 60) A470 at Gelligemlyn.
- (Map ref: 61) A470 from Maes yr Helmau to Cross Foxes.
- (Map ref: 68) A470 and A483 through Builth Wells.
- (Map ref: 69) A487 from Caernarfon to Bontnewydd.
- (Map ref: 70) A483 in Newtown.
- (Map ref: 71) Develop the proposals identified for the A483 at Llandello.
- (Map ref: 74) Additional platforms at Pontypridd, Caerphilly and Barry.
- (Map ref: 75) Additional carriages to peak time services and new station at Energlyn.
- (Map ref: 76) Plans to introduce additional services on the lines from Pontypridd and Caerphilly to Cardiff.
- (Map ref: 77) Re-double railway line between Gowerton and Loughor.
- (Map ref: 80) Extend the half-hourly service from Maesteg to Cardiff and Brackla Station.
- (Map ref: 82) Complete the dualling of the A465 Heads of the Valleys road from Brynmawr to Tredegar and start from Gilwen to Brynmawr (by 2014), and complete the remaining sections from Dowlais Top to the A470, and from the A470 to Hirwaun (by 2020).
- (Map ref: 84) A477 from St Clears to Red Roses.
- (Map ref: 85) A40 from Llanddewi Velfry to Penblewin.
- (Map ref: 87) Safety improvements to A4226 Five Mile Lane.
- (Map ref: 90) Appraise feasibility of new station in Ebbw Vale town.
- (Map ref: 91) Package of measures to deal with resilience, safety and reliability issues on M4 around Newport.
- (Map ref: 93) Increase capacity of A55 across the Menai, including capacity for walkers and cyclists.
- (Map ref: 94) Address network issues on A55 roundabouts at Junctions 15 and 16.
- (Map ref: 95) Address transport issues on Wrexham, Chester, Deeside triangle.
- (Map ref: 96) Daytime hourly services between Aberystwyth and Shrewsbury.

## To be delivered beyond 2015

- (Map ref: 62) A470 at Alltawr.
- (Map ref: 63) A470 from Pentrefelin to Bodnant West Lodge.
- (Map ref: 66) A470 at Rhayader.
- (Map ref: 67) A470 at Plas Maenan and Bodhyfryd.
- (Map ref: 73) Increase the capacity of the intra-Wales air service.
- (Map ref: 78) Additional half-hourly services on Vale of Glamorgan line, following Network Rail's Cardiff Area Resignalling scheme.
- (Map ref: 86) Route study on A4042 between Pontypool and Abergavenny.
- (Map ref: 87) Express bus service between Cardiff and Cardiff Airport.
- (Map ref: 94) Address network issues on A55 from Abergwynnregyn to Tai'r Meibion.
- (Map ref: 97) Re-evaluate business case for introducing additional services on Heart of Wales line.
- (Map ref: 98) Deliver interventions identified for the A458 from Buttington Cross to Wollaston Cross (working with DfT).

- Map reference numbers correspond to 2010 National Transport Plan reference numbers.
- Interventions not listed on this map have either been completed, or are ongoing policy interventions that do not have a geographical reference.

# Wales Infrastructure Investment Plan



Plan sets out:

- Priorities for £15bn infrastructure investment to stimulate the economy and support jobs
- A project pipeline for the next three years and providing a 'direction of travel' for the longer-term
- Funding approach for infrastructure investment through more efficient use of existing resources and exploring and implementing innovative finance approaches



## **Innovative Funding Models – Local Government Borrowing Initiative**

WG provides LAs with additional revenue funding to enable prudential borrowing

£4M/ annum from 2012/13 for 20yrs, rising to £8M/ annum from 2013/14 and £12M/ annum from 2014/15

Allowing approximately £180M of additional capital investment over the three year period 2012-15 in the condition or functionality of the local highway infrastructure asset

Assists LAs develop sustainable investment strategy for this key asset which supports economic growth

Creates/ sustains local jobs



## **More Efficient Use of Resources – Simpson Compact**

Compact for Change between WG and Welsh Local Government signed 5<sup>th</sup> December 2011

Promotes collaboration between LAs and WG and LAs in the delivery of services and associated infrastructure

Transport Commitments:

To review and improve the planning, management and delivery of the operation, maintenance and improvement of the strategic highway network

To develop robust collaborative procurement strategies

To review and improve funding in support of bus services

To deliver ‘quick wins’ from existing collaborative projects

# Promoting Growth in All Regions

## Lessons from across the OECD

Source: OECD March 2012

Human capital (particularly low skills) important everywhere:

