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SCOTLAND'S TRANSPORT THINK TANK



## Paying for better transport



## Editorial

Everyone wants to reap the benefits of better transport but organising and funding the necessary improvements requires new approaches. Too often the discussion about transport investment is divorced from the detailed delivery plans.

Growing consumer expenditure and intensive political bargaining are growing drivers of transport spending. More could be done to exploit these drivers of change rather than treating them as separate from social investment plans.

With car sales running at record levels there seems to be no shortage of money to fund transport but infrastructure enhancements require investment to prepare for the changing needs of more connected and integrated systems. Political processes are a critical part of transport investment decisions, but continue to be better used by narrow interests than overall system benefits. Tom Hart reviews many of the factors affecting the political dialogue and the prospects for new approaches. New investment opportunities which enable more integrated investment in transport could substantially improve the efficiency, targeting and resilience of investment. Derek Halden summarises a recent STSG report which looked at how to fund Scotland's connections to invest in a better economy and society.

This is only the start of the learning about these emerging investment approaches. The contributions in STR57 should help to challenge current assumptions and point towards new ways to pay for better transport.

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Tom Hart reviews the gap between policy aims and transport delivery and the implications for governance in Scotland. He suggests some fairly fundamental changes are needed to transport investment priorities.

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## New ways to fund a competitive transport system for Scotland

Derek Halden, STSG Chair and Director Loop Connections

The current framework for funding transport in Scotland could be substantially improved to open up new funding opportunities for people and businesses to pay for better transport. Recently STSG published a paper on how making new connections could unlock new investment. This short article summarises some of the main points.

At the heart of transport policy and delivery is a problem. Transport policy seeks economic, social and environmental goals, but the main outcomes of transport delivery are measured in terms of travel demand and customer satisfaction, rather than these wider goals. As a result, current investment mainly promotes more transport, not better transport.

Focusing on travel demand rather than access to opportunity also creates equity issues. When Bert van Wee and his colleagues in the Netherlands reviewed how investment decisions were made across Europe they found that regressive investment was widespread. In Scotland, the current big road investments are concentrated in wealthy areas, and the spatial and social distribution of the transport outcomes from projects such as the Aberdeen Western Peripheral Road and the Forth Road Bridge is not well understood.

Longitudinal studies of transport investment, most notably the Jubilee Line Extension in London and the Skye Bridge in Scotland, shows how smarter investment strategies could deliver more public benefit with less public money. Private gains are part of the economic benefits of investment, but as Government expenditure comes under increasing pressure new ways are needed to package the benefits to offer more attractive up front investment opportunities. Managing investment in this way will also help to limit the relative influence of lobbying and private speculation over transport investment.

**Managing investment in this way will also help to limit the relative influence of lobbying and private speculation over transport investment**

**Transport authorities create the framework within which other people, businesses and agencies invest, but authorities have tended to focus more on what they deliver than what they enable**

Public authorities raise funds through general taxes and charges, supplementing this funding with income on trading activities, and loans and grants from banks and funding agencies. These mechanisms are well developed and will continue to be important.

Transport authorities also create the framework within which other people, businesses and agencies invest in transport but this has been a neglected area. Transport authorities have tended to focus more on what they deliver than what they enable.

Much more could be done enable private individuals, businesses and investors to fund those elements of the transport system which transport authorities are unable to afford. Currently these businesses and individuals are investing in transport largely for private benefit, but with new packaged opportunities could be enabled to invest in better transport with broader social benefits.

With static or falling Government investment, there is an increasing risk that parts of the transport system will suffer from underinvestment unless ways are found to secure greater contributions from people and businesses who may be prepared to pay more to obtain the benefits they seek. In times of budget restraint, investment in statutory requirements is given priority, but legal requirements are the lowest standards acceptable in any narrow area of service delivery.

Sometimes better transport involves more travel and sometimes less. System level goals for a wealthier, healthier, smarter, more inclusive, greener and stronger society defines when more transport is needed. Smarter investment approaches are needed to develop and in-



transport investment could substantially grow the funding opportunities enabling a better future transport system, managed through partnership delivery models, and enabling more customised offers for users.

### Recommendations

Current administration of transport is managed largely separately by mode of travel, to reflect statutory accountabilities rather than the needs of better transport. Clearer accountability for better transport delivery managed through new action plans, audit regimes and backed up with new investment programmes could secure better transport.

