SIGOMA

The Special Interest Group of Municipal Authorities (Outside London)

Chair: Councillor Sir Stephen Houghton CBE (Barnsley MBC)

Vice Chair: Councillor Lord Peter Smith (Wigan MBC)

Rt. Hon. C. Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
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Date: 09 August 2017
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Dear Minister,

I am writing to you as Chair of SIGOMA, which you will be aware represents the majority of authorities adversely impacted by the recent transport infrastructure investment decisions announced by your department. Leaders from individual SIGOMA Authorities will also be writing directly to you in the same regard.

Within SIGOMA, there is strong and widespread concern around decisions to backtrack on prior commitments to electrify key rail infrastructure linking Liverpool, Newcastle, Sheffield, Manchester, Leeds, Nottingham and other parts of the UK.

As I'm sure you are aware, the resentment this has caused has been much compounded by the decision, only days later, to press ahead with CrossRail2. It is a contrast of events in which the DfT appears not only to be going back on a key government manifesto commitment regarding Northern Powerhouse Rail[1] but also to be expediting a project entirely absent from that document.

As I'm sure you can appreciate, this has fuelled existing doubts over the current government's commitment to the northern powerhouse in particular and regarding the balanced regional investment implied in repeated pledges to build "a country that works for everyone".

While CrossRail2 would no doubt complement London's already world class rail network, the decision inevitably highlights the gross imbalance in infrastructure investment between not just the capital and the north, but the capital and the rest of the country.[2]

[1] "We are investing to reduce travel time and cost, increase capacity and attract investment here in the UK. We will continue our programme of strategic national investments, including High Speed 2, Northern Powerhouse Rail…."
https://www.conservatives.com/manifesto

[2] See Appendix A

Transport infrastructure provides crucial stimulus for the investment of private capital since greater connectivity increases the ease with which private companies are able to do business.[3] While London is a unique city and a formidable economic powerhouse in its own right, years of heavy state investment have undoubtedly played a part in cultivating its growth.

This is of particular concern to councils in light of the previously planned transition to the localisation of business rates; a transition which, despite present uncertainty following the cessation of the Local Government Finance Act, may yet proceed.

The rationales for this change, namely greater self-sufficiency and self-determination, were to be welcomed in principle. However, as long as this perpetual imbalance in national infrastructure spending persists, we fear that the system will fail to bear even the slightest resemblance to fairness.[4]

London unsurprisingly continues to display both the highest total Gross Value Added as well as the greatest £/head increases in GVA of any English region. However, despite disproportionate levels of historic investment coupled with disparate ongoing increases, its percentage growth rate is actually much lower than any other region.[5]

This therefore brings into question not just the fairness but also the value, the return on investment of continuing to invest so heavily in the capital at the material expense of other English regions.

In fact, every pound spent on transport in London between 2011 and 2015 yielded just a £7 return on investment per head, the lowest of any English region.[6]

Moreover, the relative gains to be made in prioritising CrossRail2 over the Northern Powerhouse Rail project are questionable.

CrossRail2, at an estimated cost of 30bn, is designed to ease growing pressure on rail infrastructure due to the economic success of London and the Southeast and their rapid resultant population growth. It covers just over 100km of track and is estimated to enable around 270,000 additional people to access central London in the morning peak period, representing an increase of just 10% in London's existing rail capacity.[7]

Northern Powerhouse Rail, at an estimated cost of 38.5bn, is by contrast designed to provide a much needed boost to economic growth. Its North West programme alone would have electrified more than 350km of railway. It was estimated that the project overall would enable 1.29m more people to access four or more of the North's largest economic centres within an hour, cutting journey times for commuter routes (also often in excess of capacity at peak times) by an average of 27 minutes.[8]

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[3] https://publications.parliament.uk/pa/cm201011/cmselect/cmtran/473/473.pdf p8

[4] See Appendix B

[5] See Appendix C

[6] See Appendix D

[7] https://consultations.tfl.gov.uk/crossrail2/october2015/user_uploads/g8.pdf

[8] http://www.transportforthenorth.com/wp-content/uploads/TfN-Initial-Integrated-Rail-Report.pdf
http://www.transportforthenorth.com/wp-content/uploads/TfN-Factsheet-NPR.pdf

Improving capacity and connectivity in London, while it may ease commuter congestion in the short term may be just as likely to increase it in the long term. Investing in northern infrastructure to help rebalance economic growth, however, could help to ease London's commuter problem by catalysing job growth outside the capital and siphoning some of that pressure northward.

