



# Eddington Transport Study

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This note gives a brief overview of the *Eddington Transport Study* and responses to it. It was commissioned by the Treasury and the Department for Transport to look at a long term strategy for the UK's transport infrastructure, tied into the UK's productivity. The study is available in its entirety in the [Department for Transport archive](#).

Information on other transport issues can be found on the topical pages of the [Parliament website](#).

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# 1 Background and remit

In Budget 2005 it was announced that the Secretary of State for Transport and the Chancellor had asked Sir Rod Eddington, then outgoing Chief Executive of British Airways, to work with the Department for Transport and the Treasury to advise on the long-term impact of transport decisions on the UK's productivity, stability and growth.<sup>1</sup> It was intended that the study would sit within the context of the Government's objectives for sustainable development and to provide an overview of the links between transport and economic growth. The purpose of the study was to expand on the precise nature and significance of these links and to consider how this could be translated into transport policy in the UK.

Sir Rod was given a remit to advise on the potential for strategic transport decisions to affect the productivity, stability and growth of the UK economy over the next 30 years. The study was also directed to take into account the main relationships between social and environmental concerns and transport's economic drivers. Early discussions with a wide range of stakeholders suggested that the planning system had a significant impact on the contribution which transport could make to productivity, stability and growth, so Sir Rod's remit was extended to allow him to consider planning issues as part of his study.

Sir Rod and his team of ten civil servants, drawn from the Department for Transport and the Treasury, provided oral and written evidence to the Transport Select Committee in November 2005. The team set out the process of the review as follows:

Although some ground-work has been put in since May 2005, it is with Sir Rod Eddington's retirement from British Airways at the end of September that his work on the study has started in earnest.

He has commenced by meeting with a wide range of people across the country; and he has written to an extensive group of relevant organisations to seek their input and evidence for the study by January 2006. These include businesses and their representatives, freight and logistics operators, transport operators, suppliers and users of various modes, regional and local government, and environmental organisations ...

Sir Rod Eddington and his team are undertaking a series of visits to each of the English regions and to Scotland, Wales and Northern Ireland, in order to:

- engage with business users to get a much better idea of how they use the UK transport network and what sort of connections are most important to them;
- expand our understanding of the areas which are significant to the UK economy;
- engage with local and regional bodies such as the Regional Development Agencies, Regional Assemblies, PTEs and Local Authorities, on how transport connectivity supports economic growth within the regions; and
- engage with local transport operators and visit transport infrastructure sites of strategic importance to UK economic productivity.

Alongside this, an evidence-gathering exercise is being undertaken to ensure that the fullest possible range of analysis can inform the study. This evidence includes work on the ways in which transport can contribute to growth, and an understanding of the key

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<sup>1</sup> HM Treasury, [Budget 2005](#), HC 372, para 3.105

trends and uncertainties that will be significant for transport and growth over this timescale. This work is supported by a group of academics, chaired by Sir Nick Stern, in his role as head of the Government Economic Service. The academics provide expertise on the most recent research in this area, and acts as a sounding board on key pieces of evidence.<sup>2</sup>

## 2 The report

Sir Rod's final report was published on 1 December 2006, to accompany the [2006 Pre-Budget Report](#). In a [speech to the Commonwealth Club](#) in London to launch the report, Sir Rod summed up his key recommendations as follows:

I have looked hard at the evidence and I make five key recommendations for Government. Implementing these recommendations is essential to maintaining the UK's current strong economic position and equipping the UK to grasp future opportunities and to meet future challenges...

My first recommendation to Government is...to improve the capacity and the performance of the existing transport network.

Incremental improvements will not be sufficient. New capacity will be needed so where in the UK should transport investment be prioritised? My view is that this is not about picking winners - but about investing in sustained success. I have no doubt that the right policies in the right places can make a significant contribution to UK productivity and competitiveness to the benefit of all...

I'm in no doubt that the key challenge is to ensure the transport networks can support the success of one, the growing urban catchments; two, key inter-urban corridors; and three, key international gateways. These should be the economic priorities for the UK because they are both highly productive and growing. These key transport links are heavily used today and show congestion and reliability problems, which will get worse. These are the places where transport constraints hold back economic growth.

My second recommendation to Government is therefore to target future growth-focused investment on growing urban catchments; key inter-urban corridors; and key international gateways.

...in the end - road pricing is an economic no-brainer. I know that there are barriers to making this happen: we must learn lessons of pilot schemes; the technology must be developed and be cost-effective; overall costs must be reasonable. It will take some time to implement, but getting this right has a huge prize attached. My work has shown that the benefits to Great Britain could be worth up to £28 billion a year by 2025. This figure includes welfare benefits and will depend on scheme costs. It is a classic win-win. While firm estimates of the costs are not developed at this stage, they would have to be extremely high to outweigh the benefits of this scale. Government must work together with you to make widespread pricing feasible within the next 10 years.

However a sensible road pricing regime will still require additional road build - Government will need to strike the right balance.

My third recommendation to Government is therefore to deploy a sophisticated policy mix of pricing, better use, and investment...

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<sup>2</sup> Transport Committee, [Oral and written evidence given by Sir Rod Eddington](#) (session 2005-06), HC 737-i, 30 November 2005

My fourth recommendation is for the UK to enshrine a systematic and transparent approach to policymaking and funding...

My fifth and final recommendation is therefore to ensure that the delivery system, including planning and governance arrangements are ready to meet the future challenges with the right tools, capacity and funding at its disposal.

The report is divided into four volumes; a summary of the main conclusions of each of these volumes is provided below:

### **Understanding the relationship: how transport can contribute to economic success**

The evidence drawn together in [Volume 1](#) addressed the role transport can play in making a success of modern economies. Sir Rod's four main conclusions were:

1. There has been a compelling link between the transport system and economic prosperity throughout history.
2. This link continues to hold true in the UK and transport's key role now is supporting the success of the UK's highly productive urban areas in the global market place and enabling efficient movement of goods.
3. Only by finding the right policies in the right places and focusing on releasing bottlenecks can transport improvements contribute to economic growth and productivity; many places will already have sufficient transport infrastructure to enable their economic success.
4. Transport policy has no choice but to respond the challenge of climate change, for both environmental and economic reasons. Transport prices must fully reflect environmental externalities, and transport planning must take account of likely carbon prices.

