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PRESENTATION OUTLINE FOR HIGHWAYS APPG, JULY 11

Review of current issues facing local authority highway teams in light ALARM 2017 and the recently published Transport Investment Strategy document (DfT July 2017), which has the potential to become a game-changer post 2021.

Speaker Malcolm Simms

INTRODUCTION

Good afternoon I am Malcolm Simms, technical director of the Asphalt Industry Alliance.

Firstly, I'd like to support the Chairman's welcome to Members new and old (or rather, returning) and thank you for your support of the Group. As industry, we value how this group helps to foster understanding of the importance of a well-funded local road network, plus raising awareness of the contribution well-maintained roads make to economic growth, regional prosperity and connectivity. Many thanks for your continued support.

It is opportune that this meeting is taking place less than a week after the DfT's 'Transport Investment Strategy' was published and a debate on roads infrastructure took place in Westminster Hall. I would like, therefore, to spend just a few minutes considering whether the DfT's proposals have the potential to be a game-changer when it comes to local roads maintenance funding and

review what the implications may be for the state of the network, both in the run up to 2021 – when the proposals would come into effect – and beyond.

The DfT's proposals, as we understand them, are predicated on **redirecting** funds to be raised from Vehicle Excise Duty (VED) to local roads. If supported, then main roads overseen by local authorities will now get a share of the VED-funded National Roads Fund. Previously it was set out that this funding stream – announced in the 2015 budget – would be ring-fenced for the strategic road network (SRN) managed by Highways England.

In addition, the proposals announced last week, include the setting up of a Major Roads Network (MRN) recognising 'local authority A roads strategically important to the economic wellbeing of the regions and the country as a whole'.

Now, some members may recall our meeting in November last year when Phil Carey presented the concept of an MRN as outlined in the Rees Jeffreys Road Fund report, which he co-authored with David Quarmby. (You heard it here first!) However, the DfT proposals that will be consulted on now differ somewhat from those outlined in his 'Major Roads for the Future' document, in that Government is setting out that this middle tier, sitting in between the SRN and the rest of the local network, would remain in local authority control. This certainly seems to make a good deal of sense from our perspective.

The £1 billion per annum to be reallocated to local roads from 2021 would represent around 17 per cent of the total expected to be raised by the VED/National Roads Fund. No doubt it will be put to good use by local authorities – especially considering that they told us this year in the AIA's Annual Local Roads Maintenance (ALARM) survey – that **£12 billion** is now

needed to bring the local road network up to scratch, with the time needed to implement such a one-time catch up remaining well over a decade. When this Group met last in March we only had an indication of the figures, the Reports available to you today confirm these, and more.

This one time catch up cost of £12 billion has remained fairly static in recent years, (as local authorities benefit from the implementation of asset management plans which enable them to do more with less), but what does have serious implications for the future state of the network is that this year's ALARM also reports that around **one in six** local roads is approaching the end of its structural life.

Local authorities told us that, while the number of roads classed as 'good' has increased in England and Wales, so has the number of roads classed as 'poor'. Decades of underfunding, as well as the effects of increased traffic and wetter winters on an ageing network means that cash-strapped highway teams are having to prioritise maintenance activity – with a disastrous effect on the networks overall condition and resilience.

Local authorities also told us of their concerns in having to put together costly bids for “top-up” funding streams, with many spending in excess of £20,000 for their Challenge Fund bids. That's £20,000 less per authority to spend on road maintenance if a bid is unsuccessful. It also raises questions about whether it is the best submissions, or the most deserving schemes, that end up 'winning'. We appreciate that a bidding process helps to ensure funds are spent and validated as intended, but looking ahead to how local authorities would access MRN funds, we would advocate that the assessment criteria needs to be clear

and the process streamlined to limit the resources required to put bid submissions together.

While a £1 billion investment in an MRN sounds impressive it also needs to be considered against the backdrop of the current shortfall in the annual carriageway maintenance budget – this year reported in ALARM as £730 million in England and Wales – or an average of £5 million per year for every English local authority.

Furthermore, our major concern is that it is NOT additional funding and local authorities may even end up with less to maintain their networks:

The Challenge Fund, I just referred to, is set to expire in 2021 – this is £275m local authorities can bid for to tackle major maintenance projects that are otherwise difficult to fund through the normal needs element allocations they receive.

Similarly, the pothole action fund launched last year, will also expire in 2021.

And, of course, some poorer performing councils could lose out if they don't achieve or maintain the self-assessment/efficiency element of their funding. Plus, of course, we do not yet know what the local authorities grant support from central government for roads investment and maintenance will be from the next spending round (with many predicting a further reduction).

Looking at the roads budget as a whole, the move could also result in less being invested in Highways England and RIS 2 – its five-year investment strategy from 2020/21.

From industries' perspective, all of this means continued uncertainty and lack of confidence to invest. Commitments made by Highways England on RIS1 and

RIS2 may potentially be being scaled back, with funds for RIS2 being redirected towards the MRN. Understandably this could impact on the supply chains' ability to plan for delivery – with a knock-on effect on investment in plant and machinery and people. For instance, it takes in the region of 18 months to build and commission a new asphalt plant – excluding the time needed for new or additional planning and permitting, while aggregate source planning takes significantly longer.

There are also implications for recruitment and skills – operatives and Apprentices need in the region of years to be trained and assessed as competent. Nonetheless, the Members of our Associations and Institutes and others across the sector are putting actions on these in to place already.

In summary, the fact that our local roads are at a tipping point now is well documented and it is not apparent that this will be remedied by the DfT's Transport Investment Strategy with regards to the setting up of an MRN. And, of course we don't know what impact a few extreme winters before the end of the decade may have on the continuing deterioration of the network – let alone the implications of Brexit on funding.....

Consequently, we believe that a move towards a MRN, would only be of benefit to local authorities and road users if it represented additional funds over current levels. It would be counter-productive if prioritising funds on key routes led to the rest of the network deteriorating at an even faster rate.

OR, to paraphrase a recently well-known slogan, we should be working towards a delivery mechanism that works for all of our roads – not just the few.

I hope that this has given you food for thought for our discussions, but please enjoy the literal food which we anticipate should be right in front of you now!

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