Submission to Department of Transport, Tourism and Sport regarding "*Investing in our transport future: A strategic framework for investment in land transport*"

October 2014

Prelude

The Chartered Institute of Logistics and Transport ("The Institute") welcomes the opportunity to make a Submission to the Department of Transport, Tourism and Sport, in the context of the strategy being formulated for the development and management of Ireland's land transport network over the coming decades. Our Submission has had regard to the Report of the Steering Group prepared for the Department.[1]

Section 1: Introduction and Context

The Chartered Institute of Logistics and Transport in Ireland ("the Institute") is the independent professional body for people engaged in logistics and all modes of transport. The Institute is part of an international body with 30,000 members worldwide. As a professional body, the Institute does not lobby on behalf of any sectoral interest, but seeks to take an independent, objective and considered view on matters of public policy.

There has been a dramatic reduction in the annual level of investment in land transport since 2008. The reduction is illustrated by the fact Exchequer allocations for such capital investment fell from a peak of around €3 billion in 2008 to about €855 million in 2013[2]. In GDP terms this is a reduction from 1.64% of GDP in 2008 to 0.52% of GDP in 2013, and means funding levels as a percentage of GDP are at their lowest since the mid 1970's. This is only around of half of what OECD countries

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[1] '*Investing in our transport future: A strategic framework for investment in land transport'*, Steering Group, Department of Transport, Tourism and Sport, Dublin, 15 August 2014.

[2] *Ibid.*, page v.

invest; specifically, OECD countries invest on average around 1% of GDP on road and rail infrastructure[3]. It should be noted, however, that given Ireland has made only limited investment in some parts of its transport network, compared with other countries, funding above this average level would be required to improve our competitiveness in transport relative to other countries.

There is a risk that investment in land transport in Ireland will be neglected, in a period of continuing constraints on public finances and with a number of emerging public investment priorities, such as housing, water services and rural broadband. This would be a false economy and simply repeat the mistakes in the 1970s and 1980s. As a result of the decisions taken then, we were left with a crumbling transport system which was patently unfit for purpose and which required the State to make major investments, in the latter part of the twentieth century, simply to stand still.

The challenge now is how to ensure more appropriate investment levels for the future, that provide scope for network improvements and capacity increases. The Institute wishes to make its input in meeting that challenge. This submission recommends a reorientation of investment in land transport to ensure that the State retains the transport capacity required for recovery, while having regard to the State's continuing financial challenges.

Going forward, the Institute is of the belief that there are strong and cogent reasons for increased investment in land transport:

- An efficient transport system is essential to economic prosperity, sustainability and quality of life, as well as being an important factor in attracting foreign direct investment. It is also necessary to support economic development, both by ensuring the efficient movement of goods and enabling employees to access places of employment;

- Notwithstanding the substantial investment in the 1990s and 2000s, the quality of Ireland's transport infrastructure and services is not on a par with many other developed countries. While we have improved our rankings, we still rate relatively poorly in international competitiveness surveys and in national rankings produced by Engineers Ireland[4];

[3] '*Spending on transport infrastructure'*, International Transport Forum, Press Release, Paris, 11 June 2013.

[4] '*The State of Ireland, 2014: A Review of Infrastructure in Ireland'*, Engineers Ireland, Dublin, 2014.

- The present level of transport is well below what the International Transport Forum considers appropriate for a developed economy. Investment in land transport in Ireland represented 0.52% of GDP in 2013. The OECD countries invest on average around 1% of GDP on road and rail infrastructure[5];

- As the economy improves and employment increases, congestion and system bottlenecks will quickly re-emerge and become constraints on development and detrimental to the quality of life; in 2007, the Dublin Chamber of Commerce estimated that congestion in the Greater Dublin Area amounted to €2.5 billion a year, and

- Ireland has to meet very challenging targets for reduced greenhouse gas emissions. Transport is a major source of emissions and a combination of technological changes and investment in sustainable modes of transport will be needed to help meet our targets[6].

Increased investment in land transport, of itself, will not be sufficient to ensure that Ireland has a transport network that can efficiently and effectively support the economic and social needs of the country. There are other requirements, including - protection of existing infrastructural investment (**Section 2);** optimising the use of existing assets (**Section 3)**, and supporting public transport services (**Section 4).** The remaining sections of the Institute's submission deal with new investment (**Section 5)**; the introduction of Road Pricing **(Section 6)**; the use of an effective evaluation framework **(Section 7)**, and conclusions **(Section 8)**.

