

Transport in a Recession: Challenge or Opportunity

North West Transport Planning Society

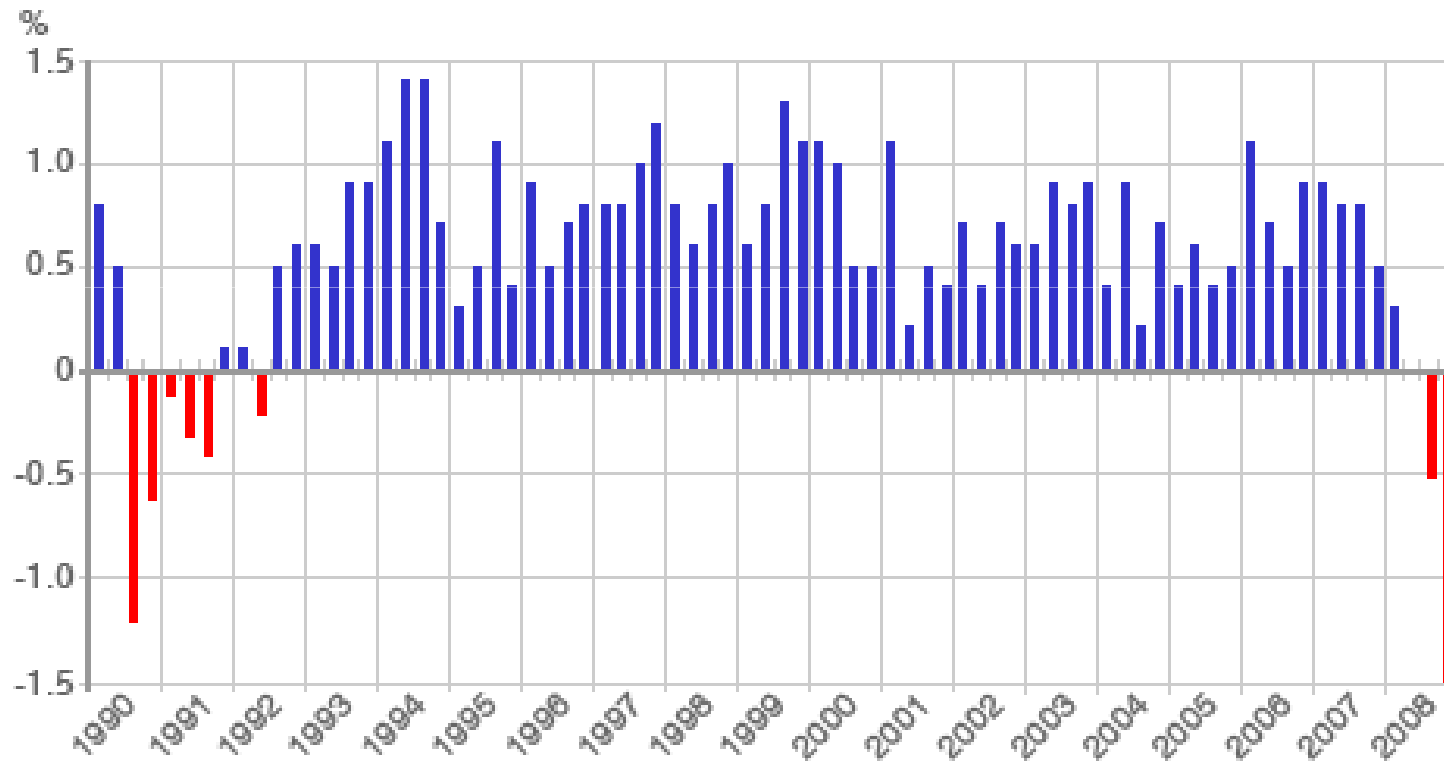
Manchester, 10 Feb 2009

Stephen Clark

What's changed in the country
in past twenty years

The economy grew consistently from early 1990s until last year

GDP GROWTH, QUARTER ON PREVIOUS QUARTER

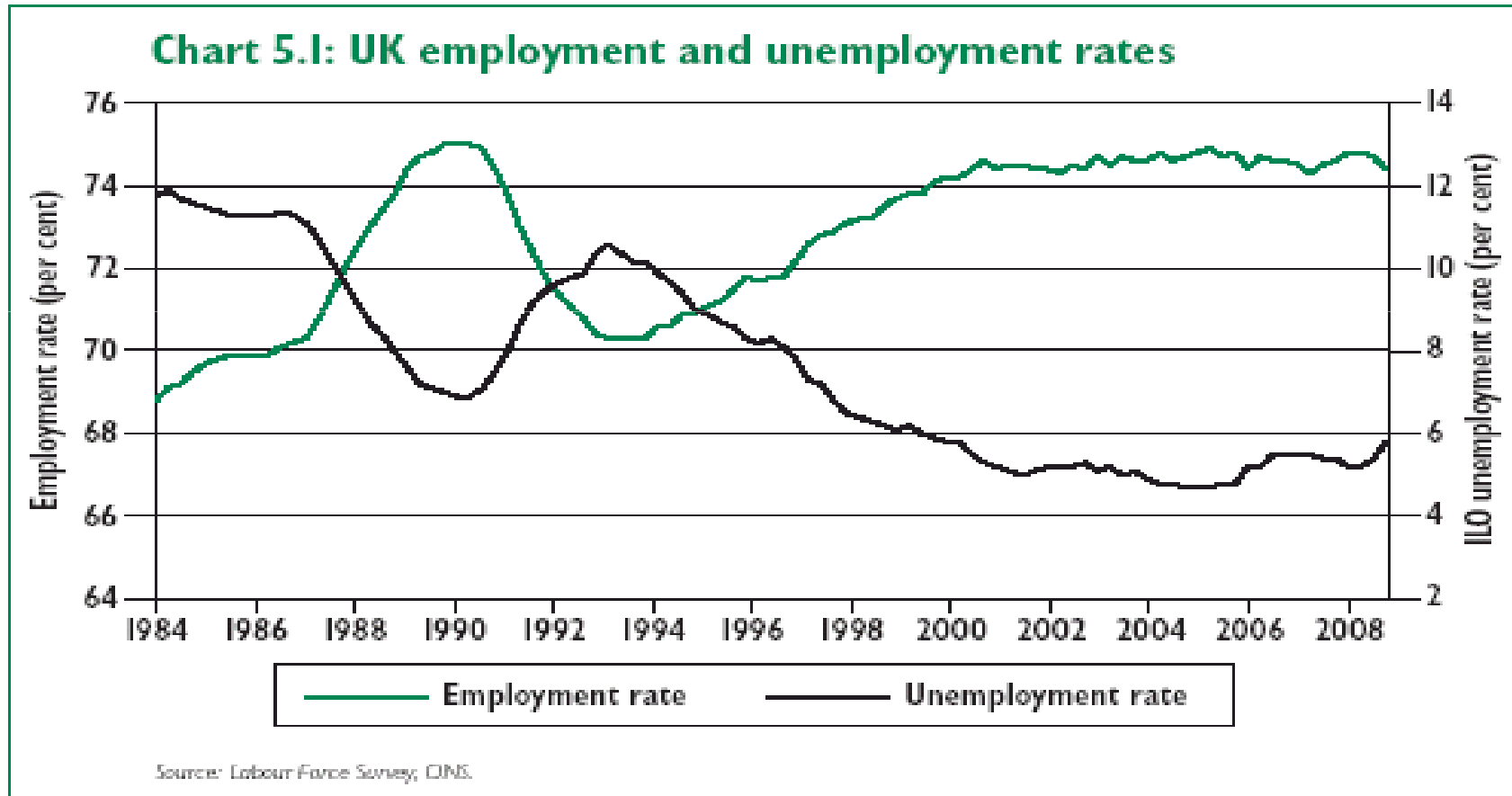


There was zero growth in Q2 2008

SOURCE: ONS

Source: BBC website from ONS, Feb 09

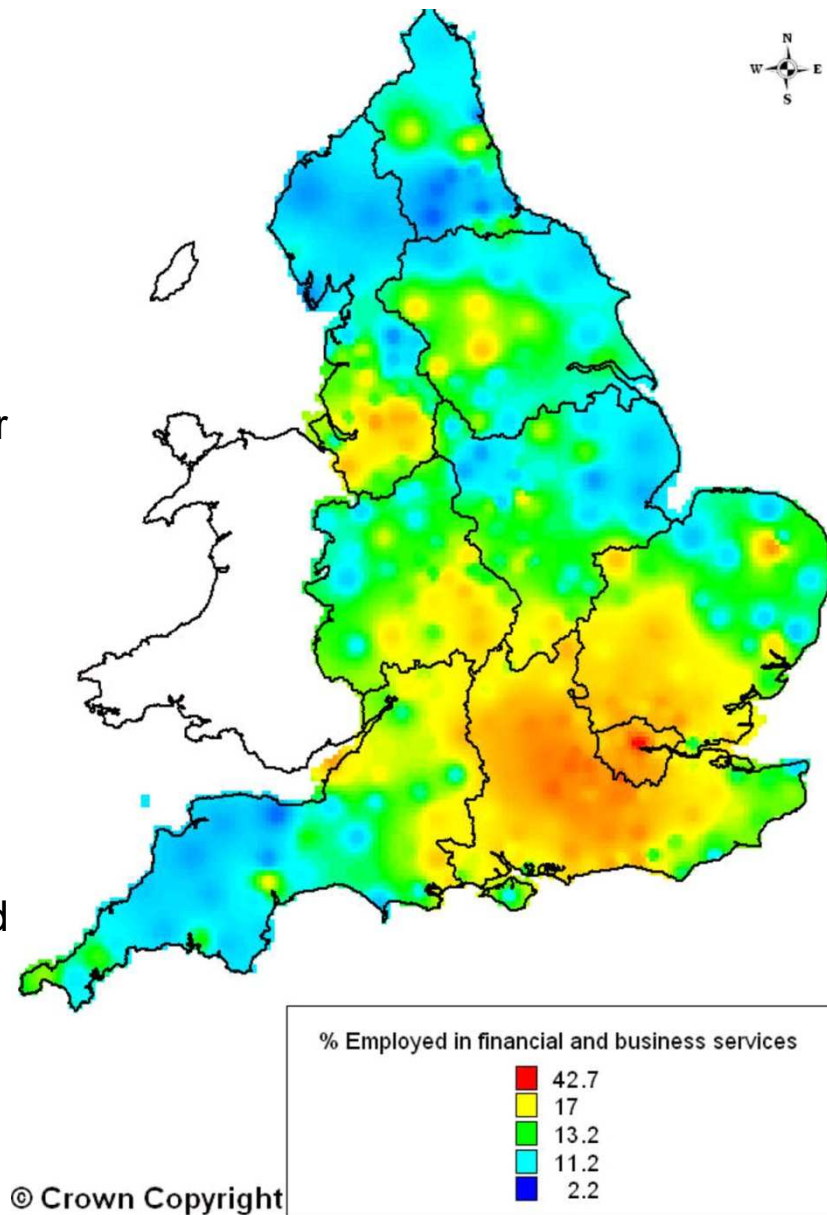
Employment rate has risen and been maintained until very last year



