

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

PRE-BUDGET/FINANCIAL SCRUTINY ON ROADS MAINTENANCE IN SCOTLAND

SUBMISSION FROM MINERAL PRODUCTS ASSOCIATION SCOTLAND

The Mineral Products Association (MPA) Scotland is the Trade Association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries and is the sectoral voice for mineral products. MPA membership (UK) is made up of the vast majority of independent SME quarrying companies as well as the 9 major international and global companies. It covers 95% of asphalt production, 100% of UK cement production, 90% of GB aggregates production and over 70% of ready-mixed concrete and precast concrete production.

Trunk roads account for 6% of the 56 000km of roads in Scotland. A report on 'The Value of the Trunk Road Network to the Society and Economy of Scotland' was commissioned by Transport Scotland and published in December 2016. Key findings indicate that, amongst a broad variety of social and economic benefits, the Trunk Road Network (TRN) contributes £1.38 billion in Approximate Gross Value Added (aGVA) each year through the activities of road freight, public transport and road construction and maintenance. It generates employment for 31,000 people (approximately 13% directly involved with the construction and maintenance) and CO2 emissions valued at £6 million are saved by traffic using the TRN instead of local roads. Clearly it also facilitates business, social and tourist travel and per capita aGVA from the TRN is estimated at £44,000.

Societal benefits include improved access to education, employment, healthcare and leisure activities, particularly for those in rural areas. This reduces regional inequalities in accessibility, benefiting regional cohesion.

In the Audit Scotland report 'Maintaining Scotland's Roads' August 2016, it states that 87% of trunk roads are in an acceptable condition, whereas this drops to 63% for the 52 600 kms of Council maintained roads. Overall, Councils spent 13% (£33 million) less on planned and routine maintenance in 2014/15 than the Society of Chief Officers of Transportation Scotland considers was necessary to maintain the current condition and the situation is worsening. Spending on local roads has declined by 26% in real terms across the last 5 years as a result of the priority shift to education, health and social care commitments and the resulting maintenance backlog is now £1.2 billion (Roads Maintenance Strategic Action Group 2018 response to the 2016 Roads Maintenance Audit).

Unfortunately this backlog figure is set to increase.

Referencing calculations by the Asphalt Industry Alliance and data shared by the Society of Chief Officers of Transportation in Scotland, it is generally between 7 and 20 times less cost effective to carry out reactive maintenance rather than planned preventative maintenance. That is without considering the fact that damaged local roads are detrimental to the economy, increase pollution, are a

catalyst for accidents, hinder emergency services and generally cause stress to all road users.

Currently the approach being taken is how to manage a decline in road condition rather than maintaining or improving the network – one of Scotland's biggest assets.

Coal tar was commonly used as a binder in road construction before being superseded by bitumen in the 1980's. When a worn surface constructed using coal tar needs to be replaced, the road planings are classified as hazardous waste (European Waste Catalogue). Its designation is due to the presence of significant quantities of polycyclic aromatic hydrocarbons (PAH's), which are known carcinogens. Consequently, the removal and re-use or disposal is extremely expensive. As a result, due to budgetary constraints, maintenance of these surfaces has often been avoided. Inevitably, the maintenance of roads with this type of surface can no longer be ignored and the impact on Local Authority budgets in particular, is likely to be highly significant.

How have recent spending decisions on roads maintenance affected the quality of Scotland's roads, road users, businesses, public services, and the economy?

It is clear from the 2018 Audit Scotland follow up report, that the decline in roads maintenance budgets is linked to the increased demand on Local Authority budgets because of a priority shift, as detailed above. Due to a lack of ring-fenced finance for roads and pressure to meet targets, the emphasis has been on quantity rather than quality. This is a short term solution with long term financial implications. As a strategy it is unsustainable and will undoubtedly lead to the further degradation of one of Scotland's biggest assets. This view is supported by the Transport Select Committee which stated in July 2019 that the 'make do and mend' approach (to local roads maintenance) is not good value for money.

With limited funds available local authorities have had to go down the route of 'quick fixes'. As mentioned above however, it is estimated that it is between 7 to 20 times more expensive (per square metre) to undertake reactive (pothole) rather than proactive maintenance. In addition, the maintenance of road surfaces containing coal tar has been avoided principally due to the high cost. This problem can no longer be ignored and will have a significant impact on Local Authority budgets. A knock-on effect is that funds will only stretch to repairs of shorter lengths of road than at present.

A trip by road to England, Wales or the Continent, highlights how poor Scotland's roads really are. For tourists and potential business investors, this is not good for Scotland's economy. A disintegrating road network indicates a lack of duty of care towards user safety and for businesses, raises concerns about increased vehicle maintenance costs, lost time, delivery delays (with potential contract penalties) and problems for the commuting workforce. In essence it is sending out the message that Scotland is 'closed for business'.

If spending on roads maintenance continues at current levels, what could be the likely effects on the above groups?

