



GOING THE EXTRA MILE

CONNECTING BUSINESSES
AND RURAL COMMUNITIES

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FOREWORD

Across the UK, rural smaller businesses play a critical role in sustaining local economic development, creating jobs and offering a range of different services. FSB has always advocated on behalf of rural businesses, highlighting the specific challenges they face.

This paper looks at the importance of transport connectivity to businesses, along with some of the challenges poor transport connectivity poses to businesses in rural communities. It also makes recommendations for a range of policy measures designed to address these issues.

As new combined authorities take more and more powers from central government, the landscape facing small businesses is rapidly changing. Combined authorities – and new regional transport agencies – offer opportunities to more effectively plan and deliver local transport priorities. At the same time, they could lack accountability and – where focussed around a metropolitan economic area – not give due weight to the needs of rural businesses.

Improving transport connectivity in rural communities will help smaller businesses to expand, create jobs and increase their productivity. This offers an opportunity for the UK – we recommend the Government take it.



Martin McTague
Policy Director

EXECUTIVE SUMMARY

Small businesses are the foundation of the British economy and form the heart of many rural communities. They make up 99.3 per cent of all businesses in the UK. They contribute 51 per cent to GDP and employ 60 per cent of the private sector workforce.¹

In rural areas, smaller businesses provide significant levels of employment opportunities and drive economic growth across the country. The contribution of the rural economy represents around 16 per cent of the UK's total economic output, and is valued at £210 billion per annum.²

Small businesses rely on transport connectivity to provide access for employees, customers and suppliers to their business. This is particularly important in rural areas where the journey distances can be longer compared to urban areas. Public transport is frequently relied on by younger workers and apprentices in rural areas who may otherwise be unable to afford private vehicles.

FSB evidence shows that many rural businesses are struggling due to poor transport connectivity. When small businesses in rural areas are held back from achieving their full economic potential, it is the wider UK economy which suffers. As a result, policy action is required across all levels of government to improve the quality of transport available to businesses in rural communities.

Rural businesses are diverse and increasingly non-traditional

Rural businesses have moved far beyond the traditional image of being primarily based in the tourism and agricultural sectors.³ A rural business today could be anything from a legacy family run business - to a consultancy which works in multiple countries. Even in the agricultural sector, many farmers have diversified their business to include farm shops or rental accommodation.

The tourism sector does however continue to make up an important part of the rural economy, accounting for 12 per cent of employment, compared to seven per cent of employment in urban areas.⁴

Transport connectivity plays a key role in helping tourists leave urban areas and access rural tourism businesses as well. Improving the ability of both foreign and domestic tourists to access rural communities is therefore a key way to improve the economic performance of the tourism sector in these areas. This is why the impact of poor rural transport on the tourism sector is one of the focuses of this paper.

Small businesses benefit from improvements to transport access

Greater transport connectivity can help the productivity of small businesses through creating agglomeration benefits. Denser transport connections, and the agglomeration benefits they deliver, can offer urban small businesses a competitive advantage in comparison to rural businesses.⁵ The choice to base a business in a rural location can also be influenced by non-economic factors, such as historical or family ties to a region. What is important is that business owners who make the decision to base their business in rural communities are able to access markets in the rest of the UK - and indeed in the global economy as well. Without access to these markets, rural businesses will frequently struggle to grow and expand.

Smaller rural businesses and market towns can have a wide geographic catchment area in terms of customers, suppliers and employees accessing their business. These different groups may often need to travel across administrative boundaries to transact with small businesses, meaning that journey to work patterns can be far more important than the often arbitrary administrative boundaries which can govern the provision of rural transport.

Many rural areas are based within a wider metropolitan economic region, where many members of the community will travel into cities to access employment. These individuals also need to be able

1 BIS Statistical Release, October 2015. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf

2 DEFRA, Towards a One Nation Economy, August 2015. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454866/10-point-plan-rural-productivity-pb14335.pdf

3 DEFRA, Statistical Digest of Rural England, November 2015. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479506/Statistical_Digest_of_Rural_England_2015_November_edition.pdf

4 DEFRA, with Frontier Economics, Drivers of rural business employment growth, decline and stability, July 2014. Available at <http://sciencesearch.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18782>

5 DEFRA, with Frontier Economics, Drivers of rural business employment growth, decline and stability, July 2014. Available at <http://sciencesearch.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18782>

to reliably and efficiently travel into larger cities in order to meet their economic potential. Without good transport links to these cities, people are likely to move away from rural communities in search of employment.

As will be discussed later in this paper, the move towards devolving powers to newly created combined authorities in England can offer an opportunity for local decision makers to strategically plan rural transport in the best interests of the actual users of these services. There are, however, challenges to the devolution agenda which will need to be addressed to make sure rural communities are not disadvantaged by these changes.

KEY FINDINGS

As is demonstrated by the survey work FSB has carried out with our research partners Verve⁶, there are a range of issues rural businesses encounter when using transport networks. These challenges are important as many small businesses place a high value on access to these networks.

This paper focusses on the experience of users of the road network in England, as well as looking at the impact of the devolution agenda on English regions and rural small businesses. Powers over transport have already been devolved to the administrations in Scotland, Wales, and Northern Ireland. Nevertheless poor transport connectivity will affect rural communities in devolved nations in much the same way as rural communities in England. Therefore many of the findings of this paper will be of relevance to those areas as well.

- **Value of access:** High value is placed on the road network by 89 per cent of small businesses, with rural and remote rural businesses being even more likely to value access to the road network. On the other hand, public transport is valued significantly higher among urban small businesses compared to rural and remote rural businesses. This is most likely due to poor public transport options in rural communities, with significantly higher percentages of rural businesses reporting that they do not have access to any public transport compared to urban businesses.
- **Transport use:** There are some differences between urban and rural businesses in their use of transport, most notably for public transport. Cars, vans and lorries remain the most important uses of transport across all businesses, regardless of location.
- **Declining quality:** 50 per cent of small businesses believe the quality of the road network and the public transport system has declined in recent years, with only seven per cent of rural businesses believing there have been improvements.
- **Poor accountability:** Many small business owners do not know which level of government is responsible for the delivery or maintenance of transport infrastructure. This will affect the accountability of both new and existing structures for improving transport in rural communities.
- **Devolution presents both a risk and opportunity:** The introduction of new regional organisations - such as combined authorities and regional transport authorities - could serve to further complicate the delivery of transport infrastructure. On the other hand, devolving powers can offer opportunities to deliver local priorities and to better integrate regional journeys.
- **Main causes of dissatisfaction:** Congestion, poorly maintained local roads, and a lack of regional strategic planning are the major issues reported by small businesses. All of these combine to impact on those small businesses which are dependent on the road network. These issues can also impose direct and indirect costs on businesses.
- **Poor public transport:** Many businesses in rural communities have reported that public transport can be insufficient for their needs. Services are often infrequent and unreliable – affecting the ability of customers and employees to access small business premises.