"For too long, economic growth in our country has been too concentrated in London and the South East. That's not just a social problem, it's an economic problem". [9] Those, in fact, are not my words, but the words of the current Chancellor of the Exchequer.

Balanced investment is no longer a question of political expedience, but an economic imperative clearly and rightly expressed on both sides of the house. We are therefore today calling on you to pledge your support for and prioritise Northern Powerhouse Rail, give Transport for the North the same powers as those enjoyed by Transport for London, commit to equalising per head transport spending and seek to address the historic shortfall long suffered by all regions outside the capital.

I look forward to your response.

Yours Sincerely

Sir Stephen Houghton

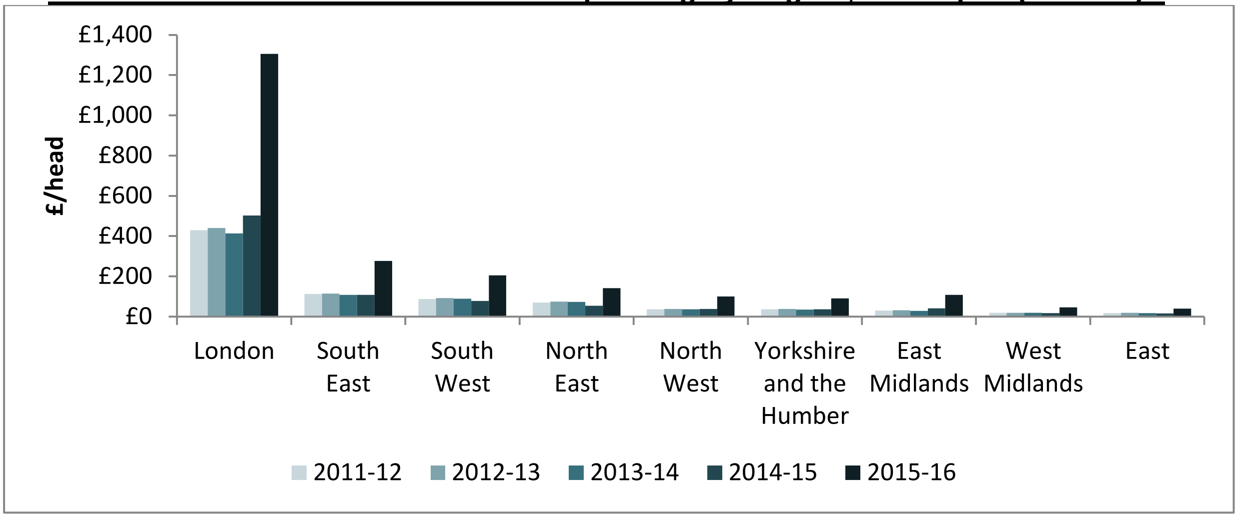
SIGOMA Chair

[9] https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech

Appendix A

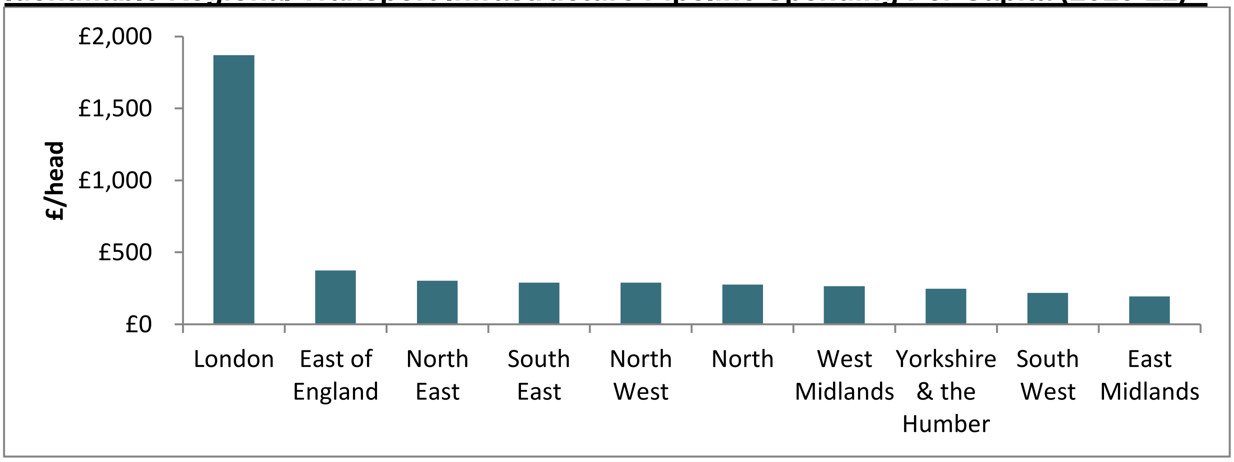
The following two graphs show the increasing historic imbalance in central government's regional rail investment and the acute divide in future transport infrastructure investment respectively.

