PCS Highways Agency Briefing Note on Infrastructure Bill: proposal to turn Highways Agency into a government-owned company

Key Points
The PCS are opposed to the intention announced in the Queen's speech to change the status of the Highways Agency from an Executive Agency to a government-owned company (GoCo).
The change in status is unnecessary, costly and will prove to be a bad deal for the public.

We believe that GoCo is the final staging post to privatisation of the strategic road network in England. The proposals are not driven by evidence but by the ideology that the private sector is better than the public sector.
Privatisation will inevitably lead to tolling of major routes which will have a detrimental impact on the environment, road safety and local economies.

Brief Summary of Proposals
The original proposal to change the status of the Agency was set out by Chairman Alan Cook after he was asked in 2010 by the then Secretary of State, Phillip Hammond, to look at alternative ownership of the road network. Mr Cook had previously helped prepare the Royal Mail for privatisation as a key member of the Royal Mail Group Board.

Details have now been published and we understand the Infrastructure Bill will contain:

A. Powers to set up company or companies at strategic highways companies
1. Transfers of existing SoS powers and duties
2. New powers & duties
3. Consequential amendments eg extra duties
4. Power to appoint – this will allow the SoS to appoint the company/ies as the highway authority/ies. (i.e. Future privatisation)

B. Licence conditions:
1. Power to direct - SoS enabled to direct company to do things
2. Oversight bodies - Extended remit for existing statutory bodies

C. Transfer scheme - identifies assets to be transferred and the power to transfer to the new Company
- people
- schemes
- land etc.

The Bill will also permit the transfer of land owned by the GoCo to the Homes and Communities Agency; who can then sell it to buyers who will not be bound by easements or other "rights and restrictions". The Agency currently has significant land-holdings including the former Burdensome Estate of the British Railways Board.

Why do PCS oppose the proposals?
We do not accept that a change in status is required to achieve any of the stated aims. Most of the efficiency savings identified come from securing longer-term funding and removing day to day interference with priorities of the

Agency. In actual fact, a quick assessment of The Bill shows that the SoS retains the powers to vary both the funding and priorities / direction of the Agency's replacement or replacements. This renders the alleged benefits of the status change entirely redundant.

The Impact Assessment published with the consultation document shows that the option to retain the Agency as an Executive Agency of DfT but with funding certainty was not considered. PCS believe this is the best model for roads reform. Funding certainty was in fact given by Danny Alexander in his speech to The Commons on 27th June 2013, with no mention of it being dependant on the Agency's status. The five-year Parliament changes would also provide much of the sought-after stability.

The Impact Assessment failed to identify the full costs associated with a change in status. Treatment of VAT will change and may mean higher capital costs for projects ; at present the Agency recovers over £400M in VAT per annum as a government body, which it can reinvest in projects. As a GoCo, this could lead to paying over £4Bn in VAT over 10 years, rather than saving £2.6Bn as the Government claims. Changed livery and uniforms for the Traffic Officer Service will also be required at significant cost. The total re-branding of the Agency including road signs, websites etc would also incur further costs. Add to this the sudden need to insure vehicles, buildings and other structures, individuals and pay Vehicle Excise Duty and the costs rise exponentially. The involvement of two oversight bodies will also inevitably lead to more, not less, bureaucracy.

Privatisation and Road Tolling
Our major objection is that the proposal is a stepping stone to full privatisation. Alan Cook in his report " A fresh start for the Strategic Road Network" published in November 2011 recognised that without an income stream the Highways Agency would not attract private investment. His solution was to change the Agency into a body that could more easily be privatised in future should tolls or ring-fenced taxes become available. The A14 nearly became the trial for tolling, and demonstrates this Government's thoughts on the matter, with the technology still likely to be installed despite tolling being dropped for now in the face of determined local opposition.

The Ministers' denials regarding tolling and privatisation are undermined by the recent HA Board appointments of Tom Smith, former CEO of the M6 Toll Road, and Elaine Holt who was previously specifically headhunted by DfT to lead the East Coast public-sector Rail franchise with a view to re-privatisation, according to her own Linked-in page. One wonders why expertise in Toll roads and Privatisation would be viewed as desirable on the Agency Board, if neither are part of the plan ?

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The Infrastructure Bill

The Bill's own explanatory notes, available on the Parliamentary website, states the following ;

> "25. It is therefore possible, for example, for one company to be appointed for the whole of England, or for two or more companies to be appointed for different areas. The initial policy intention is for the appointment of one strategic highways company for the whole of England.
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> "35. Paragraphs 109 to 120 amend the New Roads and Street Works Act 1991 to ensure that existing provisions work properly where a strategic highways company becomes a street authority by virtue of its status as a highway authority. In particular, paragraphs 110 to 112 enable the company, where it has entered into a concession agreement in its capacity as highway authority under section 1, to apply a toll with the consent of the Secretary of State in the same way as a local highway authority would do currently.
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> "36. Paragraph 121 to 124 amend the Transport Act 2000 to allow the Secretary of State to apply a road use charge on trunk roads where he has appointed a strategic highways company to be the highway authority, in order to preserve the existing arrangements. They also enable a strategic highway company to carry out functions in relation to trunk road charging schemes, such as the installation and maintenance of equipment for the scheme.
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> "37. Paragraphs 125 to 149 amend the Traffic Management Act 2004 to enable the Secretary of State to delegate his responsibility for deciding the uniform for traffic officers to the company. Paragraphs 131 to 143 amend the existing network management duty which applies to local highway authorities so that it applies to a strategic highways company as well as local highway authorities."

To privatise the Agency all the SoS would need to do would be to withdraw the licence and issue it to another body, or outsource many of the functions currently undertaken. Alternatively, the sale of even one share in the existing strategic highways company would terminate the existing licence and leave the SoS free to appoint another body as they saw fit. Despite nearly four years of being told a change in status will be a good thing nearly half of Highways Agency staff who responded to a management survey remain strongly opposed to the change. Operational staff are the most negative about the change.

HA management have confirmed that the new company will not have its own bank account but will draw funds directly from Treasury, who will undoubtedly seek to maintain tight control and a degree of annularity over funding package arrangements, once again rendering all the alleged benefits of these significant changes utterly redundant / non-existent.

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The real motivation behind the proposed changes

In short, we believe that this is an orchestrated attempt to have the Taxpayer pay, over the next 5 years, for a programme of bringing the Strategic Roads Network up to a standard attractive to the Private Sector, in the meantime introducing highly unpopular policies such as Road Tolling through a supposedly arms' length organisation whose actions afford Ministers plausible deniability despite the Agency having no choice but to comply with their wishes, rending the Agency deeply unpopular with the general public whilst making its actions highly political in nature. Once the Agency has either delivered the upgrading of the Strategic Roads Network, or failed in the attempt, and either way devoid of any public support, the Private Sector would then be invited to bid for franchises modelled on the rail and water industries, with tolling as the primary income stream backed by yet more public money should tolling prove insufficient to placate shareholders and maintain expected profit-margins.

Meanwhile, approximately three and a half thousand members of Highways Agency staff will ultimately become unemployed, with the knock on effects to their families, communities etc, and the country's only efficiently run transport network will irrevocably fall into the hands of profit-driven speculators of exactly the same ilk as those who have proved so disastrous in the other privatised utilities, but with an even greater stranglehold on consumer choice.

One can't help but wonder why, if privatising road transport provision was such a good idea, even the Mayor of London isn't looking to do similar with Transport for London. Or are the accusations of a London elite accurate, and NIMBYism alive and well at the heart of Government ?