⁶ FSB – Verve, 'Rural Transport' survey, September 2015. We received 1352 responses to the survey. 572 (42%) of these responses came from members who said they live in either rural or remote rural areas. 52 members said they were based in a remote rural location. Responses were weighted to give a single data point for rural businesses.

RECOMMENDATIONS

Based on the above research findings, FSB believes the Government should:

- **Take the specific needs of rural communities – and of rural small businesses – into account when negotiating current and future devolution settlements:** It is imperative that as new regional authorities begin their work, they take the needs of rural communities into account. This is especially important in city regions where the interests of a major city could otherwise dominate funding streams, leaving little for rural communities. As devolution settlements are negotiated, rural communities must be recognised as important stakeholders, and allocated sufficient resource accordingly.
- **Improve the coordination and integration of transport planning and delivery:** Poor transport connectivity can leave areas isolated and cause significant delays to travel time. The devolution agenda offers combined authorities an opportunity to plan more effective local transport routes, centred on journey to work routes. Combined authorities will also need to work together to make sure transport is integrated across different regions. Local and combined authorities should be given greater powers to direct transport spending towards the priority projects which will provide the most benefit to local communities. Buses are important to younger workers, and help integrate rural communities with larger towns and cities. Funding cuts have put many bus routes under significant pressure, so greater support for local bus services will help workers access new employment opportunities, and help consumers to access small businesses.
- **Ring fence transport funding in local government budgets:** FSB recognises that funding for local government has come under severe pressure in recent years, and that this has had an impact on local authority budgets necessitating difficult spending choices. However, the economic benefits which could be delivered through investing in transport infrastructure are widely recognised.⁷ As devolution deals are negotiated, Government should make sure transport spending is protected, while giving combined authorities the ability to target spending towards local priorities. Ring fencing funding for maintaining and improving essential transport services will deliver flexibility and help rural businesses expand and compete through improving local transport infrastructure.
- **Prioritise the delivery of infrastructure projects, on both local roads and the Strategic Road Network:** Small business owners use both local roads and the Strategic Road Network (SRN) as part of their door to door journey. The Government is committed to spending additional resource on transport, so this must now be delivered so small business owners are able to benefit as quickly as possible.
- **Keep fuel costs low:** Lower fuel prices have helped rural small businesses by keeping costs down. The Government should continue to support rural small businesses through maintaining a freeze on the fuel duty escalator through to the end of this Parliament, particularly if other costs on business continue to increase.
- **Introduce a new challenge fund to foster local innovation:** A challenge fund to increase the use of innovative transport solutions should be established. Smart ticketing and demand responsive transport – supported by greater use of open data – both offer opportunities to improve the ability of bus networks to identify and meet consumer demand.
- **Total Transport pilot evaluation and expansion:** Many local councils offer different transport services for different groups, many of which are underutilised, or are only needed at certain times of the day. Opening up the opportunity to use these services could help to create a denser transport network in rural communities. The Government's Total Transport pilot schemes, which seek to make better use of these services, should be evaluated and then expanded if found successful.

⁷ Some of the economic benefits of enhanced transport connectivity can be summarised in Venables et al, Transport investment and economic performance, October 2014. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386126/TIEP_Report.pdf

IMPORTANCE OF TRANSPORT TO SMALL BUSINESSES

Small businesses place significant value on their access to the road network

FSB research clearly demonstrates that the road network is vitally important to the majority of small businesses, regardless of their location. However, businesses in rural areas do derive more value from the road network compared to businesses in urban areas. Businesses based in remote rural areas are also somewhat more likely to view road access as very important to their business compared to urban businesses.

It is likely that this is because the customers or employees of urban businesses have alternative means of accessing businesses compared to those in remote rural areas. These could include bus, train, tube or tram systems. Rural businesses without access to these networks are instead left reliant on the road network.

Table one: How important is the road network to your business?

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Very important	61%	57%	61%	63%	69%
Important	28%	30%	26%	28%	19%
Neither important nor unimportant	8%	9%	8%	7%	6%
Unimportant	3%	2%	4%	2%	2%
Very unimportant	1%	0%	1%	1%	4%

Small businesses also place substantial importance on their use of cars, vans or lorries. These modes of transport all rely on access to an effective road network.

Small businesses represent a diverse set of sectors, but the importance of cars, vans and lorries is relatively constant across different sectors. However, there are exceptions. In particular, small businesses based in the information and communication technology sector were less likely to view cars as important compared to other sectors. This is unsurprising considering many of these businesses will primarily transact online, rather than needing to travel. Even within this sector however, 85 per cent of smaller businesses view car travel as being important to them.

Table two: How important are the following modes of transport to your business?

Source: FSB, Rural Transport survey, September 2015.

	Car	Van	Lorry
Important	93%	64%	49%
Unimportant	3%	25%	39%

There are differences in the value placed on cars, vans and lorries depending on a business's location. On average, businesses in rural locations were slightly more likely to view cars as important to them. However, they were significantly more likely to use vans or lorries. The results in the below table reflect the weighted average of rural and remote rural businesses. The gap in value placed on vans and lorries were substantially higher for businesses in remote rural communities.

Table three: How important are the following modes of transport to your business?

Source: FSB, Rural Transport survey, September 2015.

	Urban		Rural	
	Important	Unimportant	Important	Unimportant
Car	93%	3%	95%	2%
Van	58%	29%	68%	23%
Lorry	45%	43%	55%	34%

Public transport is also important for many rural small businesses

Overall, close to one third of businesses (32%) view different elements of public transport network as being important to their business.

Table four: How important are the following modes of transport to your business?

Source: FSB, Rural Transport survey, September 2015.

	Bus	Train	Walking	Cycling
Important	32%	33%	39%	22%
Unimportant	44%	46%	38%	52%

There is a significant gap between urban and rural businesses in the respective value they place on buses and trains. This was particularly clear for businesses based in remote rural communities, where just 19 per cent of small business owners said buses were very important to their business, and eight per cent saying the same about trains. It was notable that London based businesses were significantly more likely to view buses and trains as being important to them, with 43 per cent viewing buses as important and 59 per cent seeing trains as valuable to their business.

Assuming current population trends continue, London will continue to grow and attract a significant amount of investment in transport infrastructure. Population density also means that London's public transport network will be far more self-sufficient than rural areas. Conversely, it is likely that business owners in rural communities are less likely to place value on access to bus services as they simply have no access to these services.

Table five: How important are the following modes of transport to your business?

Source: FSB, Rural Transport survey, September 2015.

