

Reform of Transport Governance – From Passing the Buck to Consensus for Change

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Summary

This paper aims to provoke debate and discussion about future transport governance arrangements. It has been prepared as a contribution to Reform Scotland's debate on reforming governance in Scotland.

Clearer accountability for transport performance and better engagement with users is needed. Scotland's national transport strategy recognises the need for governance change, but progress is currently too slow to meet the fast-growing challenges of net-zero transport and technology change. The new dawn for local government envisaged by Christie Commission in 2011, for collaborations and joint working, have not materialised at scale. Far from being locally democratic enablers of social change, local government still prioritises legacy service delivery functions, even as traditional funding sources run dry. This means that even the basics of transport delivery, like comprehensive bus network coverage, fair parking charges and efficient road maintenance are struggling to remain viable. Given the prevailing weak accountability for poor performance, the only highly developed part of transport governance in Scotland is the blame game

To improve the opportunities for making more viable and sustainable connections, transport governance can be devolved to lower levels. Community capacity varies across Scotland and many of the most innovative improvements are currently being delivered within communities. Accelerating the implementation of the Community Empowerment Act, with greater support from Local Government and specialist enterprises, could lead to many more participation requests for managing and maintaining streets, paths and shared local services. Expanding community led transport delivery can build on the growing success of transport initiatives undertaken by Development Trusts, the success of national initiatives such as Scotrail's adopt a station programme, the growth of community transport, and exploiting the potential for locally run collaborative transport provision such as for shared cars and bikes.

Regional Transport Partnerships each currently have strategic visions for the future of transport in their areas, set within the national transport frameworks, but also reflecting the very different challenges in each part of Scotland. Although some progress has been made by these partnerships delivering transport projects, such as on new technologies for transport information and ticketing, most transport project management remains with Local and National Government. Three separate tiers of public bodies for transport governance makes clear accountability difficult, separates management of local roads from trunk roads, splits the development

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of comprehensive transport network coverage between locally managed bus services and national managed rail services, and greatly increases the complexity of all attempts to integrate transport services.

Pooling transport skills that are currently dispersed across separate tiers of government could help to create more accountable transport bodies for all modes of transport. Local and National Government could delegate agency on many more functions to Regional Partnerships and other joint ventures helping to: simplify accountability, implement the joint working recommendations of the Christie Commission, realise the more ambitious visions for Regional Partnerships envisaged over 20 years ago, and build on the successes with community empowerment already led by the Regional Partnerships.

Some national contracts such as for ScotRail and trunk road maintenance would require to be jointly overseen by the Regional Partnerships and Transport Scotland. These contracts and other transport functions managed by the regional bodies could be held to account far better: politically by local and national elected members; and financially through viable business models. The revenue streams for integrated transport are complex, particularly as the value of transport data and technology in the transport economy grows. Greater flexibility achieving new financing mechanisms have been demonstrated by the Regional Partnerships and City Deals than within Local and Central Government. Creating more integrated procurement frameworks could make far better use of available resources from user charges, fares and parking charges, in addition to funding from National and Local Government linked to specific social goals.

Current legislation enables elected bodies to delegate the delivery of their statutory functions, and seeks to empower communities. The above reforms can largely take place within current political democratic structures, and broadly follow the stated objectives of the Scottish Government.

Real power in government is the ability to delegate to those best equipped to deliver. Rather than continue with the current stalemate that divides society by transport modes, tiers of government and sources of funding, it is time to deliver the consensus for change through the people best able to shape it.

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1.0 Introduction

- 1.1 The governance structures for the organisations that run transport in Scotland have not changed very much for more than 15 years and a gap is also growing between ambitious transport policy aims and weak delivery of transport change. Transport policy changes reflect growing needs for better connections, lower emissions and more equitable opportunities. Nuanced changes to bus regulation, rail ownership, road tolls, transport prices and a host of other initiatives have not altered the fundamentals of transport governance.
- 1.2 At the same time, changes to transport and logistics have been instrumental in enabling the economy and society to transform over the last 50 years from relatively fixed patterns of activity to a system of highly flexible connections. Labour and housing markets, and growing service industries, rely on staff and customers having growing flexibility about how and when they travel. Online retail platforms such as Amazon are now amongst Scotland's largest transport operators, and the value of transport data often exceeds the cost of providing transport, but transport data governance is weak, and the fastest growing transport businesses are poorly engaged with Scotland's transport policy challenges.
- 1.3 No systematic review of governance has been published for some time, but the ideas below build from the debates in the early 1990s leading up to the 1996 local government reform, and the subsequent reforms in the 2005 Transport (Scotland) Act that established the Regional Transport Partnerships and the national agency Transport Scotland. Much has changed since the early years of the century in how transport is funded, the technologies being used, and changing social attitudes as the economy restructures to face growing global challenges.

