



Department
for Transport

Transforming our strategic roads - A summary

Since June 2014, the Department has done further work to develop the legal framework and governance regime for the new company, in particular:

- **Proposing that, in setting or varying a Road Investment Strategy**, the Secretary of State has regard to road user safety and the environment, and ensures that appropriate consultation takes place;
- **Carrying out a programme of stakeholder engagement** to inform development of the first RIS, which we intend to publish later this year;
- **Strengthening the role of the Monitor**, giving it the ability to carry out independent enforcement activity if the company fails to deliver;
- **Clarifying the roles and responsibilities of the Monitor and Watchdog**, with further details published in *Transparency for Roads* in October 2014;
- **Expanding the Licence** to include clear obligations for the new company on safety, environment, asset management and research, as well as detailed processes for setting and varying the Road Investment Strategy;
- **Providing further information about governance of the company**, in particular around roles, responsibilities and lines of accountability to government and Parliament.

October 2014

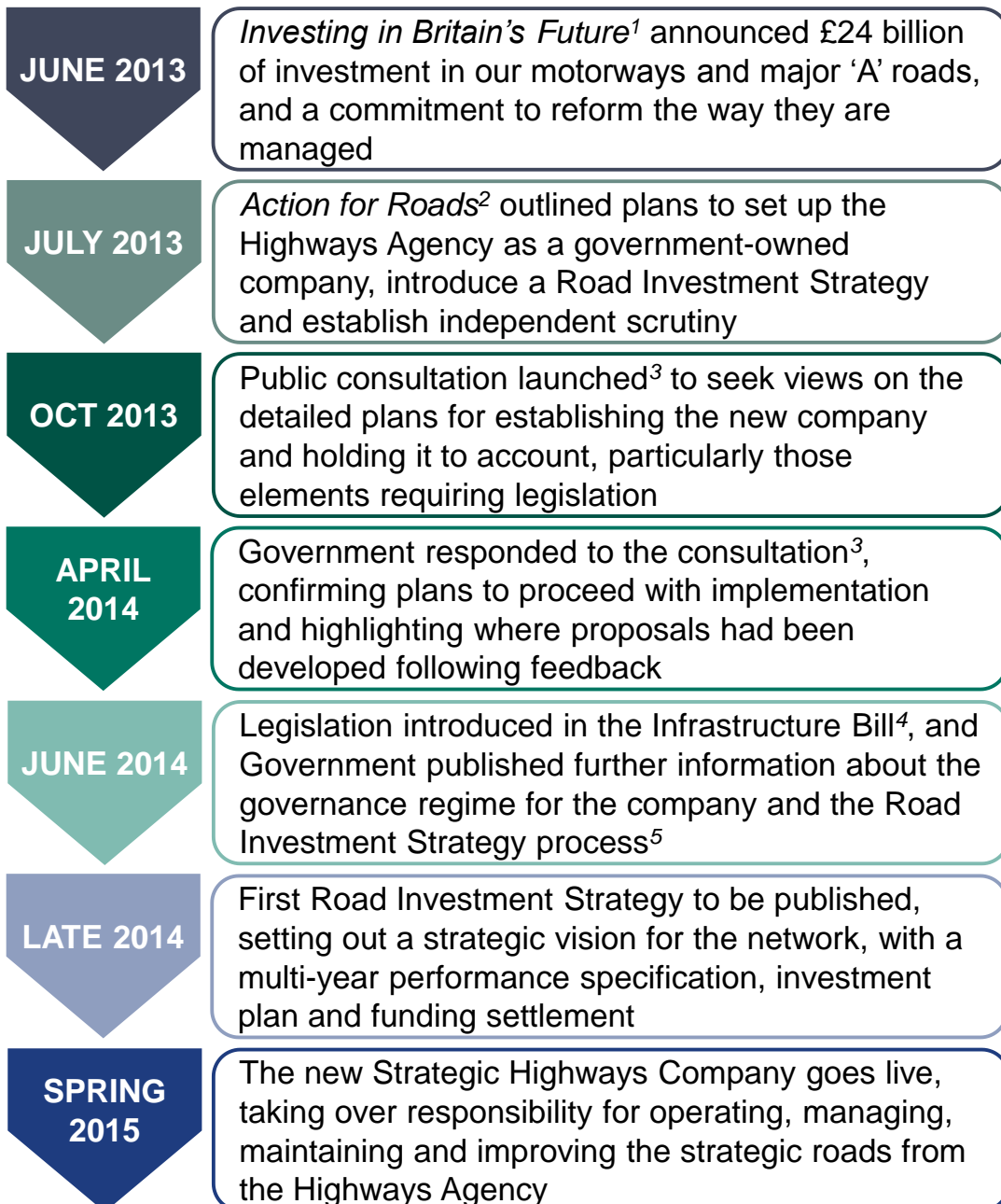
© Crown copyright 2014

www.gov.uk/dft

Introduction

1. Our aim is to create a strategic road network befitting of a modern, vibrant and progressive country, supporting the growth of our economy and improving the lives of our citizens. We want to give road users the best possible quality of service, while making real differences to broader economic, environmental and safety goals.
2. Achieving these aims requires a world-leading public delivery and operations company that emulates best practice from comparable private sector bodies, delivers faster and more efficiently, provides a better service to customers and gets the best possible value for money for taxpayers from public investment.
3. To this end, we are changing the way the strategic road network is managed and run, by:
 - **Establishing a new, long-term 'Road Investment Strategy' (RIS)**, setting out a clear vision and a stable, long-term plan for the network.
 - **Transforming the Highways Agency into a government-owned Strategic Highways Company**, able to operate more flexibly and efficiently and develop into a world-leading road operator.
 - **Putting in place a robust system of governance for this company**, ensuring that Ministers set the strategic direction for the network, giving the company the autonomy to run the network on a day-to-day basis, while ensuring can be held to account for its performance and continues to run the network in the public interest.
 - **Setting up an independent watchdog and monitor**, to represent the interests of road users, and to monitor and improve the performance and efficiency of the company.
 - **Introducing legislation to underpin these reforms**, creating the legal framework for the reforms and provide a strong foundation that puts highways investment on a stable footing similar to other sectors.
4. Alongside the reforms, we have committed to a transformational level of investment of £24 billion in the network, providing a long-term commitment to funding and trebling funding for enhancements by 2020.