### **Defining the challenge: identifying strategic economic priorities for the UK transport system**

It is clear that the performance of a nation's transport network is a key component of its productivity and competitiveness. [Volume 2](#) therefore attempted to understand how well the UK's network supported the economy, and to identify future challenges. Sir Rod's two recommendations were:

1. To meet the changing needs of the UK economy, the key strategic economic challenge is to improve the performance of the existing network.
2. Over the next 20 years, the strategic economic priorities for transport policy should be: congested and growing urban areas and their catchments; together with key inter-urban corridors and key international gateways that are showing signs of increasing congestion and unreliability.
  - Supporting the UK's successful, agglomerated urban areas and their catchments. These are places where high congestion, high land prices or high wages suggest that transport improvements could have a real impact.
  - Maintaining or improving the performance of the UK's key international gateways. Specifically: deep sea and feeder container ports; roll on/roll off

ports; and international airports, that support a high-level of business and/or freight usage and are showing signs of congestion and unreliability. This focus should incorporate surface access routes to these gateways, again where such links are showing signs of congestion and unreliability.

- The key inter-urban corridors between these places, where they show signs of congestion and unreliability. From a passenger perspective, these corridors may connect urban areas with each other and with international airports; and from a freight perspective, they may connect ports with distribution hubs and distribution hubs with their eventual markets.

### **Meeting the challenge: prioritising the most effective policies**

Having identified the three strategic economic priorities, [Volume 3](#) examined a wide range of transport schemes, to highlight those policies that were most likely to support the UK's productivity and competitiveness. The overarching conclusions that Sir Rod drew were:

1. targeted transport policies offer the prospect of very high returns, even once environmental impacts have been factored in;
2. to ensure that the UK transport system can support the long term productivity and competitiveness of the UK economy, there is much to be done now in anticipation of these looming challenges. Government will need to deploy a sophisticated policy mix of pricing, better use, and investment;
3. policies that raise the performance of the current transport networks – particularly road pricing – stand out above other interventions in offering the potential to deliver for economic growth and minimise environmental and social impacts; but the challenges and risks must be well managed;
4. the economic case for targeted new infrastructure is strong and offers high returns; and
5. step change measures intended to transform economic performance are not, in a world of constrained resources, likely to be a priority. The UK is already well connected and the demands for new links are uncertain.

He therefore recommended that the Government needed to 'get the prices right' across all modes – especially congestion pricing on the roads and environmental pricing across all modes; to make best use of existing networks; and, together with the private sector, to deliver sustained and targeted investment.

### **Taking action: enabling the system to deliver**

Finally, [Volume 4](#) of the report considered how the Government could ensure that what might loosely be called the 'delivery system' for transport continued to support a rigorous and systematic approach to policymaking which would effectively deliver policies on the ground. The scope of this stretches from central government policymaking, to sub-national decision making, through to the planning and financing process for transport projects.

In terms of national decision-making, Sir Rod particularly recommended that:

1. The potential for transport to make an effective contribution to productivity and competitiveness should be reflected in DfT and HM Treasury's objectives and performance indicators;
2. DfT should put in place a cross-modal process to drive option generation and to ensure funds are allocated to the policies that most cost-effectively contribute to its objectives;
3. DfT should develop a three-part strategic framework: a long-term outlook of economic, environmental and social pressures and challenges over the next 20-30 years; a 10-20 year strategy for delivering on each of its objectives and the policy options for delivering these outcomes, and a 5-10 year statement of commitments setting out details of committed schemes and timings of forthcoming decisions; and
4. DfT should continue to develop and improve the evidence base to support these processes.

In terms of sub-national decision making, he recommended that the Government should consider:

1. The case for ensuring that sub-national decision-making structures reflect, as much as possible, patterns of economic activity;
2. Developing and implementing effective mechanisms between transport bodies to manage the shared and interlinked transport networks;
3. What powers should be vested in sub-national decision-making bodies to support cross-modal decision-making and ensure both better use and infrastructure options are considered;
4. Which funds should be allocated to such a body, and the appropriate level of flexibility between funding streams, so that funding flows incentivise a cross-modal approach to funding the highest value for money solutions; and
5. How best to ensure that sub-national bodies have the capacity and accountability to take any such enhanced role.

As far as working with the private sector is concerned, he recommended that the Government should continue to look for efficiency gains and secure value for money in the delivery of transport projects through the private sector by:

1. Identifying a pipeline of transport projects and programmes, which is aligned with DfT's strategy framework and will be delivered in partnership with the private sector, delivering transparency and certainty for private companies competing in the market;
2. Maintaining adequate capacity and skills within government to ensure efficient procurement and delivery of projects; and
3. Recognising and responding to changes in financial and infrastructure markets to make the most of new opportunities for efficiencies through private sector delivery and for increased risk transfer.

### 3 Eddington's views on key transport issues

Sir Rod's report addressed a number of high-profile transport issues, including bus services, road pricing, transport governance, high speed rail and major infrastructure planning. Details on each of these areas are given below.

#### 3.1 Bus Services

*Information on the Government's bus policy and legislative changes made consequent to Eddington can be found in a number of Library notes available on the buses topical page of the [Parliament website](#).*

Sir Rod acknowledged that while buses are a fundamental part of the urban transport network the sector has been in a long-term decline across England (outside London) since its peak in the 1950s. Sir Rod therefore recommended that changes should be made to the regulation of the bus market to encourage local transport authorities and bus operators to work together; to allow greater coordination between bus operators; and to allow local transport authorities the option of introducing a bus franchising model where it can be demonstrated to offer a high value for money solution to the transport challenges facing any particular urban area. He called these the 'three Cs': competition, coordination and cooperation:

This Study is strongly of the view that competition forces rather than the alternative model of State ownership and control are the appropriate mechanisms for securing successful economic outcomes in urban areas and delivering bus services that users value. Competition forces create on-going incentives for efficiency, and responsiveness of provision to the needs of users. The former has clearly been evident since deregulation, which led to a fall in operating costs in some markets of 50 per cent. There has also been considerable innovation in the bus market following deregulation including improvements in bus fleet, variable bus sizes, out-sourcing of maintenance, smart ticketing and the introduction of part-time working arrangements for employees in the sector.