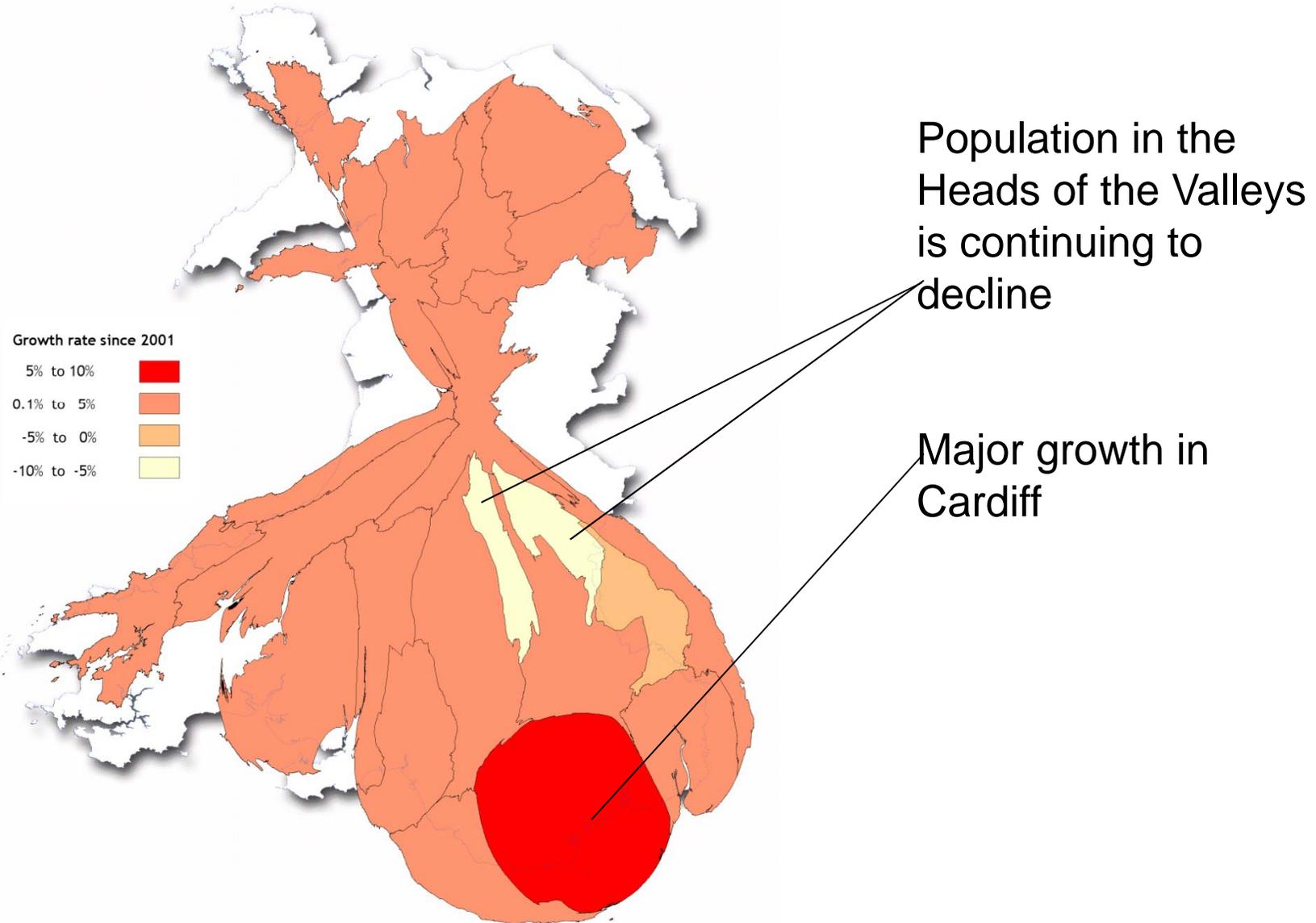
*For all types of regions, human capital appears to be critical, though its relative importance varies according to the level of development. Overall, reducing the proportion of people in a region with very low skills seems to matter more than increasing the share with very high skill levels.*

Infrastructure important for lagging regions (but less so at the “frontier”):

*In sum, the differences between fast- and slow-growing regions vary significantly across levels of development. Among the less developed regions, those growing faster than the national average appear to have more infrastructure, better human capital and higher density of activity relative to the under-performing group. As regions move into higher levels of development, infrastructure investment becomes relatively more significant, as does labour-force activation.*

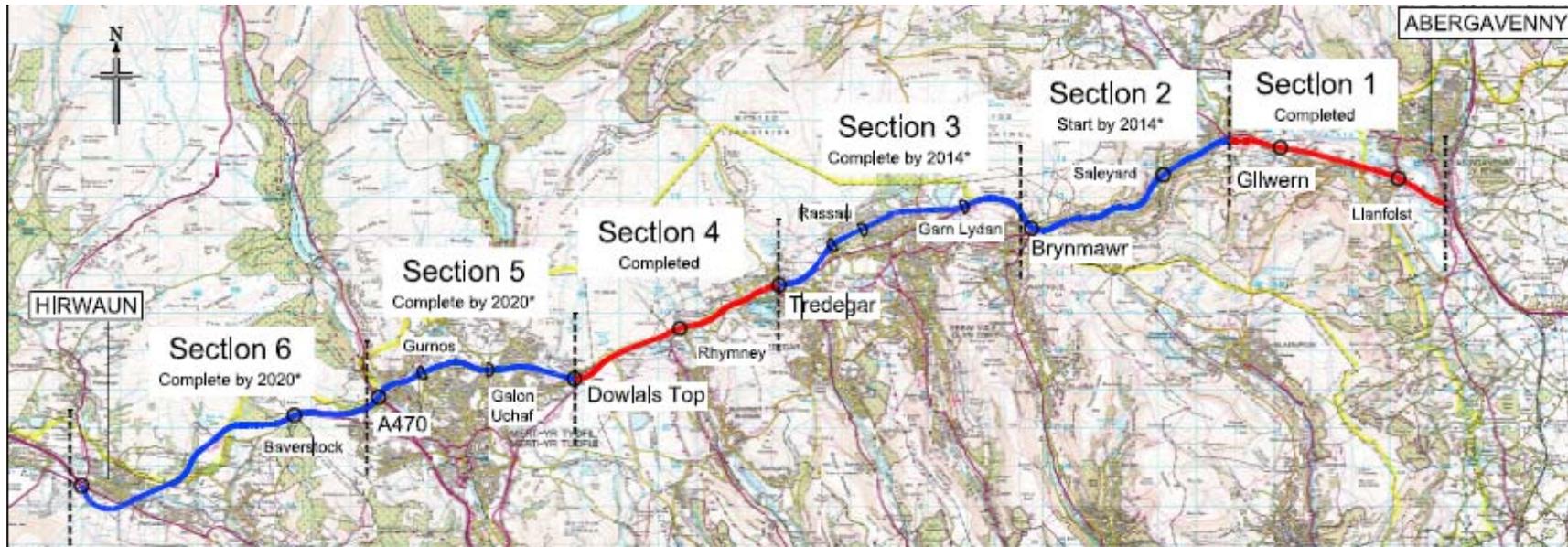
*In the most advanced regions, infrastructure density is not a key factor. That is what one would expect if infrastructure investment exhibited diminishing returns. Advanced regions would tend, on the whole, to have good connective infrastructure already.*