Source: HMT PBR Nov 08

Financial and business services have grown in importance

- London has vast, diverse and skilled labour market - far in excess of anything else in Europe (20m)
- Central London has been generator of (lightly regulated) internationally traded financial and business services
- Some concentrations of financial and business services sectors in core cities – especially North West, West Yorkshire and Edinburgh
- In Manchester financial services dominated by insurance and mutual banking
- ***In contrast manufacturing has declined***



Source: Regional Futures report for ODPM, DfT and RDAs, Jan 2005

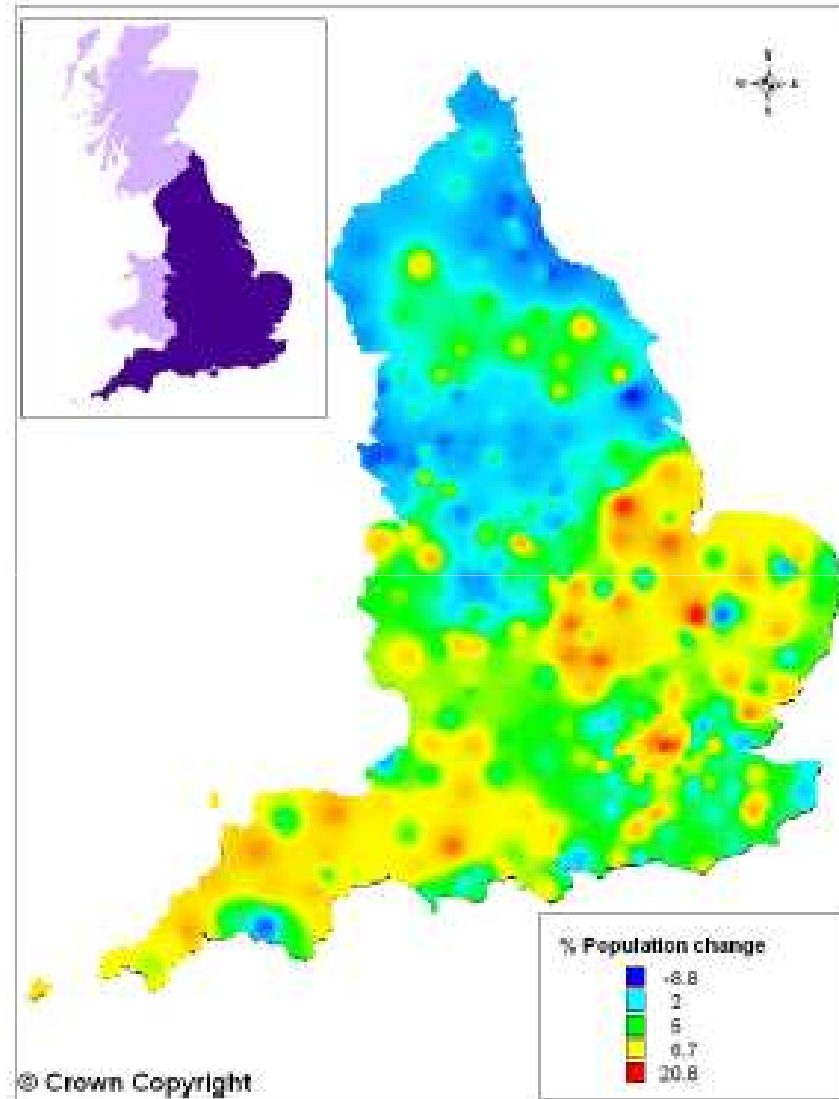
Population has grown – but not much in North

Migration (domestic and international) to South East

Pressure points in South East coincide with 2003 Sustainable Communities Strategy

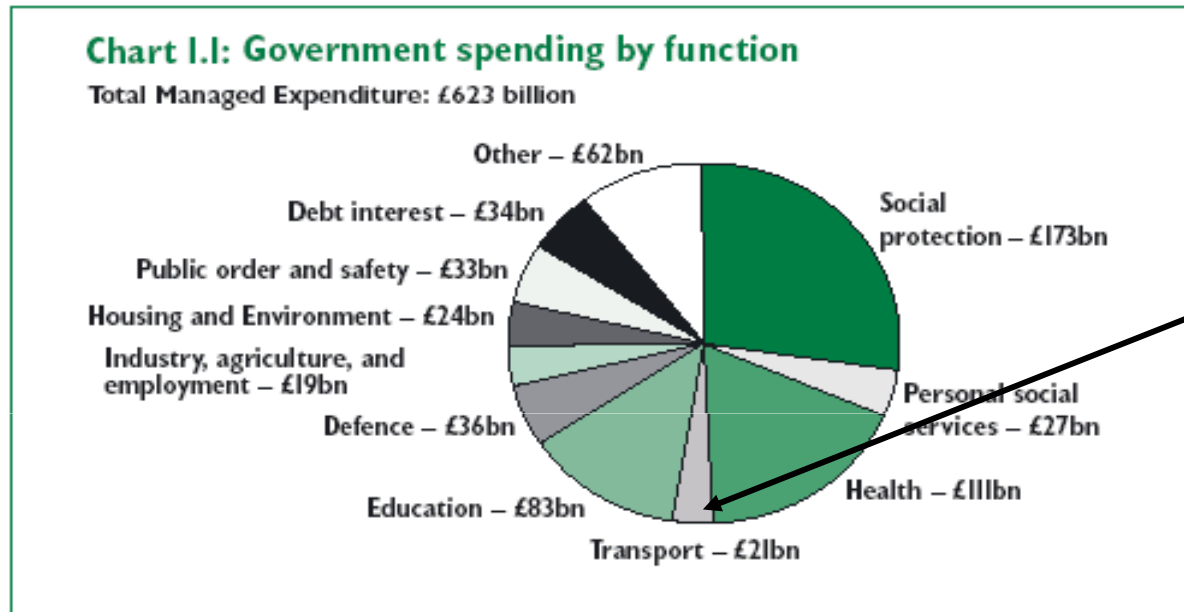
Pathfinder housing projects in North – in areas of poor housing stock and declining population

Figure ES8: Population Change in England 1992-2002

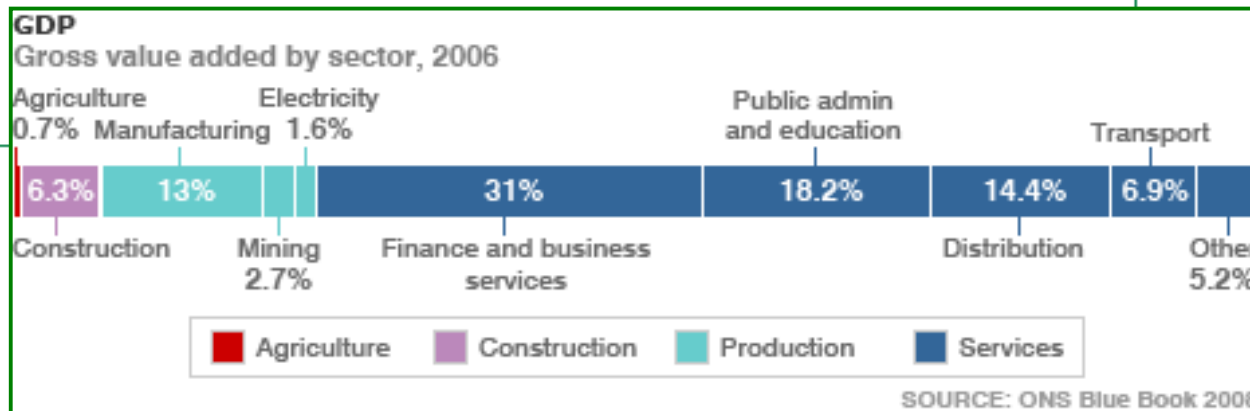


Source: Regional Futures report for ODPM, DfT and RDAs, Jan 2005

Where we have generated wealth? Where government spend the its share?

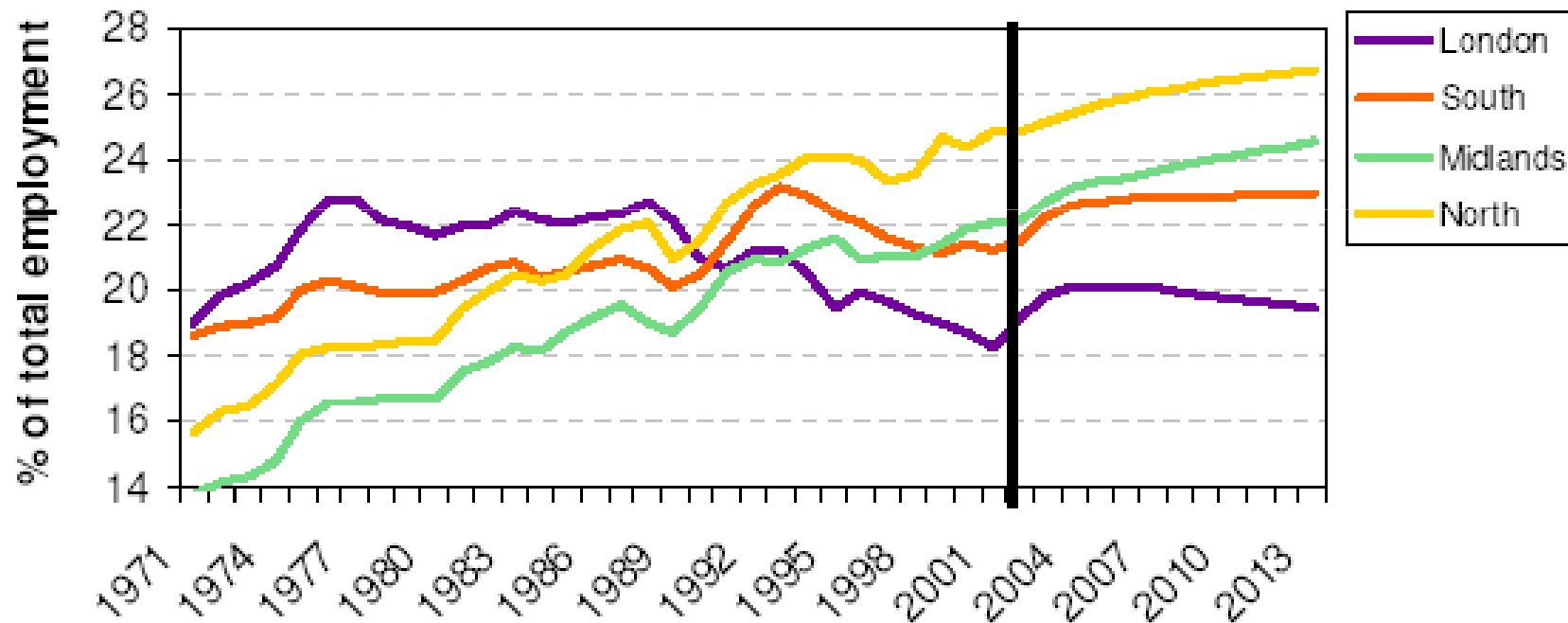


Transport: £ 21bn



Driven by government policy public services have become more significant to the North