The key question is which model of competition, 'on-road' competition for the user or 'off-road' competition for the market, is the best mechanism for securing these outcomes.

Buses are an integral part of the transport network. Coordination of bus services and other modes of transport are essential to delivering the services that users value (as set out in Figure 3.10). As discussed earlier, failure to integrate services or rapid changes to timetables as operators introduce and remove services creates instability that reduces the attractiveness of bus use. Coordination of services is likely to be even more important in large conurbations where multi-trip journeys may be more common.

It is also clear that cooperation between operators and local authorities matters. Local authorities own the bus infrastructure as well as the wider road network. They therefore have the levers to introduce bus priority and car restraint measures, which impact on the demand and supply of bus services (e.g. through journey time and reliability). In PTA areas, coordination between the PTA and member authorities is essential.<sup>3</sup>

Sir Rod concluded that there were three possible options for the future deliverance of bus services, competition, partnership and franchising:

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<sup>3</sup> *The Eddington Transport Study (Vol. 4)*, December 2006, paras 3.35-3.38

There are three broad options urban areas might adopt to deliver bus services: (i) current model of competition for the consumer; (ii) partnership working with some limited competition for the consumer; and (iii) franchise model with competition for the market. However, whichever competition model is chosen, the underlying principle of employing competitive forces to secure the effective operation of buses must be retained. There is therefore a strong case for effective regulation of the sector to ensure that competition operates in the public interest.

It is not clear that any one option is necessarily superior or best suited to application across all urban areas at any one time. But it is clear that the current position in many urban areas can be improved. In particular, the evidence points to the potential of the franchise bus model to improve efficiencies and outcomes in growing and congested urban areas. However, this approach should only be adopted if it can be demonstrated to lead to a better service and deliver value for money. Adequate capacity within the sub-national local body to deliver this change will also be essential. Equally, any change should be phased to minimise instability in the bus market.

Governance and subsidy reform can further enhance delivery by creating the right incentives in the bus market. There is a strong case for targeting existing bus subsidy more effectively.<sup>4</sup>

### 3.2 Road pricing

*Information on the Government's policy on road pricing and related areas such as local road charges and tolls can be found in a number of Library notes available on the roads topical page of the [Parliament website](#).*

Sir Rod dedicated a substantial part of his report to road pricing. He concluded that the introduction of well-targeted pricing on the UK transport system, and in particular road pricing:

... offers enormous potential for improving network performance by spreading demand, lowering congestion and overcrowding, improving reliability and delivering GDP benefits. Making road pricing happen has risks that are real and there is significant uncertainty over costs, behavioural responses and long term impacts that will all need to be carefully managed.<sup>5</sup>

Sir Rod went on to explore how road pricing might work in practice:

On the roads, motorists pay duty on fuel use. This is an effective way of pricing for carbon dioxide emissions, that are directly related to the amount of fuel consumed, but does not directly vary to reflect the full costs imposed on society such as congestion, noise and air pollutants that are more closely related to location and time of day. There are a number of ways in which a road pricing scheme could be introduced and the total amount that motorists pay will depend on the design of the scheme and future decisions on the tax system. The illustrative, national road pricing scenario modelled for this study was a system of marginal social cost pricing in which the cost of motoring for some motorists would be less than it currently is today, namely when they are travelling on less busy roads or at quiet times of day. Higher road prices would be faced by those wanting to travel when demands are high for road space because that is when the costs and impacts of congestion are greatest. The variation in prices faced will of course depend on the particular scheme introduced.

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<sup>4</sup> *ibid.*, paras 3.95-3.97

<sup>5</sup> *ibid.*, [Vol. 3](#), para 1.69



In February 2003, Transport for London (TfL) introduced an area-based congestion charging scheme in central London, described in more detail in Figure 3.7. TfL estimates that after four years, the scheme has been successful in reducing overall traffic levels within the charging zone by 15 per cent (including a 30 per cent reduction in car, van and lorry traffic), and in reducing congestion levels by 26 per cent. Average traffic speeds inside the zone are estimated to have increased by 2 km/hour since the introduction of the charge.

The scheme has delivered notable benefits in terms of reduced congestion and improved traffic speeds. Although scheme-operating costs have been published, the set up costs have not, so it is difficult to form a view on overall cost-effectiveness; but this scheme has demonstrated the potential for pricing to manage demand effectively in areas of high congestion.<sup>6</sup>

Sir Rod concluded that the size of the potential benefits from road pricing “is so striking that it has to be taken seriously as a policy measure to support economic growth”.<sup>7</sup> Based on modelling work, Sir Rod suggested that total benefits<sup>8</sup> are likely to be in the region of £28bn a year by 2025; this, he believed, would more than likely exceed the costs of establishing national road pricing.<sup>9</sup> Sir Rod stated that such a scheme could reduce congestion on the network by half. Sir Rod did admit that there may be some losers from the scheme, for example those who place a lower value on the ability to make a particular trip at a certain time of day. The study concluded that the success of a road pricing scheme would depend on getting key variables right:

The modelling evidence highlights several factors, in addition to cost, that influence the effectiveness of pricing schemes, and should be fully recognised in working up schemes:

- the scope and quality of the transport system in the area targeted: it is important to understand the congestion challenge faced, availability and performance of public transport options in the area, and the nature of travel patterns;
- the prices implemented: prices should vary sufficiently to reflect congestion and other costs of road use and provide the incentive for a behavioural response, but still be understandable and practical for the road user;
- the geographical coverage of the scheme: diversion of traffic and economic activity to areas not charged could increase problems in those areas that should be netted off the estimated benefits;
- the level of the charges should be carefully assessed so as not to have counterproductive effects; and
- impacts on land use patterns such as business and household location should be considered.<sup>10</sup>

