

# Holes in our pockets?

## How utility streetworks are damaging local growth





# Part 1

## The problem

Utility companies are responsible for around two million road openings every year across England and Wales and these have an unavoidable impact on our transport network causing delays, potholes and shortening the life of the carriageway.

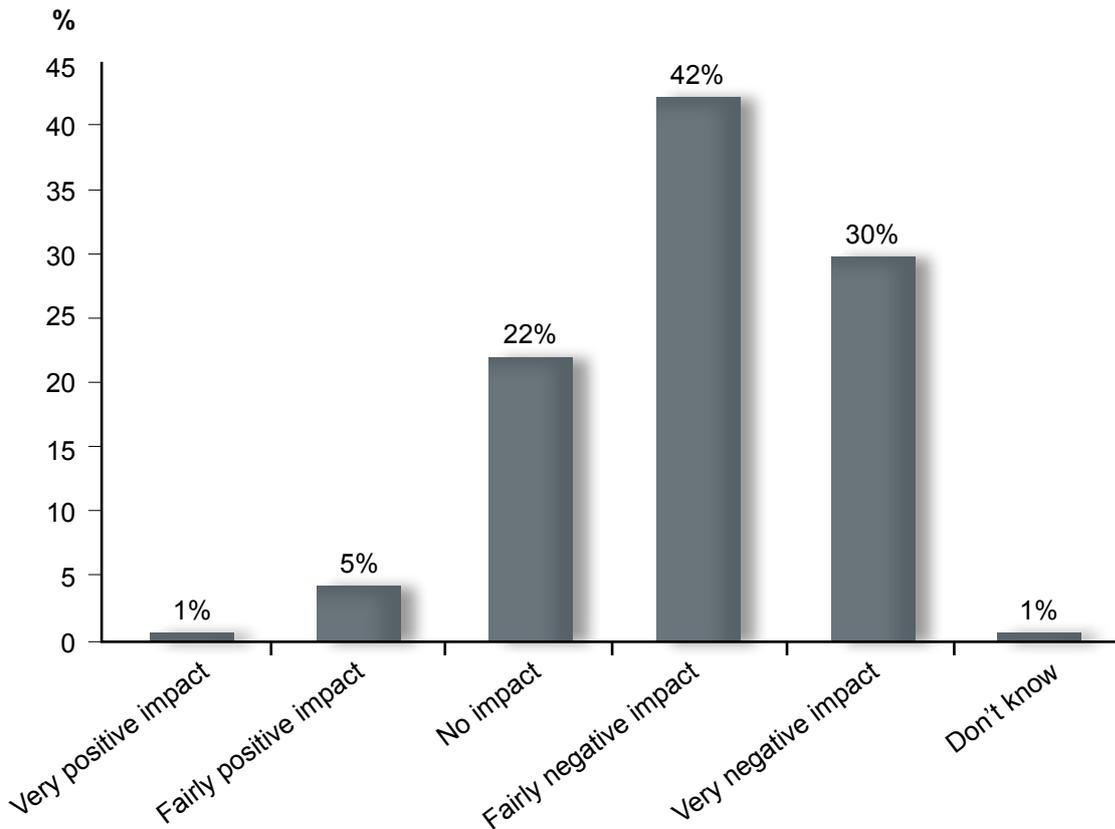
We all know that streetworks are necessary and that they can be carried out efficiently and effectively. However there are a significant number of cases in which companies have come back to undertake

similar work in close succession and in which the carriageway has been left in a poor condition.

The findings in this report show that over half of small businesses have had streetworks take place outside or in the vicinity of their premises in the last three years

Three quarters of these businesses say the works had a negative impact – in most cases through reduced sales. In a quarter of cases this problem has lasted for more than two months.

**Figure 1: What impact, if any, have streetworks had on your business?**



Base: all convenience stores experiencing streetworks in the last three years (285)



This represents an unacceptable burden on the small businesses the UK needs to boost growth and move out of recession.

The contracts utility companies run with their contractors drive the wrong behaviour, cost based at the expense of quality. The evidence from councils is that in many cases streetworks are not reinstated to acceptable standards. The latest ALARM survey by the Asphalt Industry Alliance indicates that 17 per cent of road openings for utility works are not reinstated in accordance with specifications. However, some studies suggest this figure may be as high as fifty per cent.<sup>1</sup> Inadequate reinstatements do not simply damage the road, correcting them causes a new period of traffic disruption and consequent cost.

Even when streetworks are conducted effectively and restoration is of good quality they inevitably shorten the lifespan of the carriageway making potholes more likely. This danger is increased where work is shoddy.

The cost of these consequences adds up.