Identifiable Central Government Rail Spending by Region, Per Capita (2011-16)[10]



Source: SIGOMA analysis of HM Treasury (2016) County and Regional Analysis

Identifiable Regional Transport Infrastructure Pipeline Spending Per Capita (2016-21)[11]



Source: IPPR North analysis of *HM Treasury (2016), National Infrastructure Pipeline*

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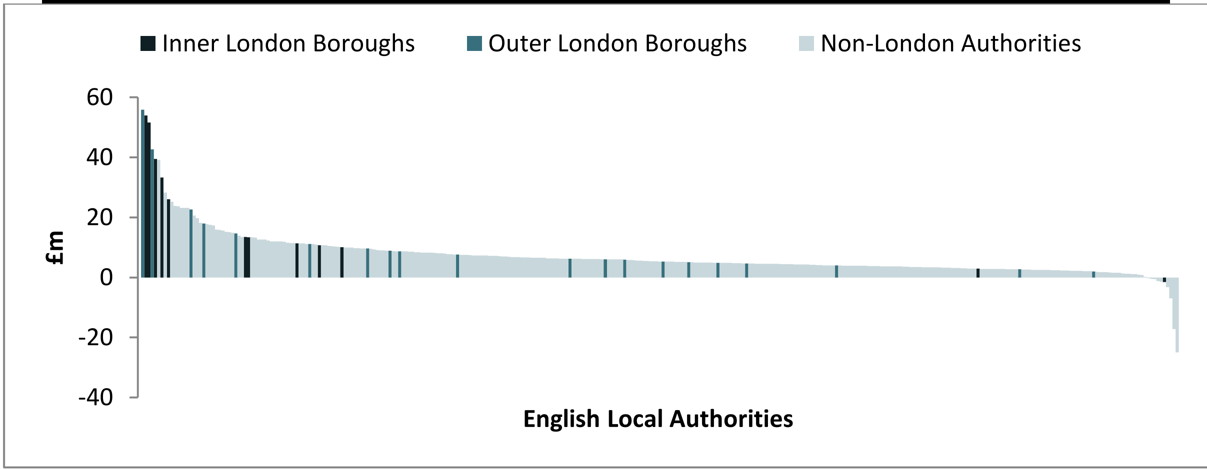
[10] https://www.gov.uk/government/statistics/country-and-regional-analysis-2016

[11] https://www.ippr.org/news-and-media/press-releases/transport-secretary-urged-to-close-1-600-per-person-london-north-spending-gap?platform=hootsuite

Appendix B

The graph below shows the particular disparity between business rates collected in Inner London Boroughs and the rest of the country. The City of London has been deliberately removed since its change business rates collected, at £140m, was more than double that of its closest comparator.

Change in English Local Authority Collected Gross Business Rates (2011-2016)[12]



Source: DCLG, National non-domestic rates collected by councils [13]

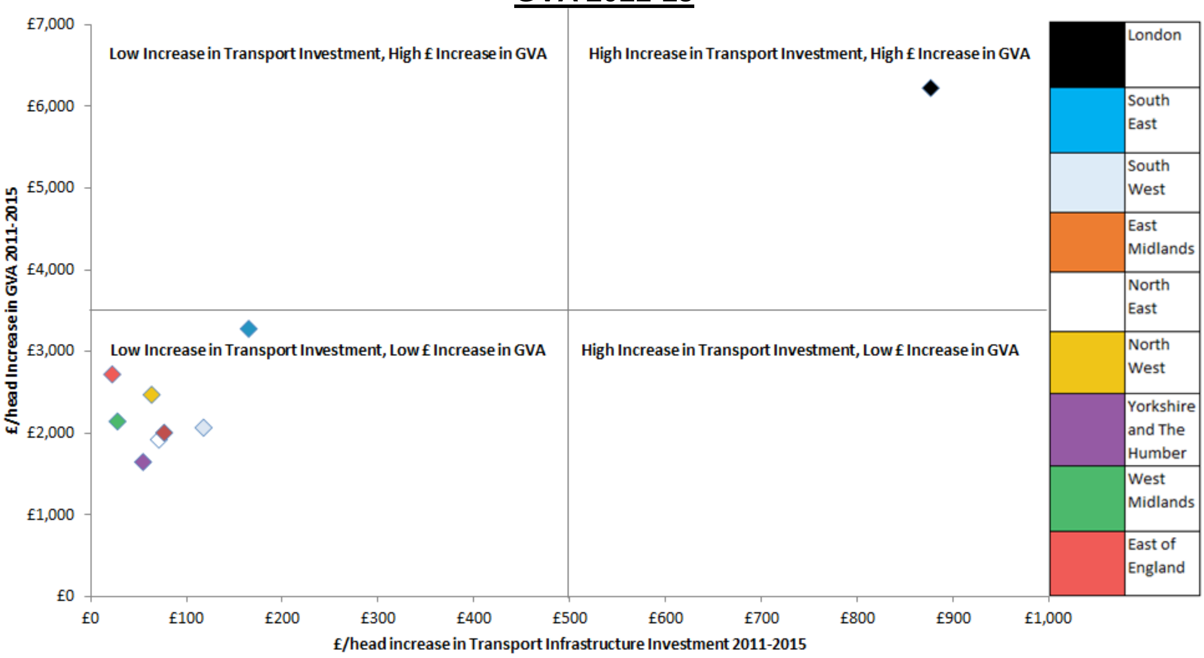
[12] https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils

[13] NB: The period chosen mirrors the illustration of historic rail investment provided in Fig. 1. It falls between revaluations in 2010 and 2017 to best achieve internal consistency. The transition to 50% retention of Business Rates in April 2013, this does not appear to have a notable impact on gross rates collected over the period since it's principle impact was on how rates were distributed after collection.

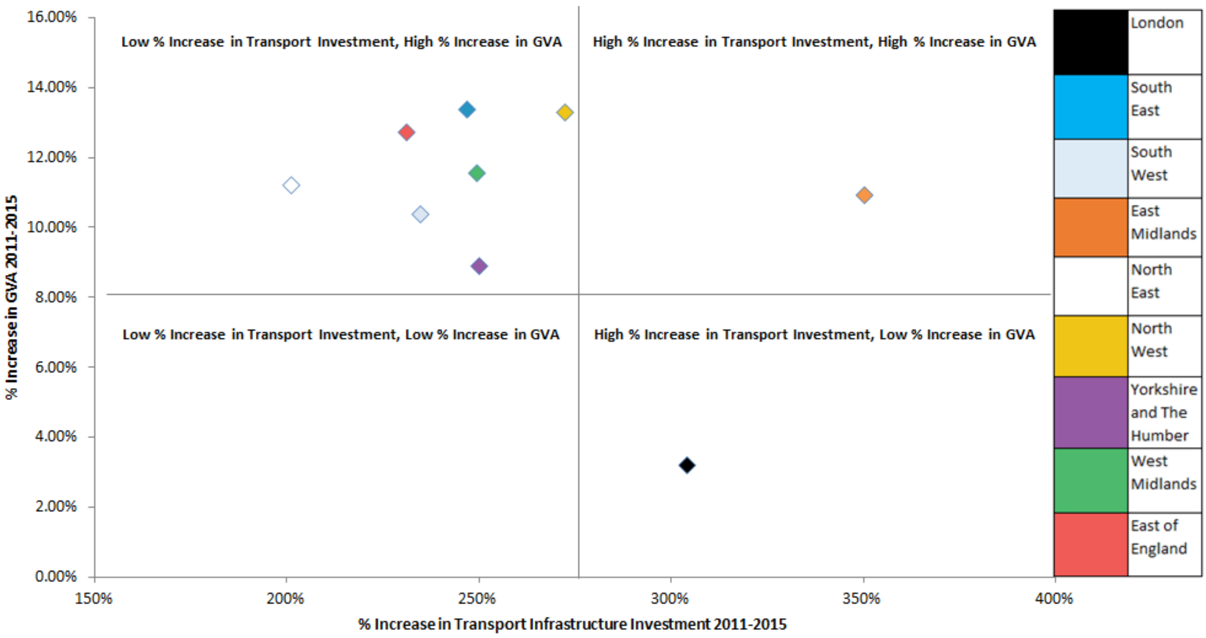
Appendix C

The following two graphs compare regional increases in transport infrastructure investment and Gross Value Added in both £/head and % terms between 2011 and 2015.

£/head Increase in Transport Infrastructure Investment against £/head Increase in GVA 2011-15



Percentage Increase in Transport Infrastructure Investment against percentage Increase in GVA 2011-15



Appendix D

The graph below considers the £/head regional return on investment in GVA for each pound spent on transport infrastructure.

<u>Return on Investment: Increase in Gross Value Added (£/head)/ Increase in Transport Investment by English Local Authorities (£/head) (2011-15)</u>