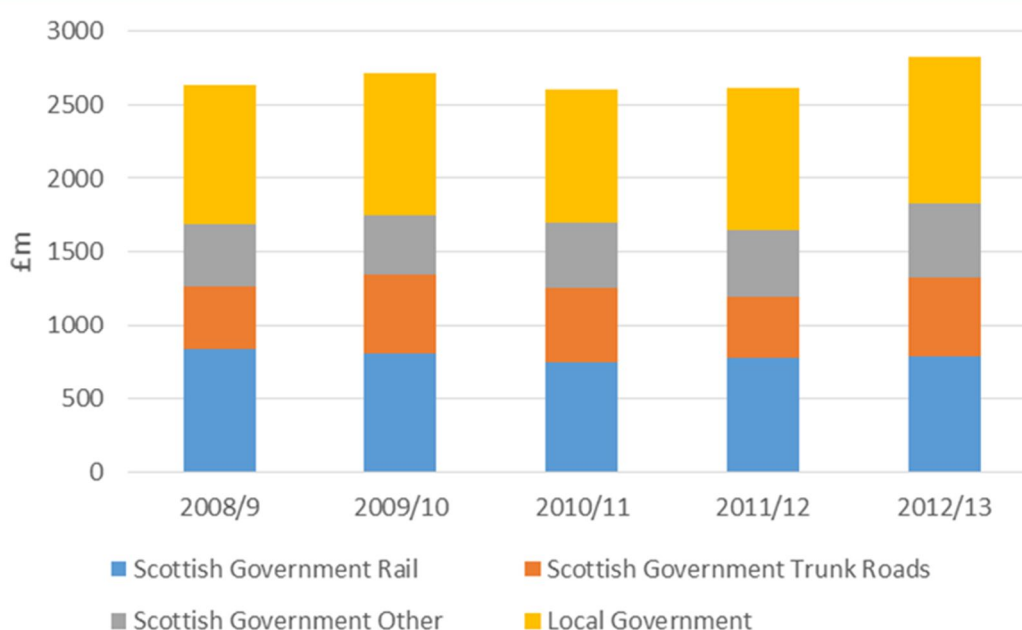
Current developments in community planning and smart cities include many of the ingredients for future success but delivery has been weak. A stronger solution focus is needed. Transport authorities need a clearer remit in system efficiency, customisation, networking and resilience.

Local community planning is not sufficiently delivery focused, and national programmes for trunk roads and rail are not sufficiently system orientated. Stronger partnerships are needed to deliver new types of cross sector programme.

**Integrating smart payments with wider costs for housing, leisure facilities, offices, schools and hospitals could help to make transport cost more acceptable**

A better performance audit regime is needed to back up delivery. Currently data is limited about the performance of transport in supporting better wealth, health, a clean environment, and a stronger society.

Overall journey times and costs for essential travel may be rising, negative health impacts of transport investment are increasingly widespread, adverse environmental impacts are evident, and society is becoming more divided as a result of transport changes. A shift in Government investment priorities towards smarter delivery would not only co-ordinate investment to secure additional partner funding for delivery on shared local and national goals.



**Current spending priorities are classified and managed by mode of travel and type of transport so action is needed to organise funding through access to services action plans to build new types of delivery partnership**

# Passenger Movement: Getting Better Delivery of Policy Aims

By Tom Hart, Scottish Association for Public Transport

## 1. Introduction

This article looks at Rail Policy and Spending in Scotland, the Policy Aspects of Scottish Passenger Movement, Economic, Social Justice, Environmental and Political Strands and the Options for Devolution.

1.1 Four main concerns are addressed:-

- 1) the difficulty that current data presents in assessing, and modifying, policy to improve outcomes
- 2) the apparent dominance of rail support from public funding when bus support is considerably lower and skewed towards compensation for free travel for concession groups
- 3) an assumption that trunk road investment is specially important for sustainable growth
- 4) the need to consider options for enhanced delivery within the existing devolution settlement and proposals for enhanced devolution to, and within, Scotland and in other UK regions.

1.2 The conclusions are that enhanced devolution can improve delivery through revised resource use to :-

- cut trunk road investment relative to rail and local road, walking and cycling enhancements
- give a strong focus on rail investment and management changes cutting running costs per passenger kilometre and encouraging further modal shift from car use and domestic air travel
- encourage use of buses and demand responsive transport through replacement of free nationwide bus travel with a free local transport concession and other rises in funding for local public transport

1.3 In line with UK Government policy, recent progress has been made in raising the contribution of fares to the total costs of passenger rail services, including appropriate contributions to track maintenance and renewals and to new investments. However, total central government support per passenger kilometre has remained high in several franchises, notably those for Wales, Scotland and Northern England. In Scotland, rail passenger support divided by passenger trips remains around £9

per trip (derived from ORR data and quoted by Derek Halden in article in Rail 3 Sept., 2014 on Rail and Scottish Independence) while, in specifications for a new franchise for Northern England, government is seeking substantial cuts in present costs through possible fare increases, service reductions, station closures and investment kept at low levels.