Welsh Local Authorities by Population Size and Growth Rate, All Ages  
(2009 Mid Year Population Estimates)



Source: WG Cartographics

# A465 Dualling – Abergavenny to Hirwaun



- Section 1: Abergavenny – Gilwern Completed 2008**
- Section 2: Gilwern – Brynmawr Due to start on site 2014**
- Section 3: Brynmawr – Tredegar Start on site by end 2012**
- Section 4: Tredegar – Dowlais Top Completed 2004**
- Section 5: Dowlais Top – A470 Completion before 2020**
- Section 6: A470 – Hirwaun Completion before 2020**

# Valley Lines Electrification



Number: WG14775

Welsh Government

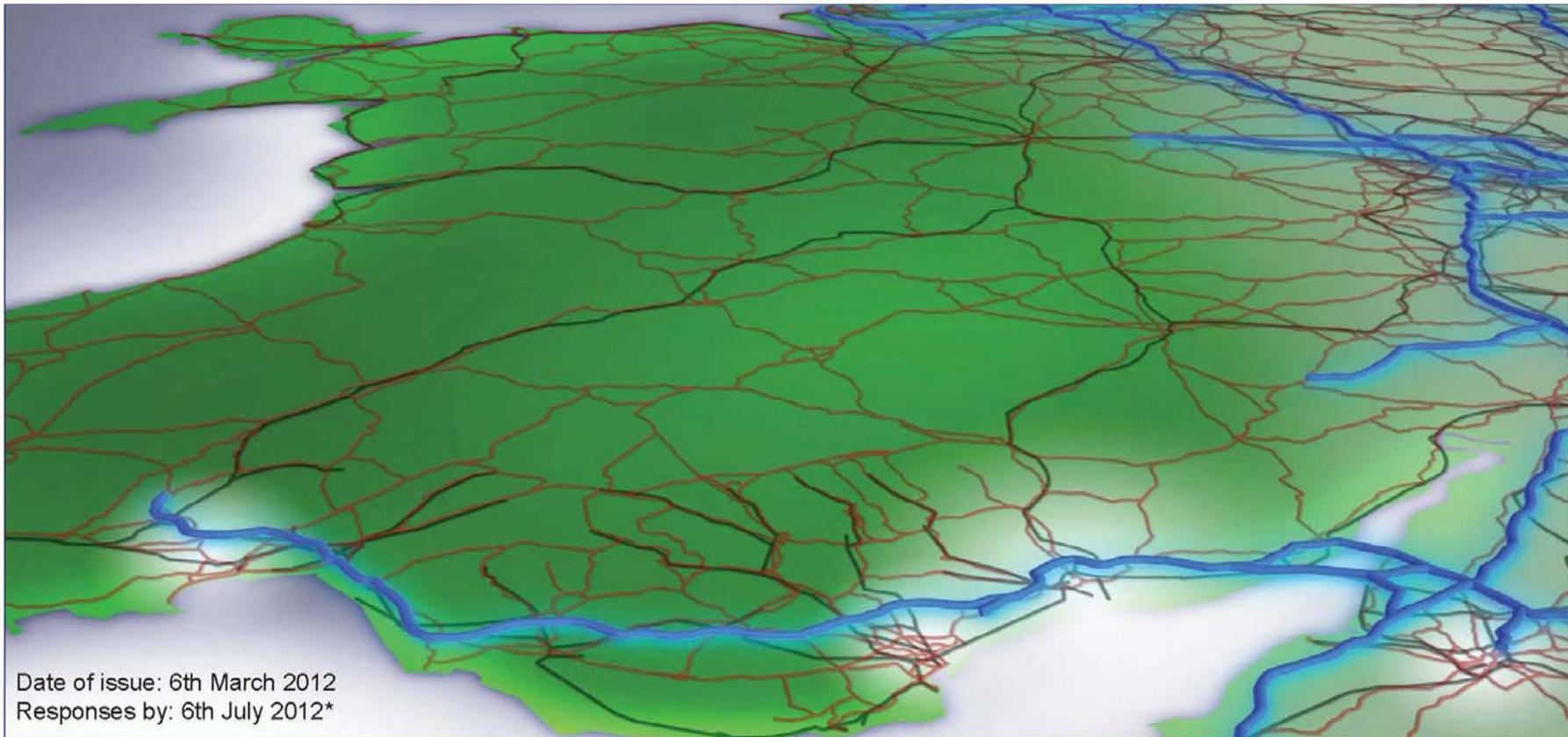
## Consultation Document

### M4 Corridor Enhancement Measures Magor to Castleton (M4 CEM) Easing the Flow



Llywodraeth Cymru  
Welsh Government

[www.cymru.gov.uk](http://www.cymru.gov.uk)



Date of issue: 6th March 2012  
Responses by: 6th July 2012\*

Revision B\* - Date for responses now extended to 6th July 2012



## More than infrastructure

Successful transport policy is about more than building new infrastructure. We need to:

- Get the most out of our existing transport system
- Make greater use of more sustainable modes of travel
- Reduce demands on the transport system

Need to think of transport in making decisions on the location of housing, education, health and social care services, employment, retail and planning with the impacts they will have on the way people travel



## **The Active Travel (Wales) Bill**

will require local authorities in Wales to map current and future provision for walking and cycling, and make continuous improvement to routes and facilities for walking and cycling.