Figure 3.13: Share of Employment in Public Services



Sources: ABI Divisions LMN

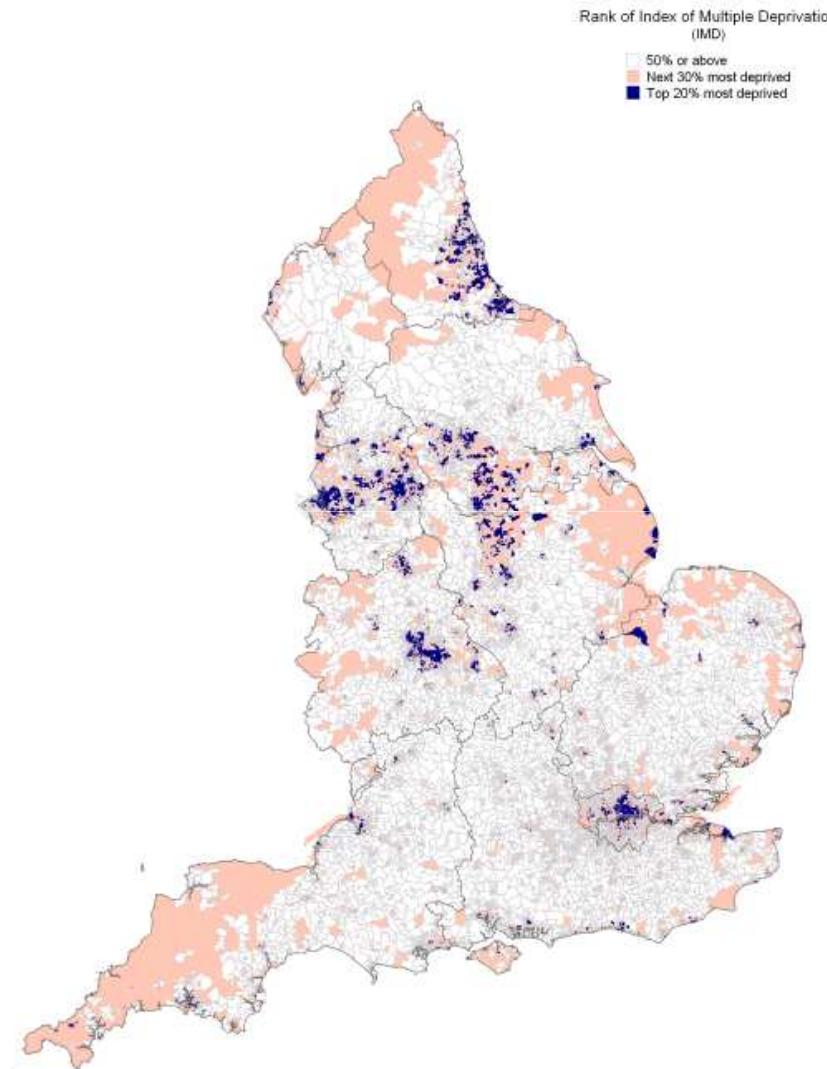
Source: Regional Futures report for ODPM, DfT and RDAs, Jan 2005

But deprivation is still with us

Urban areas – e.g. Manchester, Liverpool, Tyne and Teesside, West Mids, London

ex-Mining areas – e.g. Central Lancs, Nottinghamshire, South Yorks, Durham

Figure 6.3. Location of the 20% most deprived wards in England as measured by the Index of Multiple Deprivation (2004)



Source: DCLG Indices of Multiple Deprivation from Regional Futures report for ODPM, DfT and RDAs, Jan 2005

Other things that impact on transport over past twenty years

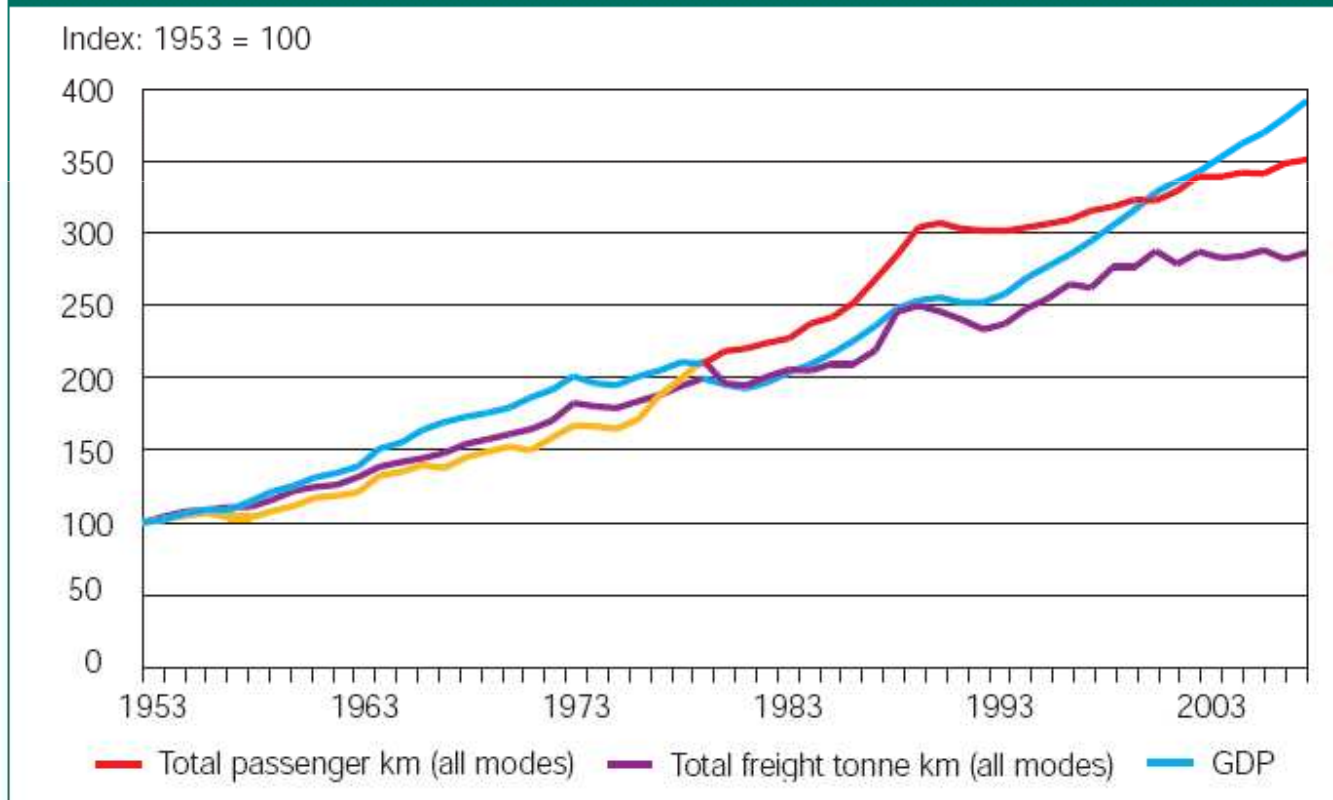
- Britain – still a nation that “trades” across the world
- We import most of our consumer goods
- The devolved administrations and London – stronger powers
- Pressure for homes driven by population, decreasing household size, planning restrictions, and lack of supply.
- Development of sites in urban centres (renaissance) – much new build housing at relatively high density
- Government has striven to increase skills – Higher Education has grown
- We’re all getting older
 - I can even remember the last recession – unlike most of the City apparently!

What's changed in transport in
past twenty years

Total transport demand and the economy have gone hand in hand

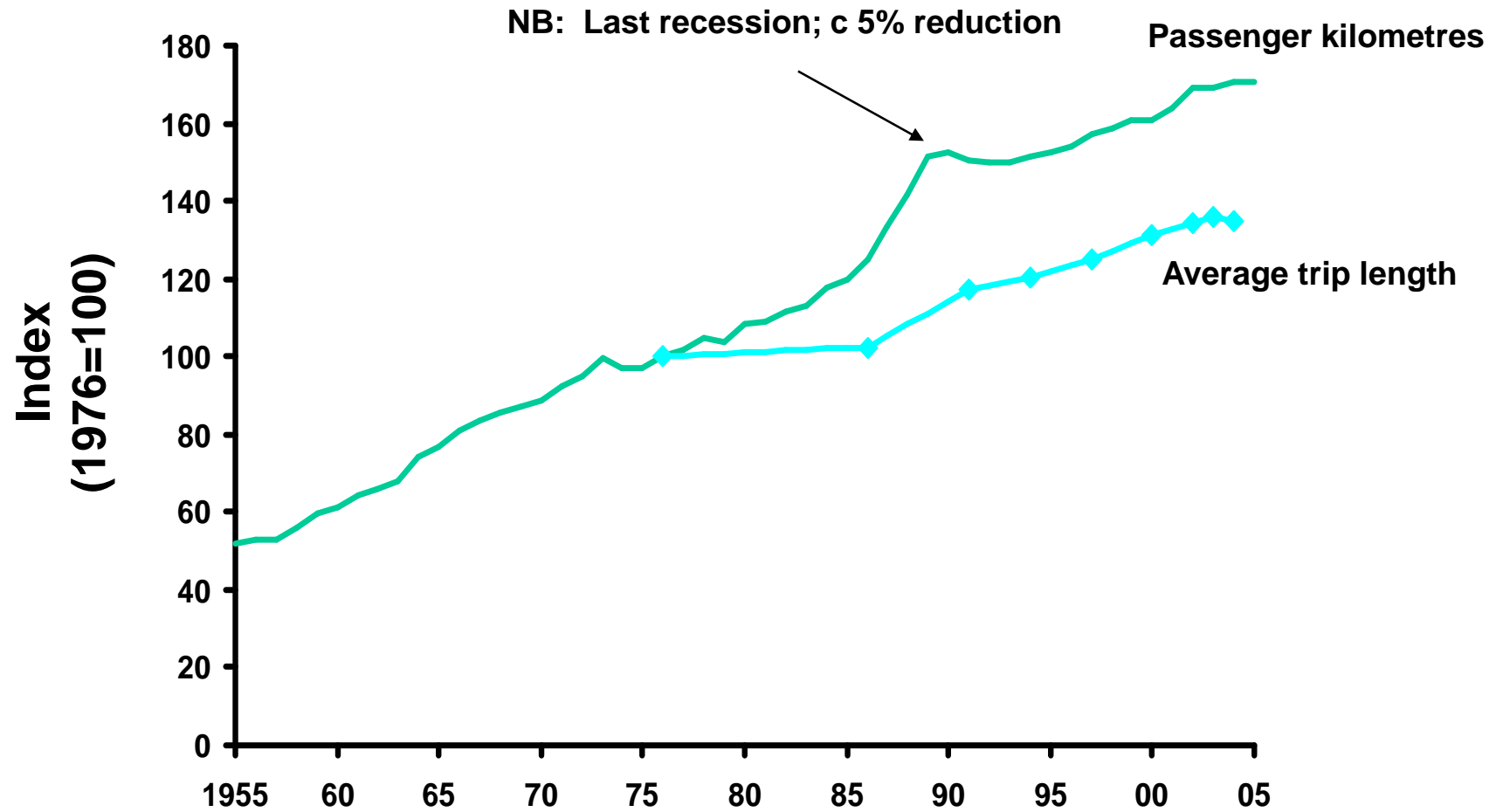
Eddington has engendered consensus around this link
.. but there may be less dependency now than historically