1.4 Yet better delivery of policy aims, as Christian Wolmar has pointed out, is not a simple issue of cutting rail costs but of increasing overall public benefits relative to costs. In his words, rail privatisation has never delivered the promised transparency (Rail 23 July 2014). The industry has lacked the will to be open and transparent while government itself has kept rail, bus and road economics in separate compartments. This Discussion Note seeks to clarify the situation with particular respect to Scotland but stresses the importance of fuller information in assessing policy delivery and modifications. Comparisons are based on passenger kilometres rather than trips.

**Recent progress has been made in raising the contribution of fares to the total costs of passenger rail services**

## 2. Passenger Rail Policy and Spending in Scotland

2.1 General information on ScotRail and Scottish Government spending related to rail services is provided in Scottish Transport Statistics (with the most recent annual issue No 32 appearing early in 2014). Headline figures coming from Table 10.1 are given in Table 1.

2.2 There are two major problems with these figures. The first is a system of Track Access Charges with divided Scottish and UK government/ORR responsibilities for determining charges to different operators.

2.2 There is also dispute over the methods used in allocating charges to different types of service while com-



**Most Scottish Government direct and indirect support relates to track and signalling costs attributable to ScotRail passenger services**

parisons with roads are hampered by the lack of an equivalent road charging regime. Table 1 may therefore exaggerate the level of support given in respect of track costs properly allocated to ScotRail passenger services within Scotland.

2.4 The second, and larger, problem is that most Scottish Government direct and indirect support relates to track and signalling costs attributable to ScotRail passenger services. These costs include infrastructure maintenance and renewals plus enhancements. Indirect support is the element of track annual maintenance and renewal costs paid to Network Rail by ScotRail from annual franchise payments. Direct support relates to enhancements of existing track and extensions e.g. track doubling, a third track between Shields Rd and Paisley Arklestone, improved interchanges, electrification, additional stations and passenger network extensions. Schemes since 2005 include passenger extensions from Stirling to Alloa (also with heavy freight usage), reopening between Airdrie and Bathgate and the forthcoming reopening of Borders Rail in 2015. Electrification also re-appeared in investment programmes from 2010, including the entire route from Airdrie to Edinburgh via Bathgate, the Glasgow-Paisley Canal line and initial elements in the EGIP programme such as electrification from Springburn and Coatbridge to Cumbernauld and from Rutherglen to Whifflet. Such work

has been largely funded through Network Rail borrowing. Capital costs do not appear as Scottish Government investment but NR borrowing charges are covered by the Scottish Government and will be a rising element in allocated annual spend on rail support for 20 to 30 years.

2.5 More information is needed to clarify the actual position and assess outcomes against policy aims. The context is one in which the Scottish Government and that in Wales (areas less intensely populated than most of England) have concluded that the principal aim is to encourage rail passenger usage and efficiencies in operation, (with related benefits for the economy, environment and society) rather than maximising fares income. There is also the reality in less congested areas that pushing up fares above inflation could cut usage and income. Selective lowering of fares can be more effective. Subject to checking against more transparent information, the actual annual operating support for ScotRail services and fare restrictions seems likely to have been as outlined in Table 2 after allowing for deduction of direct payments from ScotRail to Network Rail Scotland

2.6 Table 2 suggests that, in real terms, Scottish Government support for ScotRail service operations has risen slightly since 2006 but that average fare income per passenger km has risen more rapidly, mainly due to a rise in passenger volumes rather than a rise in passenger fares. Initially, some of this rise may reflect improved efficiency in collecting fares but data for 2014-15 shows a continuing rise in usage.

2.7 Nevertheless, the figures also indicate that income from fares is now only slightly greater than the level of

<b>TABLE 1</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>
<b>Rail Support in Scotland £m</b>	£820	£929	£831	£807	£749	£777	£783
<b>ScotRail passenger km (m)</b>	2338	2426	2516	2533	2642	2682	2713
<b>Passenger Receipts (£m)</b>							
Internal trips	£171	£210	£213	£230	£236	£258	(£273) (estimated)
Cross-border	£78	£85	£95	£106	£129	£136	
Total	£248	£295	£308	£337	£365	£393	
Total -2012 prices	£295	£336	£337	£370	£384	£393	
This data gives the following crude figures							
ScotRail support per pass.km	35p					25p	
ScotRail receipts per pass. km	7p					10p	

**TABLE 2**

	06-07	09-10	12-13
Operating support for <u>ScotRail</u> services (estimates)	£140m	£180	£230
Adjusted to 2012 prices	£185m	£205	£230
<u>ScotRail</u> passenger km (m)	2338	2533	2713
Support per pass. km (at 2012 prices)	8p	8.5p	9p
<u>ScotRail</u> passenger receipts(2012 prices)	£195m	£244	£268
Fare receipts per passenger km.(2012 prices)	8p	9.5p	10p.