5. Together, these changes will tackle historic problems of short-term decision making and uncertainty in funding, strengthen delivery and transform how our strategic roads are run. This will ensure more efficient operation and faster delivery, saving the taxpayer at least £2.6 billion over ten years. It also means clearer accountability and greater transparency, providing assurance on the spending of public money and ensuring that the network continues to be run in the public interest.
6. This document summarises the reasons for change, what this involves, how the new regime will work and the benefits the change will deliver for road users and the nation as a whole. This is intended to inform consideration of the proposed legislation on roads reform introduced in the Infrastructure Bill.

Timeline



1 <https://www.gov.uk/government/publications/investing-in-britains-future>

2 <https://www.gov.uk/government/publications/action-for-roads-a-network-for-the-21st-century>

3 <https://www.gov.uk/government/consultations/transforming-the-highways-agency-into-a-government-owned-company>

4 <https://www.gov.uk/government/news/infrastructure-bill>

5 <https://www.gov.uk/government/collections/roads-reform>

We face some major challenges on strategic roads

7. Strategic roads - our motorways and major 'A'-roads - are vital to all our daily lives and perform a crucial function in supporting jobs and growth. Although representing only 2% of the English road network, these roads carry a third of all traffic and two thirds of all freight traffic.
8. However, our strategic roads must overcome some significant challenges if they are to keep supporting our economy and drive growth:
 - **Stop-start funding:** The Highways Agency (HA) has often not been given a clear and consistent view of the Government's long-term ambitions and policies, and its funding can vary from year to year, making it difficult to plan ahead.
 - **Institutional inefficiencies:** The HA lacks autonomy and flexibility compared to other infrastructure providers, who operate at arms-length from government with greater efficiency and customer focus.
 - **Underinvestment:** Investment in roads has fallen dramatically over recent decades and has failed to keep pace with demand, with many parts of the network still suffering from congestion.
 - **Growing pressures:** Economic growth, a rising population and falling costs of driving means we expect increasing pressure on the network.



Stop-start funding: Short-term changes to annual budgets and the lack of a long-term plan create an unstable delivery environment for the Agency and its supply chain, making it difficult to deliver efficiently.

This hinders their ability to plan ahead, slows delivery and increases costs, for example by preventing the Agency from entering into lower cost long-term contracts with suppliers. Recent evidence shows inefficiencies in the current system of 15-20%.⁶



Institutional inefficiencies: As an executive agency that forms part of central government, the Agency has less flexibility over day-to-day operations, procurement and contract management compared to other infrastructure providers.

In 2011, Alan Cook's report *A Fresh Start for the Strategic Road Network* highlighted that "the unique position of the Agency, and its relationship with government, has failed to reflect the wider interests of our economy", and recommended setting up the Agency as a government company. International comparisons show that operators in other countries can run their roads more efficiently at arms length, with more certainty and flexibility.