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<sup>6</sup> *ibid.*, paras 3.68-3.70

<sup>7</sup> *ibid.*, para 3.72

<sup>8</sup> which mainly consist of the value of reduced delay and improved reliability; revenues; wider economic benefits such as agglomeration, competition and labour market efficiencies and other societal benefits such as reduced accidents, lower carbon emissions and noise; and improved air quality

<sup>9</sup> he estimated this as between £10bn and £62bn to set up initially and then £2bn-£5bn a year to run

<sup>10</sup> *ibid.*, para 3.99

Sir Rod also set out a framework for key decisions that the Government would have to make in order to implement national road pricing. This included early decisions on pilot schemes, the approach to transport investment and other matters.<sup>11</sup>

### 3.3 High speed rail

*Information on the development of high speed rail following Eddington can be found in a Library note available on the rail topical page of the [Parliament website](#).*

The construction of a high speed rail line has been a topic for discussion for many years in the UK. Sir Rod claimed that his study addressed the issue of high speed rail objectively, by taking a step back to identify the problem that advocates of high speed rail were seeking to address:

High-speed rail is often considered as an example of a step-change measure. But, it is first important to note a distinction between possible high-speed rail options:

- those that offer the ability to run trains at high-speed using existing and tested technologies, as is the case on some inter-city lines for example; and
- those that allow trains to run at even higher speeds, relying on new, developing and often untested technologies.

For the latter option, the approach taken to the development of some very high-speed rail line options has been the opposite of the approach advocated in this study. That is, the challenge to be tackled has not been fully understood before a solution has been generated. Alternative options do not, therefore, appear to have been fully explored so it is not clear what the highest return solution to a problem would be; nor indeed is the challenge clear.<sup>12</sup>

Sir Rod argued that economic returns from high speed rail in the UK are unlikely to be as large as for investment in some alternative projects. He identified a numbers of factors that contribute to this, including the compact geography of the UK, an extensive national air network, potentially high and unpredictable costs of new high speed technology and significant environmental costs.<sup>13</sup> He concluded that decisions on specific schemes or policies would need to be informed by detailed appraisals of specific high-speed rail proposals, and of appraisals of other policy options for achieving the same objectives.<sup>14</sup>

### 3.4 Transport governance and planning

*Information on how local and regional transport policy making and financing currently works can be found in a [Library note](#) available on the Parliament website.*

Sir Rod proposed improvements to the arrangements for transport governance. He reported that the governance arrangements in the UK at the time involved a large number of different players with a variety of different powers, responsibilities and agendas. This had led to the development of a number of problems:

decision making is constrained to where the decision-maker has direct levers and influence, rather than finding the best solution for the economic geography as a whole;

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<sup>11</sup> *ibid.*, para 3.113, fig. 3.10

<sup>12</sup> *ibid.*, [Vol. 3](#), paras 4.171-4.172

<sup>13</sup> *ibid.*, para 4.173

<sup>14</sup> *ibid.*, para 4.196

a full range of appropriate options cannot be developed or considered;

good value for money projects may not be brought forward and determined;

delivering outcomes is often reliant on partnership working to overcome the problems of multiple administrative units within an urban catchment. In many cases this works well, but it can be costly, and at worst may lead to gridlock in the decision-making process; and

there will always be a need to manage the needs of interlinked and shared networks.<sup>15</sup>

In order to alleviate these problems, Sir Rod suggested reshaping governance arrangements along the following lines:

**To ensure that sub-national decision making can meet emerging challenges, Government should consider:**

(i) Ensure that sub-national decision making reflects, as much as possible, patterns of economic activity.

(ii) Developing and implementing effective mechanisms between transport bodies to manage shared and inter-linked transport networks.

(iii) To what extent powers should be vested in a single decision-making body at the sub-national level, including, for example, highways and traffic powers over strategic local roads, including road pricing; and powers for buses.

(iv) How such a body might be funded, including to what extent:

- large-scale and infrequent major projects need to be funded by a separate, supplementary process;
- existing funding streams could be consolidated, such as: reformed bus subsidy; concessionary fares; appropriate revenue support grant and direct capital allocation; and prudential borrowing powers; and
- any other proposals for reform to local revenue raising powers arising from the Lyons Inquiry's work.

(v) How best to ensure that sub-national bodies have the capacity and accountability to undertake this enhanced role.

DFT, working with the Sub-National Review, should consider how best to take these recommendations forward. The Lyons Inquiry may also wish to consider these issues before publishing its final report.<sup>16</sup>

In terms of the planning system, Sir Rod recommended creating a single system for strategic transport projects, which would:

- Put direction from ministers at the heart of the process: at the outset, the Government should produce clear statements of strategic objectives which articulate the need for strategic transport capacity and development, balancing national economic,

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<sup>15</sup> *ibid.*, Vol. 4, para 2.83

<sup>16</sup> *ibid.*, para 2.101, recommendation 5(a)

environmental and social considerations and the balance between national needs and possible local impacts;

- Introduce new statutory provisions to reinforce the requirement for full and wide-ranging public consultation when drawing up these national strategies, enshrining the role of individual members of the public and interested organisations in shaping the national priorities for the future;
- Establish a new Independent Planning Commission for strategic transport schemes comprised of well-respected experts of considerable standing to conduct major inquiries and decide the planning decision for strategic transport schemes; and
- Establish clear and defined statutory rights of legal challenge at key stages of the process to form a complete framework for challenges to decision making by these proposals.

These proposals were taken forward in the Planning Act 2008; more information on planning policy after Eddington, including for major infrastructure schemes such as airports, can be found on the planning topical page of the [Parliament website](#).