*Note* ScotRail receipts include income from Anglo-Scottish overnight services but the assumption has been made that this income and related passenger km will approximate to total receipts and passenger km. by other operating companies related to trips made within the area north from Carlisle and Berwick-on-Tweed

support for rail passenger operations. Better financial results could have been obtained by selective rises in peak fares, further gains from off-peak marketing and co-ordinated efforts both to tailor services closer to demand and separate measures to reduce track costs and focus enhancements on those projects offering early economic and community returns or good prospects for wider, longer-term benefits.

2.8 The Scottish Government view has been that efforts to raise the real level of fares at peak times and to curtail off-peak services would conflict with wider aims. Under franchise conditions, evening frequencies are better than on the bus network. Increased service frequency and additional Sunday services have been seen as important in meeting wider aims though with the downside of increased overcrowding on several services due to the limited availability of rolling stock. Yet there is also a continuing anomaly that fares within the SPT area tend to be lower per mile than elsewhere in Scotland

2.9 A plus side of the cancellation of the proposed Glasgow Airport Rail Link has been the availability of a surplus of new electric rolling stock which has allowed improved service frequencies between Ayrshire, Inverclyde and Glasgow, 8 trains per hour (4 in each direction) on the reopened Airdrie-Bathgate link and other low-cost electrification to Paisley Canal, Cumbernauld and Whifflet. Such projects also released scarce diesel train sets for improved services around Inverness, between Glasgow and Oban and on the additional Borders rail route coming on stream in 2015.

2.10 On the capital side, borrowing costs have been contained by either the cancellation or modification of

three major schemes. These are the Glasgow Airport and associated Glasgow Crossrail Link, EARL plans to place Edinburgh Airport directly on the rail network and a major cut in the original EGIP (Edinburgh-Glasgow Improvement Programme) proposals. The Borders Rail Scheme survived since it was too advanced and popular (in some quarters) to be dropped or postponed. Despite these cuts, the Scottish Government, in association with ORR agreement on funding, has been able to ensure that rail infrastructure investment, including electrification, in Scotland has been higher than Network Rail might otherwise have preferred.

Network Rail has indicated a preference for a less ambitious rail electrification programme in Scotland but greater attention to priority packages for infrastructure

**The current public funding of about £2bn for transport each year is probably making more impact growing the transport economy than improving connections.**

and signalling investment

2.11 Political factors may have influenced an over-emphasis on 'big' projects rather than packages of small projects cutting annual operating costs but also giving early passenger benefits. For the coming five years, smaller but connected schemes deserve more attention and a linkage with early delivery of suitably designed additional and replacement rolling stock. In neither the rail or road sectors can it be assumed that accelerated



delivery of 'big' projects will offer high economic and social benefits – indeed there is a risk that such 'big' schemes could divert limited government resources away from sectors offering higher and earlier benefits. Such sectors include health, energy generation and conservation, housing and, within transport, greater attention to town and rural bus, taxi and demand responsive transport potential.

**With operational performance and usage rising in the rail sector and positive changes less obvious in motorised road movement, there is a strong case for an investment shift from 'big' road schemes to both smaller schemes .**

2.12 'Big' transport schemes should not fall off the agenda but there is a need for greater selectivity and pre-appraisal in determining rail and road investment programmes for the 2020s. With operational performance and usage rising in the rail sector and positive changes less obvious in motorised road movement, there is a strong case for an investment shift from 'big' road schemes to both smaller schemes (including walking and cycling) and to some 'big' rail projects. Candidates for full appraisal are:-

- 1) extension of the Edinburgh tram network beyond the initial route from the Airport to central Edinburgh (already likely to be extended to Leith by 2020)
- 2) a Metro or light rail network in the Glasgow conurbation (mainly based on improved frequency and extra halts on existing route but including some new construction (such as access to Glasgow Airport and East Kilbride Town Centre) and improved interchanges/ smart ticketing)
- 3) sections of High Speed Rail construction to relieve existing track and ensure 3 hour Glasgow/Edinburgh-London trip times and 30 minutes Glasgow-Edinburgh by 2030 (with benefits including major shifts from domestic air travel and longer-distance car travel to rail)
- 4) electrification from the Central Belt to Perth, Dundee and Aberdeen between 2026 and 2030 along with sections of new construction and double-tracking to shorten trip times north to Aberdeen and Inverness together

with improved local services through Dundee and into Aberdeen and Inverness (this would fit with the need to replace refurbished High Speed Diesel trains as in the Abellio franchise with new stock between 2026 and 2030 - with Perth-Inverness electrification a potential follow-on in the early 2030s)

### 3. Wider Context of Policy Aspects of Scottish Passenger Movement

3.1 There are three broad strands in Scottish, UK and global policy – economic, social justice and environmental plus a fourth strand relating to views on how to organise to meet these objectives. Transport and connectivity is a sub-strand within each of these categories.