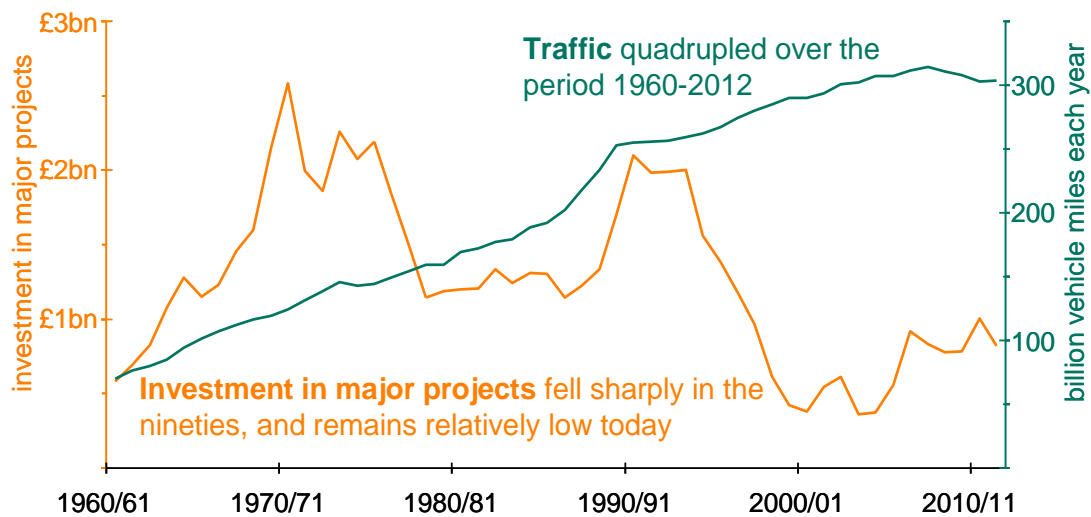
⁶ A Fresh Start for the Strategic Road Network, Alan Cook, November 2011; Infrastructure Cost Review, Infrastructure UK, December 2010; Government Procurement Strategy, Cabinet Office May 2011; European Cost Comparison – Cost differences between English and Dutch Highway Construction, EC Harris and TRL, December 2009.



Underinvestment: Britons drive almost 50 billion miles more than 20 years ago, but spending on major road schemes in England fell dramatically between 1990 and 2001 (see graph). As a result, many parts of the network still suffer from congestion, bottlenecks and inconsistent standards.

This makes it harder for the UK to compete internationally. The network is critical to our global economic competitiveness - research by EEF⁷ has shown that over 60% of overseas investors see good road infrastructure as critical or important to their investment decisions. Our strategic road network is already losing ground to our international competitors, who have continued to invest in their roads. Since 2006-2007, UK road infrastructure has fallen from 14th to 30th in the latest World Economic Forum's Global Competitiveness Index rankings.⁸

Figure 1 Spending on major projects has not kept pace with traffic



(Source: Transport Statistics Great Britain table TRA0101; spending data before 1997 collected from a range of published government documents, and subsequently from internal data. The data on major improvements is an accurate reflection of the trend in central spending on improving the network, but note that there have been minor changes in some years to the classification of some road projects)

7 Transport for Growth, EEF, 2013

8 Global Competitiveness Report 2006-2007, World Economic Forum



Growing pressures: The latest statistics show that traffic on the strategic road network continues to grow. Traffic on motorways grew by 1.5% in the last year to 63.3 billion vehicle miles travelled - the highest ever level - with traffic volumes on trunk roads estimated to have increased by 7% over the last decade.⁹

Economic growth, a rising population and falling costs of driving mean we expect traffic demand to continue to increase. Our latest central estimates show that traffic on strategic roads could increase by 46% by 2040.¹⁰ This would mean more congestion for road users, with delays more than doubling and almost a quarter of all travel time spent caught in traffic.

Costs of congestion in 2040

By 2040, almost a quarter of all travel time could be spent stuck in traffic.

This amounts to at least...



70 hours
for every household stuck in traffic each year.



100 million
working days lost every year, hampering Britain's economic growth.



£14 billion
cost to the freight industry. Consumers are likely to see this in higher prices in the shops.

Including the impact on reliability may increase some costs by up to 50%

9 Road Traffic Estimates in Great Britain: 2013, Department for Transport, June 2014. 7% figure is based on a comparison on a road network similar to that in 2013 for all years.

10 Road Transport Forecasts 2013, Department for Transport, July 2013

We are therefore changing the way strategic roads are run and investing record amounts in the network

9. **We are establishing a 'Road Investment Strategy' (RIS):** setting out a stable, long-term plan for the SRN, with a clear vision, performance requirements and multi-year funding. This will create far more certain conditions for investment - enabling the operator and its suppliers to plan ahead and gear up for delivery, supporting the economy, jobs and skills.
10. **We are turning the HA into a government-owned strategic highways company (SHC):** with the legal powers and duties to run the roads, able to operate more flexibly and efficiently, and provide a better service to users - and develop into a world-leading road operator.
11. **We are putting in place a robust system of governance for this company:** ensuring Ministers set the strategic direction for the network and giving the company the autonomy to operate, manage and enhance the network on a day-to-day basis and deliver more efficiently, while ensuring it acts transparently, remains accountable to government, road users and taxpayers, and runs the network in the public interest.
12. **We are setting up an independent watchdog and monitor:** Transport Focus (the new name of Passenger Focus) will represent the interests of road users, and a 'Strategic Road Network Monitor' in the Office of Rail Regulation will scrutinise performance and efficiency of the company.
13. **We are introducing legislation to underpin these reforms:** the Infrastructure Bill introduces legislation to create the legal framework for these reforms and provide a strong foundation that puts highways investment on a similarly stable footing to other infrastructure sectors.

We have committed to record levels of investment in strategic roads

The Government has committed over £24bn to upgrade the SRN between 2010 and 2021 – the biggest upgrade of our roads since the 1970s – which will support growth, create jobs, and improve safety and reliability.

