

Press release –Thursday 27 February 2020

Urgent rethinking of transport funding needed says new report

City, metro and national governments in the UK must act now to rethink funding and finance models to pay for future transport infrastructure developments, says a new report published today (Thursday 27 February 2020).

The report, produced by Arup and London Transport Museum in partnership with Gowling WLG and Thales, says that additional funding options must be investigated to unlock new sources of income alongside sustained public investment.

Analysis by Arup shows that despite population, employment and economic growth, changes in the way people are living, working and travelling has already resulted in a stalling, or in some cases decline, in the rate of daily trips people make¹.

These changes – which include technological change, pressure on real incomes and changes in how and where people work – have disrupted financial growth from the farebox and can lead to shortfalls in traditional revenue sources.

Looking to the future, the *Rethinking Transport Finance and Funding* report says now is the time to investigate and embrace new ways of paying for major transport infrastructure projects across the UK.

The report draws on roundtable discussions with transport, legal and finance industry leaders, policy makers and academics as part of *Interchange*, London Transport Museum's thought leadership programme. It highlights that:

- A central vision for sustained government funding remains essential to maintaining and developing new transport infrastructure. But to cope with increased competition as new projects get off the ground, the harnessing of additional funding and finance opportunities at a metro and city level must be explored.

¹ [Understanding the drivers that impact travel behaviour](#), RSSB; Arup; Future Thinking (2018).

- As farebox funding continues to come under new pressures, models for public/private partnerships which have a greater focus on land and property value capture present a promising opportunity. For example, the re-development of station car parks for higher density accommodation close to or above stations offers the opportunity to tap into the wider financial value generated – such as premium rents and property prices – to support future developments.
- Key to the long-term financial sustainability of these partnership deals will be giving back city authorities the fiscal powers to borrow and retain at least some of the taxes generated from their transport investment. Tapping into the wider value generated as a direct result of transport infrastructure developments will create a virtuous circle of economic growth: authorities gain the ability to garner funds for future projects locally; and attractive financing opportunities are open for the private sector.
- Gaining the ability to generate income for future projects at a local level must be coupled with embracing innovation. If innovation is stifled within the development of infrastructure projects supported by private capital, then the allocation of risk down the supply chain may jeopardise successful collaboration between suppliers.
- A shift towards ‘mobility as a service’ is an additional opportunity for transformational change at a metro and city level. For example, it could enable charging for road space to become an accepted everyday part of the cost of moving around. This would allow local government to harness additional resources to tackle transport problems and secure continued economic growth.

Alexander Jan, Chief Economist at Arup said, “A hundred or so years ago, Britain’s powerhouse cities raised about four-fifths of their resources from local property taxes. Today that figure is more like twenty percent. Over the years, centralisation of local government finance has emasculated city halls across the land. Despite some welcome progress, further rounds of fiscal

devolution are needed urgently to reconnect transport investment and local economic growth. As this report shows, there is lots of potential for new (and not so new) funding models to help deliver transport projects that can deliver good growth and restore civic pride by empowering our local government leaders.”

Sam Mullins OBE, Director of London Transport Museum said, “The historical growth of transport infrastructure reveals how funding and financing models have evolved over the years to meet increasing demand. Sustained investment in infrastructure remains essential to growth in towns, cities and the wider economy, and as we investigate opportunities to unlock new sources of income, we must keep our sights on the creation of financial models which are resilient and adaptable to future disruption and passenger trends.”

Giles Clifford, Partner at Gowling WLG said, “Rethinking the mechanisms we use to bring public investment and private finance together is critical to avoiding future disruption in the development of our transport infrastructure. Although previous PPP and PFI programmes had flaws, their strengths – including improvements in asset management, and extra finance for public services – got less publicity. Looking to countries like Canada, there are certainly lessons to be learned from their approach to public/private finance. Going forward, whatever route we choose, we must be open about what the UK can afford, and clear about how the public bears any costs.”

Mark Garrity, Strategy, Sales & Marketing at Thales said, “With increasing numbers drawn towards seeking prosperity in our great cities, there is mounting pressure on infrastructure. This report shows that a radical rethink is required if we are to keep up with demand and identify sustainable ways of recovering the investment required from those whom benefit most.”

Download the full report: <https://www.ltmuseum.co.uk/interchange>

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Notes to editors

- *Rethinking Transport Finance and Funding* is the latest report to be published as part of Interchange, London Transport Museum's thought leadership programme, which is produced in collaboration with Gowling WLG and Thales. *Interchange* provokes discussion and debate about the future of transport in the UK and internationally.
- Speakers at the *Rethinking Transport Finance and Funding* Interchange events included Ian Robertson, Board Member of DfT Future of Mobility Group; Alexandra van Huffelen, Secretary of State for Finance, The Netherlands; and Jerome Pourbaix, Senior Director Global Growth, UITP.

About Arup

Arup is the creative force at the heart of many of the world's most prominent projects in the built environment and across industry. Working in more than 140 countries, the firm's designers, engineers, architects, planners, consultants and technical specialists work with our clients on innovative projects of the highest quality and impact. <https://www.arup.com/>

About London Transport Museum

London Transport Museum is the world's leading museum of urban transport. Its thought leadership programme, Interchange, offers a line-up of thought provoking and informed discussions, debates and publications for leading thinkers and decision makers to consider the challenges and opportunities facing cities, transport and infrastructure, today and tomorrow. www.ltmuseum.co.uk

About Gowling WLG

Gowling WLG is a major international law firm with more than 1,500 legal professionals in global offices. We provide our clients with in-depth expertise in key global sectors and a suite of legal services at home and abroad, including leading expertise in all aspects of the law relating to transport, technology, public services and the built environment. We see the world through our clients' eyes, and collaborate across countries, offices, service areas and sectors to help them find the way forward to success, no matter how challenging the circumstances.

<https://www.thalesgroup.com/en/countries/europe/united-kingdom>

About Thales

Transport networks around the world rely on Thales technologies and expertise to ensure safer and more efficient passenger journeys. Thales is a global leader in rail, road and urban transport solutions

that meet the infrastructure needs of tomorrow. Whether it's increasing the capacity of a network, improving the safety of passenger journeys or helping operators to save costs, we work as a trusted partner to solve our customers' biggest challenges. www.thalesgroup.com/en