## **Go Cymru Card & Personalised Travel Planning**

expanding the application of smart technology across public transport – Cardiff pilot of travel planning

## **Bus Funding Review**

Subsidy targeted to improve outcomes

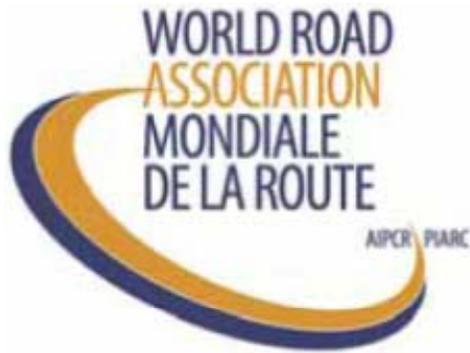
## **Rail Franchise**

Build on electrification to develop modern integrated public transport systems

# Working in partnership

- Engagement to deliver continued improvements in infrastructure and services across Wales:
  - industry partners
  - regional consortia
  - local authorities





Fred Amonya

**Public Private Partnerships –  
opportunities for road infrastructure  
development**

WITH THANKS TO THE CONGRESS SPONSORS:



# World Road Association Congress 2012

## Maximising Growth through Transport: How to Gain the Benefits

Cardiff  
31 October 2012

Fred Amonya

## Structure

- Definition
- The Challenge of Finance
- The Policy Process: Issues and Options for PPP
- Summary

## Definition

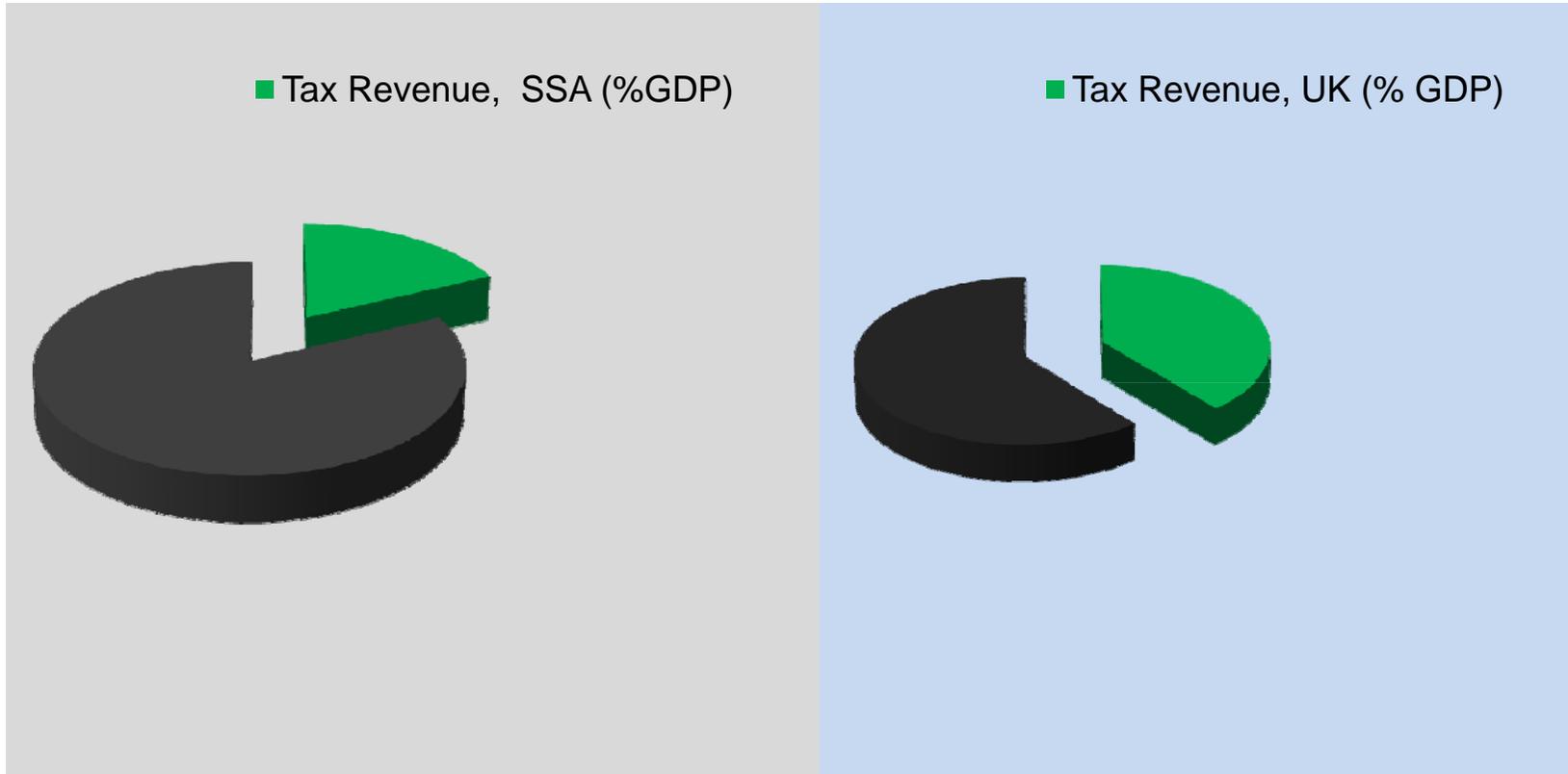
Public-Private Partnerships (PPP) is a **philosophy of joint risk management** by government and the private sector in the delivery of **public service**.