We will invest in a balanced package of funding for: major schemes; pinch point improvements; a significant uplift in maintenance; environmental and cycling improvements; and continuing to roll out smart motorways.

These reforms – estimated to save taxpayers at least £2.6bn over the next ten years – are crucial to ensure this money is invested wisely and delivered efficiently, so that road users and taxpayers get the best value from this investment.

Alongside this we are continuing to invest in local transport

The Government has committed an unprecedented level of funding for local roads maintenance, investing £6bn over six years from 2015. The Local Growth Fund is providing over £3bn for local transport – the largest local transport funding announcement for over a decade – and gives local areas the flexibility to prioritise transport investment where it is most needed.

The governance arrangements for the Strategic Highways Company will be made up of several elements that will work together in a robust system

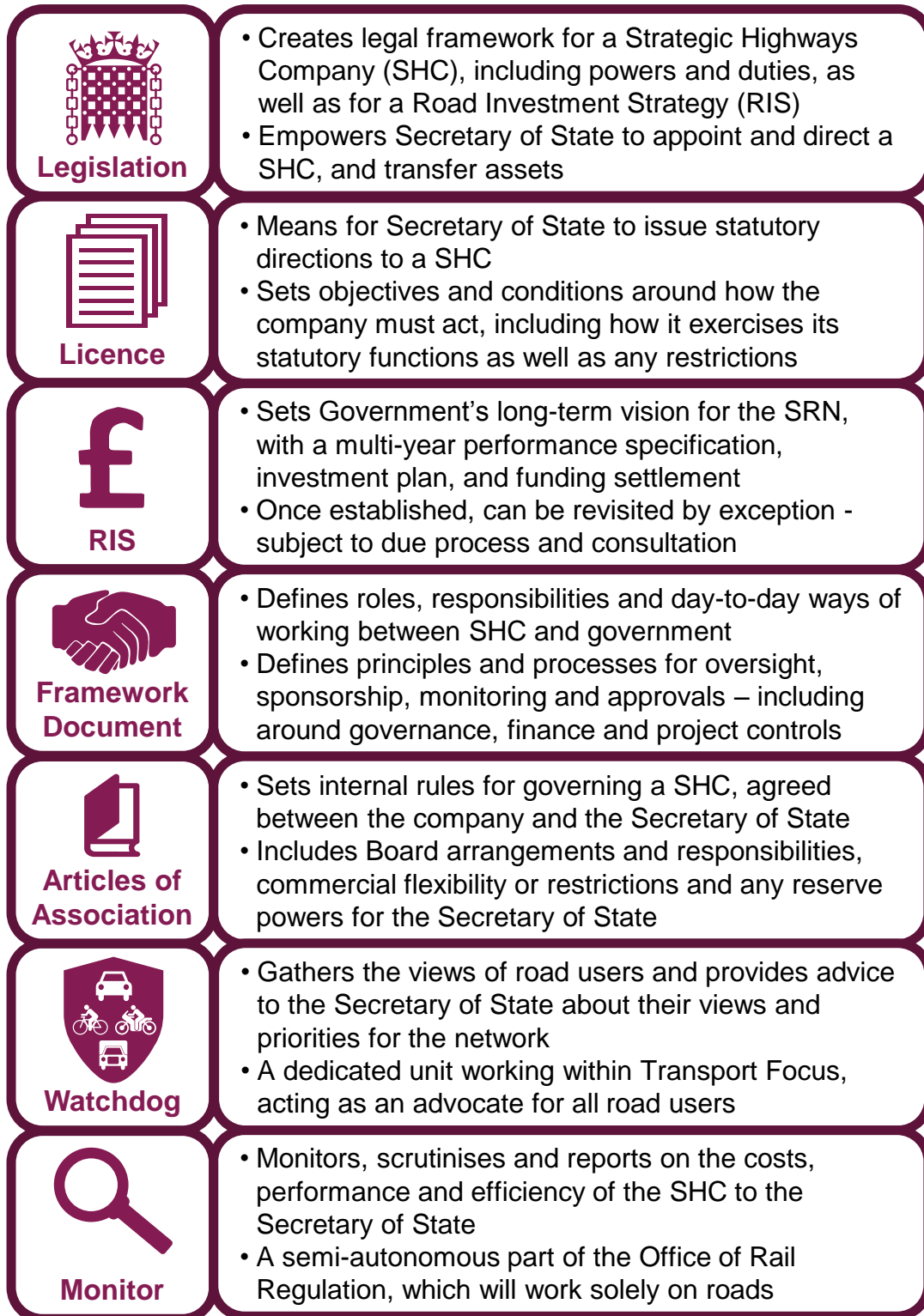
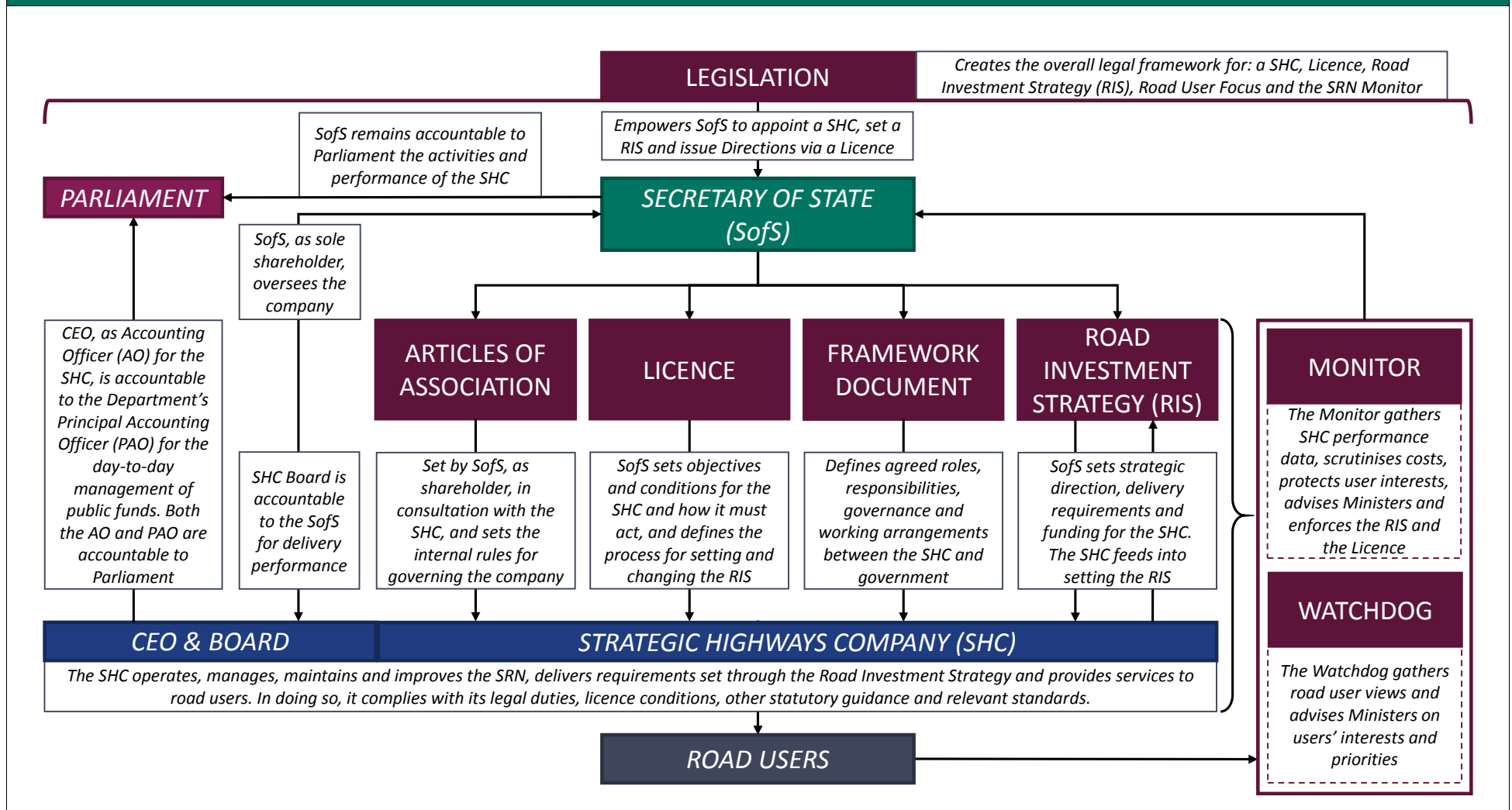