2.0 Transport Governance in Transition

- 2.1 National transport policy is not blind to the need for reforms in governance but they do not yet offer solutions.
- 2.2 Transport Scotland's national transport strategy notes the need for governance reform, but progress in the first four years is reported to have been to convene a transport governance working group and to report that government is updating its evidence base.
- 2.3 Progress also has been made with national governance tasks such as partnership structures for investing in bus decarbonisation and initiating discussions on similar approaches for freight decarbonisation. These show the potential for new business models to invest in the future of transport through partnerships with clear accountability across the supply chain.
- 2.4 Bus operators, for example, are constrained by their investors to avoid risks and are seen as business models with relatively stable revenue streams and profit margins. Decarbonising involves risk, so the operators have been able to manage these risks through sub-contracting higher risk functions to companies who have been able to attract higher risk investment. Overall viability of these supply chains has been greatly assisted with national government funding.
- 2.5 There is a need to build new business models for nearly every part of transport delivery. Most importantly, the Scottish Government recognises the challenges of connecting national transport policy aims with the realities of business and lifestyle change in Scotland's communities. Fundamental change is needed to the travel choices and transport investment of residents and businesses, but current business models are not conducive to supporting such change.
- 2.6 A business might need to change to a larger fleet of electric vans transporting smaller loads in order to decarbonise their operations in advance of viable zero emission heavy goods vehicle deployment. Households might choose to own fewer cars and use shared transport options for more trips. Current business models are not set up to manage these transitions.
- 2.7 Recognising the need for change in the role of National Government, National Planning Framework 4 recently introduced a new approach that seeks to enable Local Authorities to lead the delivery of change. This is an immensely challenging new remit for Local Government, and totally at odds with the national current distribution of transport resources.
- 2.8 A fresh view of governance is needed that looks at how to align public policy aims with new sources of finance within viable new business models¹.

¹ <https://stsg.org/a-new-look-at-making-sustainable-transport-work-for-everyone>

3.0 The Accountability Gap

Passing the buck is poor value

- 3.1 Local government is under-resourced and overwhelmed with the rapidly changing transport landscape of technology change, economic restructuring, net-zero, evolving social attitudes and community empowerment. The new dawn for local government envisaged by Christie Commission in 2011, for collaborations to boost skills, have not materialised at scale. Far from being locally democratic enablers of social change, local government still prioritises legacy service delivery functions, even as traditional funding sources run dry.
- 3.2 This means that even the basics of transport delivery, like comprehensive bus network coverage, parking and road maintenance are wading to standstill through administrative treacle. Given the prevailing weak accountability for poor performance, the only highly developed part of transport governance in Scotland is the blame game.
- 3.3 Each part of the transport system seems like it is set up to ensure that accountability is opaque. Audit Scotland observed that even the west coast ferry franchise, which is 100% publicly owned and operated, depends on unaccountable tripartite governance system between Transport Scotland, CMAL, and Calmac. Nationalisation of Scotrail was hailed as a new dawn for accountability on rail performance, but quasi-political accountability does not help much when operational performance issues become increasingly confused with public policy choices, as seen in recent staff pay disputes.
- 3.4 Given the longstanding regulatory weaknesses affecting most modes of transport, it almost seems fanciful to expect that all current transport authorities have the capability to lead socially designed governance system for growing modes like e-scooters, drones and autonomous vehicles. Lack of clarity has led to growing public pressure for greater clarity of delivery arrangements including: bus regulation, public transport tariff design, road speed limits, sharing of road space, parking, and travel information.
- 3.5 There is no indication that Scots want political democracies to lose control of the rapidly changing transport markets, but that is what is happening as government fails to get to grips with the changing transport economy.

The Buck Currently Stops with Travellers

- 3.6 Transport users want a public transport system that works for them, rather than modes of transport designed around transport governance. Splitting the well-funded national governance of rail from the under-funded local governance of buses, does not look like a balanced approach to invest in sustainable public transport coverage.
- 3.7 If we look at who pays for transport, we find that the vast majority of the funding is private, such as household spending on cars, fuel, and air/rail/bus/taxi fares, and by business on vans/lorries. Even the new mileage added to the road network is largely privately funded, as access roads to new housing and other development sites. Taxes, charges and developer contributions are levied on this private funding, but the use of these funds is poorly aligned with policy.
- 3.8 For example, huge developments such as the new town at Winchburgh in West Lothian get a new motorway junction paid for by the development company, but even the developer funded public transport investment required by the planning system has failed to reach the public transport operators and infrastructure providers. Such issues are replicated across

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Scotland. Whilst the transport authorities play the blame game, communities, businesses, and tourists are left with increasingly unsustainable travel choices as the cost and time of sustainable travel choices become increasingly uncompetitive.