	Urban		Rural	
	Important	Unimportant	Important	Unimportant
Bus	40%	35%	29%	48%
Train	41%	37%	31%	51%
Walking	50%	30%	35%	43%
Cycling	22%	51%	24%	50%

Declining quality of service is causing dissatisfaction for small businesses

The importance which small businesses place on both their access to the road network, and to the public transport network, is not reflected in their satisfaction levels with these services. In many cases, small business owners believe the quality of both the road and the public transport network have declined over the past five years. This is a significant driver of dissatisfaction with the transport network in rural areas.

This was particularly apparent in remote rural communities, where just four per cent of business owners said public transport and the road network had improved, rising to eight per cent for less remote rural businesses. This compares to 14 per cent of urban businesses which reported improvements in these services. Overall, 50 per cent of small businesses think the quality of the road network and public transport has declined in the past five years.

This finding comes despite significant investments in transport infrastructure over the past decade. However, much of this investment has been targeted towards upgrading and expanding the Strategic Road Network. It is therefore worth considering whether this investment is being targeted towards the actual needs of small businesses.

Table six: Has the road network improved over the past five years?

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Significantly improved	1%	2%	1%	1%	0%
Improved	9%	12%	12%	7%	4%
Neither improved nor worsened	37%	36%	33%	39%	44%
Worsened	35%	34%	36%	35%	29%
Significantly worsened	15%	14%	15%	16%	19%
Net: improved	11%	13%	13%	7%	4%
Net: worsened	50%	48%	52%	51%	48%

Our evidence clearly shows the value transport connectivity holds for small businesses. While private use of the road network continues to be the most important form of transport for small business owners, their employees and customers – there are worrying signs that business owners do not feel correspondingly high levels of satisfaction with the service available to them. Across all locations, many small businesses feel the quality of the road network, and of public transport, has worsened in recent years.

IMPLICATIONS OF DEVOLUTION ON TRANSPORT

The evidence FSB has gathered demonstrates significant concerns about the quality of the transport network across England. There are, however, limited funds available for both national and local government, which is forcing politicians across the country to make difficult decisions about what services to fund, and to what level.

This debate has been further complicated by the Government's devolution agenda, which seeks to devolve powers to English regions on the basis that they are better placed to identify and fund local priorities.

At the heart of any discussion around the delivery of improvements to transport systems, must be a discussion about who pays for improvements, and who has the capacity to direct funds most effectively. These issues will be explored further in the below section.

Road network funding

The creation and maintenance of road infrastructure is funded by different sources depending on the type of road. The Strategic Road Network (SRN) is primarily funded by central government, operating through Highways England and the Department for Transport. Vehicle Excise Duty (VED) will, by 2020, be fully hypothecated to fund road infrastructure. Road Investment Strategies (RIS 1 and RIS 2) have been developed in order to prioritise investment depending on strategic requirements.

Following the decision last year to hypothecate these funds, it has also been announced that VED will also be used to improve local links to the SRN rather than the core network itself, as originally proposed. This is a move FSB has supported. Small business owners, much like individual drivers, view the door-to-door journey as a single journey, so a bottleneck on one part of the road network will cause frustration regardless of whether it occurs on a major road or on one of the smaller roads maintained by local councils. Improving the links between local roads and the SRN will therefore improve the experience of using the road network.

Local roads also receive funding from local councils. Central government contributes some funds towards this, with local authorities then supplementing funding. Local authorities are also responsible for the maintenance of these local roads. Poor maintenance of these roads is a significant concern for many small business owners. As discussed later, the Government has now also given some areas the ability to raise non-domestic rates to fund local infrastructure projects.

Bus funding

Buses are the most significant form of public transport in rural communities, accounting for 60 per cent of public transport trips, with over 4.7 billion passenger journeys completed in 2014/2015.⁸

The number of annual passenger journeys by bus went through rapid decline in the post-war period before stabilising over the past twenty years. However, much of this is accounted for by a doubling of bus use in London since 1985/1986, which masks significant drops in use in both metropolitan and non-metropolitan areas in the rest of England.

While journey numbers have remained broadly stable, many local authorities have cut bus routes, with around 2000 routes being altered or withdrawn since 2010.⁹ Many local councils have proposed further cuts to supported bus routes for the 2016/2017 financial year.¹⁰

Bus services have come under increasing pressure due to cuts in subsidies as a result of funding reductions to local councils, which are then forced to decide where to reduce support.¹¹ Since 2010, non-metropolitan areas have made significant cuts to the level of funding provided to bus operators.¹² It has been estimated that spending in England on supported bus services has fallen from £299.6

⁸ DfT statistics, from Bus Reform Workshop discussion paper, September 2015. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/462225/buses-reform-workshops-background.pdf

⁹ CBT, Buses in Crisis 2014. Available at http://www.bettertransport.org.uk/sites/default/files/research-files/Buses_in_Crisis_Report_2014_Final.pdf

¹⁰ CBT, February 2016. Available at <http://www.bettertransport.org.uk/beeching-buses-new-research-shows-rural-bus-services-are-being-wiped-out>

¹¹ NAO, English Devolution, April 2016. Available at <https://www.nao.org.uk/wp-content/uploads/2016/04/English-devolution-deals.pdf>

¹² IPPR, Greasing the Wheels, August 2014. Available at <http://www.ippr.org/publications/greasing-the-wheels-getting-our-bus-and-rail-markets-on-the-move>

million to £225.7 million between 2010 and 2015.¹³

Reductions in funding for bus services can cause a negative feedback cycle where a reduction in routes or frequency of services causes fewer people to use a given service. This makes the service less financially sustainable and can lead to further reductions in service levels.

The Bus Service Operators Grant (BSOG) has also been significantly reduced. This grant is designed to help bus operators recover some of their fuel costs, with the expectation that this will help support some non-commercially viable services. BSOG fell by 20 per cent between 2010 and 2013, and is now worth £230 million.¹⁴ The grant has however been protected in later spending rounds. The initial fall has had a damaging effect on the viability of bus routes in rural communities and small towns.

Some evidence suggests bus users remain generally satisfied with the quality of the buses operating in their local communities.¹⁵ However, FSB evidence indicates small business owners are becoming increasingly frustrated with the declining level of service provided.

Devolution should help local economic development, but transport funding must be protected to deliver this

The Government has made a clear commitment to a devolution agenda, which is primarily being spearheaded by the Chancellor. Local authorities have been encouraged to form combined authorities and make bids to national government to take on responsibility for different policy areas. Generally, these bids have included provision for the creation of an elected mayoral position, which has been a key requirement for central government in order to create a single point of accountability.

As of April 2016, 10 devolution deals have been agreed with national government, out of the 34 proposals which were submitted in 2015. Some areas, for example Greater Manchester, now have relatively evolved devolution settlements, and are now considering how best to use these new powers. Other areas have had less ambitious bids accepted, while other areas have either had bids rejected, or have been unable to agree on the terms of a proposal between different areas. What is clear is the direction of travel is strongly in favour of new combined authorities taking on greater responsibility to deliver services to their constituents.