The link between adequate local road maintenance budgets and local economies is recognised by the OECD. It is also supported by a number of other highway industry organisations including the RAC Foundation and the Highways Term Maintenance Association (HTMA) which stated in its 2015 report, *'Invest to Save: Benefits of early intervention for highway maintenance'*, that the costs of inaction compounds the costs of future repairs as well as associated costs, such as third party compensation claims. The report concluded that, when part of a highways asset management programme, every £1m invested on the network generated savings in the order of £2.2m.

As stated in the Audit Scotland reports, proper roads maintenance is vital to Scotland's economic prosperity and for road users to travel safely. In the foreseeable future the length of carriageway that can be maintained with current levels of funding will decline due, amongst other things, to the problem of dealing with coal tar.

Material suppliers are having to contend with an increasingly complex and costly regulatory system, as well as paying a range of taxes/levies, which inevitably has consequences on the price of essential road building materials. If budgets do not increase, there will be less maintenance of roads undertaken because these costs are passed on to customers. With a maintenance backlog estimated at around £1.2 billion (2018), a further decline in funding is economically short-sighted and unsustainable.

The current unpredictable demand for essential roads maintenance materials is also problematic for the supply chain in terms of providing evidence of 'need' to support planning applications for the extraction of essential aggregates. It takes on average 3 years to secure permission for both sand and gravel and crushed rock reserves although this is only a part of an overall period of up to 15 years from site identification to production.

As with all construction activities, a well trained, knowledgeable workforce tends to provide a higher quality 'product' and is generally more aware of health and safety risks and how to manage them. From the material supplier perspective, the majority of employees are over 45 years of age (Ref: MP Futures, Labour Market Intelligence Survey 2016). Whilst companies are investing in apprentices – often unfunded by the Apprenticeship Levy due to the lack of suitable courses in Scotland – with the uncertainties in roads maintenance funding, it is difficult to predict what the likely workforce needs will be. The level of training required in the mineral products industry also tends to be more rigorous than for other construction activities, so the cost of recruiting, training and retaining personnel during periods of uncertainty can be challenging to manage.

Effects on businesses: Increased wear and maintenance on delivery vehicles will

push up transportation costs (larger delivery fleets may be needed to cover the down time of vehicles) and could impact on the reliability of the supply of goods (with potential penalties for transportation companies). This is likely to disincentivise investors. Commuting workforces will also be impacted by delays resulting from congestion due to vehicle breakdowns. This will lead to regional inequality as rural areas rely heavily on the roads network.

Effects on road users: Roads within the Local Authority remit are often undervalued despite the fact that most journeys begin and end on them. For the elderly and vulnerable road users, as well as those doing local school or shopping runs for example, the maintenance of the network is significant. If a trunk road is closed, there are always alternatives. If a local road is closed due to lack of maintenance, this can be problematic.

Effects on public services: Administration costs for processing compensation claims and subsequent pay-outs are likely to increase.

Poorly maintained roads obviously impact on emergency service vehicles, leading to increased costs for vehicle repairs and maintenance as well as reduced response times due to vehicles being out of service. Any increase in accidents attributed to poor roads maintenance will also put further pressure on emergency services, which will inevitably and ironically, further impact on Local Authority roads maintenance budgets.

How could any negative effects of reduced road spending be best addressed?

Since 2007, through the Transport Scotland Pavement Forum, there has been greater collaboration between industry, Transport Scotland and the Society of Chief Officers of Transportation in Scotland (SCOTS). The forum promotes, amongst other things, knowledge sharing and best practice as well as considering cost effectiveness, durability [the most suitable materials for different conditions, expected life expectancy of surfaces (quick fixes v higher specification materials)], workmanship and health and safety best practice. Increased collaboration between industry and local authorities (through SCOTS) is also being discussed in recognition that trunk and local roads maintenance often present different challenges.

This collaboration is not in itself however, going to address all the problems associated with inadequate funding. For example, costs associated with regulation, taxes/levies, etc., will be passed on to customers. With regards to taxes/levies, when roads materials are supplied to local authorities and for Transport Scotland contracts, Scottish Government is effectively taxing itself. The Aggregates Levy is currently under review and it is suggested that it may be appropriate to consider using the revenue for roads maintenance, if there is a mechanism to ensure that funds are ring-fenced

Training budgets are often one of the first areas to be reviewed when there are financial constraints. Industry can be a source of advice when supplying and laying materials, but should not be a substitute for training personnel employed to

undertake maintenance work.

Is the current model of funding and delivering roads maintenance, which is split between Transport Scotland and local authorities, the most economic and efficient option?

As already stated, local authorities have statutory obligations to provide free education, health and social services. Roads funding is not ring-fenced, so is the obvious budget to utilise when additional funds are needed. The 26% decrease in roads funding corresponds with the 26% increased demand to address the statutory obligations. Scottish transport statistics (no.37 2018 edition) indicates that in 2017/18, 37% of the Local Authority road network is likely to require maintenance. Clearly, the model for funding is in urgent need of review.

Maintenance which lies within Transport Scotland's remit is ring fenced, so the funding models are not comparable. It is also suggested that the current way of presenting the trunk roads maintenance budget to the Scottish public is disingenuous as the figures include DBFM repayments. It would be more transparent and also helpful to the supply chain, if the Scottish Government repayments were reported independently from the new budget spend.