Section 2: Protect Existing Infrastructural Investment

The Institute recently made a comprehensive submission to the public consultation being overseen by the Minister for Public Expenditure and Reform, in relation to the transport aspects of the 2014 Comprehensive Review of Expenditure. It is appropriate to quote from that submission, on the importance of protecting existing

[5] '*Spending on transport infrastructure'*, International Transport Forum, Press Release, Paris, 11 June 2012.

[6] The Environmental Protection Agency points out that transport accounts for almost one-fifth of total greenhouse gas emissions and is an emission source that will require major action if Ireland is to meet its 2020 greenhouse emissions obligations – see http://www.epa.ie/.

infrastructural investment - "*The first priority for transport expenditure (both capital and current) in the years immediately ahead should be the maintenance in good repair and the renewal of the existing transport infrastructure".* Our submission went on to highlight the negative impact of cutbacks in public expenditure in land transport.

Cutbacks in public expenditure in land transport frequently results in maintenance of transport assets becoming irregular. For example, without regular maintenance, roads can rapidly fall into disrepair, preventing realisation of the longer term impacts of road improvements on development. Commenting on this matter, the World Bank has pointed out that - "*If road defects are repaired promptly, the cost is usually modest. If defects are neglected, an entire road section may fail completely, requiring full reconstruction at three times or more the cost, on average of maintenance costs"*[7]

The Institute also put forward some specific views regarding regards funding the upkeep of regional and local road network, and local government expenditure. Specifically, it was suggested that consideration should be given as to how a significant proportion of the receipts of the new local property tax can be directed to the maintenance and renewal of regional and local roads. It was also suggested that there needs to be a clearly stated policy on how Exchequer funding will be deployed to support local expenditure. Following the abolition of domestic rates, local authorities became very reliant on Exchequer funding and some local authorities reduced the level of expenditure from own resources on regional and local roads.

The matter of deferral of rail expenditure was discussed in Background Paper No. 13, which accompanies the Report from the Department's Steering Group. The background paper discussed how a "deferral" scenario could be implemented, with significant operational consequences, if a steady state funding requirement were not available. The paper acknowledged that such a scenario would erode over a period of time the gains made from the upgrading of the network over the fifteen years of the Railway Safety Programme. It then concluded that – "*Deferral is not a*

[7] *'Why road maintenance is important and how to get it done',* Transport Note, No. TRN-4, World Bank, June 2005.

sustainable strategy as it commonly results in a higher investment requirement eventually. While savings are made in the short term by deferring renewals in favour of maintenance, the ultimate cost over the lifetime of the asset is significantly higher"[8].

It is the view of the Institute that the – "...*overriding expenditure priority should be a sustained Exchequer investment in the maintenance and renewal of the existing road and public transport infrastructure. Failure to do so will have an increasing and accelerating detrimental impact on the quality, reliability and safety of that infrastructure and will lead to a rapid build-up of investment backlogs.*"

Section 3: Optimising the use of existing assets

Before contemplating new investment, it should be a policy imperative to ensure that the optimum use is being made of existing assets. This is euphemistically known as "sweating the assets". If funding priority is given to maintaining and renewing the existing infrastructure and to at least retaining the current quantum of public transport services, there may be little funding available for large new infrastructure projects. There may also be limited scope for further PPP investment and any such investment that is made has first call on limited future Exchequer funding. In the light of these factors, the paragraphs that follow put forward a number of practical suggestions for consideration by Government.

All of the State agencies involved in the provision and maintenance of transport infrastructure and services should be <u>formally</u> mandated to 'sweat their assets' and to include in their strategies, business plans and investment programmes specific measures to achieve this objective. This may require a change in policy orientation by some agencies and the acquisition of different skill-sets to those required for the development of new infrastructure. Different responses will be required from the different modes and from different dimensions of transport:

[8] 'Analysis of Steady State Cost of Transport in Ireland', Background Paper No. Thirteen, accompanying '*Investing in our transport future: A strategic framework for investment in land transport'*, Steering Group, Department of Transport, Tourism and Sport, Dublin, 15 August 2014.