## **4 Responses to the report**

### **4.1 Immediate reactions by MPs and in the media**

Even before the Eddington Report was published, there were concerns expressed in the press, based on what appeared to be leaked information, about the Treasury and the Department for Transport interfering with the direction of the report and effectively gazumping any recommendation Sir Rod may have been thinking of making about high speed rail. For example, the transport commentator Adam Raphael reported in October 2006 that:

If the self-satisfied leaks coming out of the Department for Transport are true, Sir Rod Eddington's report on Britain's creaking transport infrastructure which is due to be published next month, has suffered the bureaucratic fate. Already Sir Rod has been asked to rewrite his report to make it more environmentally acceptable to ministers. Whispers also suggest that Sir Rod has bought the department's argument that the economic benefits of high-speed rail are unproven. If that is the case, I look forward to hearing his explanation why Japan, France, Spain, Germany, Taiwan, Mexico, China and most of the developed world are racing ahead in the development of ultra-fast 350 kph trains. Are all these countries financially illiterate? British exceptionalism is, of course, not new, but the environmental, social and economic costs of this phenomenon are increasingly damaging.<sup>17</sup>

This accusation was addressed by Sir Rod Eddington when he gave evidence to the Transport Select Committee in April 2007:

Q65 Mr Martlew: Can I just change back to something that Mrs Ellman said before, and I think you answered it, but we are always looking for conspiracy theories as politicians? Did ministers or senior civil servants who were not in your immediate team propose major changes to your report at any stage?

Sir Rod Eddington: No, they did not.

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<sup>17</sup> "Has the dead hand of civil service nobbled Eddington?", *Transport Times*, 20 October 2006

Q66 Mr Martlew: They did not?

Sir Rod Eddington: No.

Q67 Mr Martlew: How many major drafts of the report did you have?

Sir Rod Eddington: I began the evidence gathering in earnest in late September/early October. I did some of it before that but I was full time on it in October, November, December, and I began to assemble my thoughts early in the New Year. I guess I had two or three drafts in the way in which you do when you do a piece of work like this, and they were not really drafts; they were collections of thoughts in different areas. I did not really do a draft report and then a second draft report and a third draft report. The document evolved as we went along.

Q68 Mr Martlew: And there were no major changes in that, nothing that was cut out that we would be interested in?

Sir Rod Eddington: Nothing that was cut out. One of the things I tried very hard to do was not to jump to conclusions too early in the piece because I think once you reach a conclusion you cease to sift the evidence. I was taking evidence and going back to some of the people who presented it to me and, as it were, asking them to contribute more thinking to the particular piece I was interested in well into spring and early summer last year, so the thinking evolved. In particular, as it became clear that issues like planning and sub-national governance were important, I did quite a bit of work on those issues in the middle of last year, so parts of the document really only came together late in the day; other parts earlier in the day.

Q69 Mr Martlew: And there was no particular significance in the fact that your report was delayed about six months? It was not ministers asking you to hold it back?

Sir Rod Eddington: No. In fact, that is a good point. I asked for more time and I asked for more time because I wished to complete section four of the report, which was to look at planning. We spent quite a bit of time thinking about the planning process and how it relates to major transport infrastructure projects, national and sub-national governance, buses, in particular what are the different models for bus ownership and operation, what works best. Those sorts of things really only came together for me through the summer of last year. When I went into this report I did not think, to be frank, that I was going to be tackling those issues in the detail I did but the longer I went into it the more I thought the delivery issues were a critical part of the report and to ignore the delivery issues would have been to short-change the report. I asked for more time.<sup>18</sup>

Following publication, the report was heavily criticised in some quarters, for both a lack of imagination and some of its premises. For example, the then Shadow Spokesman for Transport, Chris Grayling, stated that the report “doesn’t tell us anything we don’t already know” and lamented the lack of a clear blueprint for a way forward:

...underneath the veneer, this isn't an independent report at all. Sir Rod returned to his native Australia months ago, and is now doing a variety of different jobs, including a transport study for the state of Victoria. Most of the work on his report has been done by civil servants from the Department for Transport. And there are rumours that the delay in publication (it was originally due in the summer) was prompted by a Treasury exercise to expunge anything that would cost money.

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<sup>18</sup> Transport Committee, *Oral evidence given by Sir Rod Eddington* (session 2006-07), HC 458-ii, 16 April 2007, Qq65-69

So what we have is a document that says not very much, and when it does say something, it gets things the wrong way round. Sir Rod's vision of Britain's transport challenges post-2015 - road pricing apart - is a set of smaller projects designed to ease pinch points and congestion. I agree: except they can't wait until 2015.

He talks about longer trains and platforms to ease overcrowding on our trains. But we were promised those in the Government's 10-year plan when it was published five years ago. Official forecasts show that passenger numbers will increase by another third by 2014, turning our trains into travelling sardine tins. So we can't wait another decade for those kinds of project. We need the Government to act now.

What I hoped to see from Eddington was a blueprint of what our transport system will need to become in the years after 2015 so we can start planning now. Should we follow other countries and develop a high speed rail network? Will new technologies, such as the next generation of communication links, affect future needs for transport? At his press conference, Sir Rod wasn't even certain whether road pricing should be used to raise revenue or be revenue neutral.

To get transport right in this country we need to start by actually doing things and not studying and analysing. Small road and rail projects are an essential first part of this. But when the National Audit Office says the main rail link between London, Birmingham, Manchester and Glasgow will be full to capacity in 10 years time, we have to start planning alternatives. We will need bigger projects and it's wrong to rule out a high speed rail network at this stage.<sup>19</sup>

The then Liberal Democrat Transport Spokesman, Alistair Carmichael, criticised the report for not being concerned enough with environmental issues:

On the remit, before the Stern report, the Eddington report would have been unexceptional. Post-Stern, the emphasis and reliance on economic benefits is an exercise in looking at the matter through the wrong end of the telescope. There should have been a much stronger focus on the environment, especially on the reduction of carbon emissions. When one finishes reading the report, it is not clear what effect transport would have on carbon emissions if everything that is proposed in the report were acted on.<sup>20</sup>

Sir Rod addressed this issue when he gave evidence to the Transport Committee in April 2007:

I think it is important to understand the links between transport and the economy, and I do not think historically we have done that very well. I recognise that there are other things that governments take into consideration when they take decisions on transport, and welfare, social inclusion and the environment are uppermost amongst them, but they are major issues in their own right. As I said in the context of the work I did, I could not do a thorough job of including those issues.<sup>21</sup>

Austin Williams, Director of the Future Cities Project, criticised some of the economic assumptions behind Sir Rod's report:

The Eddington report exemplifies such a monetarist mindset, assessing transport schemes by cost/benefit criteria and concluding that "smaller projects offer the highest returns". In other words, the existing road, rail and air transport networks are in the

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<sup>19</sup> "The nine-year jam", *The Sunday Telegraph*, 4 December 2006

<sup>20</sup> [HC Deb 5 December 2006, c239](#)

<sup>21</sup> op cit., *Oral evidence given by Sir Rod Eddington* (session 2006-07), Q17

right locations and we simply need to squeeze more efficiency out of them. Sound fiscal sense maybe, but not a great visionary ambition. Isambard Kingdom Brunel, on the 200th anniversary of his birth, would not be impressed.

The Government might think that just because a man with a spreadsheet has suggested that we mend-and-make-do, we should treat this turgid, four-volume transport report as gospel. But since when have we blithely accepted the insights of that most unworldly of professionals, the economics academic? We would do well to question such wisdom...

Eddington says he wants to "tell a balanced and thoroughly evidence-based story about the relationship between transport systems and economic success". An admirable aim, but unfortunately his starting point is less than generous. While recognising that good transport systems improve the flow of information, services and resources, he states that "economic growth itself causes rising transport demands which, if left unchecked, can put the transport network under strain, damaging productivity and competitiveness". In other words, he is describing a Catch 22 situation whereby economic development leads to increased traffic, which jams the existing infrastructure, thus jeopardising economic development.

Historically, this might have been dealt with by a "predict and provide" approach to alleviating the stress on the network by building more infrastructure to cope with increased demand. Today, however, Eddington's economists argue for a demand-management approach, concluding that the piecemeal management of the existing infrastructure is more cost effective than building new, and warning against being "seduced by grand projects". Lest there be doubt about what he means, Eddington concludes that, "ambitions and dreams of extensive new networks... should be put on hold... some of the best projects are small-scale, such as walking and cycling".

Here we go again. This is indicative of political defeatism rather than an ideological belief in the economic merits of muscle-powered locomotion. Real competitiveness comes from growth, productive capacity and dynamism rather than saving a few quid on capital expenditure. The business bottom line can be made to look healthy by cutting expenditure, but it tends to mask an underlying productive malaise. Eddington's patch-and-repair approach to transport might balance the books, but it risks tipping the balance of payments towards countries with fewer qualms about putting dynamic investment into their infrastructures.<sup>22</sup>

Others, however, thought that critics were missing the key point of the report, that in fact most of the transport links we require in the UK are in place, the challenge is to get them to function properly. For example, Robin Wright wrote in the *Financial Times* that:

Sir Rod said his three priority areas were urban transport, intercity transport and the key international gateways. "You have to make sure you're addressing the right problems," he told the *Financial Times*.

The report warns some areas that have no congestion but claim they need better transport links could suffer if links were improved. People might desert local shops for better ones elsewhere, for example.

"People automatically assume that if you take a city or town and build better transport links to it that means the economy will prosper," Sir Rod said. "But transport links work two ways. People can use them to go elsewhere, as well as coming to that place."

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<sup>22</sup> "Britain deserves better", *The Daily Telegraph*, 16 December 2006

The point is one of many in the report, which turns Britain's conventional transport wisdom on its head. The same goes for the argument at its heart: that Britain has one of Europe's best transport networks, with citizens generally living far closer to good roads, railways and airports than those in any other European country. "Because the UK is a mature economy, most of the transport links are in place," Sir Rod said. "The challenge is to get the links functioning more effectively. Congestion is a problem around the country precisely because, although the links exist, they are not adequate to cope with demand."

Among his main answers is a widespread programme of pay-as-you-go road-pricing. It has been government policy since 2004 to introduce a nationwide scheme, but the report stresses the impossibility of decongestion without a mechanism to make drivers understand when journeys impose most pressure on the network.

By 2025, congestion on England's roads, if left unchecked, would cost businesses Pounds 10bn per year, and households a further Pounds 12bn in wasted time. The report advocates making all forms of transport pay the full pollution and congestion costs they generate.

However, it is clear that Sir Rod believes some large investment is desirable. But he insists potential investments should be looked at rigorously, including a detail-ed examination of the problems they aim to address and a thorough assessment of the environmental, economic and social costs.

In his conclusion he suggests, like many before, that the local government and planning system needs an overhaul to make it easier for schemes to proceed.

If the government pays attention to those recommendations, it may mean that eventually big projects such as a north-south high-speed line become a reality. But it should also mean that they are in the right places and serve the right purpose.<sup>23</sup>

#### **4.2 Conservative Party Economic Competitiveness Policy Group**

In August 2007 the Conservative Party's Economic Competitiveness Policy Group published its report. The Group was one of several set up by David Cameron after he became leader of the Conservative Party in December 2005. It is chaired by John Redwood MP and Simon Wolfson. The report looked at the integration of transport with the UK economy, in a similar way to the *Eddington Transport Study*. It stated:

Transport has become the biggest challenge to the UK's economic competitiveness after taxation and regulation. It is an issue regularly raised in meetings by business, when discussing how the Government can support their international competitiveness. There are problems with public and private transport in every locality, all of which come down to one basic underlying fact – we simply do not have enough transport capacity to meet the demands of business, government and families. It is clear that the failings of our transport networks have to be addressed, if employment and prosperity are to grow further.