Figure 2 Overview of how the governance system will work for a Strategic Highways Company



This system of governance will define and safeguard the fulfilment of important responsibilities by the Strategic Highways Company






Road safety

 <p>Legislation</p>	<p>The SHC will be subject to the same legal obligations in respect of road safety as other highway authorities. This includes existing duties under the Highways Act 1980, as well as relevant Health and Safety legislation. The SofS will be legally bound to consider safety in setting the RIS.</p>
 <p>Licence</p>	<p>The Licence sets clear obligations for the SHC to protect and improve the safety of the network. This includes requirements to embed safety into its decision-making, consider safety at all levels of operations, ensure the best practicable safety outcomes across its activities and engage with wider efforts to improve road safety.</p>
 <p>RIS</p>	<p>The RIS will set a clear outcome on road safety that the SHC will be required to deliver, which will allow the SHC's performance to be monitored and assessed, and incentivise the SHC to pursue further improvements to road safety.</p>
 <p>Watchdog</p>	<p>Transport Focus will represent the interests and views of all road users, including walkers and cyclists, and will have a vital role in commenting on road safety issues. This includes having a strong voice in the process of setting the Road Investment Strategy.</p>
 <p>Monitor</p>	<p>The Strategic Road Network Monitor will measure and report on the performance of the SHC in meeting its legal duties and delivering the requirements of the Licence and the Road Investment Strategy. This includes holding the SHC to account for its performance on safety.</p>