- **Roads**: The preferred option should generally be the upgrading of existing roads, through realignment of routes, the provision of town bypasses and the implementation of pavement improvement works, rather than the construction of completely new roads;

- **Public transport**: It is recommended that there should be a continued emphasis on improving and supporting the provision of bus services, on an integrated basis, involving all of the relevant stakeholders. The work being done by local authorities, on the implementation of bus priority measures, should be intensified and accelerated;

- **Bus rapid transit (BRT):** BRT should be introduced without delay, given that it is a proven mass transport technology. The Institute strongly urge that adequate public funding be provided to implement the Dublin BRT projects in the next funding period[9]. The scope for similar-type BRT projects, or Quality Bus Corridors, in provincial cities should also be explored;

- **Rail Operations**: The emphasis for rail operations needs to be on the consolidation of existing investment. Land use policies can be used to achieve this by directing development to corridors which have benefitted from recent investment and which have spare capacity[10]. Failure to pursue effective land use policies which support existing investments could have negative consequences for future public transport investment;

- **New Rail Policy**: The Department's Steering Group[11] recommended that a new rail policy, that addresses the future role of rail transport in Ireland, should be developed. It is imperative that such a policy, in its development, should take cognisance of a number of key objectives – economic, social, environmental, and regional and urban development[12];

- **Urban transport**: Relatively modest investment in bus-based public transport, cycling and walking facilities and traffic management in the regional cities and other major towns has the potential to generate significant returns and to contribute towards more sustainable urban transport. Such investment should be grounded on an integrated land use and transport strategy for each major urban area and its hinterland, based on a model such as the Cork Area Strategic Plan;

- **Land use**: Examples of what could be done from a land use perspective

[9] There are some corridors where bus or BRT might not meet the evolving levels of demand. In such circumstances, the possibility of new rail-based solutions should be explored.

[10] Examples include the Sandyford to Bride's Glen and Saggart/Citywest Luas extensions; the four tracked section of the Kildare commuter rail line; the Midleton rail line, and Phase 1 of the Western Rail Corridor.

[11] '*Investing in our transport future: A strategic framework for investment in land transport'*, page 49, Steering Group, Department of Transport, Tourism and Sport, Dublin, 15 August 2014.

[12] Rail market share should also be addressed. Frequently, rail's overall market share of 1% to 2% is cited. This ignores the much higher share along key corridors (19%) and within the Dublin commuter belt (13%).

include the location of high density residential development and employment intensive development along public transport corridors and the construction of park+ride facilities close to commuter rail, Luas stops and bus stops. Pressures to opt for lower density residential development along public transport corridors should be strongly resisted as environmentally unsustainable and seriously damaging to the economics of public transport. High density residential development does not equate to high rise but, when well designed, can provide a very attractive alternative to the traditional lower density housing;

- **NAMA**: Since NAMA controls a large proportion of the available development land, the State is now in a position to potentially exert a strong influence on the pattern and timing of future land use development. Consideration should be given to possible formal mechanisms for achieving in a way which does not compromise NAMA's fundamental policy objectives, and
- **Information technology** (IT): IT can be used very effectively to improve the efficiency, increase the capacity and enhance the quality of the transport system. There is already a good basic platform on which to develop this capability. The development of intelligent transport systems (ITS) will require substantial expenditure, but will still be low cost when compared with the construction of new infrastructure and would deliver higher returns on investment.

Section 4: Supporting public transport services

The Institute has some strong views as to the support that should be given to public transport services. The efforts being taken by the public transport companies to manage costs, improve efficiencies and rationalise services should be acknowledged. These efforts should be continued on an on-going basis, with an emphasis on managing costs and a focus on achieving greater efficiencies. Moreover, the level of Public Service Obligation (PSO) funding should <u>not</u> be further reduced, as this will result in real reductions in the total quantity of public transport services provided. That would exacerbate the decline in public transport use experienced since 2006 and see a further reduction in the modal share held by public transport, contrary to frequently expressed public policy[13].

[13] For example, the percentage public transport modal share for all modes of travel, used by people crossing the Canal Cordon inbound (between 07:00 and 10:00 hours) fell from 49.4% in 2006 to 47.9% in 2013. In the case of rail, the comparable percentage shares went down from 16.2% (2006) and 13% (2013). Bus share grew a half-percentage point to reach 29.3% in 2013; while LUAS grew from 4.4% (2006) to 5.7% (2013) – see '*Report on trends in mode share of vehicles and people crossing the Canal Cordon, 2006 to 2013'*, National Transport Authority, February 2014.