Authorities estimate that nearly 18 per cent of their maintenance budgets (an annual total of £218 million) is spent on premature maintenance a proportion of which is due to poor reinstatement, which most believe can reduce road life by a third.<sup>2</sup>

<sup>1</sup> Asphalt Industry Alliance Annual Local Authority Road Maintenance (ALARM) survey 2012. P.13 provides 17 per cent, however the Joint Authorities Group (JAG UK – which represents the organisations responsible for the roads and streets of the United Kingdom) cites recent evidence emerging from core testing programmes, (the latest from Oldham, Leeds and Tameside) that supports a figure of fifty per cent. One of the improvements the LGA seeks is utility funding for a higher level of inspections.

<sup>2</sup> ALARM survey 2012, p.13

Decades of underfunding, recent severe winters and widespread flooding earlier this year, compounded by the recent severe reductions in funding from general and road maintenance budgets, means many councils are already struggling to move beyond simply patching up a deteriorating network.

It would now cost about £10 billion to bring our roads up to scratch.<sup>3</sup>



3 ALARM survey, p.10

## Part 2

### What can we do?

Growth is now the key priority for local authorities and it is important that we do everything to create the conditions in which businesses can prosper. The quality of the country's infrastructure, including our roads network is a key factor in unlocking prosperity.

It is in the interests of business and the communities they serve that we upgrade and maintain our infrastructure in a cost effective and efficient way. This means that "getting it right first time" must be a core principle.

As the survey findings demonstrate, the time has come for utility companies to work with us to deliver non-legislative changes that will reduce both the incidence of streetworks, the damage they cause to our roads and the damage to the prosperity of local businesses.

To that end **we will be inviting the chief executives of the leading utility companies to a summit aimed at establishing how we can work together better, including how we can identify contractors who persistently fail to reinstate effectively, and hold them to account and how we can ensure a more effective inspection regime.**

We also need business to work with us and to be our eyes and ears in reporting poorly managed sites or poor resurfacing to their local council as soon as it is evident. This is already up and running in London and we would welcome further input from the Association of Convenience Stores and the British Chambers of Commerce on how we can expand this approach.

The regulatory framework also has a role to play in supporting improvement and councils already use a variety of methods to manage streetworks:

**Permit schemes** allow authorities to issue permits to those wishing to carry out works on the highway so they can for example promote working outside peak hours, or better co-ordination of works between utilities. More and more councils are introducing such schemes and evidence suggests they are delivering promising improvements to the effective use of the road network.<sup>4</sup>

In its first year the London permit scheme resulted in a 147 per cent reduction in the number of recorded days of disruption and approximately £2.7 million in congestion saved in 2010.<sup>5</sup>

The Department for Transport (DfT) has signalled its intention to remove the requirement for these schemes to be approved by the Secretary of State in the hope that this will encourage even more councils to develop schemes and make use of them to help reduce disruption and frustration for the travelling public.<sup>6</sup>

A pilot **Lane Rental** scheme commenced in London in June, covering around 330km (57 per cent) of Transport for London's (TfL) red routes. This is intended to incentivise utility firms to carry out their works faster and at the least disruptive times.



Most councils charge **overstay fees** to those companies whose works have exceeded the agreed completion date. These fees are charged on the category of the road. These appear to be used by most councils and act as an incentive for keeping to agreed timeframes.

**However councils have insufficient powers to control the quality of reinstatements.** In theory councils have powers to inspect streetworks but they lack the resources to do so and nearly three quarters of utility works go uninspected.<sup>7</sup>

The Traffic Management Act 2004 contains powers that would allow councils to require those digging up the street to reinstate the whole road and which would impose a long-term damage charge on utilities in recognition of the cost imposed on council tax payers by even properly-reinstated utility works. Most councils would like to see the long-term damage charge implemented.<sup>8</sup>

4 For example, the positive results have been acknowledged by transport minister Norman Baker MP - 3 Sep 2012 : Column 187W <http://tinyurl.com/cvr6brb>

5 London Permit Scheme for Road Works and Streetworks – First Year Evaluation Report, <http://tinyurl.com/ca2m8v8>

6 N Baker quoted in DfT press release 'Cutting red tape to reduce road works disruption' 31 January 2012;

7 As reported by JAG(UK).

8 ALARM survey 2012, p.13



The Local Government Association (LGA) has previously called for utility companies to pay a **bond** or deposit in advance of roadworks to make it easier for councils to recoup the cost of damage caused by inferior road repairs and encourage utilities to get it right first time. Both of these methods would require new legislation.

The utility regulators should also have a role to play. We would like to see them do more to monitor performance on streetworks and funding should link to that performance.

This is no longer an issue that can be ignored. Together local authorities and utility companies have the ability to improve outcomes for the benefit of local business and communities. It will take partnership and that needs to start now.