**Philosophy:** PPP modifies the structure of the state. It welds the state with the private sector. Therefore, it must be infused in the political philosophy of government. The political philosophy then translates into policy and management.

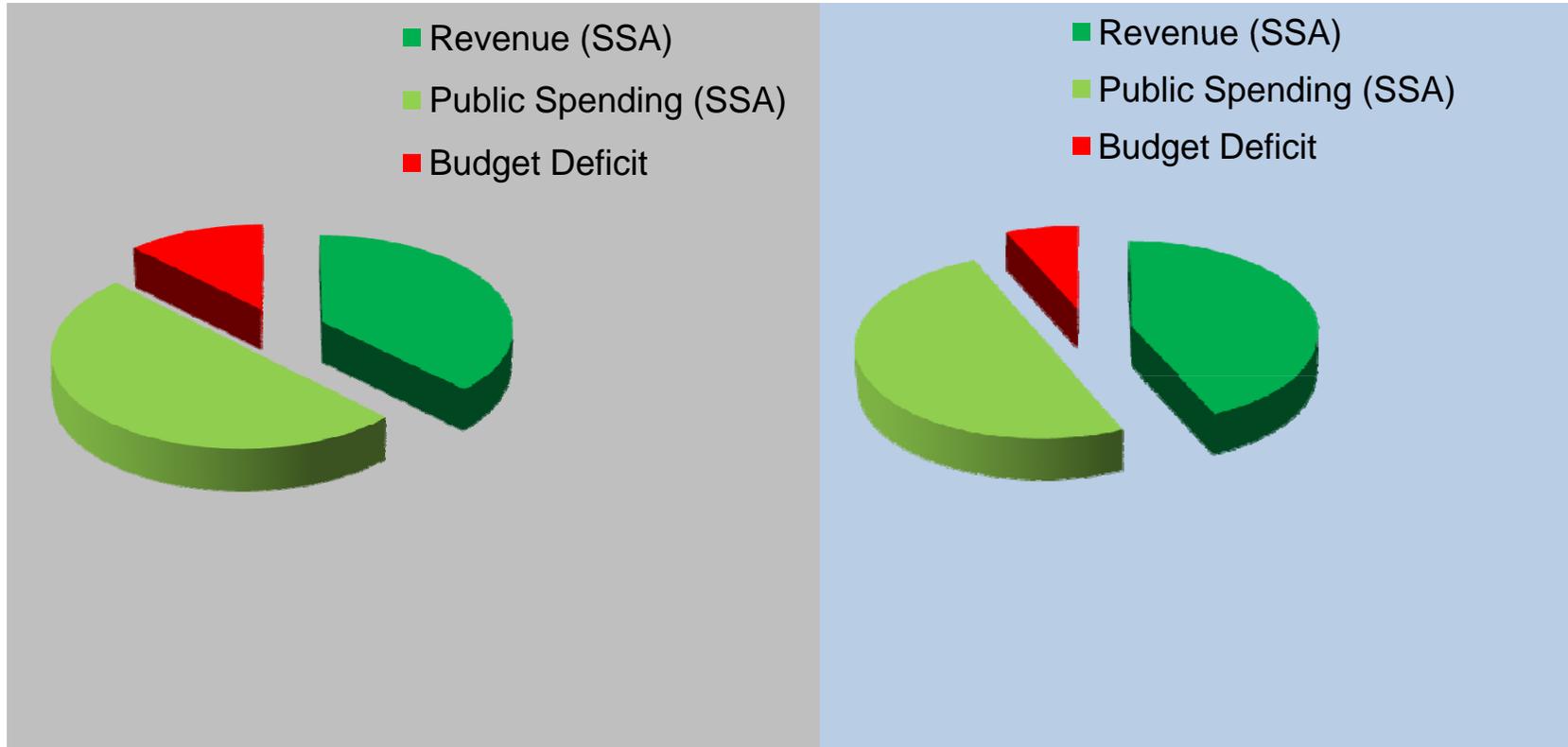
**Joint Risk Management:** PPP must allocate risk according to management capacities [of the two constituting parties] and yet the two parties must work as a unit. That is, intimate collaboration yet ensuring responsibility.

**Service Delivery:** Public service is an interaction of three key elements (removing owner & provider): Infrastructure and Facilities, User, and Society. Risks within this interaction prompt PPP.

