



Spatial Economics Research Centre

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Local Transport Expenditure

Lots of coverage for the Transport Committee's [latest report on local transport expenditure](#).

I've had a quick read through of [the report](#). Some of it makes sense. For example: there's been lots of change in funding schemes so it would be a good idea of DfT makes sure this isn't delaying delivery or reducing accountability. They also make the point (which I have made before [in the context of Heseltine](#)) that: "It is questionable whether bidding for pots of central government money that will be allocated via rules set by central government amounts to genuine devolution." No arguments from me there.

But the headlines all pick up on the recommendation that transport outside London should be funded better: "The under-funding of transport projects outside Greater London in recent years cannot be allowed to continue. Ministers must use the new funding arrangements, via the Local Growth Fund, ensure that there is a fairer allocation of funding to transport projects beyond London, and not just in city regions, City Deal areas and current enterprise zones. No area across our nation should be second class in relation to the allocation of transport infrastructure funds".

The evidence for this under-funding comes in two parts. The first part quotes Baroness Kramer on actual expenditure - London gets about twice as much public expenditure per head as the rest of the UK (part of which is due to cross-rail). This figure is probably misleading because it compares a specific city to a set of regions. If you took, say, expenditure in Manchester it would be interesting to see how much closer it got to the London per capita level. No matter, because the second part of the argument uses the [incredibly misleading IPPR North figures](#) which talk about disparities in future funding streams of £2,500 per head in London to £5 per head in the North East. No adjustment would make those look equal.

Regardless of the exact amount, let's take at face value that there is some spatial unevenness in public expenditure in transport spending per head. The transport select committee implies that this is a bad thing and that the government should be seeking a more equal distribution. This begs the question "why should funding be more equal"? The answer to that can come in two parts - either the current allocation is inefficient or it is inequitable.

In terms of efficiency a big part of the disparity between total and public expenditure (which would be larger than the two to one figure that I reported above) comes about because private sector expenditure goes disproportionately to London and the South East. Government doesn't have much control over those private sector flows but it's clear that public sector expenditure is more evenly spread. Taking a narrow view of the economic returns on public sector transport investment this suggests that it might be efficient to have it more concentrated, not less.

Of course, government doesn't take a narrow view. It thinks about the social returns as opposed to the private returns that drive private sector investment. Might the social returns be larger outside of London and the South East justifying a more equal distribution? Again, the answer is probably no from an economic cost-benefit point of view - the wider economic benefits that are captured in transport appraisal tend to occur in more dense, productive places. In contrast, on a project-by-project basis it's almost certainly the case that there are some London schemes that look poor value for money relative to non-London schemes and vice-versa. But I haven't seen any evidence that this is true *on average* (which is what we should focus on we care about shares of expenditure).

We could construct an efficiency argument for greater spending outside of London and the South East if we thought that this was vital for improving economic performance (or for turning economies around). But as Ed Glaeser has observed, places which have seen declining or low population growth usually have relatively high per-capita infrastructure stocks. [As evidence of this, note that journey times and congestion levels are significantly lower outside of London and the South East]. If this is the case, then further investments in transport will experience decreasing returns and won't do much to increase growth. To put it another way, if the problem comes from structural change, poor educational outcomes and skills that are no longer needed - why should increased transport investment provide a solution? Transport may be an issue in some of the more successful economies outside London and the South East - Manchester, Leeds, etc - but surely not everywhere?

If the efficiency arguments are weak, the equity arguments aren't great either. Why do we care about the balance of infrastructure expenditure per se? Surely we care about the provision of transport services, broadly defined. Is it fair to invest in areas with low congestion at the expense of investment in areas with high congestion just to ensure that expenditure is equal? Why should we invest equally in places with no or slow population growth at the expense of places that are seeing high and continued growth in population? Why do we need as much investment per head in towns with a population 100,000 as we do in cities with populations of millions?

Worrying about the efficient and equitable use of transport expenditure is incredibly important. I'm certainly not arguing that we currently have it completely right. But simply asserting that we must have more equal expenditure does nothing to help us figure out whether and how we should be changing the current balance of funding.

1 comment:



Ben Jamin' said...

No need to spend more outside London and the SE.

Just end the implicit subsidy freeholders currently enjoy, and you get a level playing field.

Result, regions outside London would end up paying around £100bn per year less to the exchequer.

Which would, I dare say, help greatly upping the rates of agglomeration to other cities other than London.

Subsidies are invariably a bad thing.

4 June 2014 at 02:24

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