## Annex

### Streetworks research: key findings

The LGA commissioned HIM Research and Consulting to undertake an opinion poll of 500 convenience stores in England by phone in November 2012.<sup>9</sup> Convenience stores represent a core group of sole traders and small businesses in England that support the growth of local economies. The following are the key findings from the survey.

Where there are discrepancies between aggregated percentages reported in text and individual percentages reported in charts this is due to rounding.

<sup>9</sup> Full findings can be found on the LGA website:  
<http://www.local.gov.uk/economy-and-transport-research>

## Impact of streetworks on convenience stores

Convenience store owners were asked a series of questions about the impact of streetworks upon their business.

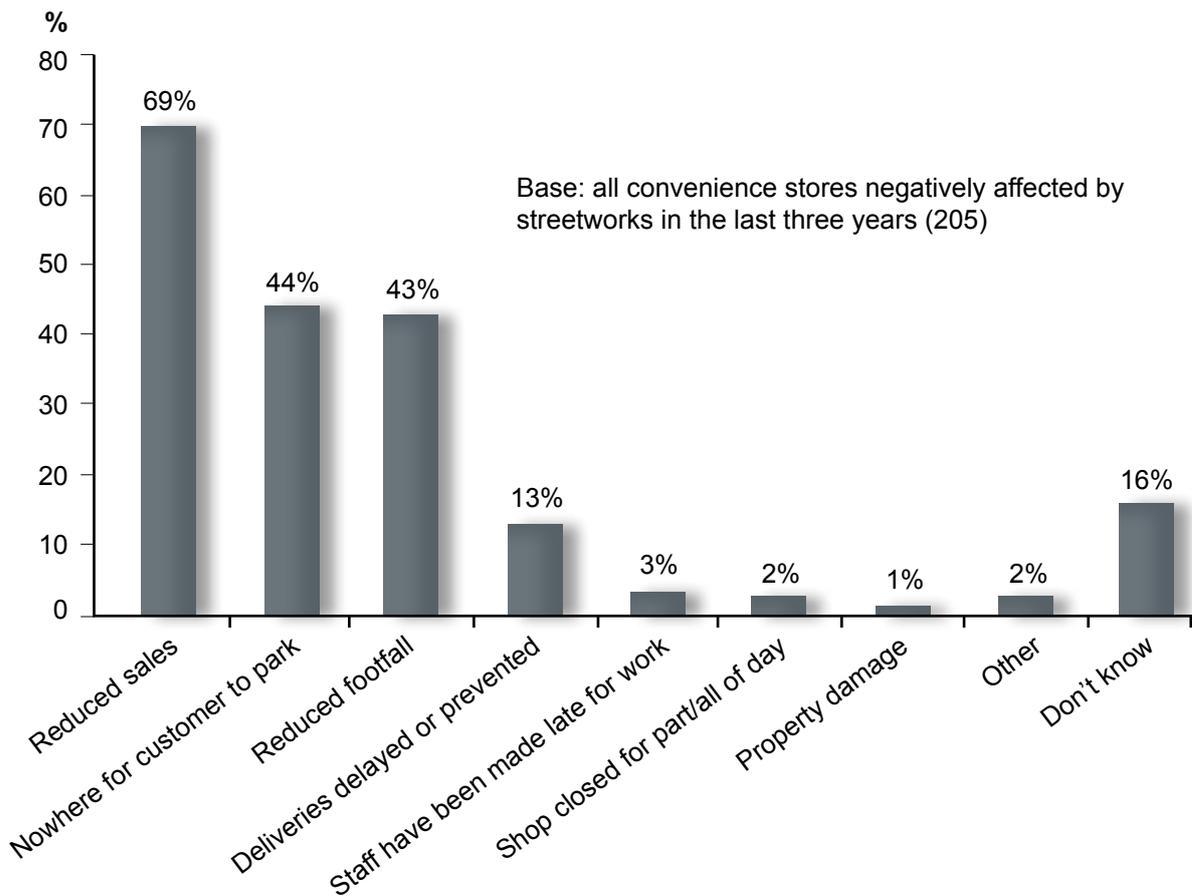
Fifty seven per cent of convenience stores have experience streetworks over the last three years outside or in the vicinity of their business. Of convenience stores that had experienced streetworks, 72 per cent stated that these streetworks had a very or fairly negative impact on their business.

For convenience stores stating streetworks had a negative impact on their business, the majority (69 per cent) selected that streetworks had caused a reduction in sales.

The reduction in overall sales in an instance of streetworks equated to 10 per cent to 24 per cent for the greatest proportion of respondents (39 per cent).



**Figure 2: In which of the following ways have streetworks had a negative impact on your business in the last three years?**



The negative effects of streetworks impacted on convenience stores for varied lengths of time. The greatest proportion of respondents (19 per cent) stated either ‘for at least two weeks but less than a month’ or ‘for at least a month but less than two months’.