There have been very significant fares increases in recent years, designed to close the funding gap. While they were understandable in the particular circumstances, any continuation of increases of this magnitude in the future would be counter-productive and lead to a reduction in public transport patronage[14].

The Institute suggests that the Government consider an increase in funding from the Exchequer to sustain and where possible increase the total passenger capacity of public transport services. However the efforts to manage costs, improve efficiencies and adjust networks to match demand should continue. The baseline level of PSO funding could continue to accommodate demand and ensure efficiencies. In this regard, the Institute is aware that PSO contracts already have to meet the criteria set down in EU law, which set strict standards of operational performance and customer service and contain penalties for non-performance, and that the National Transport Authority monitors the contracted performance of each PSO operator on a quarterly basis.

Section 5: New Investment

The Institute noted that the Steering Group estimated that an annual funding of €1.6 billion would be necessary to maintain a ‘steady state’ transport system. This does not includes provision for investment to increase capacity or build new projects beyond those already contractually committed and is also exclusive of the cost of subventing public transport services.

The reality is that there is a now a significant gap between the funding allocation for land transport and the funding levels required to maintain the existing system in adequate condition, even if all of the available funding is spent only on a steady state of investment. Faster economic growth than assumed by the Steering Group

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[14] Total public transport journeys fell by 20% between 2007 and 2012 and stabilised in 2013.

will inevitably lead to even greater transport demands[15]. A steady state of funding leaves no scope for network improvements and capacity increases. There is a case to be made that significant investment should now be made in transport. Ireland is not unique as regards needing an uplift in transport investment. The Ministers of Transport, from the 54 member countries of the International Transport Forum, made such a case in May 2013, when they called for more investment in strategic transport infrastructure and services[16].

The Institute is of the view that there are substantial investment backlogs across the network. For example, much of the national road network, particularly national secondary roads, is sub-standard. There are many suspended projects across the national network and the National Roads Authority has published needs studies which demonstrate that there are substantial investment requirements across the neglected national secondary network. Many regional and local roads are in need of strengthening and reconstruction, reflecting the fact that they were never built to take the traffic volumes and axle loads that they carry today.

Any future investment programme has to be more that a series of modal investment proposals brought together between two covers and presented as a strategy. It needs to demonstrate integrated thinking. The proposed investments need to be mutually reinforcing, not pulling in different directions. Potential projects need to be evaluated using a common evaluation framework. Because of the scarcity of finance, we need to choose those projects and programmes which provide the best return on investment and best assist the development of Ireland as a sustainable economy and society. Project selection should be guided by the requirements identified by the State's enterprise development agencies.

[15] In this regard, the CSO figures for the second quarter of 2014 should be noted, as released by the CSO on 18 September 2014. They show that the Irish Economy grew by 7.7% in GDP terms and by 9% in GNP terms year on year. This is the strongest growth rate recorded since the early 2000's and shows that the strong and stable recovery in the Irish economy is well under way and is starting to be felt across all sectors of the economy.

[16] Text of the Declaration by Ministers on 'Funding for Transport', 2013 Annual Summit Funding Transport.

www.internationaltransportforum.org/2013/pdf/DeclarationMinistersFunding2013.pdf

As a prelude to investment, resources should now be earmarked for project planning. Past experience shows that congestion very quickly returns, once the economy begins to recover and employment starts to grow. This is particularly true of major urban areas but also for bottlenecks on the wider transport network. Project planning should be concentrated on potential problem areas, so that projects can be implemented as a timely response, subject to the necessary finances being available. The Institute therefore recommends that limited Exchequer funding be made available for a carefully targeted programme of project planning.

Section 6: Introduction of Road Pricing

The Steering Group's Report examined four options for filling the gap between the funding required and the funding available. The Institute would like to focus on just one mechanism, namely road pricing. This is a good time to begin the implementation of appropriate road pricing policies. The economic case for road pricing as a demand management tool is already well established, it provides a way of raising additional funding for transport and there will never be a better opportunity to make the difficult decisions required. In the short term, there is scope to raise extra revenue for investment in transport by introducing additional tolls on the national road network. For example the M9 could be tolled in the same way as the other inter-urban motorways. The Lee Tunnel could be tolled just as is the Limerick Tunnel.