## The Challenge of Finance: Tax Revenue



# The Challenge of Finance: Revenue & Spending



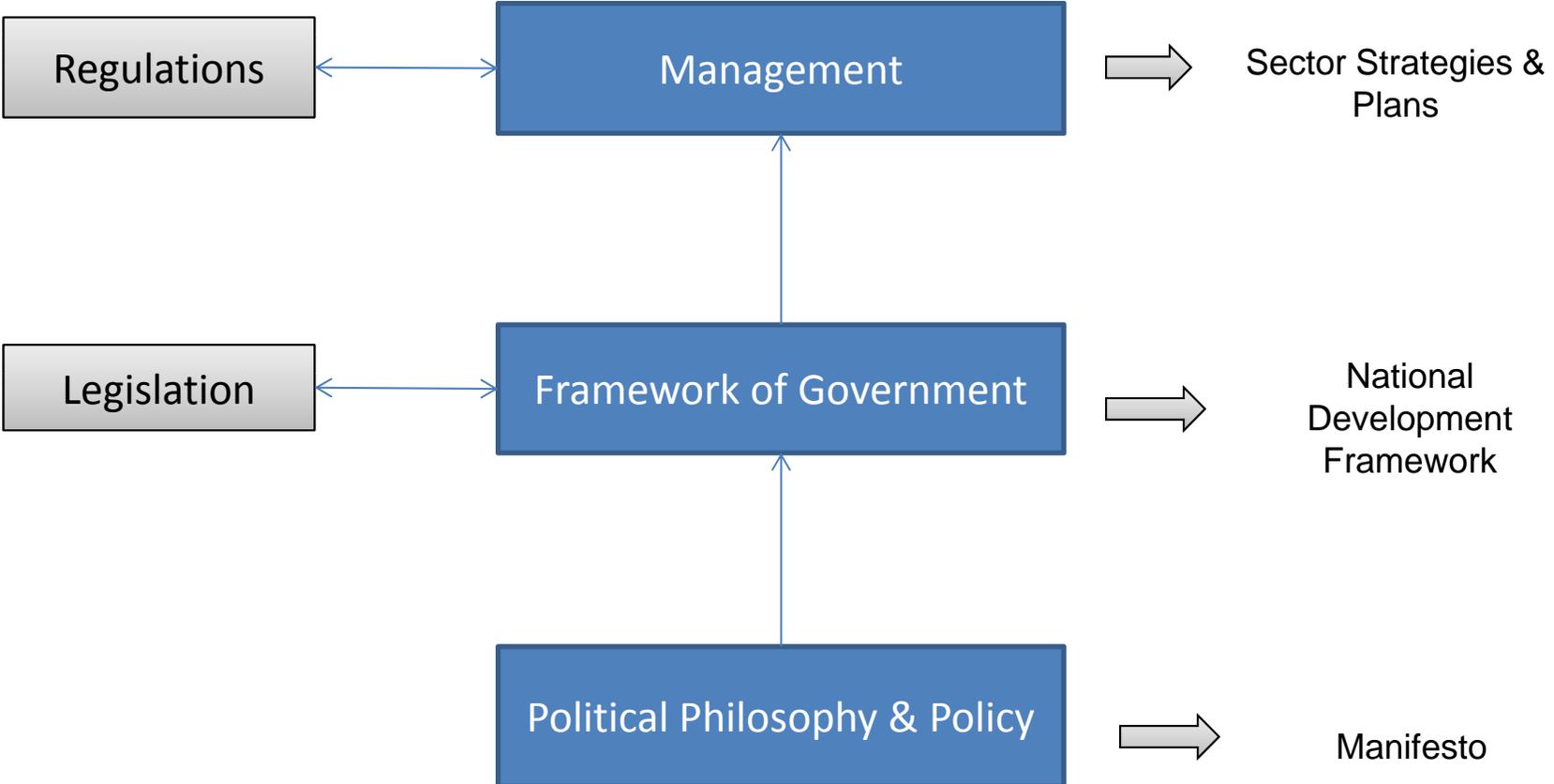
## The Challenge of Finance: The Questions

1. Why is tax revenue in SSA only about 18% of GDP (cf. est.40%) in the UK)?
2. How is the spending front, budget deficit est. 33% (cf. est. 15% UK)?

*Note the challenge of the institution at the revenue front as well as the spending front (management of public service).*

1. What should SSA do about public spending? Curtail it, as they reform institutions? How about growth? And how about the infrastructure impediment (7% of GDP, est. 40% of tax revenue)?
2. Is the rescue in PPP? How?

# The Policy Process: Issues and Options for PPP



## Philosophy and Policy

**How should the state interact with the broader market in the provision of public service? Should the two be bonded in the pursuit of efficiency in service delivery?**

- This normative question is one for politics not science.
- It should be addressed in manifestos.
- However, technocracy must appreciate the question so that they can implement the manifesto.
- The implementation starts with a review of the national development framework.

## Government Development Framework

If government is ready for a bond between the state and broader market (private sector), where should this relationship be employed? How does this strategy interact with the government's efficiency (growth) – equity balance?

- This is a question for the national development agency.
- The question should inspire the development (or review) of PPP policy.
- Dialogue at this stage should address the country's institutions and organisations w.r.t. PPP.
- A spider diagram of actors and issues [with PPP as hub] is invaluable for this dialogue.
- The actors will comprise govt departments, international partners, the broader market and the society.
- The PPP policy will be the guiding framework for legislation. Recall: PPP legislation may prompt the amendment of other statutory instruments.

## Management Level: Sector Strategies and Plans

**What strategy will deliver objectives of the national development framework? To this end, how can PPP be used as tool? What models exist, and how can they be adapted? What is the delivery guide (PPP manual)?**

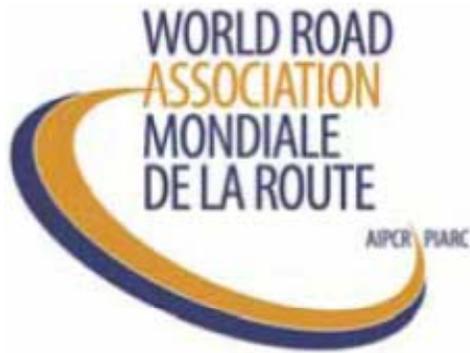
- With legislation in place, government departments stake out strategies for delivering objectives of the national development framework (read, National Development Plan).
- The questions at this level must continually interact with regulations.
- Too often, management level issues are jammed into PPP policy and legislation. This weakens both.

## Summary of Issues and Options

- Growth in Africa hinges on infrastructure, finance and institutions.
- PPP can facilitate infrastructure (efficiency of management) and finance. However, PPP also faces the challenge of the institution.
- Therefore, a rash to developing infrastructure projects using private finance is not the sole solution.
- The infusion of finance must be accompanied by institutional reform (and not mere organisational rearrangement).
- Such reform require a deep policy-level appreciation of PPP.