**Table 1: Thinking about all the times there have been streetworks outside or in the vicinity of your shop over the last three years in total for how long would you say streetworks have negatively impacted upon your business?**

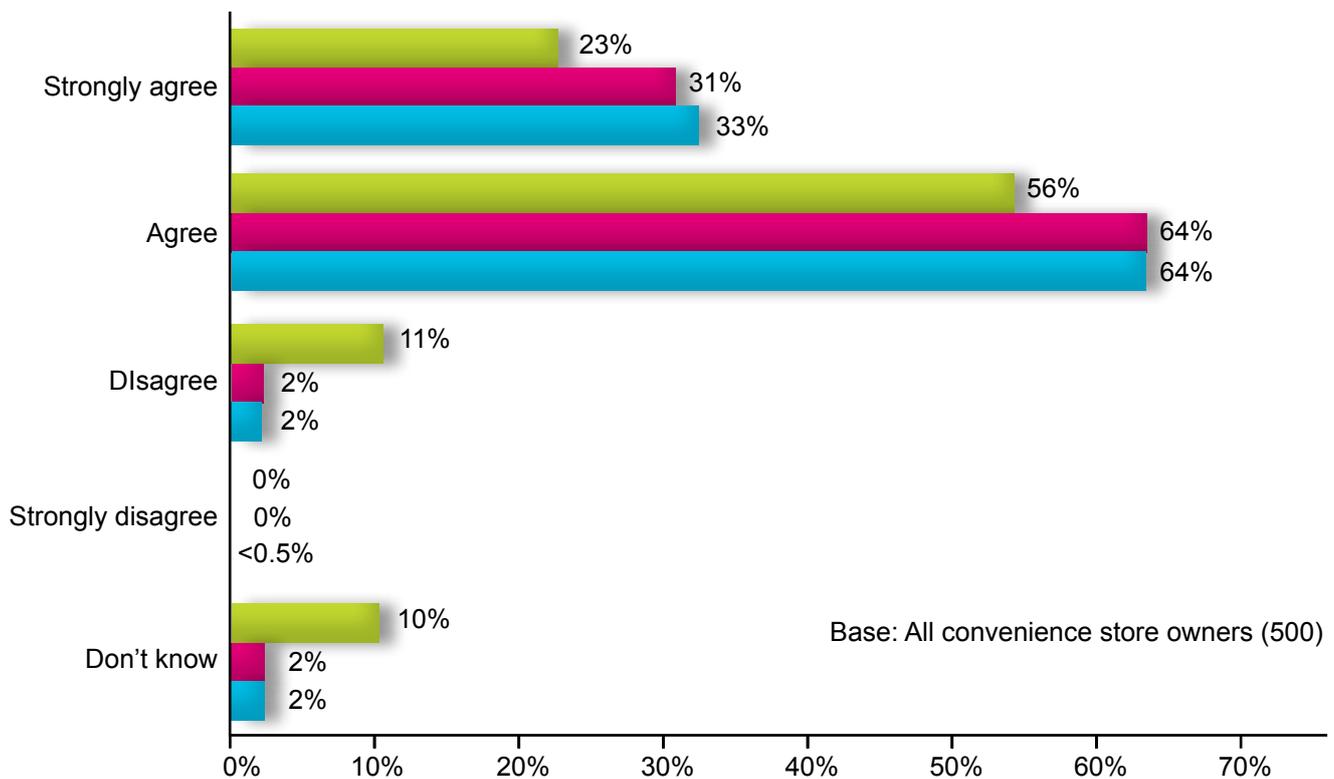
| Length of time                                   | % of respondents |
|--|------------------|
| For under a week                                 | 9                |
| For at least one week but less than two weeks    | 9                |
| For at least two weeks but less than a month     | 19               |
| For at least a month but less than two months    | 19               |
| For at least two months but less than six months | 16               |
| For six months or more                           | 9                |
| Don't know                                       | 19               |
| Base   | 205              |

## Streetworks and utility companies

Convenience store owners were asked a series of questions about streetworks and utility companies.

- 79 per cent of convenience store owners strongly agreed or agreed that utility companies should help finance the resurfacing of roads
- 95 per cent of convenience store owners strongly agreed or agreed that their council should have sufficient powers to ensure roads are returned to the required standard by utility companies
- 96 per cent of convenience store owners strongly agreed or agreed that their council should have the powers to ensure that timings of streetworks are best suited to local circumstance.

**Figure 3: Do you agree or disagree with the following statements?**



■ Utility companies should help finance the resurfacing of roads.

■ My local council should have sufficient powers to ensure roads are returned to the required standard after streetworks by utility companies.

■ My local council should have the powers to ensure that timings of streetworks are best-suited to local circumstances.





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