Figure 3.1: Passenger and freight traffic versus GDP 1953–2006



Source: Delivering a Sustainable Transport System, DfT 2008

We are travelling further (and faster)



Source: DfT 2007 Rail White Paper Evidence Pack from Transport Statistics GB 2006 and National Travel Survey

More people are driving

Mode of Travel to Workplace for those working in Greater Manchester

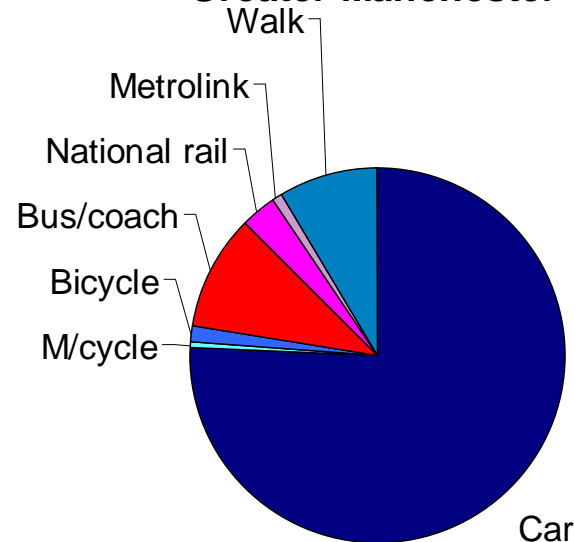
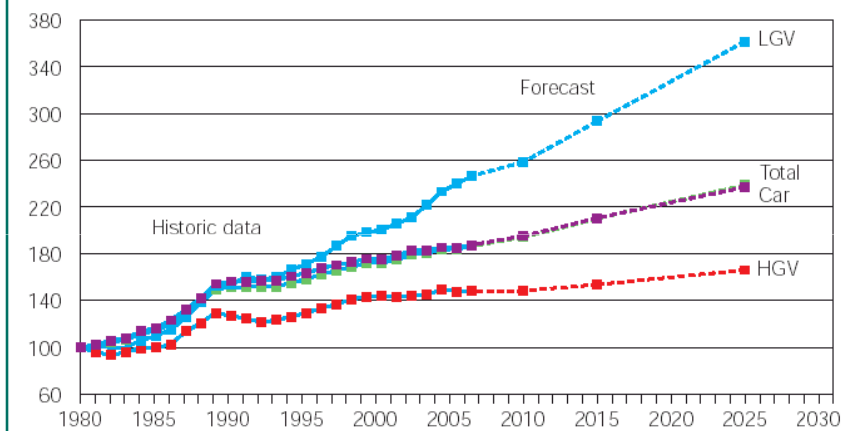
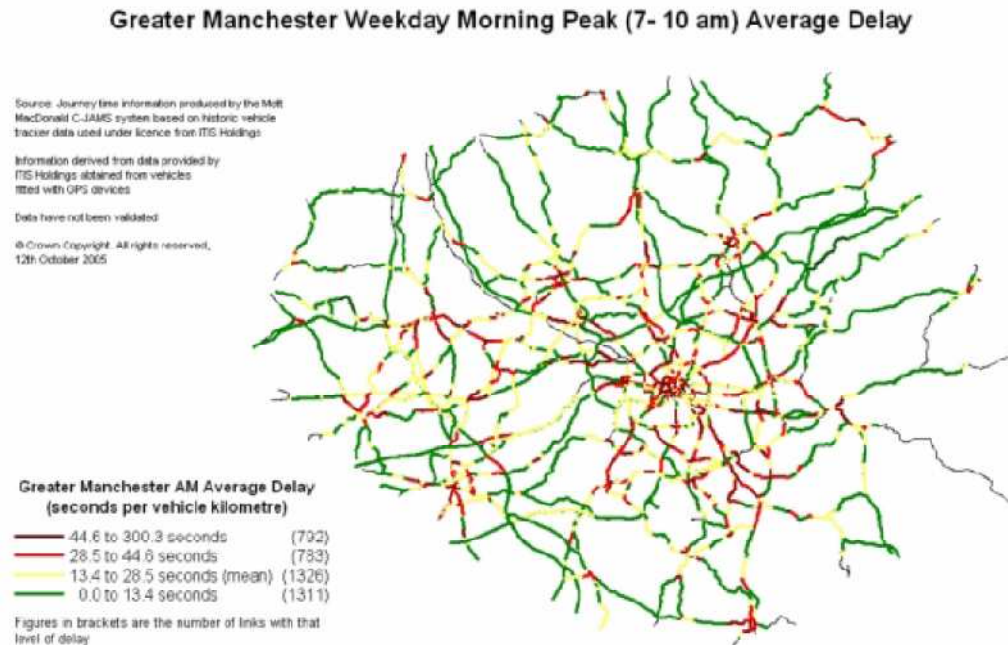


Figure 3.3: Growth in demand for different road transport modes in vehicle kilometres



- Manchester very similar to other “Mets”
- Over 74% of journeys to work in Greater Manchester are by car
- About 14% of journeys to work are by public transport – but over 65% of journeys to city centre are by “non-car” modes

Road congestion is on local roads as much as it is on major arteries



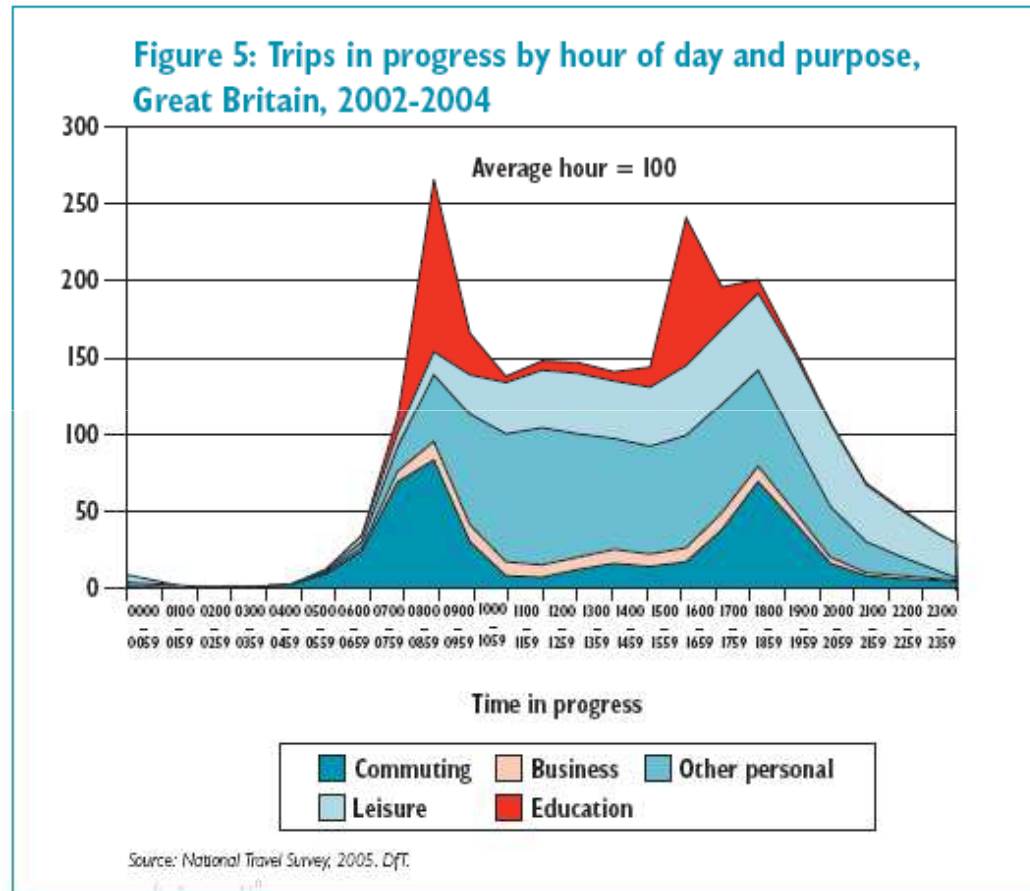
Source: GMPTE LTP2

Figure 4.4 Greater Manchester Morning Peak (7 to 10am) Average Delay

- Manchester congestion widespread (mainly within M60)
- DfT Dec 08 forecasts 30% increase in veh/km in “NW large urban areas” by 2025
 - Difficult to see how public transport can provide for many of these journeys