To date, many of the devolution deals and bids have focussed on cities, with surrounding rural areas being included within a wider economic region. This creates the risk that rural communities in devolved areas will have their needs deprioritised.

Increasing local control over transport has been a key feature of all of the devolution settlements which have currently been signed. Business support and higher education have also featured across the different proposals. FSB has been generally supportive of the devolution agenda, so long as it is delivered with the consent and active participation of the local business community, and with sufficient support given to rural communities.

Many small businesses are already confused about who is accountable for transport

There is already confusion about which governmental body has responsibility for the upkeep and delivery of transport infrastructure. Only 56 per cent of small business owners said they knew who was responsible for the upgrade or maintenance of the roads they used. This can make it difficult to know who to report issues to, or who can be approached with potential solutions.

It can reasonably be expected that new institutions and governance arrangements will serve to increase the complexity and lack of understanding about which bodies have overall responsibility for transport in an area. This is likely to be particularly true in areas which do not have a strong regional identity, or which have not previously had regional governance arrangements. The National Audit Office (NAO) recently suggested that the new West Midlands Combined Authority was an area where this might be especially problematic.¹⁶ This confusion runs the risk of reducing the accountability and

¹³ CBT, Buses in Crisis, November 2015. Available at http://www.bettertransport.org.uk/sites/default/files/pdfs/Buses_In_Crisis_Report_2015.pdf

¹⁴ House of Commons, Buses: grants and subsidies, November 2013. Available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01522>

¹⁵ Transport Focus, Annual Bus Passenger Satisfaction Survey, May 2015. Available at <http://www.transportfocus.org.uk/research-publications/research/bus-passenger-survey/>

¹⁶ NAO, English Devolution, April 2016. Available at <https://www.nao.org.uk/wp-content/uploads/2016/04/English-devolution-deals.pdf>

credibility of new institutional arrangements.

In order for these new bodies to be accountable to the needs of local communities, more should be done to increase awareness about which level of government is responsible for different elements of the road network. New combined authorities need to take action so they are accountable to the small business community. They should also take steps to raise awareness of their roles and responsibilities.

Table seven: I know who is responsible for maintenance of the road network in my local area.

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Strongly agree	17%	15%	16%	18%	25%
Agree	39%	37%	40%	41%	31%
Neither agree nor disagree	12%	14%	11%	10%	15%
Disagree	15%	17%	15%	14%	12%
Strongly disagree	9%	8%	10%	9%	12%
Net: Agree	56%	52%	55%	59%	56%
Net: Disagree	24%	26%	25%	23%	23%

FSB research found support for a number of new funding models which could be implemented as part of devolution deals

Small business owners are clear that they would like to see more investment in improvements to both the local and Strategic Road Network, as well as making sure that there is sufficient funding to keep both networks adequately maintained.

FSB found the greatest support for the concept of ring fencing transport budgets within local government budgets. Many business owners also supported giving local authorities improved powers to direct funding towards local priorities.

The challenge is that devolving powers and ring fencing budgets can appear contradictory. In our view, local authorities should have the power to direct funds towards local priorities. At the same time, FSB is concerned that as financial pressures build on local governments, transport spending will be deprioritised.

Ring fencing some funds within local and combined authorities for transport spending will help to make sure transport is given due weight in local authority budgets. The Government could deliver this by paying particular attention to the transport provisions of devolution deals and growth deals. They should use the process to make sure any final settlement reached with local leaders commits adequate funding to deliver viable plans. These deals should meet long term infrastructure needs and also have clear targets for delivery. Where local proposals lack ambition on transport budgets, the negotiation process should be used to encourage a better offer from local leaders.

Finally, there was also a small majority of small business owners who were in favour of giving local authorities more power to raise revenue, so long as this was dedicated to increasing spending on local transport priorities. This chimes with the Chancellor’s announcement in October 2015 that the Government intends to grant elected city wide mayors the power to increase business rates for spending on local infrastructure projects, as long as they win the support of local business.

Ring fencing of transport budgets within local authority budgets

There was strong support among small business owners for transport budgets to be ring fenced within local authority budgets. As demonstrated earlier, transport connectivity is critical for economic performance. Small businesses recognise this, and 68 per cent of them want to see transport given due weight in budgets at a local level. This figure rose to 71 per cent among rural businesses.

The trend generally in devolution deals has been for the ring fencing of funding streams to be removed, freeing up local councils and combined authorities to spend resources in areas they choose. As discussed above, this risks local councils under budgetary pressure choosing to reduce or defer transport spending in order to address more pressing priorities. Ring fencing some funds to dedicate to transport will help to address this risk, and at the very least, set a minimum level for investment in infrastructure.

Table eight: Transport spending should be ring-fenced within local council's budgets.

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Strongly agree	28%	28%	25%	31%	31%
Agree	40%	38%	42%	40%	38%
Neither agree nor disagree	21%	24%	20%	18%	25%
Disagree	2%	2%	3%	2%	2%
Strongly disagree	2%	2%	3%	2%	2%
Net: Agree	68%	66%	67%	71%	69%
Net: Disagree	7%	5%	10%	7%	6%

Local councils should be given greater powers over the transport budget

There was strong support among smaller business owners for local bodies to take greater control over transport budgets, reflecting general support for the devolution agenda. This support was consistent regardless of the location of the business, with 61 per cent of businesses supporting this move. Small businesses have recognised that local authorities can be more in tune with the needs of rural communities, and more responsive to calls for action. As a result, they support the principle of giving them capacity to direct funding.

If devolution is to work effectively, it is therefore imperative that local bodies are able to direct funding, even within a ring fenced transport budget, to local priorities.

Table nine: Local councils should be given greater control over the transport budget.

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Strongly agree	21%	20%	21%	20%	31%
Agree	40%	41%	41%	40%	31%
Neither agree nor disagree	22%	21%	20%	23%	17%
Disagree	9%	9%	9%	9%	10%
Strongly disagree	5%	5%	5%	4%	6%
Net: Agree	61%	61%	62%	60%	62%
Net: Disagree	14%	14%	14%	13%	15%

Local councils to have revenue raising powers to fund transport

There was some support among small business owners for local councils to be given increased powers to raise additional revenue to fund transport within local communities, although the question did not specify whether this increase could, or should, include non-domestic rates.

Government policy has recently changed to allow city-wide elected mayors to raise business rates by two pence in every pound to fund the development of new infrastructure. These revenue raising measures can only be taken with the support of the wider business community, as represented by the local LEP, and can only be carried out in areas which have created an elected mayoral position. This follows the precedent set in London, which already has the power to raise a supplement on non-domestic rates to fund infrastructure developments.

This new power does, however, represent a significant devolution of power from national government to local authorities, such as the new combined authorities being created via devolution deals. If business rates are raised as a result of this change, it is vital that transport infrastructure should be a focus of any spending.

Table 10: Local councils should be given powers to raise revenue/finance to invest in local transport projects.