3.2 The Economic Strand— In the 19th and 20th centuries, improved transport was seen as having an important role, along with other mechanisation, in improving economic performance. In turn, this stimulated demand for further improvements in transport and connectivity. In the past 20 years, however, transport has had a declining role in the total economy, overtaken by the rise of electronic connectivity and changing consumer preferences. Though physical connectivity, both global and within the UK, remains significant for economic performance, few would now claim that transport in itself can play a key role in transforming economies already well developed. More subtle arguments are required in determining the scale and type of transport investment and pricing required to strengthen the economy.

3.3 The Social Justice Strand— Countries vary in the importance they attach to social justice and equality issues yet equitable access and the costs and benefits of such access has been an issue commanding more political attention. Equity involves much more than transport. There is debate on whether equity is best promoted through income, health and welfare redistribution or by targeting access to facilities, especially for those with disabilities or with special needs relating to youth or age

**subtle arguments are required in determining the scale and type of transport investment and pricing required to strengthen the economy**

**Will voters and politicians lean to a lighter touch involving greater role for private enterprise with a looser regulatory regime or will the respective role of varying levels of government and methods of funding change?**

3.4 The Environmental Strand— This has seen increased importance attached to providing all individuals with improved local environments while also giving more attention to conservation of resources and habitat aided by a stabilising world population and well-defined progress towards substantial cuts in harmful global and local emissions – including the special role of cumulative cuts in greenhouse gas emissions. There is some conflict here with shorter-term aims for economic expansion yet recognition of the need to resolve this conflict in the process of creating a stable and equitable world economy

3.5 The Political Strand— This relates to changing views on those aspects of centralisation and decentralisation which may best meet aspirations. Will voters and politicians lean to a lighter touch involving greater role for private enterprise with a looser regulatory regime or will the respective role of varying levels of government and methods of funding change?

3.6 Changing from global perspectives to Scotland, there is a need to deliver action which could assist better integration of the strands listed above

4.1 There must be doubt that, in the absence of other supporting policies, a major rise in spend on transport infrastructure will benefit the economy. The crude data from Scottish Transport Statistics (No 32 Table 10.1) is shown in Table 3.

4.2 Table 3 is misleading since the road data is for direct capital spend and the rail data is for total support, including capital charges. Actual motorway and trunk road capital spend is also under-recorded since several schemes, though not the additional Forth Road Crossing, are being funded by PPP arrangements with contractors. Funding for rail infrastructure enhancement remained a small part of total rail support. Major public transport projects see substantial reductions.

4.3 Exclusive of the new Forth Road Crossing and the M74 Extension in Glasgow, trunk road capital spend became severely constrained with this also applying to Local Authority road maintenance. Priority for the Forth Road crossing linked with bridge toll abolition seemed misplaced when alternative uses of such funding – including acceleration of smaller but high benefit road, bus and rail schemes plus more spend on local road maintenance or in other sectors of the economy- could have offered better value. With notional loan charges on a new Forth Road Crossing plus the annual costs of maintaining two crossings with future traffic levels not appreciably higher than at present, the annual support cost per vehicle trip (using the same financial techniques as for rail) could be as high as £5. No one would suggest stopping work on the new crossing but, looking to economic benefits within limited funding, it would have been better to postpone a decision on a new crossing for at least a decade.

## 4. The Economic Strand

4.4 Looking towards Aberdeen and Inverness, there is a need for comparison of the economic benefits of high

<b>TABLE 3</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>
Motorway & Trunk Road							
Capital Spend (£m)	146	132	218	319	266	215	301
Rail Service Support	820	929	831	807	749	777	783
Major Public Transport Projects	195	252	129	159	75	70	36
Car vehicle kms (m)	34,466	34,545	34,357	34,391	33,591	33,578	33,777 (Table 5.3)
ScotRail passenger kms (m)	2,338	2,426	2,516	2,533	2,642	2,682	2,713 (Table 7.1)

### A welcome feature of the Abellio franchise is the proposed order under leasing arrangements of 80 electric train sets

spending on road dualling (A9 Perth-Inverness and A96 Inverness-Aberdeen) and very restricted spend on the parallel rail corridors over the period to 2030. A shift in the balance towards rail investment could attract a greater share of passenger (and freight) movement on these important corridors. This should include assessment of the gains from shorter rail trip times and improved frequencies between Glasgow/Edinburgh and Aberdeen/Inverness. The Third National Planning Framework has already stressed the need to ensure that rail trip times on these corridors become better than by car yet budgetary action to help deliver this has been lacking.

