Investment in the local road network:
The economic argument

THE IMPORTANCE OF THE LOCAL ROAD NETWORK

The local road network is the country’s greatest infrastructure asset. It comprises 183,000 miles, represents 98% of the total road network and is worth over £340 billion.

A well-maintained local road is essential for the economic prosperity of the country. It is the prerequisite link to the national road and rail network, to the ports and airports, between peoples’ homes and places of work.

Unfortunately, the Government has failed to recognise the economic importance of a well-maintained local road network. Despite the vast majority of journeys being taken using the local road network, the Government has failed to match the expenditure provided to maintained national road network with that provided to maintain the local road network. National roads and motorway maintenance receives 53 times more funding than local roads.

Successive Chancellors have failed to do the maths and understand the economic folly of spending an average £52m to repair a pothole against the £2m to surface dress and maintain a road and so prevent the pothole from forming in the first place.

The result is there are over 24,400 miles of local roads that require essential maintenance. That equates to one-in-five local roads now classed as being structurally poor and requiring replacement within five years. That fact surely underlines the economic prudence of undertaking planned programmed maintenance against the costs of having to replace a road.

THE ECONOMIC ARGUMENTS

The economic arguments for increased investment in local road maintenance are obvious and, to a government wanting to prove that Britain is open for business, should be convincing. Unfortunately, the continued lack of meaningful investment in maintenance of the local road network suggests that government is not listening.

According to a 2018 survey of 1,100 businesses across the UK carried out by the British Chambers of Commerce, 68% regard the UK road network to be less reliable than five years ago. Nearly half, 41%, do not believe that the road network meets their needs. The results of the UK’s inadequate road network means that 52% of businesses report increased direct travel costs, 33% have been restricted in their access to existing or potential customers, and 30% have increased costs of products/services.

Another business organisation, the EEF, has called for increased spending on road maintenance stating that the poor state of local transport is rated by manufacturers as being the number one challenge that needs to be addressed in the local business environment. Many of the EEF members believe that the condition of local roads continues to deteriorate with 50% saying that the state of roads significantly increases their operating costs. In their Infrastructure Appraisal, the EEF states that 38% of manufacturers believe that the condition of local roads had deteriorated between 2015 and 2017.

The CBI/AECOM Infrastructure Survey emphasises the fundamental business requirement for a well-maintained road network. Yet 68% or the survey respondents are not confident that road infrastructure will improve in the coming years. 92% believes that roads delivery should be the infrastructure priority for the Government. Tellingly, the survey reports that despite Government rhetoric to improve the UK’s infrastructure, the UK is ranked 27th in the world for the quality of its roads. This rating is considerably behind its European competitors with the Netherlands rated at 4th, France at 6th, Germany at 16th and Spain at 17th. Post-Brexit such a rating will not be a persuasive invitation to business investment.
TAXATION DISCREPANCY

There is a growing discrepancy between the amount that motorists pay in taxation and the amount that is spent on local roads:

- Motorists pay £26.9 billion in fuel duty, £25 billion VAT on fuel and £6.1 billion for other motoring taxes. An annual total of £58 billion.
- Against the £58 billion received in motoring taxes central government funding allocated to road maintenance is just £2.06 billion.

As it is not ring-fenced, the small percentage of the motorist taxation that is allocated to road maintenance may not even be spent on road maintenance. Continued budget restrictions mean that local authorities are having to ‘rob Peter to pay Paul’ and are cutting back on highway expenditure in order to fund other council services. Figures from the Department of Communities and Local Government (6), show that spending by local authorities on highways and transport is set to fall to £4.24 billion in 2017-18 compared with £4.4 billion in 2016-17. This is a drop of 3.7 per cent or £162 million. The reduction comes at a time when it is estimated that the local road network has a £9 billion pothole bill.

Furthermore, despite paying high motoring taxes, motorists are also paying out £915 million to fix pothole-related damage to vehicles according to research carried out for Kwikfit (7). The survey found that whilst the cost of repairs has not risen substantially – up from an average £108.60 in 2016 to £111 in 2018 – the number of drivers suffering such incident has risen from an estimated 6.3 million to 8.2 million between 2016 and 2018.

HOW TO INVEST IN A LOCAL ROAD NETWORK THAT IS OPEN FOR BUSINESS

Only long-term and consistent investment in local road maintenance can allow councils to embark on the widespread improvement of our roads that is desperately needed. There are a number of simple cost effective policy statements and calls to action that would make a real different. These include:

- No more lip service. Government needs to demonstrate a real understanding of the essential role that the local road network plays in the national social and economic well-being of the country.
- All local roads should receive funds from vehicle excise duty. Currently, the monies raised are only available for motorways and A roads.
- Inject £1 billion a year to address the £9.3 billion backlog of local road pothole repairs by investing just 2p a litre from the existing fuel duty.
- Ring-fence local highway budgets. Starved of funding, by 2020 local councils will spend 60p in every £1 raised by council tax on social care leaving less to fund essential road maintenance.
- Ever increasing traffic levels together with recurring extreme winter weather conditions combine to restrict local economic growth and community wellbeing. The Government needs to ensure that the funding of local roads is a priority in its spending plans.
- Ensure that all local authorities are signed-up to and implementing asset management in order to ensure they get the best out of their local road asset.
- Local authorities to ensure that they are open to best industry practice and new product and process innovation.
- All road users to keep up the pressure by reporting potholes to their local authority and to contact their local MP asking why government does not provide adequate funding for maintenance.

REFERENCES

1. Asphalt Industry Alliance; Annual Authority Road Maintenance (ALARM) Survey; 2018
2. British Chambers of Commerce; Infrastructure Survey 2018: Road and Rail; 2018
3. EEF; Infrastructural Appraisal 2017
4. CBI/AECOM; Infrastructure Survey 2017
5. World Economic Forum; Global Competitiveness Report 2016-17; 2017
6. Department of Communities and Local Government; Local Authority Revenue Expenditure and Financing: 2017-18 Budget, England; 2018
7. Kwikfit; Walnut Survey of 2049 adults, 2018