Source: FSB, Rural Transport survey, September 2015.

	Total	Urban	Semi-urban	Rural	Remote rural
Strongly agree	15%	15%	13%	16%	19%
Agree	36%	36%	39%	35%	27%
Neither agree nor disagree	22%	23%	22%	22%	27%
Disagree	14%	14%	12%	16%	13%
Strongly disagree	8%	8%	10%	8%	10%
Net: Agree	51%	51%	52%	51%	46%
Net: Disagree	23%	22%	23%	24%	23%

Small business owners are supportive of a broad range of measures which could give local authorities the tools needed to improve transport in local and rural communities. This extends to a willingness to give local authorities the power to raise additional revenue in order to fund these projects.

What is important is that local authorities dedicate appropriate levels of funding to supporting transport infrastructure in the areas they govern. Small businesses recognise that there are significant demands on local government, and that revenue support from central government is falling in many areas. Local authorities need to resist the pressure to view transport services as an area where cuts can be made painlessly. Doing so could bring significant detriment to small businesses and the wider local economy. Giving local authorities more power to spend on local priorities - within a protected transport budget - will offer flexibility, while ensuring that improvements are delivered.

ISSUES AFFECTING SMALL BUSINESSES

Identifying how local priorities should be funded is important. FSB evidence demonstrates there are significant issues affecting rural transport which need to be addressed.

Small businesses reported a range of different issues affecting their ability to make unimpeded use of rural transport services.

The top three issues reported by businesses based in rural or remote rural locations were:

- **Congestion on local roads**
- **Potholes**
- **Cost of fuel**

Congestion on local roads was identified as the top issue negatively affecting small businesses, with the exception of businesses based in remote rural locations, who cited the insufficient funding of local roads as their primary concern.

Congestion is a significant concern for all but the most remote communities

45 per cent of all small businesses identified congestion on local roads as their primary concern. This increased to 57 per cent among urban businesses. Unsurprisingly, congestion is less of a concern for rural businesses, with just 37 per cent viewing it as their main issue. However, this was still the top issue identified for rural businesses.

In addition, 26 per cent of businesses viewed congestion on motorways as a major issue for them. Again, the figures were higher among urban businesses compared to rural businesses.

The fact that congestion on local roads was viewed as more detrimental than congestion on motorways is an indication of the relative importance given to different parts of the road network. All road users will start and end their journey on the local road network, so congestion at any point in the end to end journey will cause frustration.

The current committed spending on Highways England's programme of work on the Strategic Road Network (SRN) to 2021 is £15bn. In contrast, the next round of funding across the 39 LEPs is £475m – an average of £12m per LEP. Future spending on the road network is likely to continue to be focussed on larger projects which will not necessarily address congestion on local roads.

Congestion can cause significant disruption, delay and frustration to small business owners. Many small business owners operate with tight margins, so any delay to goods or services being procured or delivered can cause significant damage to the financial viability of an individual business.

As discussed later, what is needed is for greater emphasis to be placed on funding and delivering local schemes. Directing funds towards reducing local congestion would have a significant economic benefit through alleviating congestion on the local road network.

Potholes and frequent road works cause frustration for many rural small businesses

Two other significant concerns were focussed around the reliability of the road network, with frequent road works and potholes being a major concern for small businesses regardless of their location.

When asked to select three options out of a longer list, 32 per cent of small business owners cited potholes as their main issue. 31 per cent identified frequent road works as being the main issue affecting their business.

This closely tracks the research published by Transport Focus, which identified improving the quality of road services as a top priority for users of the network, albeit focussed on users of the SRN.¹⁷ Much of the Transport Focus data will very likely mirror the views of other roads users beyond the SRN.

¹⁷ Transport Focus, Road Users priorities for improvement, July 2015. Available at <http://www.transportfocus.org.uk/research-publications/publications/road-users-priorities-for-improvement-car-and-van-drivers-and-motorcyclists/>

Similarly, the AA have claimed that two out of five drivers have suffered from pothole damage in the past two years.¹⁸ A recent survey also found the backlog of road repairs has now risen to £11.8 billion. This indicates that repairs are being delayed or deferred, increasing the chances of damage being caused to vehicles.¹⁹ Poor quality roads can cause direct and indirect damage to small businesses right across the country.

There is a potential contradiction in being concerned about both the frequency road works, and an increase in potholes. The concern is less that road works take place, as this is recognised as necessary in order to maintain and improve the existing road network. Rather, what caused frustration was both the time taken to complete road works, and the lack of information provided to affected consumers about the length of anticipated disruption.

Road works are viewed a necessary step to maintain the quality of the road network. The dissatisfaction with road works comes if works are not adequately advertised, causing disruption and confusion to businesses. Other business owners suggested that their frustration was driven by their perception that the quality of road repairs was often poor, necessitating costly and disruptive rework and causing more disruption.

The low cost of fuel is providing important support for small businesses

The cost of fuel was cited as a concern by small business owners in more remote areas. The FSB survey primarily discussed in this report was taken prior to the substantial reduction in the price of oil, which has lowered the price of fuel for consumers. It is therefore likely that the cost of fuel may have become less of an issue for many smaller businesses as a consequence. Indeed, in FSB's Q1 2016 Small Business Index, the number of small businesses reporting fuel costs as increasing the cost of business fell to 13 per cent.²⁰ This compares to 62 per cent who reported the same in the first quarter of 2012.²¹

The relatively low cost of fuel has proved to be a significant benefit for many smaller businesses, particularly as other costs, such as labour, have recently increased. When small businesses are able to reduce input costs, they are able to increase investment and create growth in their business. It has been estimated that the decision to freeze the fuel duty escalator has supported an additional £11.6 billion in Gross Value Added (GVA) and provided a 0.5 to 0.6 per cent boost to GDP.²²

The Government was right to keep fuel costs low in the 2016 Budget by maintaining the freeze on the fuel duty escalator. It should continue to do so throughout the rest of this Parliament. It is important the Government acts to keep these costs as low as possible, as low oil prices continue to support business growth in rural communities.

Businesses identified issues with public transport as well

FSB evidence clearly shows that both public transport and the road network are of critical importance to many small businesses. In rural communities, our evidence also suggests that poor quality public transport, and an inadequately maintained road network, are holding back rural productivity, profitability and growth.