Peaks in travel are in commuting but also increasingly in education trips

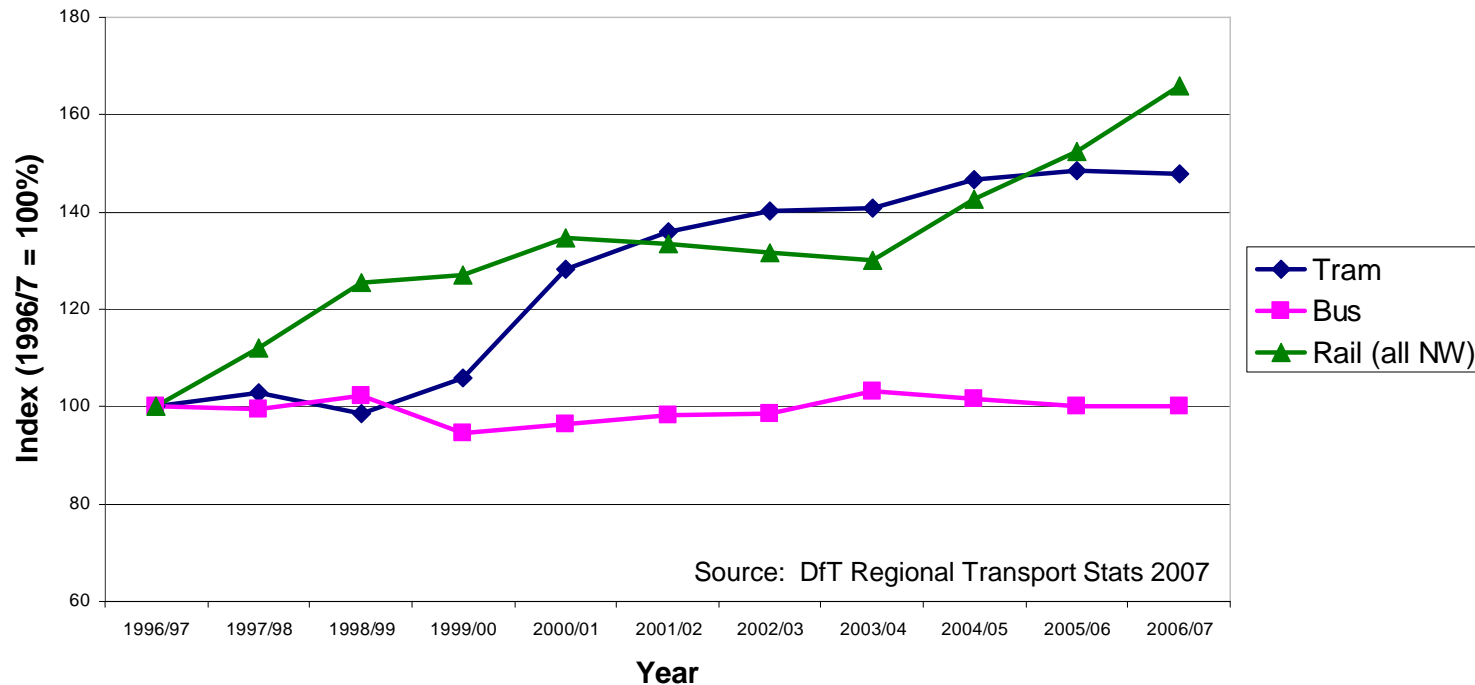
- Around 30% of all journeys to school in GM are by car
- Travel for education causes the sharpest and biggest peaks in daily travel patterns



Source: Eddington Transport Study 2006
GM Local Transport Plan – KPI LTP4

Rail commuting has grown; bus has declined and is now flat (overall)

Usage of Public Transport in Greater Manchester (Journeys)

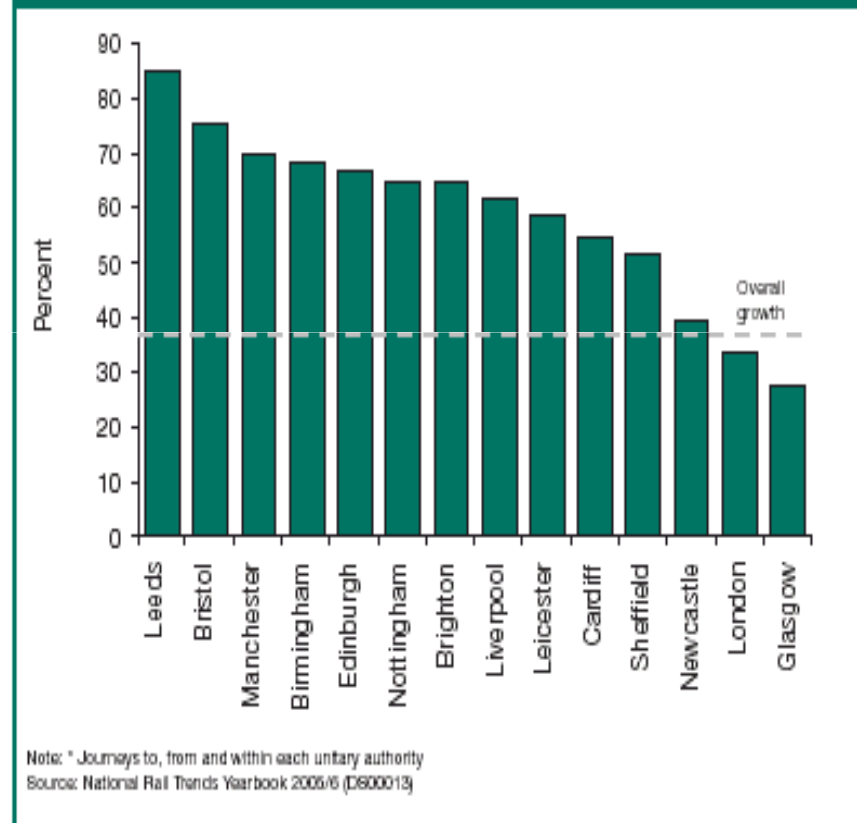


- Manchester trend in bus mirrors all major centres outside of London
- Trend in Metrolink usage has been “capped” by lack of peak capacity
- Rail has grown quickly over past 6-7 years – mirrors other Mets and London.

Rail has grown most in cities outside London

- High volume growth
 - Commuter markets have grown fastest (but they are smaller in overall volume)
 - Growth has been strongest in North of city – and at larger stations with relatively high frequency fast services
 - Trend has been driven in part by increasing density of employment in the city centre and a trend towards longer commuting journeys
 - Review of Northern in 2006 concluded it was well run, made very efficient use of its assets and offered good overall economic VfM
- Network pared back till 1990s – spare network capacity now exhausted

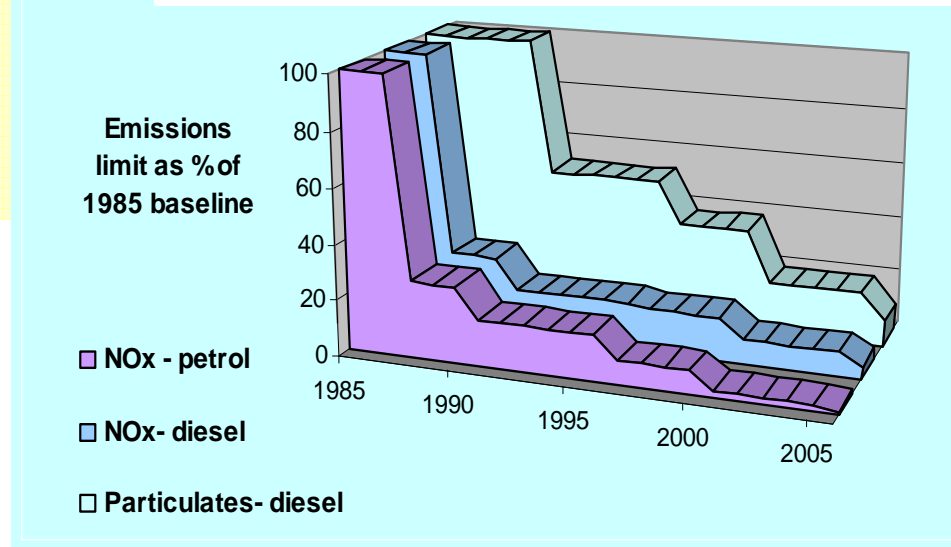
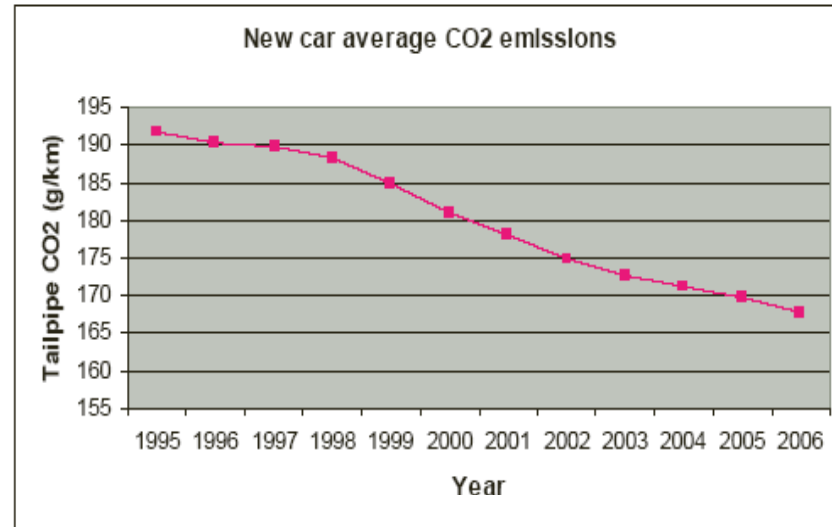
Figure 5.2: Percentage increase in total rail passenger journeys by city* (1995/96- 2004/05)



Source: DfT 2007 Rail White Paper

Cars have got much more environmentally friendly

- Carbon emissions from new cars are on downward trend
- Emissions of air quality pollutants from new road vehicles have reduced
- Engine technology could lead to carbon efficiency improvements of 15-20% by 2020
- Hybrid vehicles can deliver 50% lower carbon emissions. Technology already in mass production
- King report key input to policy making