Environment and sustainability

 <p>Legislation</p>	<p>The SHC will be subject to extensive existing legislation on environmental issues. This includes the continued need for major road improvement schemes to go through a robust environmental assessment and decision-making process. The SofS will be legally bound to consider the environment in setting the RIS.</p>
 <p>Licence</p>	<p>The Licence sets clear obligations for the SHC to protect and enhance the environment, contribute towards reducing emissions and adapt to climate change. This includes embedding these concerns at all levels of decision-making and operations and following principles of good design and sustainable development.</p>
 <p>RIS</p>	<p>The RIS will seek to drive improvements in environmental outcomes through the Performance Specification and the Investment Plan, and will be used to monitor and assess the SHC's performance in delivering these improvements.</p>
 <p>Watchdog</p>	<p>Transport Focus will represent the views and interests of all road users, and will highlight the environmental issues that are of most concern to them. This is particularly relevant for walkers and cyclists. These views will play a major part in shaping the Road Investment Strategy.</p>
 <p>Monitor</p>	<p>The Strategic Road Network Monitor will assess the SHC's performance in meeting with its environmental obligations – its legal duties, Licence requirements and the improvements demanded in the RIS. Where there are failures, it will be able to hold the SHC to account and take formal enforcement action.</p>

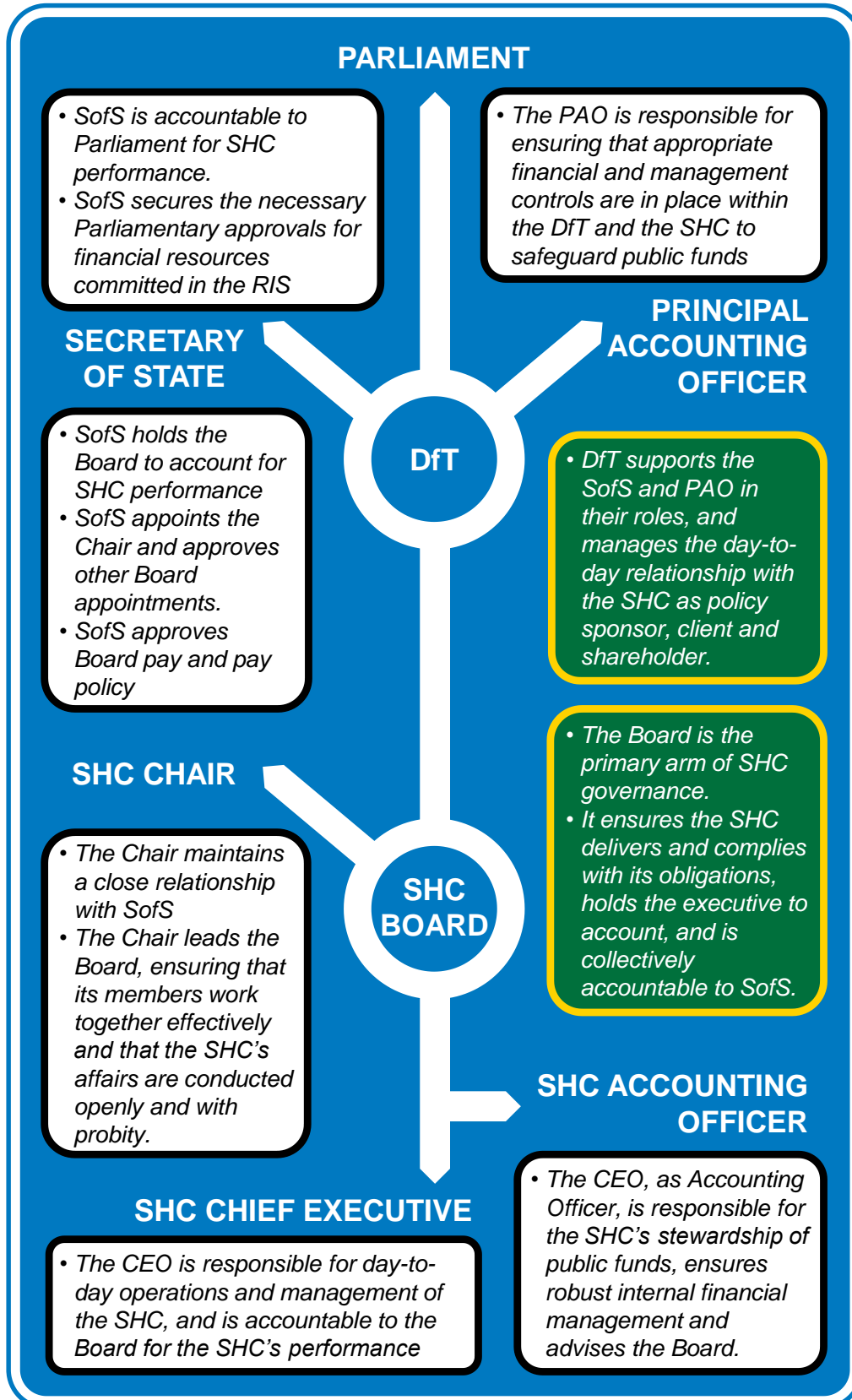
Cooperation

 <p>Legislation</p>	<p>The SHC will be subject to the general duties under the Traffic Management Act 2004, which require the company to work with others to keep traffic moving on their network and facilitate the movement of traffic on other networks. It will also be required to cooperate as a statutory consultee under the planning process.</p>
 <p>Licence</p>	<p>The Licence sets clear obligations for the SHC to cooperate with and consult others. This includes defining the main reasons for cooperation, the key groups that the SHC must cooperate and consult with, and the expected behaviours that the company must demonstrate in cooperating with others.</p>
 <p>RIS</p>	<p>Route strategies will be the primary inputs in the setting of the RIS by Ministers, and must take account of local transport, economic, housing and other plans in identifying investment needs and priorities for the SRN. The SHC will be required to actively collaborate and engage with others to develop these.</p>
 <p>Watchdog</p>	<p>Road users care when connections between road networks are not working as well as they should, or traffic disruption is not being dealt with effectively. Transport Focus will capture this when gathering views from road users through their surveys, and will be able to warn if cooperation is breaking down.</p>
 <p>Monitor</p>	<p>As part of assessing and reporting on the SHC's performance, the Strategic Road Network Monitor will hold the SHC to account for the extent and effectiveness of its cooperation with others in carrying out its functions – including in developing route strategies, and in complying with the requirements of the Licence.</p>

Efficiency and value for money

 <p>Licence</p>	<p>The Licence sets clear obligations on the SHC with regard to maximising efficiency and value for money, and minimising long-term costs. This includes the need to adopt a whole-life cost approach to asset management and put in place robust arrangements for the internal assurance of value for money.</p>