Buses are important for small businesses, as both staff and customers use buses to access employment and retail opportunities. 58 per cent of those currently unemployed report that they relied on buses during the period of their last employment.²³ Bus passengers also make up a significant percentage of foot traffic to retail businesses based in town centres, generating an estimated £45 billion in economic output.²⁴ Younger workers are disproportionately less likely to own a car, resulting in a greater dependence on public transport to access employment.²⁵

¹⁸ AA with Populus survey, March 2016. Available at <http://highwaysmagazine.co.uk/two-out-of-five-drivers-suffer-pothole-damage/>

¹⁹ ALARM survey, March 2016. Available at http://www.asphaltindustryalliance.com/images/library/files/ALARM%202016/ALARM_survey_2016_full_report.pdf

²⁰ FSB, Small Business Index, Q1 2016. Available at [http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-small-business-index-\(sbi\)-q1-2016.pdf?sfvrsn=4](http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-small-business-index-(sbi)-q1-2016.pdf?sfvrsn=4)

²¹ FSB, Small Business Index, Q1 2013. Available at <http://www.fsb.org.uk/docs/default-source/Publications/small-business-index/q1-vosb.pdf?sfvrsn=0>

²² CEBR, Assessing the Impact of lower fuel prices on the UK economy, November 2015. Available at <http://www.cebr.com/reports/low-oil-prices-to-account-for-a-fifth-of-uk-economic-growth-in-2015/>

²³ Johnson et al, Buses and the Economy II, July 2014. Available at http://www.greenerjourneys.com/wp-content/uploads/2014/07/Buses_and_the_Economy_II_main_report_july.pdf

²⁴ Mackie et al, Buses and Economic Growth, June 2012. Available at http://www.its.leeds.ac.uk/fileadmin/user_upload/News/BusesEconomicGrowth_FINAL-REPORT.pdf

²⁵ Bourne, Transport Barriers facing Young People, May 2013. Available at http://www.bettertransport.org.uk/sites/default/files/research-files/No_Entry_final_report_definitive_0.pdf

Lower income employees are also more likely to rely on buses to access employment opportunities, and are also less likely to be able to move closer to work owing to a lack of affordable housing in rural communities.²⁶ Those working for low incomes may also struggle to own or operate a private vehicle, meaning they too use public transport to get around rural communities. A dense, reliable and useful bus service therefore underpins a significant amount of economic activity in both urban and rural communities.

Small business owners do not rely on public transport to the same extent as the road network and, as our evidence has shown, this gap is more pronounced among those based in rural communities. The thinness of the public transport service in rural areas is serving as a barrier to growth and productivity gains. Small businesses in rural communities were disproportionately likely to identify the low availability of public transport and the frequency of public transport as issues affecting their business. 16 per cent of rural small businesses, compared to just five per cent of urban businesses, identified the low availability of public transport as a key issue for them.

In addition, rural small businesses claimed that staff and customers were more likely to be unable to access the business due to a lack of public transport. Businesses in urban areas were very unlikely to view this as a challenge for their business. This was especially true for London-based businesses which were even less likely to view a lack of public transport access as a challenge to them.

Conversely, businesses in urban areas were more likely to cite the cost of public transport as a barrier preventing their use of the service. Businesses in more rural areas were less likely to raise this as an issue, suggesting that a lack of availability was the main issue for them. Services must be available before the cost of these services can cause concern.

As will be discussed later, there are potential solutions which could improve both the availability and frequency of public transport. Better integration of public service networks would allow buses to operate more effectively, and potentially increase the capacity of networks.

Table 11: Thinking about your business’s use of the road network, what are the main issues affecting your business.

Source: FSB, Rural Transport survey, September 2015.

	All	Urban	Semi-urban	Rural	Remote rural
Low availability of public transport	12%	5%	11%	16%	17%
Low frequency of public transport	9%	7%	8%	11%	17%
Staff unable to access business premises via public transport	7%	3%	4%	12%	13%
Cost of public transport	7%	9%	6%	6%	4%
Customers unable to access business premises via public transport	5%	2%	4%	7%	15%

26 Mackie et al, Buses and Economic Growth, June 2012. Available at http://www.its.leeds.ac.uk/fileadmin/user_upload/News/BusesEconomicGrowth_FINAL-REPORT.pdf

Poor public transport also affects the tourism sector

Small businesses in the tourism sector reported different challenges compared to the wider small business sector, primarily by being far more likely to view poor public transport connectivity as holding the development of their business back.

29 per cent of businesses in the tourism sector cited low availability as their key difficulty, and 27 per cent said the low frequency of public transport was difficult for them. This compares to 12 per cent and nine per cent respectively for small businesses across all other sectors.

Tourism businesses were also more likely to identify customers being unable to access their business as a key challenge, with 15 per cent making this claim compared to just five per cent of non-tourism sector small businesses.

A focus for the Government has been to support the tourism industry, which generates more than £125bn for the UK economy. A key way to drive this is by increasing the number of domestic and foreign visitors, and encouraging them to see more of the UK, including our rural communities. The countryside and coast should form a key part of Visit Britain and the other National Tourist Boards' future promotional programmes to overseas visitors and UK residents alike.

Businesses in the tourism industry need a steady stream of new and returning visitors to maintain their financial viability. Without suitable transport connections, very few tourists are likely to be able to visit these communities. This means revenue generated from tourists is likely to be disproportionately concentrated in major cities rather than benefiting all of the country.

Beyond these challenges, workers in the tourism sector are often likely to be both younger and lower paid, representing the two groups most likely to use buses and public transport to access employment. Tourism businesses are also likely to suffer detriment if they are unable to recruit or retain employees owing to poor transport connectivity.

The Tourism Council, established by the Government in 2015, has recognised that rural transport is a major barrier hindering the further development of a vibrant tourism sector in rural economies. We would urge the Government and the Tourism Council – of which FSB is a member – to prioritise meaningful actions which would help market rural communities as a potential destination for tourists.

As discussed later, parking charges for tourism destinations was viewed by some as a revenue raising tactic by local councils which had the effect of reducing the likelihood of tourists visiting different destinations. Local councils need to recognise the value that tourists can bring to a local economy, and the benefit accrued to local tourism businesses. They should consider whether short term revenue raising techniques are effective in fostering long term economic development.

Multi-operator ticketing – enabling passengers to use a single ticket across different operators and administrative boundaries - could also help tourists through reducing the difficulty they face in travelling between different destinations, or in leaving towns and cities to visit rural communities. As will be discussed later, an innovation fund could help develop a multi-operator ticketing system.

RECOMMENDATIONS

It is clear from FSB’s research that improvements to both the road network and public transport network are needed in order to better support small businesses in rural areas.

The below table summarises the top objectives identified by small businesses for the Government to take in order to improve rural transport. Creating an integrated transport plan was viewed as the clear top priority for small business owners, with the next two issues receiving almost exactly the same amount of support as each other.

Rural businesses owners have similar priorities to urban businesses. However, there was also a clear concern among rural businesses that devolution settlements could focus local authorities on the needs of cities rather than the rural hinterland. For these business owners, ensuring the local government also focusses on the needs of rural communities was their top priority.

Table 12: FSB’s key recommendations for the UK Government.