Work should begin on the development of a congestion pricing system for the Greater Dublin Area and a road pricing system for the national road network. The technical planning and the preparation and passage of the necessary legislation are likely to take some time. Now is the time to begin this work, not when severe congestion becomes a reality once again as strong economic growth resumes. A lengthy period will also be required to increase public understanding of the need for such measures and this is perhaps the most significant challenge to be addressed. As an interim measure, multi-point tolling could be introduced on the M50. The level of toll charged at any one point should to be much lower than the existing West Link toll and the total toll charged should reflect the length of the M50 traversed by a vehicle. This would quickly generate additional revenue for investment and allocate space for more efficient use of capacity. It would also provide a starting point for demand management on roads. The M50 Demand Management Study, published recently by the NRA, provides a very useful context for this work[17].

Section 7: Use an Effective Evaluation Framework

Decisions taken by Government on its transport investment priorities should be based on a coherent policy framework and use objective and transparent evaluation criteria. The basis for these decisions and the full business case for individual projects should be published. As Ferris [18]has recently argued, projects should only be given the 'green-light', after they have successfully met the assessment standards laid-down by Government. *Smarter Travel* [19]provides a good starting point for a coherent policy framework. The socio-economic return should be primary criterion for project selection. If additional selection criteria are used, they should be made public, as should information on how they are measured and evaluated and what relative weighting is attached to them.

The achievement of the full return on an investment is often dependent on other factors such as the implementation of a particular policy (for example the delivery of higher density land use development in a public transport corridor or the implementation of travel demand measures). It is vitally important that any decision to proceed with an investment is accompanied by a firm commitment to implement and complement the supporting policies or measures, so that integrated solutions are provided. If such a commitment is not forthcoming, the return on investment is likely to be lower and the decision to proceed should be reviewed. The consequences of not implementing the supporting actions should be spelt out in the business case for a project.

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[17] http://www.nra.ie/docs/press-releases/M50-Demand-Management-Study.pdf

[18] '*Focus on Transport Investment',* Tom Ferris, Linkline Magazine, Chartered Institute of Logistics and Transport Ireland, Autumn 2013.

[19] '*Smarter Travel - A Sustainable Transport Future: A New Transport Policy for Ireland 2009 – 2020'*, Department of Transport, February 2009.

Section 8: Conclusion

It will be a matter for Government to take the hard decisions in selecting the areas where transport investment will deliver the best returns[20]. The advice emanating from the current consultation can have a significant influence on the decision that will be taken. It is the view of the Institute that the first priority in those decisions has to be to protect our existing infrastructure. Failure to do so will have a negative impact on users of the transport system and the wider economy and will result in greater costs in the future to undo the damage done now by underinvestment. Some additional funding is required to stabilise and grow public transport services in a targeted way, while continuing the effort to manage costs, improve efficiencies and rationalise, or adjust, services where appropriate. There needs to be a strong focus on making optimum use of existing assets rather than creating new infrastructure. However there is also a need for a targeted programme of new investment to tackle re-emerging congestion and address long-term transport bottlenecks. Now is the ideal time to begin the implementation of appropriate road pricing policies, including extra tolls on certain national roads and the starting of preparatory work on a congestion pricing system for the Greater Dublin Area, beginning with the introduction of multi-point tolling on the M50. The decisions taken by Government have to be based on a coherent policy framework and using objective and transparent evaluation criteria, thereby enabling voters and taxpayers to see and clearly understand the rationale for those decisions.

An annual Exchequer expenditure of the order of €2 billion will be required over the medium term, which should:

- Ensure that the existing transport infrastructure is adequately maintained and renewed;
- Sustain the existing level of public transport provision and permit modest targeted increases;

[20] '*Scope for increased investment in Land Transport'*, Tom Ferris, Public Affairs Ireland (PAI) Journal, Issue No. 98, September 2014

- Enable existing infrastructure to be used to its maximum potential by “sweating the assets”;
- Re-commence necessary project planning;
- Permit a modest targeted investment in new infrastructure;
- Demonstrate the application of objective and transparent evaluation criteria.