Source: DfT 2007 Rail White Paper Evidence Pack, King Report

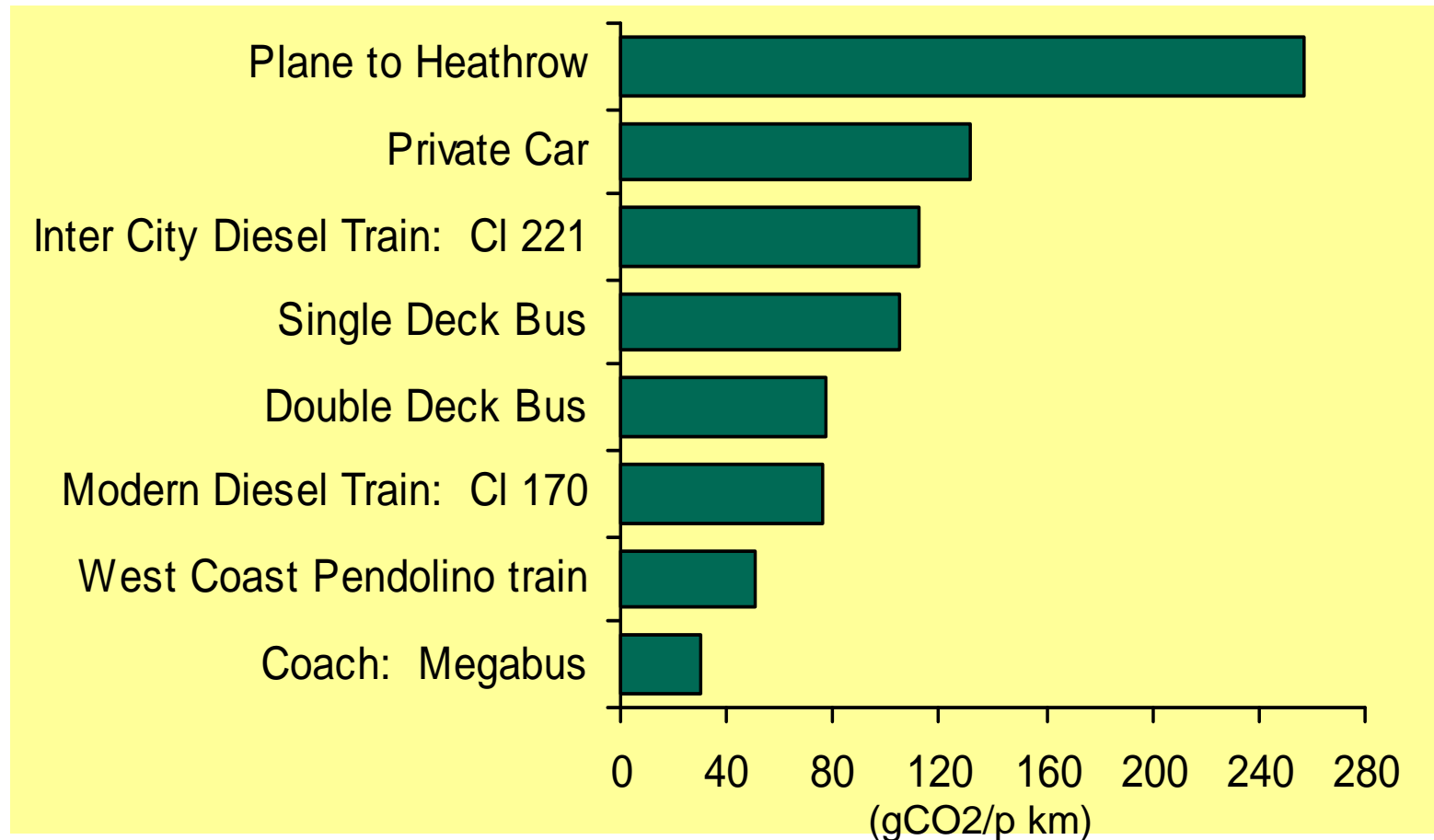
Other things that have changed in transport over past twenty years

- Rapid growth in rail and air – major capacity building in both
- End of major road building programmes
- Road demand management in London – but opposed elsewhere
- Major structural changes in air, rail and bus. Public public policy and funding key to almost all transport.
- Security has become as big a pre-occupation as safety
- Spread of internet – growth of the white van

Before we even worried about
a recession some pretty
significant things were going
to affect transport anyway

Stern related economic fortune to climate change

Need to reduce impact transport has on climate



Source: DfT 2007 Rail White Paper Evidence Pack. Data assumes the following load factors: bus 20%, coach 60%, Intercity rail 40%, other trains 30%, aircraft 70% and car 30%. Road, air and diesel-powered rail emissions have been increased to take account of refinery losses; electric trains take into account losses in grid. Aviation figures includes a factor for radiative forcing.

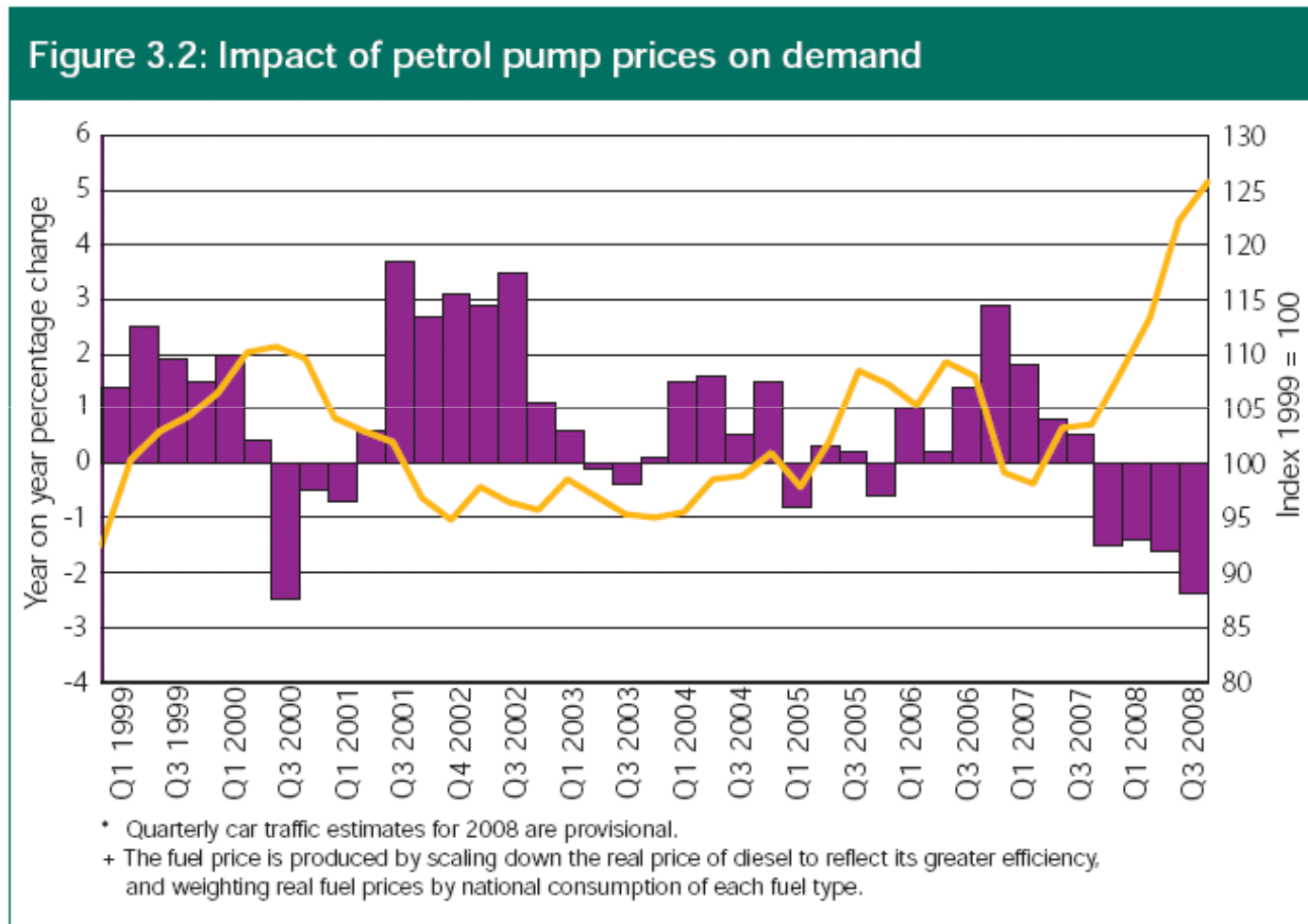
Energy will be more expensive in medium term

Brent Spot Price (monthly) 1987 - 2009



**Medium term energy price may settle
around \$ 80 per barrel – two to four
times level over past ten years**

Strong relationship between petrol price and road use



Source: Delivering a Sustainable Transport System, DfT 2008

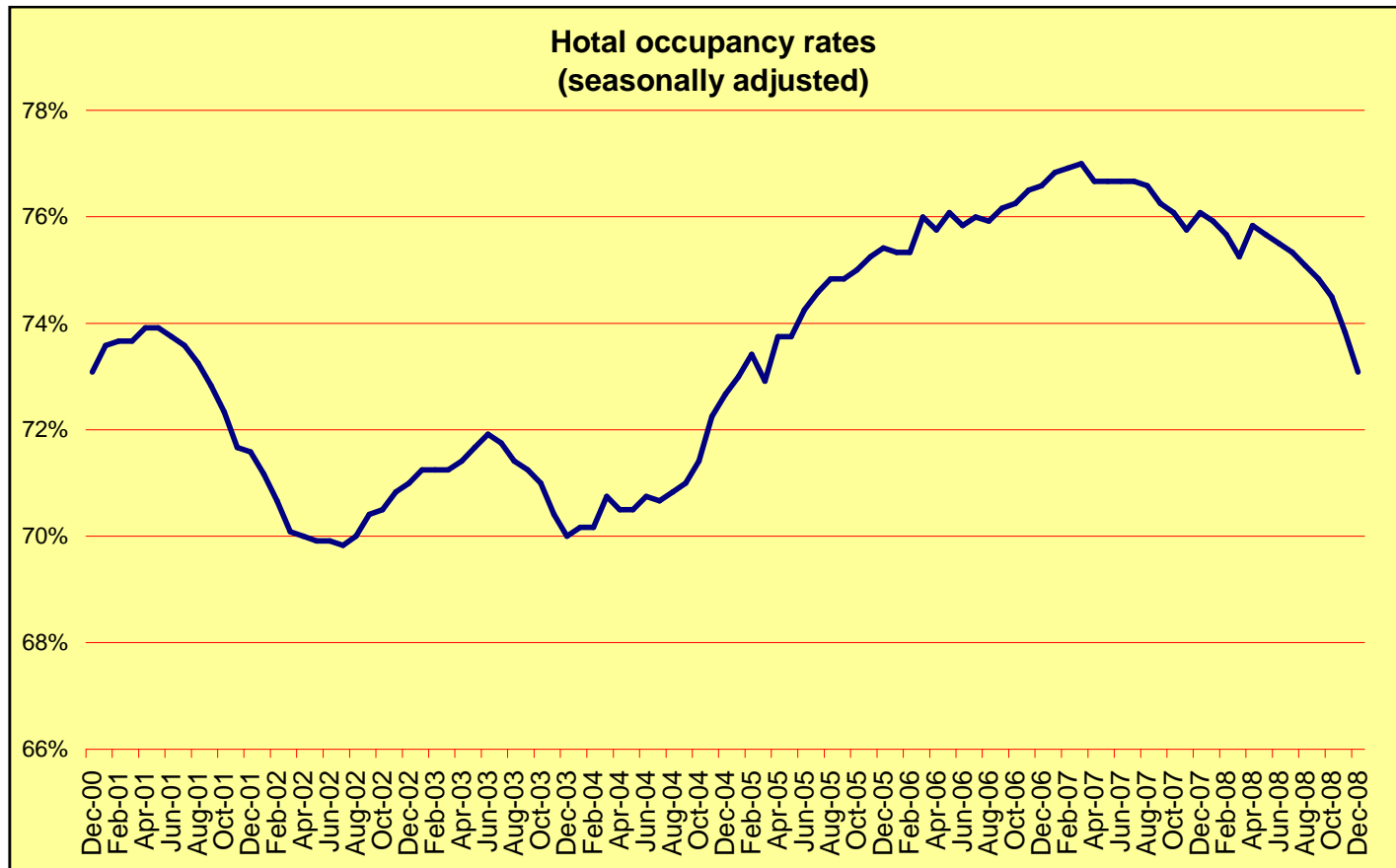
.. And a few other things that are (or are not) going to happen anyway

- Energy policy – nuclear and renewables, diversity of supply
- Technological innovation in propulsion of cars driven by massive R&D spend
- Inability of public transport to serve majority of existing journey patterns – even with massive investment
- Spatial planning may have an impact on travel demand – but it can't do it “overnight”
- There's going to be a General Election in next 16 months

So what do we know about
the recession?