	Priority one	Priority two	Priority three
All businesses	Create an integrated transport plan	Ring fence transport spending in local authority budgets	Increase funding for the Strategic Road Network
Urban business	Create an integrated transport plan	Increase funding for the Strategic Road Network	Ring fence transport spending in local authority budgets
Rural business	Focus on the needs of rural communities in devolution settlements	Create an integrated transport plan	Ring fence transport spending in local authority budgets

Alongside these priorities, we recommend the Government take the following actions:

- Establish an innovation fund to foster innovation in public transport delivery.
- Evaluate Total Transport pilots, and expand them if they are found to be effective.

While the UK Government has a significant role to play in the planning and delivery of major infrastructure, businesses in rural communities are also affected by the decisions of local councils. The ongoing move towards devolving powers to combined authorities will create new institutions which fund and plan transport infrastructure. As a result, it is important for these bodies to take the needs of smaller businesses into account.

The top priorities for local government are consistent regardless of location

Despite the difficulty small businesses have in terms of understanding who is responsible for which elements of maintaining or upgrading local roads - there is a strong degree of consensus among small business owners about what they would like to see sub-national bodies, such as local councils and combined authorities, focus on.

While many small business owners identified the abolition of parking fees as a top priority for them, there are several good reasons, identified later, which mean a more flexible approach is required.

Table 13: Key priorities for local government.

	Priority one	Priority two	Priority three
All businesses	Focus on road maintenance	Abolish or reduce town centre / village parking fees	Create integrated regional transport strategies
Urban business	Focus on road maintenance	Abolish or reduce town centre / village parking fees	Create integrated regional transport strategies
Rural business	Focus on road maintenance	Abolish or reduce town centre / village parking fees	Create integrated regional transport strategies

Take the specific needs of rural communities - and of rural small businesses – into account when negotiating current and future devolution settlements

Small businesses in remote rural communities in particular, and rural areas more generally, were disproportionately likely to be concerned about the impact of new devolution deals on rural communities.

The general concern expressed by small business owners was that the current drive towards creating new combined authorities would favour cities over rural communities. The primary requirement from central government is for any new combined authority to create a position of elected mayor (with the exception of the Cornwall regional deal which does not create this position). The expectation from the Government is that creating this position will serve as a single point of authority and accountability as part of these devolution deals.

As cities join together to create combined unitary authorities with new powers over a range of different policy areas, rural communities and business owners are concerned their needs will be given lower priority than urban areas. Elected mayors are likely to be elected from within existing urban electoral positions and may not have a full understanding about the needs of surrounding rural communities.

FSB has consistently underlined the importance of giving due weight to the interests of rural communities in any existing or future devolution deals. Unsurprisingly, small businesses in urban and semi-urban areas are far less likely to view it as important to focus on the needs of rural communities. Businesses in remote rural communities wanted to see investment being redistributed towards their communities rather than towards urban areas. We understand the desire of small businesses in remote rural areas to see additional funding streams made available to them, but also recognise the need for investments to be cost effective and help as many businesses as possible.

It is therefore important that when the UK Government makes deals with different regions there is clear focus given to the needs of rural areas. It would be a mistake for areas with devolution deals to fail to fully consider the needs of all constituents.

The Bus Services Bill currently being considered by the UK Government offers an opportunity for local authorities to better assess the needs of their constituents with regards to public transport. In principle, local authorities will be able to use new powers to hold bus operators to account. Local authorities should take this opportunity to ensure bus operators are delivering the best possible service to rural communities.

Work with regional bodies to create an integrated transport plan for different regions

It is clear that transport options for rural small businesses can frequently be constrained through a lack of integrated strategic planning. This is particularly important where journey to work routes are not effectively assessed, as these may cut across pre-existing administrative boundaries. FSB has consistently argued that transport in rural areas would benefit from being better integrated, making use of multi-modal transport options.

The creation of combined authorities, and new regional transport planning bodies, offers an opportunity to create regional transport plans which take the needs of bus passengers and road users into account. For this to occur, small businesses must be included as a key stakeholder from the outset. As new combined authorities start their work, a key focus should be on assessing how best to integrate transport within their region.

At the national level, the Government has recently established a series of new bodies with remits to improve the coordination and delivery of new and existing transport infrastructure. These include Transport for the North (TfN) and the National Infrastructure Commission (NIC).

TfN has responsibility to advise the Government on strategic transport interventions to create a single northern economy and to rebalance the economy through improving northern productivity. It has responsibility for both rural and urban areas, which is important in improving transport for all northern communities. This body is expected to work with government, city regions and Local Enterprise Partnerships (LEPs) to improve the delivery of transport infrastructure. By bringing together disparate bodies which otherwise have not always been able to work constructively together, it is hoped that transport connectivity will improve in the North of England.

The NIC was established in late 2015, with an initial remit to investigate northern connectivity, London transport, and the future of the energy supply. The focus of the Commission will be to make the strategic case for major improvements to transport networks. The delivery of new infrastructure would help to ease congestion, although we would argue that investigating how to make better use of existing networks would also help small businesses in rural areas.

FSB was initially pleased to see the creation of these bodies, as they potentially represent a valuable way to improve the coordination of infrastructure delivery. However, FSB is concerned that the apparent failure of the Government to accept the recommendations of the Airports Commission on aviation capacity illustrates the limits of a Commission led model. If the Government is under no obligation to accept recommendations which might prove politically challenging or unpopular to deliver, then there is a significant risk that time and financial resources will be wasted, simply to produce reports which will never get acted upon.

The outputs of the NIC have so far been of high quality, and have met with a positive reception from the Government, which endorsed the findings of their most recent recommendations. This bodes well for the future, but remains too early to say whether future reports will be accepted so quickly. Both TfN and NIC have recognised the importance of supporting small businesses in their work, with both John Cridland CBE and Lord Adonis speaking at FSB Policy Conference in February 2016. We hope this level of engagement from the very highest level continues.

Assuming that these new bodies are able to work effectively with local and national stakeholders, there is potential for longer term, integration of different modes of transport. Combined authorities should take this opportunity. Improving the integration of transport solutions across journey to work areas would be a positive step for small business owners, customers and employees.

Councils should ring fence sufficient funds to both improve and maintain local roads

Potholes and poor maintenance of local roads were a major concern for rural business owners. Potholes can damage vehicles and cause considerable damage to vital assets for small businesses. This can represent a significant cost which negatively affects small businesses which often do not have large capital reserves.

At a UK level, the Pothole Repair Fund - which has been successively announced within different Budgets and Autumn Statements in both 2014 and 2015 - has been supported by FSB. This was viewed as a top priority for many small businesses.

FSB research found strong support for the concept of ring fencing funds within local authority budgets for the purposes of improving transport within an administrative region. 68 per cent wanted to see local councils ring fence transport spending within their wider budget, and for this funding to be targeted towards road maintenance. Ring fenced funds like the Pothole Repair Fund, and the hypothecation of various road taxes illustrates a commitment to transport infrastructure which will give road users the assurance their money is being well spent.

