2. GLOBAL ECONOMY SCENARIO

"A market driven approach"

Overview

2.1 Under this scenario, Britain is subject to non-interventionist, lightweight Government, with heavy reliance on the unfettered operation of market mechanisms. There is a vibrant economy in response to businesses taking full advantage of the open market. Such changes have encouraged and enabled private sector investment and ownership in a diversity of enterprises, and during the last 30-years the market has gradually become all pervasive. There has been a move from a citizen-based to a consumer-based democracy. A hedonistic, self-centred lifestyle has developed for those who can afford it. Need is not an issue – ability to pay is the only criterion that counts. Socially necessary services are arranged by competitive tender and by allowing grants and subsidies to those who qualify. As new technology expands limitless possibilities for change have opened up. Industries develop and follow profit and market driven opportunities. Consequently, a great deal is happening in the private sector, involving dynamic, global market players such as the mobile communications companies and the Information Society services operators.

2.2 Within this global economy the concept of 'community' takes second place to the needs and wants of the individual. Some people are choosing hyper-mobile and increasingly fragmented lifestyles, and as a consequence there is great diversity in lifestyles and big variations in the activities that they undertake. Whilst those who can afford such affluent lives continue to do so the boundaries of social exclusion have widened resulting in class divide and social unrest.

Socio-Economic Context : Community (Including Social, Leisure and Education)

2.3 Individual choice and serving customer needs is at the heart of this market-driven economy and in 2030 the private sector is fully geared up to servicing these aspirations. A self-centred, hedonistic society has developed in which the individual aims to 'look after number one'. Concepts of community and family have taken second place to the pursuit of the individuals 'wants/needs'.

2.4 With a plethora of private companies competing and pandering to the needs of the individual the only limitations on what a person can do is what they can afford. Whilst all of society therefore has aspirations for individual lifestyle choices only a relatively small percentage can actually afford the educational, business, leisure and pleasure services which they would like. Open divides consequently exist between the "haves" and the "have nots", with those who can enjoy their lifestyles served by those who can not afford to be quite so extravagant. The demand for such support services has resulted in widespread immigration into Britain from poorer countries, continuing the social divide and exacerbating the social divisions in society.

Socio-Economic Context : The Global Position of the UK

2.5 Britain is totally integrated into global markets. Privatisation of utilities and infrastructure is complete, with global acquisitions and diversification present as major commercial drivers.

2.6 Public programmes are achieved through the extension of the profit motive to develop an earnings-driven service, which are outsourced as a business proposition. The operational decisions are based on returns on invested capital, rather than being driven by political priorities. The role of the limited government is in setting the overall policy direction as well as continued monitoring and market regulation.

2.7 The political challenge (as at the end of the 1990s) is how to move forward programmes that are contrary to the market or unpopular with the electorate, such as those concerning resource conservation, dealing with congestion, pollution and environmental protection. There is no social policy as such, unless it is implemented through use of market mechanisms to achieve selective support for socially necessary services, or to discourage activities, which go against the public interest.

Socio-Economic Context : Business/Industry

2.8 Understanding and exploiting niche markets is the key to success. The market then organises and delivers these services. Telepresence and other methods of remote working complement the requirement for physical travel. Some companies have “core days” when everyone in a team is required to attend.

2.9 In the private sector a great deal is happening, involving dynamic, global market players, such as the mobile communications companies, the Information Society services operators and other VASPs. The effect of commercial pressures is to create organisations that are either vertically integrated across all transport operations, road, rail, air and sea or which involve a horizontal expansion of narrowly based activities on a global reach (eg global SERCOs).

The Transport Vision

2.10 Society has continued to demand a transport system that is comfortable and reliable. Transport services are provided as an integral part of the value chain through which the market organises and provides services to the consumer. People are attracted to using transport goods and services rather than restrictions being placed on their use.

2.11 Affordability of transport is key. Those who want to travel, and who can afford it, do so. Key workers get paid sufficiently to buy the level of service they need. Key workers include manual workers, physical service providers, and logistics workers. There are some (nominal) systems of benefits (or welfare) to pick up the hard core socially excluded.

