

## **Comprehensive Spending Review 2010**

### **ACE submission to the Department for Transport**

#### **1. Summary**

- 1.1. ACE welcomes the opportunity to contribute to the Department for Transport's submission as part of the Comprehensive Spending Review.
- 1.2. ACE represents the UK's consultancy and engineering industry. Its 650 member companies collectively employ more than 100,000 people and contribute approximately £10 billion to the UK economy annually.
- 1.3. Transport infrastructure is vital to the UK's economic prospects. Ensuring adequate investment will help to ensure that the UK capitalises on opportunities for growth in the current years.
- 1.4. However, in the current public finance climate, the focus must be on delivering greater value.
- 1.5. In the short term there should be a focus on achieving quick wins, i.e. those relatively small investments that deliver proportionately greater benefits.
- 1.6. There must also be a long-term strategic vision for transport networks.
- 1.7. Where economies are necessary, these should be delivered in such a way as to avoid damaging delivery capacity in the construction industry.

#### **2. The need for a strategic vision**

- 2.1. The UK's transport networks should be developed in a strategic manner that gives confidence to investors, users and industry alike.
- 2.2. ACE welcomed the formation of Infrastructure UK, and is working to support this important new body in its vital work.

2.3. As well as flagship projects such as high speed rail, the Government should also ensure that road transport is firmly part of the UK's strategic vision. Apart from the Managed Motorways programme there is currently little long term vision for the UK's road network.

### **3. Prioritising investment**

- 3.1. Given that there is likely to be relatively little investment available in the coming years, the focus must be on those investments that yield the greatest returns.
- 3.2. Investment decisions should be made according to a clear and transparent set of criteria that emphasises delivering value for money, and that headline cuts or "salami slicing" is not the most effective way of achieving structural efficiencies.
- 3.3. In the case of transport, "strategic" is not necessarily the same as "large-scale" or "inter-city". Relatively small investments in addressing local bottlenecks can deliver wider benefits.
- 3.4. For example, the Highways Agency estimated that the overall benefits of a relatively small improvement to the A1 at Elkesley, Nottinghamshire, could be over £20 million<sup>1</sup>.
- 3.5. The Road Safety Foundation also estimates that investing in safety and maintenance on a relatively small number of roads can save £18 billion per year for the UK economy<sup>2</sup>.
- 3.6. Construction projects themselves can also yield significant returns. The UK Contractors Group estimates that every £1 invested in construction can generate up to £2.84 in direct and indirect returns, most of which is

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<sup>1</sup> [http://www.highways.gov.uk/roads/documents/2008-07-22\\_A1\\_Elkesley\\_S2\\_SAR\\_main\\_text\\_Issue\\_01.pdf](http://www.highways.gov.uk/roads/documents/2008-07-22_A1_Elkesley_S2_SAR_main_text_Issue_01.pdf)

<sup>2</sup> *Saving Lives for Less*, <http://www.roadsafetyfoundation.com/downloads/RSFreportweb.pdf>

retained in the UK<sup>3</sup>.

#### **4. A long term approach to saving money**

- 4.1. ACE understands that economies are necessary and that not all existing transport development plans can be committed to. Where cutbacks are necessary, these must be delivered in the right manner.
- 4.2. The decision to halt spending decisions on local authority major schemes has seen work on many programmes come to a complete standstill. This has resulted in engineering businesses experiencing a sudden loss of work.
- 4.3. Such uncertainty makes effective business planning very difficult. It is difficult to reassign staff to other projects if it is not clear whether projects put on hold will be restarted or abandoned altogether. Businesses can plan for cuts, but not for uncertainty.
- 4.4. Such a short-termist approach risks triggering redundancies and lack of capacity in the construction industry, which will make it more difficult and expensive for transport networks to be developed as the economy strengthens.
- 4.5. Furthermore, a stop-start approach to projects can increase costs by a significant margin. Putting projects on temporary hiatus can mean that such time-bound work as feasibility studies, environmental assessments and planning applications may have to be re-done, thereby increasing the cost to the public purse of necessary and worthwhile projects.
- 4.6. Therefore, by being clear about the criteria used to assess transport projects, and by taking decisions swiftly, businesses can be given confidence to plan for the future and additional costs to the taxpayer can

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<sup>3</sup> UK Contractors Group (2009). *Construction in the UK Economy*. [www.ukcg.org.uk](http://www.ukcg.org.uk)

be avoided.

## **5. Achieving structural efficiency**

- 5.1. There is scope for achieving structural efficiencies in transport development by examining procurement processes, particularly at the Highways Agency and Network Rail.
- 5.2. ACE recognises that progress has been made to improve the way that construction services are procured. However, there is more that could be achieved.
- 5.3. A rigorous focus on implementing established effective practice and learning from other comparable organisations would be of value. This will help to achieve sustainable savings through more efficient operations, as opposed to one-off savings that typically result from programme cancellation.
- 5.4. It may also be prudent to investigate how the Department for Transport's executive agencies could be exposed to greater commercial pressures in order to drive efficiency.
- 5.5. ACE welcomes the decision to investigate the cost of civil engineering works in the UK. This process will help to better understand the cost base of construction projects in the UK, and will be invaluable in identifying where efficiency and value for money can be achieved.

## **6. Further information**

- 6.1. To discuss any points raised in this document in more detail, please contact:

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