Although, throughout our work on transport, we have been conscious of environmental impacts, including impacts on carbon emissions, we have left it mainly to the Quality of Life Policy Group to come forward with specific proposals to reduce the quantity of emissions, and to increase the energy efficiency of our transport systems. We have focused on proposals designed to ensure that the transport system meets the economic needs of the country – recognising that new investment in transport will allow us to cut congestion and fuel inefficiency at the same time. Congestion is one of the

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<sup>23</sup> "Eddington's detractors are missing the point of his recommendations", *Financial Times*, 2/3 December 2006



prime causes of undesirable exhaust emissions including carbon dioxide, and is also a major impediment to business.<sup>24</sup>

The report highlighted what it saw as the Government's failure to tackle transport within this broader economic context:

In the last ten years, the Government has failed singularly either to expand our transport capacity through public funds, or to draw the private sector into increasing capacity, in spite of the clear signals of rapidly rising demand. There continues to be little evidence that the Government is going to achieve anything significant in respect of transport on present policies. Current statistics show that:

- more than 85% of passenger miles are by car;
- three quarters of passenger activities and two thirds of freight movements are by road;
- buses and trains account for only 6% and 5% of passenger miles respectively;
- trains carry only 8% of freight tonnage; and
- some 84% of personal journeys and 69% of business-related trips involve a distance of 15 miles or shorter. Yet, even when the destination is further away (200 miles or more), the car dominates in the UK.

Consequently, even if rail capacity were doubled, this would cater for less than three years' extra traffic from economic growth.

Successive governments have failed to address our transport problems because they have not accepted two essential principles for making transport systems work:

- the public sector needs to plan using realistic forecasts of future demand; and
- the private sector, as well as the public sector, needs to pay.<sup>25</sup>

The report went on to make several suggestions to tackle the problems it identified, in terms of better use of urban road space; more private sector involvement in managing and maintaining the major road network; introducing lorry road user charging; expanding rail freight; deploying smarter technology on the railways; looking at high speed rail; and streamlining the Department for Transport and its Agencies.<sup>26</sup>

The report's recommendations have yet to be accepted as official Conservative Party policy; however the party's transport policies are available to view on the [Conservative Party website](#).

### **4.3 Government response**

In the 2006 Pre-Budget Report, published in December 2006, the Treasury outlined how the Government planned to take forward Sir Rod's recommendations:

The Government agrees with Rod Eddington's strategic analysis. It will take steps to implement his advice, covering strategy, processes and delivery, while aiming to improve transport's environmental performance and taking account of the

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<sup>24</sup> *Freeing Britain to Compete: equipping the UK for globalisation*, August 2007, p19

<sup>25</sup> *ibid.*, pp21-22

<sup>26</sup> for full details, see: *ibid.*, pp19-37

Government's social objectives. In this context, the Government is committed to reforming its transport strategy, including:

- reviewing the implications for the 2007 CSR, publishing as outputs a framework and evidence base for decision-making over the medium term; an analysis, to be updated regularly, of the priority areas nationally where transport interventions should focus to unblock constraints to growth; developing and appraising a full range of potential solutions (including better use of existing networks, and targeted investment) and prioritising those options with the best value-for-money returns; and a refreshed research and evaluation strategy;
- developing the strategy on pricing: setting out early plans to enable widespread road pricing to be implemented within the next ten years (i.e. by 2016), if it can be done so in an affordable way which preserves the potential net gains to society; including within this key decision points; timely updating of these plans; and
- developing further the strategy to ensure that transport prices reflect the costs of carbon emissions and other environmental externalities, for instance, through taxation, regulation and trading mechanisms, as recommended by the Stern Review of the Economics of Climate Change.

The Government is committed to reforming the development of supporting processes, including:

- reviewing processes as part of the 2007 CSR so that resources are allocated taking account of options across modes and giving priority to cost-effectiveness in delivering objectives;
- developing appraisal of transport projects: by April 2007, it will better reflect reliability, freight and agglomeration benefits; by March 2008, it will capture additional economic and environmental benefits; by March 2008, scope for further improvements will be identified, drawing on evaluation studies; and
- adopting immediately a set of planning scenarios which include the significant possibility of widespread road pricing by 2016, and issuing guidance on the implications by April 2007.

The Government is also committed to reforming delivery, including:

- considering proposals to reform planning for transport infrastructure as part of wider proposals for planning reform following the Barker Review of Land Use; and
- taking forward Eddington's analysis of sub-national governance in the 2007 CSR.

The Department for Transport will report on progress in taking forward the measures, and its further consideration of the new evidence and analysis presented by the Eddington Transport Study, in the course of 2007. As discussed in Chapter 6, the Government has asked Sir Michael Lyons to consider the implications of the Eddington Transport Study, as well as the reviews by Kate Barker and Lord Leitch, for the role and funding of local government, ahead of publishing his final report.<sup>27</sup>

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<sup>27</sup> HM Treasury, [Pre-Budget Report 2006](#), Cm 6984, 6 December 2006, paras 3.131-3.134

On 22 May 2007 the then Secretary of State for Transport, Douglas Alexander, announced the publication of the draft *Local Transport Bill*, which proposed changes to bus services, local transport governance and the legislation to enable local road pricing schemes. In his statement to the House, Mr Alexander linked the Bill to Sir Rod's recommendations:

The Eddington Transport Study, published in December last year, provided a number of timely recommendations to enhance the delivery of transport in the UK's cities. These recommendations were aimed at better equipping us to address the high potential future cost of congestion and ensure transport can continue to sustain economic growth.

I am committed to ensuring that we are well equipped to meet not only today's transport challenges, but also those of 10 or 20 years' time. The draft Local Transport Bill is a demonstration of that commitment. It is a key part of our strategy to empower local authorities to take appropriate steps to meet local transport needs in the light of local circumstances.<sup>28</sup>

The [explanatory notes](#) to the *Local Transport Act 2008* explain the changes.

The Government's official response to both the Eddington and [Stern](#) reviews was published as a single document in October 2007. The Secretary of State's forward to *Towards a sustainable transport system* stated:

As Sir Rod Eddington's report argued, a well-functioning transport system is vital to the continued success of the UK economy and to our quality of life.