Thank You

[Fred.Amonya@lyciar.com](mailto:Fred.Amonya@lyciar.com)



# Graham Hughes

## Paving the way: A14 case study

WITH THANKS TO THE CONGRESS SPONSORS:



## **Paving the Way: A14 Case Study New Ways of Financing Roads**



**Graham Hughes,**

Director, Strategy and Development

Cambridgeshire County Council

**World Road Association Congress**

**31<sup>th</sup> October 2012**

# Overview

## ◆ Cambridgeshire context

- ◆ Economy & Growth,
- ◆ Transport challenges and progress to date

## ◆ Why A14 and why now?

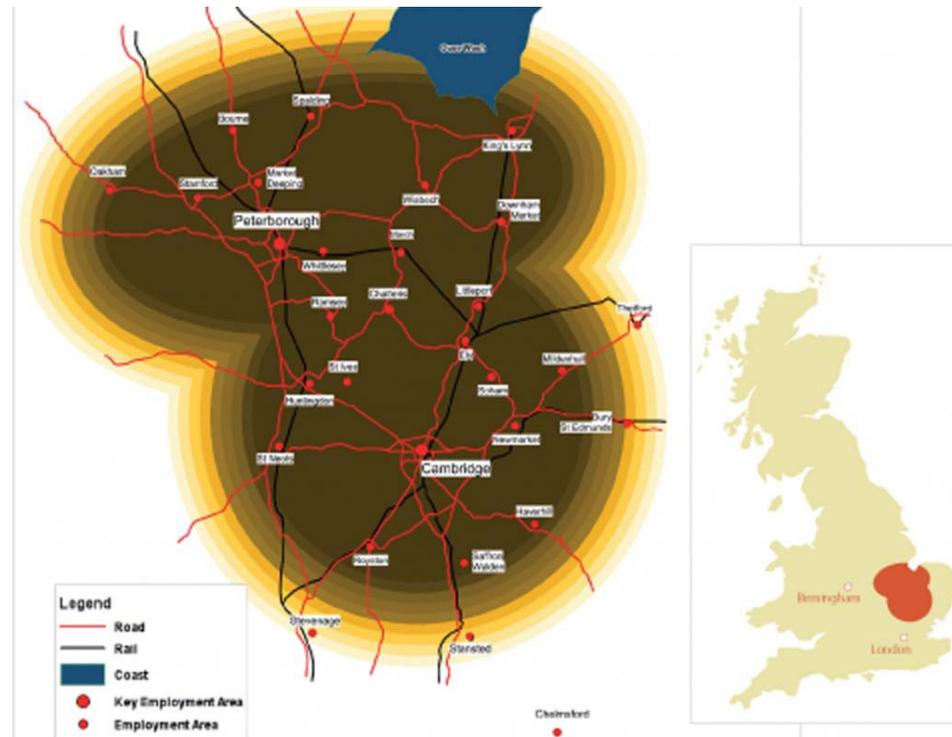
- ◆ History
- ◆ A14 DfT led Study
- ◆ Financing the A14 improvement
- ◆ Progress and next steps, routes to delivery?

## ◆ What will success look like?



# The Cambridgeshire Economy

- ◆ The Cambridge City Region is among the best performing economic areas in the country
- ◆ World's top performing University - some of the world's best science based graduates and research.
- ◆ Housing and jobs growth are significant.
- ◆ Transport investment required to enable growth.



# Growth and Development

- ◆ Population of Cambridgeshire expected to grow from 605,000 in 2010 to 740,000 by 2031
- ◆ Employment grew from 106,900 in 1982 to 179,200 (est.) by 2011.
- ◆ Continued economic growth expected
- ◆ Will ultimately be stifled by transport infrastructure

# General Transport Challenges

- ◆ Congestion rising despite more alternative modes
- ◆ People commuting further
- ◆ Reliance on the car for journey to work is pronounced
- ◆ Transport investment needed to boost economy and support housing growth
- ◆ Frequent accidents and incidents on A14 cause widespread congestion across the highway network.
- ◆ Long Distance freight movements are increasing

# Why the A14 and why now ?

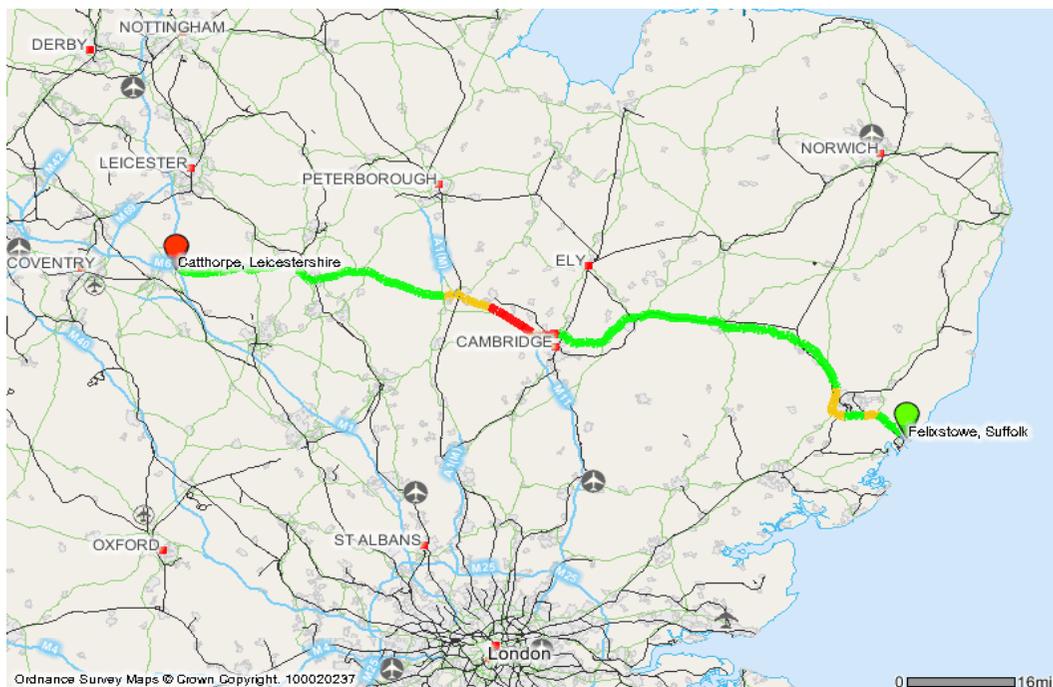
- ◆ Strategic importance - major **crossroads**- (14 lanes into 4!) M11-A1, M11 to A14, A14 to A1 & A14 to A428.
- ◆ Northern bypass part of distributor road network and at heart of the Cambridge Sub-region
- ◆ ‘Problems on the A14’; Major **“bottleneck”**, chronic congestion, lack of capacity and resilience,