As further devolution deals are negotiated, Government should make sure transport spending is protected, while giving combined authorities the ability to target spending towards local priorities. Giving local councils and combined authorities the ability to direct funds is important so they focus on local priorities. Ring fencing funds will help make sure that these priorities are effectively funded and delivered.

Increase funding for the Strategic Road Network and look at reprioritising investment towards smaller local roads

There was widespread support for increasing funding for the Strategic Road Network (SRN). This has less relevance for improving rural transport, but it is important to note that small businesses and residential consumers are primarily interested in the door-to-door journey, rather than how long any separate element of their journey takes.

While many small businesses rely on local road networks, businesses with a wider client base or supply chain will also use the SRN to move goods around the country. Improvements to the SRN will therefore also be of benefit to small businesses regardless of location.

The Government is currently delivering the first Road Investment Strategy (RIS 1), which will see significant funds targeted towards the SRN.²⁷ Work is underway to develop the second Road Investment Strategy (RIS 2)²⁸ which will deliver investment in the five year period after 2020.

Most of the research and infrastructure delivery associated with the current Road Investment Strategy is targeted towards the SRN rather than focussing on smaller, less strategically important roads. This is understandable, and reflects some of the longer term challenges which face the road network. FSB has been supportive of the aspiration to consider solutions to longer term bottlenecks, which the RIS 2 research process is already addressing.

As discussed earlier, the large expense of funding a single major project on the SRN has the potential to instead deliver multiple smaller projects at a local level. Such local projects could have greater impact on the experience of road users. RIS 2 therefore offers an opportunity for both Highways England and the Department for Transport to start to consider the broader door-to-door journey which motorists and small businesses carry out, which would also incorporate roads outside the SRN.

In order to address congestion, increase capacity and reduce bottlenecks, both major and minor upgrades to the road network must be funded and delivered as a priority. The Government should therefore take steps to ensure that there is sufficient funding available to deliver these priorities.

²⁷ Department for Transport, Road Investment Strategy, December 2014 <https://www.gov.uk/government/collections/road-investment-strategy>

²⁸ Department for Transport, Road Investment Strategy 2, December 2015. <https://www.gov.uk/government/collections/road-investment-strategy-post-2020>

Encourage innovation in transport delivery via a new innovation challenge fund

The reliability and availability of public transport represents a significant concern for small business owners. We recognise that during a time of tightened public finances, it will be difficult to substantially increase funding levels for supporting non-commercially viable public transport.

On the other hand, there are substantial improvements which could be delivered in public transport via developing new and innovative ways of interacting with the public. A challenge fund could support pilot projects to identify the most effective ways of improving public transport delivery. Through innovating, bus operators could be able to both increase passenger numbers, and to make their services more responsive to the needs of consumers. This would enable them to focus their resources in the most effective manner.

The fund should focus on three separate strands of work:

- **Smart ticketing:** Multi-operator ticketing is viewed by many across the bus industry as an effective way to allow passengers to travel without regard to arbitrary administrative boundaries. Bus services could become more attractive to consumers if they were able to use a single ticket system to journey to work or access retail markets.

- **Open data:** The upcoming Bus Services Bill has a focus on improving the quality of bus service provision. One requirement for bus operators will be for them to increase the amount of data published to allow for the development of new apps.

An innovation fund could build on this by providing encouragement for increasing the use of open data by developers. In London, there are a variety of transport planning apps, such as CityMapper, which allow passengers to identify different transport options and to plan their journeys based on availability. Increasing the amount of data available to developers could allow for the creation of similar apps allowing rural passengers to see when public transport is available and more effectively plan their journeys. The fund could provide seed funding for the development of these apps through a competition.

- **Demand stimulation:** Using technology to aggregate demand will also help bus operators to identify areas of potentially unmet demand, and to plan services accordingly. Apps could be used to map journeys passengers want to use and also identify what time would be most convenient for these passengers. If bus operators were able to respond better to consumer demand, they would be able to operate more effectively, and to focus resource on routes where passengers would be most likely to use their services.

Evaluate the existing Total Transport pilots and expand them if they are found to be working well

The Government has created Total Transport pilot programmes, which aim to identify spare capacity in the local council transport network to use in support of other consumers. Local councils fund a range of other transport services, including school and hospital transport. It is seen as likely that there is spare capacity within these other transport networks which could be used to improve the quality of public transport networks in a given region.

As a result of this, the Government has funded 37 local authorities to integrate different forms of publically supported transport. Pilots are in operation across the country. Once these programmes have been better established, an evaluation should be carried out, in conjunction with the relevant local authorities, end users and business groups, to identify whether these schemes have benefitted local communities and to establish if they should be rolled out further.

While parking fees were unpopular, abolishing them will cause additional problems

High parking charges, aggressive enforcement, and a lack of available parking spaces in many areas, have sometimes discouraged shoppers from visiting town centres and high streets. Combined with a fundamental change in the way people shop in the UK, small retailers on high streets in many rural communities are struggling to survive.

For small retail businesses based in rural communities and towns, high parking fees are seen to have a negative impact through discouraging potential customers from visiting town centres. There was support in our survey for reducing or abolishing parking fees among small businesses who felt that this could benefit local communities revitalising town centres.

While there was some support among small businesses for abolishing or removing parking fees, FSB does not support simply removing all parking fees. Small businesses across the country have reported that when councils have trialled this in the past, footfall has frequently fallen as town centres become too congested for any visitors to come. In some cases, employees of town centre businesses use newly available parking spaces, which stops potential customers being able to park. We also recognise that parking fees are also an important source of funding for local councils, particularly as budgets are increasingly stretched.

Rather than simply reducing or abolishing parking fees, it is more important that local councils work with the local business community to better understand how best to increase footfall on the high street.

Local councils should take the opportunity to trial new parking strategies, with the aim of increasing footfall in town centres rather than simply focussing on raising revenue. Parking strategies developed by local councils should therefore aim to take a long term economic view and be inclusive with the aim of promoting local economic growth.

CONCLUSION

Small businesses in rural communities experience a range of issues affecting their ability to effectively compete in an increasingly integrated global and national economy.

Despite the importance of the rural economy, transport connectivity is often of unsatisfactory quality. Small businesses report that roads are all too frequently inadequately maintained, and that congestion is a significant issue. In addition, public transport in rural communities is often insufficient to meet the needs of the employees and customers of small businesses. This is particularly apparent in the tourism sector.

Devolving powers over transport spending to new combined authorities ought to help improve the quality of transport by giving local stakeholders more influence over spending priorities. It is however, critical that the needs of rural communities are given sufficient representation within these bodies. A failure to achieve this will disenfranchise rural communities across the country.

Improving the quality of transport links will help small businesses to become more productive, increase employment and make even more of a contribution to the UK economy than they currently do.

FSB has set out a series of recommendations for both central UK and local government – we hope that these will be taken into account both now and in future.

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