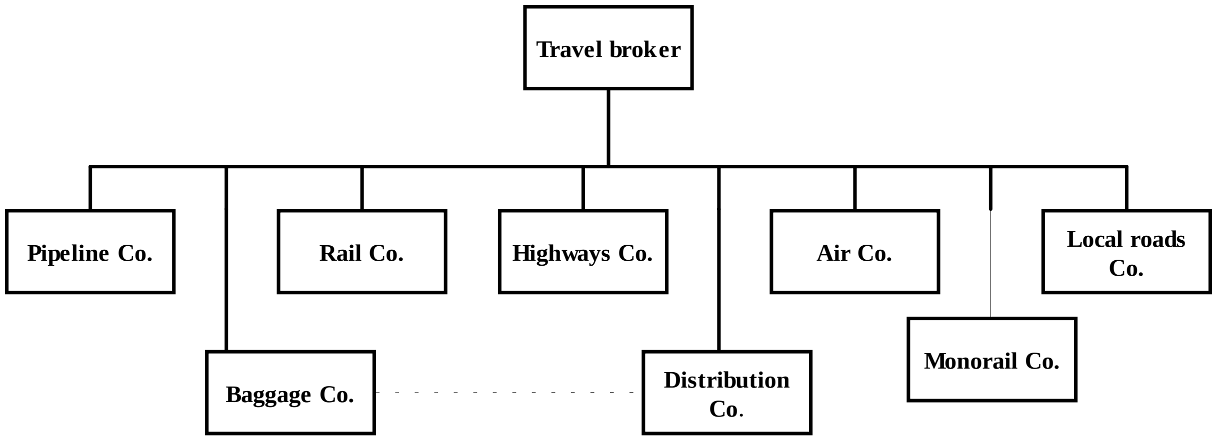
2.12 Transport networks and facilities are run by large multi-national organisations, which manage the upkeep and operation of the infrastructure on a regional basis, much like a utility company. Transport operations – as represented by the hauliers, carriers, shippers, businesses and private individuals that use the networks - are completely privatised. Vehicles are often leased, rather than being owned outright, since this leads to more efficient use of capital and a healthy resale market of vehicles to emergent economies. Premium services and high-specification “intelligent” vehicles (private cars, people-movers, trucks and vans) are readily available for those who can afford to pay.

2.13 The coming together of road, rail and air operations has been through commercial acquisitions rather than by government inspired initiatives. Road, rail and air are integrated through market pressures that force people to purchase the level of service they can afford. At one end of the scale this will be a fast, high-priority, trouble-free, door-to-door journey in full comfort, with excellent in-travel services and seamless interconnection. At the other extreme, journeys may be slow, inconveniently timed, and involve long waits for interconnection or priority to proceed. There is a minimal watchdog regulator, with a small enforcement staff (OFtrans, including OFrail, OFroad and OFair).

2.14 Personalised transport services are provided through new business organisations – travel brokers or lifestyle providers known as “Lifestylers”. These operate as sophisticated travel agents-cum-service providers, often operating the vehicles and buying space on transport networks from the network operators. They broker and deliver all-in, door-to-door, bespoke, multi-modal transport services as part of a much bigger package of personal services. These lifestylers “own” particular consumers within their niche market and cater for their needs, which they know and understand very well.

2.15 An entire marketable package of services, including local tele-services, vehicle parking, retail concessions, access to business services, entertainment and even crèche and child security, is now sold of which transport is merely a single element. (This is a direct consequence of transport not being an end in itself.) For example, British Airways has evolved during the last 30 years into an organisation whose business is constructed around delivering services to highly mobile professionals and which has recently had to compete with “Ethical Lifestylers” offering eco-friendly options.

2.16 Freight transport and deliveries are organised in much the same way as people's transport through bespoke travel agents serving niche markets. Freight is shipped by forwarding companies which provide door-to-door, multi-modal transport and delivery services. The mode of transport is no longer material to the sender who merely employs a private company to undertake the task of moving 'x' from A to B. Consignments are sent by any combination of road, rail, air, pipeline and water according to the nature of the consignment and the level of service required (eg time, size, available mode etc).



Inter-Urban Travel

2.17 There is total integration between urban and inter-urban mobility services. Inter-urban transport has developed to include first, second and third class services to match the lifestyle or freight service product requirements as well as people's willingness to pay.

2.18 There is high intensity use of existing corridors with increasing levels of automated control to meet the demand capacity, reliability and service level targets, especially for premium services – "Sweating the corridor". Road, rail and where appropriate air, are used interchangeably with easy, almost hassle-free transfers and interconnections, assisted by common ownership and integrated operation of transport networks across the modes. Transport is marketed as a seamless journey but the reality depends on the service levels which have been paid for and which are consequently being provided. For premium rate road users reliability and delivery of service are key.