4.5 Given the diverging trends in car and rail use, it can also be argued that in the years to 2020 greater priority should be given to small but high benefit rail schemes and orders for both additional and replacement rolling stock. A welcome feature of the Abellio franchise is the proposed order under leasing arrangements of 80 electric train sets but this order has not yet been finalised. Rather than the previous Scottish Government aim to have the first of a new order for the electric trains for EGIP arriving by December 2016, the franchise agreement with Abellio mentions a start to the delivery of new trains one year later in December 2017. This needs early re-consideration and the inclusion, under separate arrangements, for a suitable design of high capacity shorter-distance electric rolling stock for use around

Glasgow, Edinburgh and Aberdeen and also elsewhere in Scotland e.g. from St Andrews to Carnoustie

4.6 As SPT has found in ordering new buses for lease back to operators, this procedure can help cut annual support for bus services but with a rise in service quality. SPT has also negotiated savings in Glasgow Subway operating costs which are releasing funds to complement Scottish Government grants towards Subway modernisation. A similar closer partnership between ScotRail and Network Rail has ensured a large cut in the costs of electrifying the Glasgow-Paisley Canal line. Such innovative approaches give scope for greater changes in operating practices, with the added boost of increased passenger usage, to become an increasing source of capital funding. On the bus side, measures to improve city centre bus reliability and shorten peak travel time are stuck in delays despite benefits for city economies and access to jobs. Except in Edinburgh, parking policies and decriminalised traffic controls continued to be a neglected area of action to benefit the economy. Property taxation also offers potential as a major contributor to medium to longer-term plans to improve city public transport and active travel. This can encourage further shifts away from car use offering added gains for the attraction of cities and other centres for leisure and tourism.

**TABLE 4**

	06-07	07-08	08-09	09-10	10-11	11-12	12-13
Rail Service Support (£m)	820	929	831	807	749	777	783
Bus Service Operator (£m)	63	67	64	64	63	61	62
National Concession <u>Travel</u> (£m)	163	174	193	201	187	188	193

*Note This Table excludes support given by the Road Equivalent Ferry Tariff (RET) on most internal Scottish ferries but is reflected in the large rise CalMac support from £44m in 06-07 to £74m in 12-13. It also excludes Local Authority Support for loss-making but socially essential bus services. Complicated by bus deregulation and competition law, there has been very little support for bus services aiding access to labour markets. Though some rural Authorities now support most bus services in their area, total support across Scotland is small compared to the estimated £230m of operational support for ScotRail in 2012-13*



## 5. The Social Justice Strand

5.1 Relevant data from Table 10.1 of No 32 of Scottish Transport Statistics is shown in Table 4.

5.2 At first glance, the level of rail service support seems very high compared to social benefits arising but part of that relates to support for relatively lightly used rail infrastructure offering little, if any, economic benefit for Scotland as a whole and with fairly limited benefits for local residents in terms of access to facilities. On the other hand, several routes offer, or could offer, considerable benefits for Scottish connectivity and mode shift away from car use plus other local benefits through encouraging more tourist and leisure visitors over an extended season rather than heavily concentrated on a short peak.

5.3 As comment on the Northern franchise in England has shown, too high a proportion of Network Rail costs may be allocated to lightly used services causing less damage to track than heavier and faster services. The costs of such rural services can also be cut and benefits increased through development of effective Community Rail Partnerships. More attention should be given to these issues though it is never possible to rule out some closures of lines or stations – or change to a more selective and seasonal tourist role if usage continues to fall. With rising usage on most routes (including Scotland's scenic railways) and closer links with walking, cycling and local bus links, there is potential for ongoing reduction in rail infrastructure costs relative to usage. Such steps can help funding and management action to cut annual infrastructure maintenance costs and enhance rolling stock, route attraction and marketing.

5.4 Even so, with estimated direct support for passenger rail operations over £200m a year at 2012 prices, (see Table 2) this is high compared to Bus Operator Support around £60m a year. (Recently announced support for the new Abellio franchise averaging £300m a year at 2015 prices is not directly comparable for reasons explained in Section 2 but is higher than likely bus support). Why should rail be supported for good frequencies of service well into the evenings and at weekends when there is no similar mechanism to support improved bus services at these times? Why is so much spent on the provision of compensation to operators providing free bus travel for those over 60 and the dis-

**Why should rail be supported for good frequencies of service well into the evenings and at weekends when there is no similar mechanism to support improved bus services at these times?**

bled throughout Scotland? (This system also encourages operators to raise other fares as a basis for claiming greater compensation for free travel by concession holders). With one-third of bus trips now part of the free travel concession (including an incentive to make longer trips within Scotland), 'free' travel costs the Scottish Government £1.30 per trip while also keeping rail travel, and fare income, on both local and longer-distance trips within Scotland lower than might otherwise be the case. Free travel is also of very limited help to those not close to a regular bus route or having no suitable scheduled bus service available to meet their access requirements.