 <p>RIS</p>	<p>In setting delivery requirements and associated funding for the SHC for a Road Period, the RIS will factor in demanding efficiency requirements, as well as clear expectations in respect of value for money. This will include relevant targets or measures, where appropriate.</p>
 <p>Framework Document</p>	<p>The Framework Document plays a crucial role in safeguarding efficiency and value for money. It defines the principles, processes and conditions of the SHC's use of public funds, as well as the roles, responsibilities and lines of accountability to Parliament for the SHC's stewardship of public money.</p>
 <p>Watchdog</p>	<p>Transport Focus will be able to link up discussions about value for money with the wider question of what matters to different groups of road users. This will inform wider assessments of value for money, and make sure that efficiency concerns are considered in the context of the experience of road users on the ground.</p>
 <p>Monitor</p>	<p>The Strategic Road Network Monitor performs the primary role in scrutinising the costs, performance and efficiency of the SHC, reporting to the Secretary of State and publishing reports on how the SHC is delivering. The Monitor will have legal powers to force the company to take action on its recommendations.</p>

The Company will be a separate corporate entity, whose governance and decision-making flow through its Board, which is accountable to government



The Monitor & Watchdog will ensure the Company delivers for road users and for taxpayers

We are creating two discrete functions – a **Monitor** and a **Watchdog** – which will gather information on the performance of the new company and produce regular, published advice to the Secretary of State.

This will create an unprecedented level of transparency about how well the strategic road network – and its operator – are performing, and have a dramatic effect in driving greater efficiency, ensuring accountability and improving performance.

A separate published document, *Transparency for Roads: creating the watchdog and monitor*,¹¹ sets out the roles of the Monitor and Watchdog in greater detail.



OFFICE OF RAIL REGULATION

The **Monitor** will be based in the Office of Rail Regulation, which has extensive experience of monitoring performance in the rail sector. It will:

- *Monitor and assess the company's performance and efficiency in delivering the RIS requirements, including against relevant metrics*
- *Provide advice on setting the RIS*
- *Monitor the company's approach to asset management*
- *Have the regulatory power to sanction the company, including levying fines, where necessary to address poor performance.*



The **Watchdog** role will be carried out within Transport Focus, which has dealt with transport user interests for over sixty years. It will:

- *Gather the views of SRN users, including through large-scale surveys, bring them together and provide clear advice about their views and priorities for the network*
- *Provide advice on setting the RIS.*
- *Act as an advocate for all road users, including businesses, cyclists and private motorists*
- *Promote change across the roads sector*

By working together, the Monitor and Watchdog will be more effective at holding the new company to account - each will be able to focus on the areas where they have expertise.

For example, on safety issues Passenger Focus already has experience of gathering views of transport users, and are well-placed to see what road users think makes roads safe. Meanwhile, ORR is well placed to analyse the evidence about whether the company's actions to improve safety are working.

Together, the two bodies will provide a comprehensive and transparent system of oversight, better serving the interests of users.