Discretionary spend is being hit

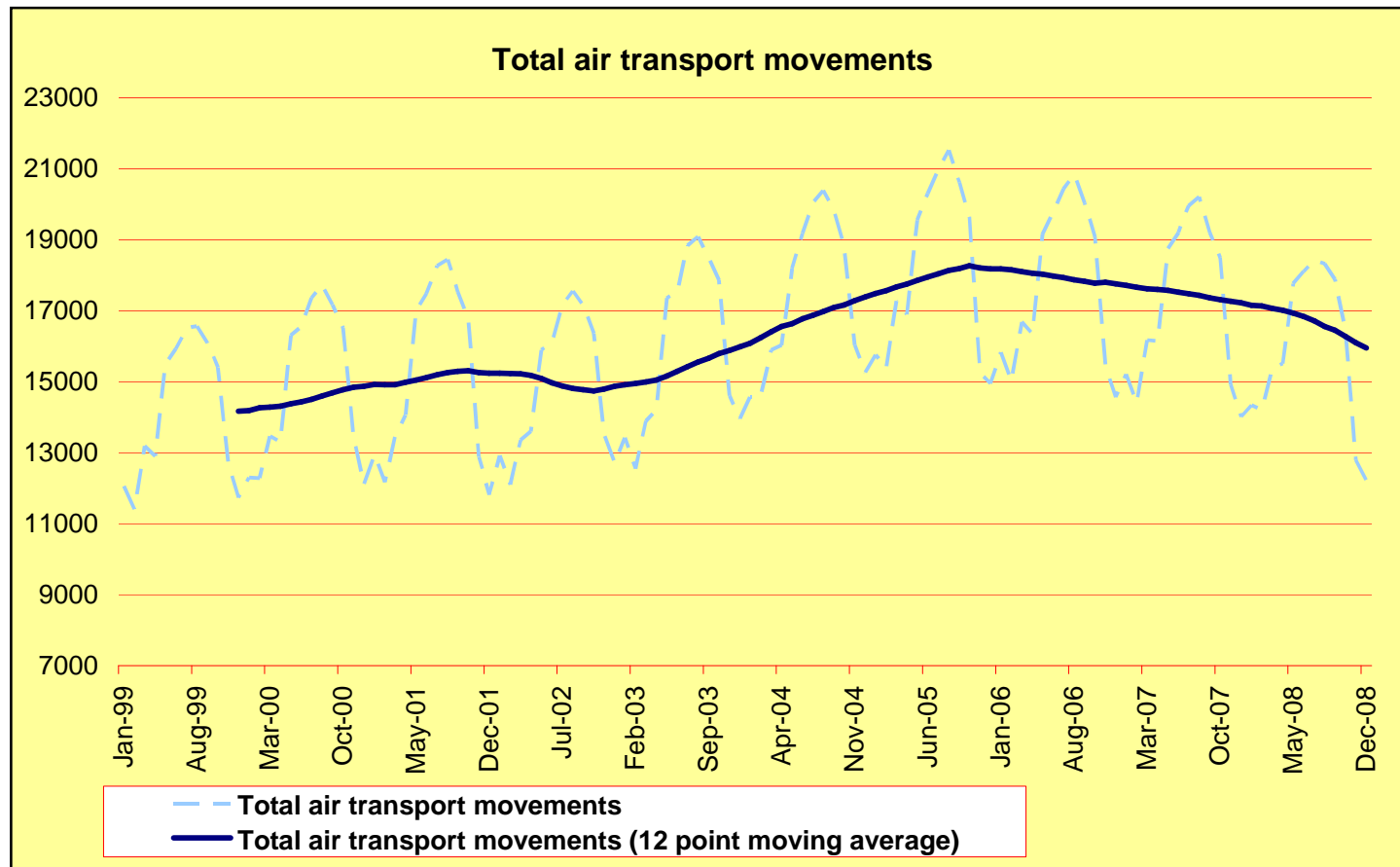
Manchester hotel occupancy rates 2000 – Dec 08



Source: AGMA Economic Commission Data, Feb 2009

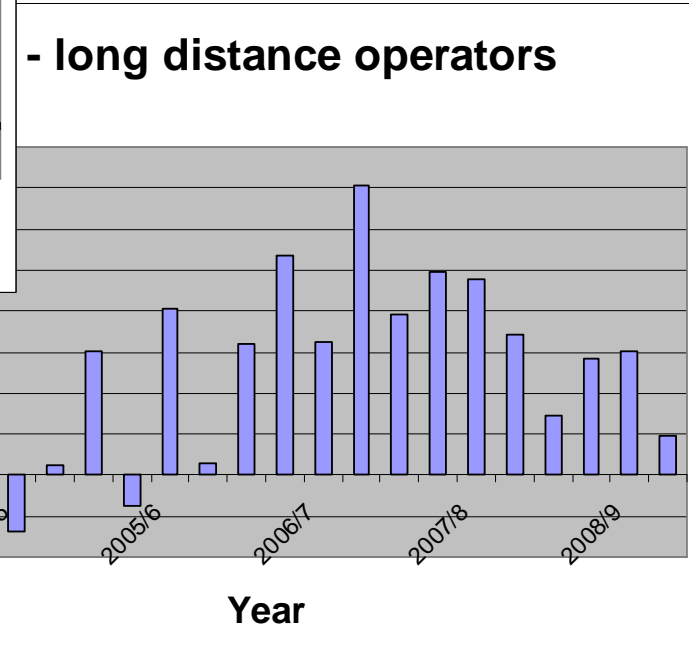
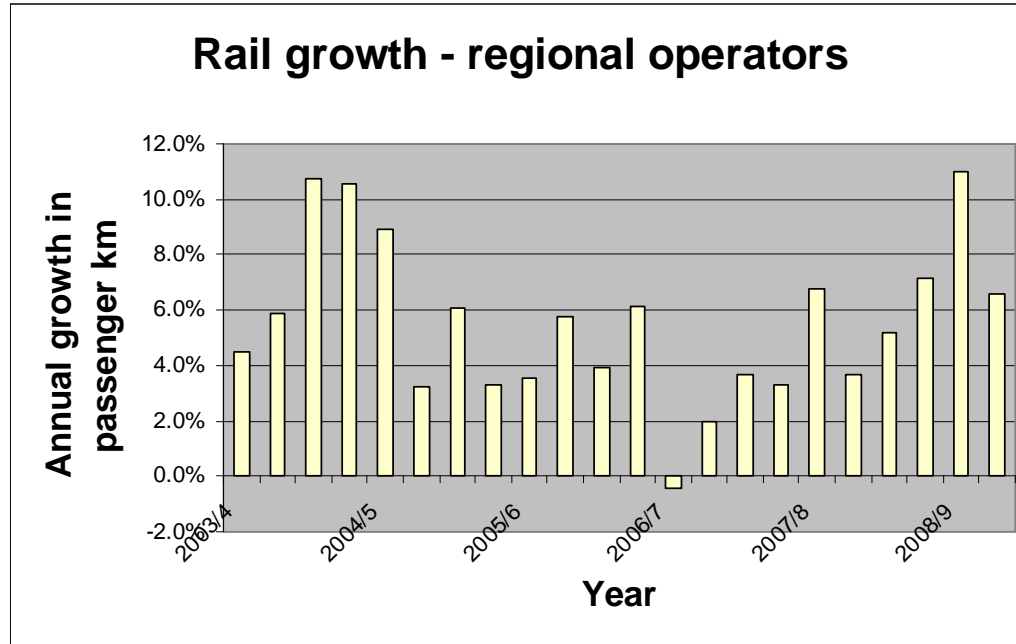
Discretionary spend hitting aviation

Manchester Airport Volumes: 1999 – Dec 2008
(Tenerife and Palma rank 2nd and 3rd in destinations (just behind Heathrow))



Source: AGMA Economic Commission Feb 09

Growth in rail travel has slowed but not declined

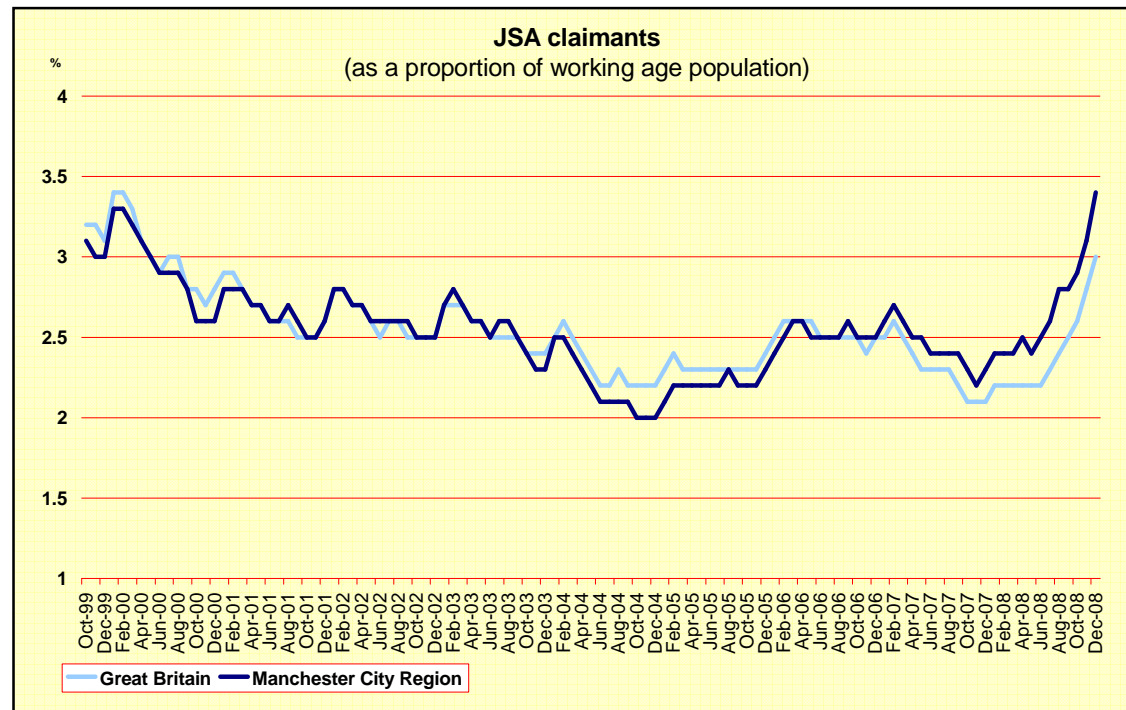


Source: ORR National Rail Trends, Jan 2009

People are losing their jobs – travel to work journeys are naturally affected

Manchester Job Seekers Allowance Claimants: 1999 – December 2008

- Rail growth is slowed (more in South East than North)
- Bus growth on major corridors is slowed
- Bus growth on other routes quite hard hit
- Traffic volumes are down on all types of road



