Transport Committee Call for Evidence: Strategic transport objectives

Logistics UK submission

Introduction

1. Logistics UK is one of the country's largest business groups, supporting, shaping and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector.
2. We represent a sector delivering an increasingly innovative, productive and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses and public services rely on every day, and is supporting the UK's transformation for the future. Our membership of over 20,000 includes global, national and regional businesses and SMEs spanning the road, rail, sea and air industries as well as the buyers of freight services, such as retailers and manufacturers.
3. The logistics industry is both incredibly responsive and adaptable while also needing a stable policy environment in order to support investment. The absence of a clearly defined, long-term transport strategy that sets out how our infrastructure will be developed and maintained to meet future economic, environmental and social challenges will hold the industry back.
4. Logistics UK was heavily engaged in the development of the Government's *Future of Freight* strategy. Its publication represented an important milestone in raising awareness of the logistics industry as a key foundation of the UK economy. We remain committed to working with partners to ensure the strategy delivers for our sector.
5. However, there is a clear need for the Government to determine and champion a clear set of overarching strategic transport objectives; encompassing and working with all user groups to articulate the purpose and needs of UK transport networks, both now and in the future.

Defining objectives

6. There are a large number of official documents and strategies that set out objectives for the transport network, including *Future of Freight,* the Department for Transport's (DfT) *annual report and accounts,* National Highways' *Connecting the country* strategic plan and the Network Rail *Delivery Plan*. These are augmented by strategic studies such as the *Union Connectivity Review* and the work of the National Infrastructure Commission (NIC).
7. However, there is no single, readily available statement of objectives for the transport network as a whole. Given the critical importance of logistics to the entire UK economy, this is alarming. An effective, reliable and free-flowing network is essential to ensure that shelves are stocked, people can get to work and vital services are delivered. The responsibility for, and benefits of, achieving this outcome should be owned at a Government-wide level, rather than sitting solely with DfT and associated public bodies.
8. These objectives should be high-level and long-term, establishing a vision for the transport network as a whole, incorporating and integrating all modes. The objectives should express the purpose(s) of the network and how it will enable and align with goals for the UK economy, such as improved productivity, better regional economic performance and achieving Net Zero ambitions.
9. From a logistics perspective, these objectives should recognise the critical role played by an effective and efficient network in ensuring that essential goods and services are delivered where they need to be, when they are required. In setting national objectives, Government must work with industry to understand its needs and ambitions and build on the strong engagement already undertaken by DfT and others.
10. The benefits of establishing these objectives would be threefold: firstly, it would help to align planning and strategy for different transport modes and uses, ensuring that the movement of goods and people is considered holistically. Secondly, it would provide a long-term framework for setting intermediate spending plans for infrastructure such as road and rail, which currently suffer from stop-start investment patterns. Finally, national objectives should help to strengthen and speed up the development of major investment schemes and guard against the political indecision which has blighted programmes such as HS2.

Using objectives to guide investment

11. The consequence of a lack of strategic transport objectives is that the appraisal of schemes or investment programmes may be conducted with little regard to broader economic goals. This issue was identified in the *Green Book Review 2020*, which found that:

> *"current appraisal practice risks undermining the Government's ambition to "level up" poorer regions and to achieve other strategic objectives unless there is a step change improvement".*[1]

12. In many instances, this is due to business cases for investment (and their subsequent appraisals) not sufficiently engaging with the strategic context in which they sit. The outcome of this, as identified in the review, is that judgement of the benefit of transport schemes may rely too heavily on a Benefit Cost Ratio (BCR) that does not reflect broader strategic ambitions. Similarly, schemes may also be judged too much in isolation, rather than as part of a series of interventions aimed at achieving a long-term objective.

13. With regards to transport, it is therefore clear to see that the development of the right strategic objectives would help to mitigate these issues by reflecting the broadest possible value of interventions in relation to economic, social and environmental goals. HM Treasury must also permit the Government to support long-term projects, even if funding is only committed for the next immediate stages of those projects, accepting the risk that this could create pressure on Government to eventually deliver in full.

14. The Green Book review also identified that more emphasis needs to be made of the strategic case for investments. Clear strategic objectives for transport and logistics are therefore essential to ensure that decisions (informed by the strategic case) are aligned with long-term, broader Government priorities rather than decisions being taken tactically business case by business case.