5.5 To meet social justice criteria, there should be a review of existing rail, bus service and bus concession support to give better outcomes – including a review of regulatory and funding frameworks moving the focus from separate modes to integrated, well connected frameworks for local and longer-distance transport with smart integrated ticketing. Such a review could also detect and encourage synergies allowing better delivery of economic and social objectives. There are particular opportunities for a combination of cost-saving and quality improvements in overviews of taxi services, community transport non-emergency NHS transport and other demand responsive transport connecting well with core networks of scheduled bus, rail and ferry services plus links between public transport and the expansion of walking and cycling as alternatives to car use. In the better access agenda, greater support for local shops and services, as well as e-shopping, merits attention. Better access does not have to involve more transport.

## 6. The Environmental Strand

6.1 This strand is now sufficiently developed to be separate from, yet co-ordinated with, narrower issues of economic performance and social justice. Though hav-

ing less attention in the recent economic recession, there are still major public and political concerns about how best to:-

- a) improve the quality of local environments for all sections of the population (a better public realm, better neighbourhoods, less noise, better air quality, lower road traffic speeds, less crime)
- b) sustained global action to maintain cumulative cuts in greenhouse gas emissions, slow climate change and improve the balance between human population, food supply wildlife and natural habitats. Despite the advantages of low population and access to renewable sources of power, Scotland has been falling behind targets— with Britain as a whole at risk of putting too much faith in ‘technical’ solutions rather than recognising that transport, manufacturing and other energy-consuming sectors need to make greater progress in securing carbon reduction through energy conservation and changes in public preferences. Growth in air travel is likely to remain but at a lower pace and with a more pronounced shift to longer- distance air travel well connected into surface public transport networks.

## 7. The Political Strand

7.1 Centralised UK politics now faces the dilemma of how best to respond to pressures for more responsibilities to move to an EU or global level while other powers and funding are further devolved both within the UK and down to more localised levels with a related rise in regional and local powers for taxation and income-raising. But there is a conflict here between local fund-raising powers (in areas of very differing wealth) and the need for equalisation, more efficient delivery and strategic thinking at a higher level of government. Pleas from a few quarters for a return to nationalisation have been replaced by growing interest in devolved regulatory and funding powers, supplemented in some cases by local or community public ownership with the options of either full ownership or an operating lease or franchise of certain functions.

7.2 So far as transport affecting Scotland is concerned, immediate opportunities for constitutional change are limited by legal complexities and political differences. Some options merit further discussion with the aim of

early decisions yet, since many transport powers and funding are already devolved to Scotland, there are many opportunities for change within the existing framework. As well as community projects encouraging walking, cycling, car-sharing, public transport publicity and support for the maintenance of existing and additional rail halts and bus/rail/ferry links, stronger regional action on transport and access could be taken if Regional Transport Partnerships gained greater powers pending a more widespread reorganisation of local government. It would also be helpful to have a study of the Northern Ireland experience where buses continue to have a higher level of regulation and where rail passenger use has risen more rapidly than in Scotland – assisted by track modernisation, new rolling stock and improved timetables rather than network extensions or electrification.

**Centralised UK politics now faces the dilemma of how best to respond to pressures for more responsibilities to move to an EU or global level**

## 8 Opportunities for change within the existing planning framework

8.1 Priorities in the Third National Planning Framework should be reviewed to ensure better alignment with rolling Five Year Scottish Government Budget and Climate Change Strategies with fuller reassessment every five years incorporating Outcome statements

8.2 Scenarios for likely changes in passenger (and freight) movement within, and to and from, Scotland should be published every five years with comparisons between scenarios and actual change in the previous five years. Scenarios should focus on a 15 year time-scale with some speculation on a 25 year timescale

8.3 The nature of information presented in annual editions of Scottish Transport Statistics should be changed to give clearer indications of investment in transport enhancement, the source of such spend and the proportion funded by grants from the Scottish Government

### Bus Operator Support and free travel compensation payments should be reviewed to restrict free travel to local areas and to those over state pension

and other public sources (including the split between the use of public borrowing and transfers from revenue accounts to capital), by PPP arrangements and by contributions from other sources (in addition to headline figures in Scottish Transport Statistics, relevant but concise information should be available in budget-related statements and expanded on-line)

8.4 The successor to the present ScotRail Passenger Franchise will be for 7 years with a potential extension to 10. Details of actual change in yearly payments have not been released but it is expected that annual payments will reduce in real terms for both operational support and contributions to Network Rail Scotland as part of a separate understanding that at least 50% of such savings are ploughed back as Scottish Government or RTP grants to support service, infrastructure and fare structure enhancements in the public transport and active travel sectors. It is desirable that the franchise agreement should be modified as part of revenue neutral Scottish Budget changes to make provision for free local travel by rail for concession groups subject to defined flat fares for local travel at congested peaks and a higher flat rate day fare for travel anywhere in Scotland (also including Carlisle and Berwick-on-Tweed) (on equity grounds, a similar arrangement should apply to internal ferry trips and in revised bus support)