Together, investment and reform will deliver major benefits for roads users, taxpayers and the economy



Efficiency: Greater funding certainty and a more strategic relationship with government will enable lower-cost, longer-term approaches that are estimated to deliver efficiencies of 15-20% and secure savings for taxpayers of at least £2.6 billion over ten years



Acceleration: Providing the company with clear, strategic plans set out over five years, and greater independence and flexibility over delivery, will enable better prioritisation and faster delivery



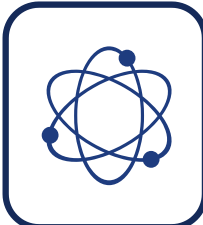
Accountability: A robust and transparent 'performance contract' with government and a system of independent scrutiny means lines of accountability are clear, and the company can be publicly held to account and sanctioned for any failures to deliver



Transparency: Road users will be represented independently for the first time, and together with taxpayers will have greater visibility of requirements for the company and information about its performance, and be better able to hold the company to account



Quality outcomes: Fast and efficient delivery of record levels of investment will improve the quality of our infrastructure, resulting in roads that are smarter, better maintained, safer, more resilient and designed to work better for the environment and communities



Innovation: Flexibility for the company to determine the most cost-effective ways to deliver outcomes will incentivise innovative approaches, whether in terms of use of new technology or alternative solutions to solving problems on the network

Together, this will deliver a better service to road users and better value for taxpayers: Users will see the benefits of major investment, alongside a more customer-focused operator, through more reliable journeys, reduced congestion, better information, less delay and disruption and a better user experience – and taxpayers will benefit from more efficient delivery and significant savings

Appendix - Q&A

Q. Why is it necessary to reform the Highways Agency?

- Transforming the Agency is an essential part of delivering a step change in the performance of our road network. The reform is crucial to securing the efficiencies from stable, long-term funding and planning, and developing a world-leading delivery body. As well as providing greater flexibility to the operator over day-to-day delivery, establishing the Agency as a legally-separate company, clearly independent from government, ensures that the relationship between central government and the operator is transparent, that the funding settlement for the operator is robust, and opens the way for a clear 'performance contract' through the Road Investment Strategy.

Q. Why do these changes require legislation?

- Legislation will create the necessary legal framework for reforms, making the new company legally responsible for operating, managing, maintaining and improving the network. It also ensures Government will set clear performance requirements and provide a predictable funding settlement with which to achieve this. This will create far more certain conditions for investment, enabling the operator and its suppliers to plan ahead and gear up for delivery, including investing more in people and skills.

Q. Is this about privatising roads?

- Absolutely not. We are turning the Highways Agency into a company that is 100% owned by the government. The company will remain in the public sector and we are using legislation to guarantee this.

Q. What measures will there be to stop big pay rises?

- It will be important to ensure that the new company is appropriately resourced. If we are serious about delivering a step change in performance and efficiency, we will need to attract and motivate the talent to deliver it. Government, as the shareholder, will approve Board pay and pay policy, will specifically agree any high salaries or incentive arrangements, and ensure that any remuneration and reward structure is acceptable and delivers value for money. There is no question of the company being able to award itself large pay rises or bonuses.

Q. Will the RIS set stretching targets for the new company?

- We are currently developing the output and outcome metrics for the RIS, and in doing so are seeking to set challenging and achievable targets for the company. This includes establishing baselines for

some metrics, where appropriate. The monitor will be able to use the metrics and targets to judge how successful the company has been. More details will be provided when we publish the RIS later this year.

Q. How will the RIS balance the responsibilities of Ministers and certainty for the new strategic highways company?

- The RIS will provide much-needed stability to the operator and suppliers about Government's requirements and future funding. This creates far more predictable conditions for investment, allowing them to plan ahead, invest in capacity and drive down costs. Ministers will remain central to the process, and each Parliament will have the opportunity to shape the RIS for the next period. This approach has worked successfully for rail over the last ten years, and has led to a transformation in the quality of the network. As with rail, Ministers will be able to vary the RIS, should policy change significantly, subject to due process to ensure there is appropriate consultation and transparency for any changes.

Q. How does the RIS support integrated transport planning?

- The RIS will be informed by route strategies, carried out in collaboration with local stakeholders. These will determine the nature, need and timing for future investment, and ensure that all interventions account for wider transport networks, local plans and priorities. This bottom-up, evidence-based approach means local priorities for growth will be supported, national and local needs are balanced, and decisions about road and other transport investment can be more joined up. It will also enable the company to collaborate with adjacent authorities to consider what initiatives or options for intervention off the SRN can improve the performance of the network.

Q. Is the Monitor a formal roads regulator?

- The Monitor will not be an economic regulator, since roads remain free to use and there are no prices to regulate. However, it will use most of the tools of an independent regulator, and will have the ability to carry out independent enforcement activity. This means it will be able to hold the company to full account for honouring the Licence and for performance in delivering the RIS.

Q. Will the Watchdog represent the views of all road users, including cyclists and freight?

- The watchdog will consider a wide range of views representing all categories of road users, not just motorists. Freight and business users are essential to understanding the economic impact of the network, while motorcyclists, cyclists and pedestrians are central to any understanding of network safety. Passenger Focus are already working to understand different user perspectives, and their stakeholder panel will represent the full range of road users to make sure that the watchdog's priorities match with the experiences of all.