# A14 Issues and Challenges

- ◆ Daily traffic flows between 42,000 vpd and 95,000 vpd
- ◆ High level of HCVs - 17% to 21%
- ◆ 2,500 recorded incidents and accidents each year.
- ◆ Of these about 150 involve recordable personal injury.
- ◆ Injury accident rate is similar to national rates for such roads, but even minor incidents can cause major delays
- ◆ Heavy traffic and poor junction design cause daily “standing waves”

# A14 nationally & internationally significant route



**E24** – part of TEN-T road network 254km - from Birmingham to Felixstowe

# A14 Improvement Schemes

- ◆ Need for improvement long established
  - ◆ White Papers 1989-1997
  - ◆ Various studies and detailed work - CHUMMS 1999-2001
- ◆ From 2001 A14 “Ellington to Fen Ditton” scheme developed by HA until Inquiry halted July 2010
- ◆ Secretary of State promised A14 Wider Study
- ◆ November 2011 “A14 Challenge” announced with Autumn Statement to seek solutions from public
- ◆ DfT led Wider Study completed in Summer 2012.
- ◆ Final Report to be published in October 2012

# The A14 Study

- ◆ Key features of the DfT A14 Study
  - ◆ Examined ways of increasing long term capacity and performance
  - ◆ Considered relieving congestion by improving other modes including local roads, freight facilities and public transport.
  - ◆ Considered innovative financing mechanisms, including tolling
  - ◆ Main improvement focus on Cambridge to Huntingdon



# A14 Study Output 1 Report

## ◆ Transport Problems

- ◆ Peak congestion and delay on A14 and on key local roads
- ◆ Lack of resilience
- ◆ Safety

## ◆ Wider Challenges

- ◆ Lost productive time
- ◆ Supporting economic growth of Greater Cambridge
- ◆ Access to labour markets
- ◆ Quality of life/ welfare
- ◆ Accidents
- ◆ Air Quality (health) and Noise
- ◆ Supporting growth in wider UK economy

# A14 Study Output 2 & 3 Reports

- ◆ Short listed options for detailed examination in Stage 3
  - ◆ 3 Public Transport
  - ◆ 2 Freight options, and
  - ◆ 6 Highway options- selected from 21 options
- ◆ Other Issues considered in Stage 3
  - ◆ Planning, permissions, orders
  - ◆ Issue of the Huntingdon Viaduct
  - ◆ Initial consideration of Financing and Tolling to be taken further
  - ◆ Timing and phasing

# Study Conclusions

- ◆ 18<sup>th</sup> July - SoS announced a commitment to upgrade A14
- ◆ Adding the scheme to the Programme of Major Projects
- ◆ Three elements of funding including toll
- ◆ construction could begin by 2018
- ◆ Actual Proposals Announced were:
  - ◆ Widening Girton to Milton Interchange
  - ◆ High standard local roads running in parallel to enhanced A14, Girton to Trinity Foot
  - ◆ A bypass to south of Huntingdon, from Trinity Foot to A1
  - ◆ Enhanced rail freight and bus based transport improvements.

# Funding and Delivery (1)

- ◆ Public or private finance?
- ◆ Tolling is key part of the scheme
- ◆ Legislation required for free flow toll
- ◆ Local contribution essential
- ◆ Treasury/ DfT “Reform Study” to examine new ownership and financing models for the strategic road network. To report in the Autumn – will this make a difference?

# Funding and Delivery (2)

- ◆ Affordability- Can Government find majority of funding or must private funding be sought
- ◆ Form of funding - If private, impact on timing and public balance sheet.
- ◆ Delivery Timescale – Public funding should bring simpler procurement and shorten timescales but is the money available
- ◆ Value for Money for the Public Sector
  - ◆ Additional cost of private finance to deliver the scheme
  - ◆ impact of transfer of toll revenue risk on cost of finance
- ◆ Toll Levels
  - ◆ Revenue maximising tolls can be much higher than benefit maximising tolls
  - ◆ What are the traffic implications of these two variants?

# What will success look like?

- ◆ Enhanced capacity & major improvement of A14 by 2020- 25 to enable sustained growth and economic prosperity
  - ◆ *More Park and Ride sites between Alconbury & Cambridge and further high quality bus services*
  - ◆ *Enhanced rail freight services in A14 /F2N corridor*
  - ◆ *Improved real time transport information*
  - ◆ *Major upgrade of junction and highway capacity to meet the future traffic demand and TEN-T standards.*
  - ◆ *Local access roads to serve local traffic & viaduct removed & strategic traffic diverted away from towns*
- ◆ Major infrastructure barrier addressed, enabling growth & increased net contribution to GDP
- ◆ **‘Cambridgeshire open for Business’** – prospering & renowned as a world class leader in innovation and research and for its quality of life, where people chose to live & work (*rather than problems on A14!*)



# Questions

# Lunch