The recent Comprehensive Spending Review has reaffirmed the Government's policy of providing long-term stability of funding for transport by extending the Department for Transport's funding guideline to 2018-19. Public spending on transport will have doubled in real terms over the twenty years from 1998-99. We must ensure that this continued investment in the country's networks, together with our other policies, underpins a nationwide transport system that continues to support the UK's economic prosperity.

And our policy decisions must be firmly based on the evidence of the costs and benefits of those policies. The more we listen to the evidence, the greater the impact our policies will have. The Department for Transport has a strong evidence base and expertise already from which we will build: my priority is to ensure it continues to influence decision-making in the future.<sup>29</sup>

The document set out five goals for long term transport strategy; one specifically related to the Stern Report on climate change; three which could be linked generally to both Eddington and Stern (improving quality of life; promoting greater equality of opportunity; and protecting people's safety, security and health); and one specifically related to Eddington: to maximise the competitiveness and productivity of the economy. On this specific goal, the document stated:

Goal 1 is to maximise the competitiveness and productivity of the economy. Eddington confirmed that, in broad terms, the UK transport system provided the right connections in the right places to support the journeys that matter to economic performance, but that delays and unreliability increased business costs, affected productivity and inhibited innovation. Growth in travel demand is densely concentrated on certain parts of the network at certain times of day. The challenge is therefore to improve the

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<sup>28</sup> [HC Deb 22 May 2007, cc75-6WS](#)

<sup>29</sup> DfT, [Towards a sustainable transport system](#), Cm 7226, 30 October 2007, p5

performance of the existing network, focusing on the most unreliable, congested and crowded sections in order to improve 'predictable end-to-end journey time' for travel to work, and for domestic and international business trips and goods movements. This will be especially critical as we realise the Government's ambitions to deliver a step-change in housing supply, supported by adequate infrastructure, in line with the Delivery Agreement supporting the Government's long-term housing growth PSA target.

Eddington recommended a sophisticated policy mix to achieve this goal:

- Making best use of existing networks (such as traffic flow management on roads or lower-carbon transport choices) and getting the prices right, ensuring that transport planning at all levels draws on a comprehensive assessment of all the impacts of transport policies – economic, environmental and social.
- Targeted new infrastructure investment (in airports, ports, rail and road), with smaller projects to unlock pinch points potentially offering very high returns.
- Adapting the delivery chain to meet changing demands: this includes rigorously prioritising those policies which offer the highest returns for each pound of resources, reforming transport governance at local and sub-regional levels, revising powers to help local authorities and bus operators to deliver better bus services, and reforming the planning process for major infrastructure projects.<sup>30</sup>

More particularly, on high speed rail the paper proposed looking at the potential for a high speed link between London and Birmingham;<sup>31</sup> and on road pricing it maintained the Government's stated policy that local road pricing trials, funded by Transport Innovation Fund money would go forward to better inform any future decision about national road pricing.<sup>32</sup>

The Government intended that the document would be a 'starting point' for further consultation on the future strategic transport agenda. This culminated in the publication of *Delivering a Sustainable Transport System (DaSTS)* in November 2008 in a completely different economic situation to that in which Eddington was written. This paper is the last strategic policy statement on transport by the Labour Government before the 2010 General Election. It states:

We have already set clear goals that, as Eddington emphasised, take full account of transport's wider impact on climate change, health, quality of life and the natural environment. We want our transport system:

- to **support** national **economic** competitiveness and **growth**, by delivering reliable and efficient transport networks;
- to reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of **tackling climate change**;
- to **contribute to better safety, security and health** and longer life expectancy by reducing the risk of death, injury or illness arising from transport, and by promoting travel modes that are beneficial to health;

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<sup>30</sup> *ibid.*, paras 11-12

<sup>31</sup> *ibid.*, pp66-67

<sup>32</sup> *ibid.*, pp48-49

- to **promote** greater **equality of opportunity** for all citizens, with the desired outcome of achieving a fairer society; and
- to **improve quality of life** for transport users and non-transport users, and to promote a **healthy natural environment**.

These are enduring goals. All are important for building the sort of society we want to live in. We expect to be able to make progress against all five, but are well aware that there can sometimes be tension between the different goals when considering decisions about future investment. In particular, supporting economic growth while reducing greenhouse gas emissions is likely to be the most challenging to deliver in parallel, at least in the short term.

That said, we expect there to be a strong synergy between different goals. For example, measures that improve the links between cities will also benefit the economies of the surrounding regions and help to reduce regional economic imbalance. Measures that encourage modal shift to public transport, cycling and walking are likely to make a positive contribution to economic growth (by tackling congestion), reducing greenhouse gas emissions and enhancing the local environment, as well as improving public and personal health. With proper planning there is no reason why a package that includes new infrastructure need have an adverse impact on climate change, quality of life or the natural environment.

[...]

We have a clear set of priorities until 2014. There is a significant programme of investment underway to tackle issues such as congestion and climate change and to provide the infrastructure needed to support future prosperity. In the longer term, wherever we can be clear about future requirements we will press ahead with decisions to address longer-term policy and infrastructure needs. Despite the current economic climate, we are planning today so that our transport infrastructure supports economic growth and for more ambitious emissions reduction, while at the same time looking for ways in which transport can contribute towards improved health, greater equality of opportunity and better quality of life and enhancement of the natural environment.<sup>33</sup>

The Government subsequently published [guidance to regions](#) on DfT funding support for development work on DaSTS in April 2009 and an [International Networks Improvement Programme](#) in December 2009. Alongside the original DaSTS report in November 2008 there was a [consultation on planning for 2014 and beyond](#). One of the key themes of DaSTS – planning national networks and developing ‘strategic national corridors’ is expected to be reflected in the draft National Policy Statement on national networks. This is expected before the General Election.<sup>34</sup>

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<sup>33</sup> DfT, [Delivering a Sustainable Transport System](#), November 2008, paras 4-6 & 14

<sup>34</sup> Transport Committee, [Uncorrected evidence](#), HC 217-iii, 27 January 2010, Q332 [Paul Clark MP]