15. National strategic transport objectives should be the umbrella under which all other strategies and programmes sit. While we appreciate the requirement to develop detailed, short-medium term spending plans, to avoid the problem of stop-start investment there is a clear need for a long-term strategy to outline future investment in the transport network. With this in mind, Logistics UK has recently responded to National Highways' *Initial Report* as part of the development of the next Road Investment Strategy (RIS3), highlighting the commitment in the *Future of Freight* strategy to developing a National Freight Network. We urge National Highways to use the RIS3 period to set out where major schemes will be needed in the future in order to keep the SRN functioning and free-flowing, with freight and logistics at the forefront of that thinking.

16. Longer-term thinking is also essential to maximise private sector investment. The logistics industry, like many others, needs policy continuity to create a positive investment environment. Developing new warehousing and distribution facilities is an enormous commitment, while fleet renewals represent spending that will only be recouped over many years. Businesses need to be confident that infrastructure will be in place in the long-term to support their choice of location or investment in zero-emission vehicles.

Improving coordination and alignment

17. In the absence of clear overarching objectives there are nonetheless examples of strong partnership working between the various stakeholders that operate in transport policy, as evidenced by the collaborative approach to developing *Future of Freight* and the working groups that have emerged from that process.

18. However, the majority of transport planning and investment still tends to be siloed either by mode, infrastructure type or user groups. There are myriad factors behind this, such as different investment cycles, devolved decision making and sectoral reforms, but they are all compounded by a lack of strategic objectives for the transport network as a whole. Some coordinated activity has taken place, but it is yet to lead to the significant modal shift we wish to see. While we appreciate that significant effort is made by DfT to undertake broad engagement and consider all relevant strategies, as Logistics UK has stated previously, problems emerge when gaps open up between political imperatives and the reality of actually delivering major schemes. The net result of this is a likely loss of confidence among businesses that their priorities are being heard and acted upon.

19. Similarly, significant improvements are needed in the level of coordination between transport and other related policy areas such as energy and net zero. The logistics industry is embracing the challenge to achieve net zero and has made significant strides in reducing emissions and investing in new technologies. However, as identified above, to go further in decarbonising long-distance freight movements, the industry needs confidence in both vehicle performance and the infrastructure that will underpin it. As logistics continues its journey towards net zero, there will

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1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/937700/Green_Book_Review_final_report_241120v2.pdf

be an increasing need for alignment between the country's transport and energy networks. To give operators confidence to invest in zero-emission fleets, we must ensure that there is a significant expansion of charging points and the associated infrastructure to power them. At an operational level, National Highways will need to work extensively with National Grid and DNOs to achieve this, but this must be guided be far better alignment at a national level between transport and energy policy.

20. National planning policy must also be sympathetic to the needs of the logistics industry and the role it plays in the economy. Logistics UK welcomed the publication of the long-awaited DfT call for evidence on freight and the planning system and we hope it leads to reforms that ensure the protection of land for logistics operations, better infrastructure to support freight movement and increased multimodal integration. In this space, we would again welcome a clear set of transport objectives, against which a revised National Planning Policy Framework (NPPF) would be aligned; giving developers confidence that appropriate applications for logistics infrastructure will be approved.
21. Below the strategic level, there are also a number of reforms which enable strategic transport objectives to be embedded and delivered across Government. In establishing these priorities, we would support the National Infrastructure Commission in playing a key role in the identification of the logistics network and the projects that would support it, as it does now, but with a greater focus on delivering integrated rather than modal outcomes, and with a greater understanding of the close relationship between transport and energy networks. This will require greater engagement between the NIC, DfT and its key stakeholders and DESNZ and its key stakeholders, alongside the Freight Energy Forum on the relationship between transport and energy networks.
22. There is also a need for greater capacity and ability within DfT, National Highways and Network Rail in particular to produce recommendations at a transport corridors and system level, based on an improved understanding of current usage and forecast future need.
23. Government must also ensure that the continued devolution of transport funding and decision making does not lead to further fragmentation or disconnect with any national objectives. In principle, a shift in responsibility for decision making closer to the businesses and population it affects is positive and Logistics UK enjoys strong working relationships with sub-national transport bodies, mayoral combined authorities and local authorities across the country. However, it is vital that local or regional strategies complement those at a national level and vice-versa, to help deliver a truly effective national freight network.

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