Source: AGMA Economic Commission Data, Feb 2009

What Government thinks

The pre-budget report: Dec 08

- **Economy shrinks for two years running**
 - **Do we ever get back to trend?**
- **Borrowing peaks at post-war high next year**
- **Debt rises until 2012-15 and stays above 40% ceiling for sometime**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Economic growth in year	3%	-0.25%	-0.5%	2%	3%	3%	
Public sector borrowing (share of GDP)	2.6%	5.3%	8.0%	6.8%	5.3%	4.1%	2.9%
Public sector debt (share of GDP)	36.3%	41.2%	48.2%	52.9%	55.6%	57.1%	57.4%

Sources: HMT PBR Table 1.1 Dec 08 and
Institute of Fiscal Studies presentation Dec 08

What Government is doing

Stimulus and contraction

	2008–09	2009–10	2010–11	2011–12	2012–13
Net tax increase	-6.6	-12.4	-3.3	+2.9	+4.0
Net spending cut	-2.7	-3.9	+8.1	+11.2	+18.6
Net takeaway	-9.3	-16.3	+4.8	+14.1	+22.5

The stimulus

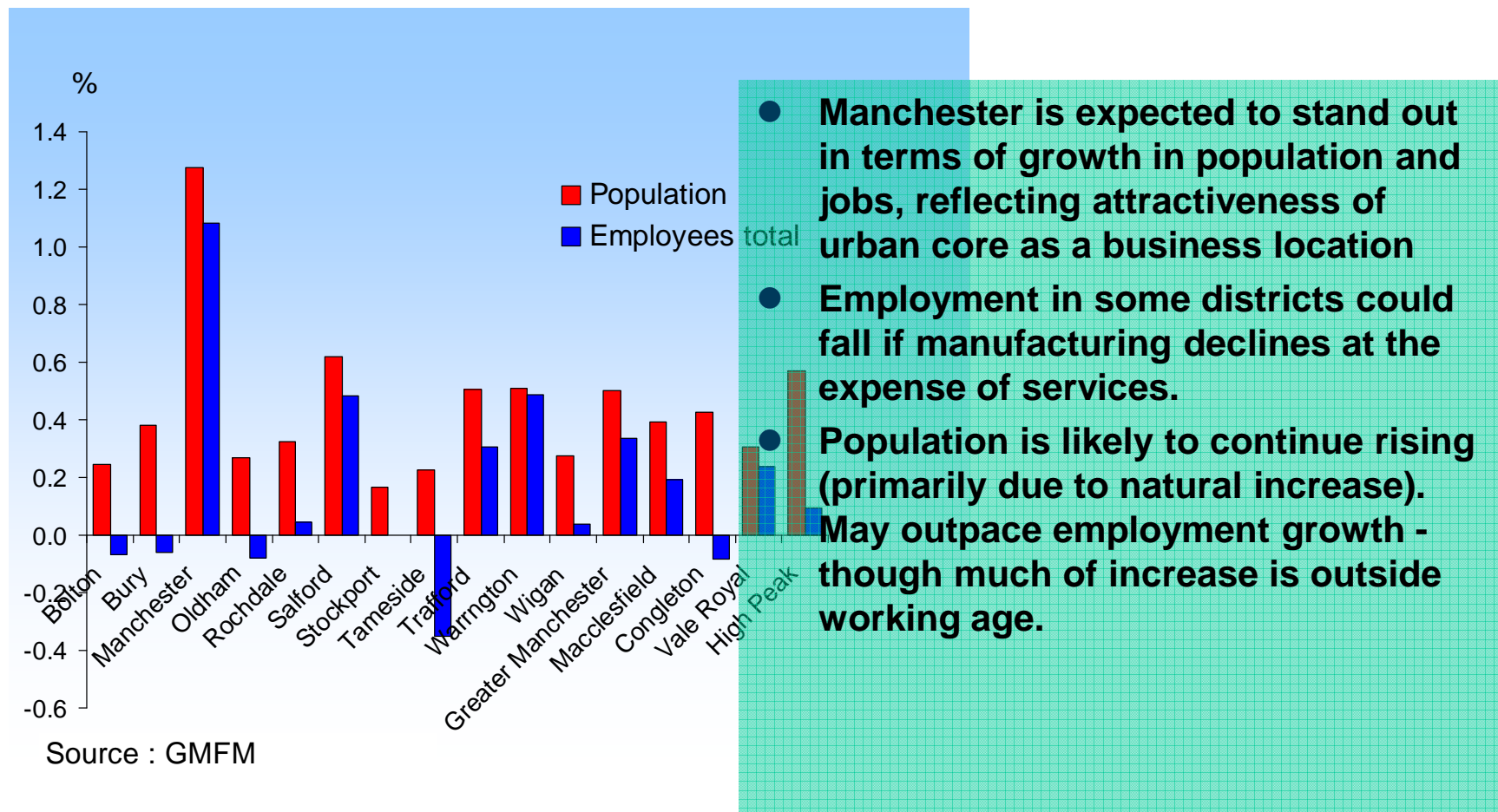
- Normally rely on monetary policy to manage demand, but interest rate cuts may be ineffective
- £16bn giveaway next year = 1% of GDP
- Key elements are VAT cut (temporary) and capital spending boost

The contraction

- Spending squeeze much more important than tax increases
- Investment spending takes bigger hit than current spending
- Spending to fall by £37 billion (2.5% of GDP) in today's money from 2010 to 2013

.. But there will be a recovery

Greater Manchester City Region Population and employment annual growth 2008-18



So what are the challenges
and opportunities for transport?

Challenges in the country .. 1

- A reduction in parts of financial sector (e.g. investment banking) but a lower £ may encourage more exporting manufacturing and other financial services (e.g. insurance, lawyers)
- Suggest cities will still remain engines of economy
 - Transport will have to continue to serve cities well
 - High skills will remain key to our future economy – suggests that the depth and breadth of a cities labour pool will also remain key – commuting is a vital part of that mix
 - But there will be pressure to build housing on old industrial sites in North (often 5-20 km from city centres). Medium distance commuting is here to stay – we'd better plan for it.
 - Smarter choices have a lot of potential in cities – but they will be driven by people saving money not by altruism.
- Spatial planning has a role to play
 - Longer term spatial planning leading to more dense urbanisation will have a very long slow impact – don't pin all hopes on it
 - In short term planners may compromise local environment over economy
 - Some businesses (especially if manufacturing has some slight resurgence) will locate “out of town” – these will be at car-based sites where public transport will play an important, though minority, role

Challenges in the country .. 2

- Commercial appetite for risk will be diminished - Government will need to take more risk in transport projects and policy
 - Big projects taken in smaller bites, No more London & Continentals or Metronets
 - But Government would be wise to be wary of a purely politically driven appetite
- Less money for investment
 - Danger of losing small/medium sized projects to monsters? Eddington favoured small is beautiful.
 - Make transport less investment hungry – more “making best use of” existing networks, smarter choices agenda, doing anything we can think of to reduce “peaks”, any other ideas?
- Big investments are always a cycle away so just plough on anyway?!
- During and after the recession there is a greater role for transport in helping people get into work
 - Role for travel planning, development of concessions, ..

Challenges inherent to transport .. 1

- We are going to have to get used to more costly energy and carbon
 - Big focus on more energy efficient transport (more public transport on high density corridors, more efficient cars elsewhere)
 - This will be driven as much by energy prices as concerns for the planet
 - Regional airports dependant on short haul and leisure may be vulnerable
Aviation more focussed on connecting economically important cities.
- Cars, carbon and congestion are all likely to become more expensive
 - Even if public transport doubled in capacity it would make only a slight dent in road traffic
 - Clever ways of using cars will increase (more efficient cars, people making more multi-purpose trips, increasing use of car clubs, eventual return to looking at demand management through pricing)
 - Furthermore public transport isn't very good for many journeys as too many journey patterns are dispersed
 - Congestion is with us to stay till someone can figure out how to crack it without pricing or new roads. Hence in the short term we are going to be building some more roads

Challenges inherent to transport .. 2

- This is the first recession a privatised railway has faced
 - Rail has the highest fixed costs of the main modes. The post-privatisation structures have made it more so.
 - Government will be forced to take on more risk
 - In city commuter markets will see greater demand as car becomes too expensive for many
 - This will allow Government to look at fares – driven by need to defray investment costs
- Bus industry better placed
 - High proportion of variable costs – likely any cuts would first fall on “thin” routes
 - Wages may fall – and hence may allow bus to withstand increases in other costs?
 - .. And volumes may rise as car becomes more expensive
 - Potentially further increases in public sector funding through BSOG, concessions or subsidised services - this may all lead to more calls for structural change – but this will be strongly resisted by industry
- Smarter choices have a lot of potential – but they will be driven by people saving money not by altruism.
 - a recession is a good time to focus minds!

And what will the politicians have to decide?

- Dwindling funds for public investment
 - Should transport take its share of any cuts from 2011 onwards – or is it a special case because of its role in driving the economy?
- Delivering public services
 - The recession will increase the role of Government. How and where?
- Economy vs. Environment (and Carbon)
 - Do politicians hold their nerve in a world recession that puts pressure on our economy and on other big carbon producers (e.g. China, USA)
 - Do we build new transport infrastructure even if it is damaging to the environment?
 - Are we in a post-Swampy world where road building is advocated by politicians again?
- Who pays
 - Should users rather than taxpayers pay for investment in transport?
 - Should aviation taxation be changed to tax the industry more or is the economic importance of the sector worth this sacrifice?
 - Will anyone be brave enough to look at road pricing in the near future