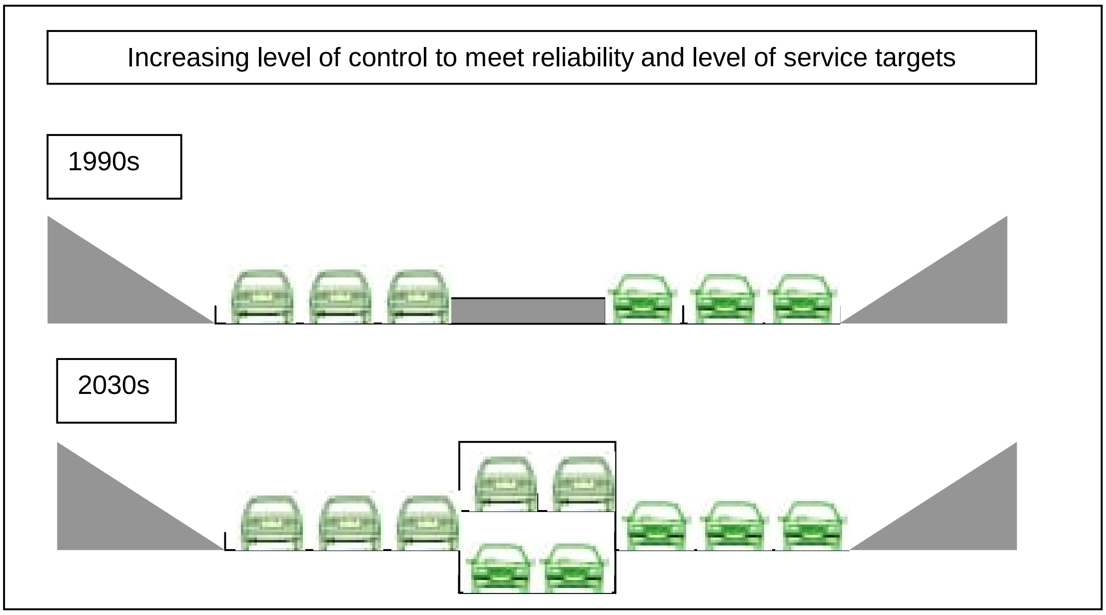
2.19 There have been some moves to placate the Eco-lobby by providing more sustainable systems. The government is still in dialogue with the economists to find practicable ways to internalise the external costs of transport, without causing massive civil protests.

2.20 Fixed time-slot allocations on the inter-urban transport networks have become the norm. The freight forwarders and lifestyle providers secure bulk purchase of time-slots for their customers, some at a premium and some at a heavy discount. There is a spot market for surplus capacity, and fast-track slot allocations for emergencies. All of this is regulated by market demands with customer wants being the focus of the services, systems and measures provided by the private sector. Monopoly or duopoly conditions on some corridors have to be supervised by an OFroad office in order to maintain consumer choice.

2.21 For inter-urban roads this has resulted in the emergence of high speed and low speed traffic corridors. Starting with priority lanes, a new high capacity infrastructure has developed, with charged access and guaranteed service delivery (eg journey time, safety, reliability, comfort, additional mobile teleservices...etc.).

2.22 There has been action to increase capacity at hotspots on the network, for example to replace the congested sections of the M4. In some instances this has been extended to making use of the airspace above the existing motorways (eg by double decking, maglev systems or a suspended monorail).

Illustrative Designs



The Role of the Network Operator

2.23 Highways plc is a privatised utility company which runs the UK highway network and also operates motorways in central Europe and world-wide. Its regional structure matches regional government boundaries.

2.24 The core network is privatised and people pay for access to roads (there is also wider use of pseudo-market mechanisms like shadow tolling). Charging for road use is optimised to get full productivity out of the available highway capacity, 24 hours a day, 7 days a week, 365 days a year, in all seasons and weathers. The Company's revenues and profit are geared to service delivery, facilitated through a clearinghouse to sell slots and broker journeys with "lifestylers", freight forwarders and road transport operators.

2.25 Congestion "hot spots" have serious traffic implications and market measures are needed to deal with congestion in order to meet the demands of society. Consequently there has been investment in new highway/transport infrastructure as a business proposition, under a streamlined planning process. The connectivity of the network is key in order to ensure simple interchange between modes and a personalised service.

2.26 Highways plc recently announced that it is looking to exploit the airspace rights along existing highway corridors.