8.5 Provision should be made for new rolling stock (in excess of the 80 units committed by Abellio) to be owned by the Scottish Government or RTPs (this practice is already being used as a means of lowering support but raising the benefits of loss-making bus operation)

8.6 As part of agreements between the Scottish Government and ORR, Network Rail should have revised targets to reduce track and signalling costs on the existing network, with around 50% of savings available for Scottish Government or RTP contributions to network enhancements. This should be associated with a review

of trunk road spending and enhancements over the next 15 years to assess the benefits of transfers to rail infrastructure enhancement and to local road and bus budgets. As part of increased powers and funding for RTPs or for fewer Local Authorities, the majority of trunk roads and some rail track could transfer to such bodies

8.7 Bus Operator Support and free travel compensation payments should be reviewed to restrict free travel to local areas and to those over state pension age or with a disability – with annual savings and bus operator grant powers transferred as earmarked funding for local transport and access to EITHER strengthened RTPs OR to SPT and 9 to 12 regrouped Local Authorities elsewhere in mainland Scotland

8.8 Fuller use for transport and access purposes of net income from sources such as parking, decriminalised traffic offences, developer contributions, selective road charging and revisions in local authority and property taxes

## 9 Opportunities for further change as part of enhanced devolution

1) Devolution of energy and road fuel duty taxation plus





VAT and income tax to the Scottish Parliament (subject to deduction of any UK government income required to cover items (such as state pensions, defence, foreign and EU policy) not fully financed by continuing UK taxation. Fuel duty taxation, in addition to road charging powers already devolved, could be linked with a replacement of the present system of Rail Track Access Charges with a new system optimising infrastructure use with a percentage of road fuel charges becoming available for public transport improvements and bringing fuel prices in remoter areas closer to Scottish norm

2) Devolution of the proceeds of Aviation Taxation (presently Air Passenger Duty) on a UK based formula distributing the proceeds to UK regions (Present Scottish Government policy is to seek full devolution of APD to enable it to be cut or removed but this would involve a loss of potential income. The alternative, in line with UK aims for a relative shift in economic activity away from London, would be to introduce higher rates of duty at London area airports to encourage further shifts to airports away from the immediate London area and also to increase funds available for introducing HSR (High Speed Rail) between London and Scotland and so increasing space at London airports for some expansion of longer-haul overseas flights (The latest recommendation from the UK Airports Commission is that plans for a major new airport on the lower Thames should be dropped. Such a project is not seen as cost-effective compared to lesser improvements at Heathrow or Gatwick and a lessening of London airport pressures through greater shifts from London to direct overseas flights from regional airports and a substantial shift of longer trips within the UK and to the nearer European mainland from air to High Speed Rail)

3) Adoption of EITHER a policy that the income from (or payments to) future Anglo-Scottish rail passenger franchises (presently East Coast, Virgin, Cross-country and Trans-Pennine should go to (or fall on) the UK Government OR a policy of equitable division of any surplus or loss between the UK and Scottish Government's

in line with UK aims for a relative shift in economic activity away from London introduce higher rates of air passenger duty at London airports



(daytime services are likely to be making substantial payments for franchise rights in coming years ) If there is a surplus to government, this could be earmarked as a contribution to HSR funding and related release of capacity on existing rail routes for both passengers and freight)

4) While there is a strong case for the regulatory framework for transport safety and signing and for public consultation on inter-regional services remaining UK-based (as part of Passenger Focus), there are merits in reducing the current role of ORR and in the creation of a stronger Scottish body dealing with transport user consultation on internal Scottish services (including views on five-year budget programmes). Rather than ORR being involved in overviews of five-year rail infrastructure programmes and track access charges, it could be more effective for these matters (including road-rail corridor comparisons) to be handled directly, within budgetary procedures, by the Scottish Government and Network Rail Scotland. ORR could have a continuing role in resolving disputes over cost allocations relating to rail track and services

5) While Network Rail (now fully in the public sector) already has a Scottish subsidiary, should this continue as it is OR be given a stronger Scottish role by taking on some of the present roles of ORR and Transport Scotland? Other aspects of Transport Scotland activity could be absorbed in a reshaped Transport Division within Scottish Government more fully involved in the broad strategy of future plans. Network Rail Scotland could continue to make use of some elements of a continuing British Network Rail e.g. research, funding expertise (Note this is Britain as Northern Ireland has a separate rail organisation).