- 3.9 Governance of parking is particularly controversial, with tax breaks on land used for free parking acting as an incentive for non-productive use of land. In a recent particularly bizarre twist, the Scottish Government introduced new powers in the 2019 Transport Act to tax parking only for those who work, a blatantly unfair approach with little prospect of ever being used on both legal and equity grounds and doing nothing to accelerate functional parking policies being developed and managed by transport authorities.
- 3.10 In post pandemic Scotland, the terms of the government's social contract for public transport provision seems less clear than for many years. Rail commuting demand has plummeted as the workers who previously used rail have moved online for more of their communications and connections. In 2022/23 government subsidised rail travel in Scotland by approximately £1 per passenger km, compared with a GB average of less than 20 pence². At the same time the lowest income working households, who depend on bus services, are required to pay more than the market rate for bus travel to cross subsidise other public transport aims.
- 3.11 These problems are getting worse with recent policy initiatives. The government is keen for rail services to be used given the high subsidy cost, but charging off peak fares throughout the day to increase usage does not look like a sustainable strategy to railway finance. Neither does adding to the concessionary fare costs for transport operators with free travel for younger people, where national government revenue fails to cover the costs of carrying the free travellers on many parts of the network, particularly in rural areas.

² ORR Data Table 7210. Scotland Industry Income less freight costs and income to calculate net passenger income and expenditure. Cost per passenger km calculated from net subsidy for rail divided by passenger km.

4.0 Empowering a Better Future

Who is trusted with transport's future?

- 4.1 If government wants travellers to invest in better transport, then it needs to frame its governance systems to enable the required level of trust and commitment from investors. The largest investors are: travellers, businesses, and other service providers, so the starting point must be to understand what would make these investors change their current investment choices to align them better with the public policy priorities. We need a very different governance systems designed to enable people and making places to become more successful with the help of government.
- 4.2 Even the most casual observer of Scottish transport can see that we are not currently making the best of the skills and capabilities available to tackle the immense challenges ahead. There has been little open discussion and systematic review of transport governance in Scotland for many years, which is why the national transport strategy suggests a review. Progress must be made rapidly. In the absence of clear approaches to governance at this time of rapid structural economic change, technological developments have yet to factor Scottish social issues to investment plans. This potentially adds to public costs if these social policies need to be retrofitted later.
- 4.3 The best place to start is to identify what is already working build from there. If we start at the frontline in communities, we find many fantastic projects being led by people able to build support for change within their local places. Development Trusts and Community Transport Organisations have been early adopters of car and bike sharing, electric vehicles, shared taxis and other transport options responding to local needs. However, the June 2023 Scottish Parliament Committee report on the scrutiny of the Community Empowerment Act revealed that local authorities were more likely to view participation requests and asset transfers to community groups as an indicator of the failure of the local authority, than as an indicator of the success of the authority in enabling the collective capability in society. Empowering local people to take on more responsibility for their streets, winter gritting of paths, bus shelters, rail stations, grass cutting and a host of other tasks needs to be driven by incentives. There is huge scope for public bodies to invest public money to embrace these opportunities for greater community investment, and deliver performance benefits for transport asset management as local people take pride in the local streets and places where they live.
- 4.4 Nobody actually thought that the 1996 reorganisation of local government would help with transport governance, since the design of the 32 council boundaries prioritised other aims. Therefore, from 1997 the first steps were made to set up the South East Scotland Regional Transport Partnership (SESTRAN), piloting the way for the statutory Regional Transport Partnerships that now cover all of Scotland.
- 4.5 When Transport Scotland was set up 18 years ago, some thought that Transport for London, supported by local London Boroughs, might represent the sort of successful organisational approach that could be followed. However, Londoners live in a relatively small geographical area with many common transport challenges. It was also always recognised that national government is too remote from the day to day lives of people across such a diverse nation as Scotland to be able to lead local change, so Transport Scotland could never become the accountable tier of government for most transport. A far more distributed and regional approach is needed in Scotland, probably also with a much broader remit consistent with delivering connections regionally by economic sector.

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- 4.6 Over the last 20 years the regional transport partnerships have been building interesting project collaborations with regeneration, health, and in expanding public transport coverage. However, the default budgets for transport sit with Transport Scotland and local authorities. Though these authorities fund some collaborative projects through the regional partnerships, the regional transport partnerships are largely failing to deliver the economies of scale and scope they originally envisaged. The Christie Commission highlighted the benefits of Councils working together on projects such as the Ayrshire roads alliance, and in regional transport partnerships, but these changes have not been delivered at scale.
- 4.7 There are far too many constraints on central government to be able to develop the sorts of partnerships needed with business to fund better transport. The City Deals have assembled funding to develop partnerships, but their funding priorities are poorly aligned with transport policy priorities. Local government, particularly under the current 32 Council boundaries, will never have the scale and capabilities to lead changes with global transport businesses, so would always be the weak partner in collaborations with industry.
- 4.8 Transport Scotland cannot give its staff the frontline experience they need working with communities, since most transport functions are still meant to be delivered by the understaffed and overwhelmed local authorities. The Scottish public are therefore increasingly bewildered with the remote Transport Scotland decisions which they do not understand, and the lack of capability within local authorities to engage with communities on thorny transport challenges such as convenient locations residents who need electric vehicle charging points near their homes.
- 4.9 Across the world, large cities are succeeding in leading, such as Milan in Italy have been particularly successful at attracting transport investment by setting out a clear set of rules representing policy goals and inviting innovators to co-develop solutions building on a common social platform. Data governance is a particularly high priority but the prevailing culture on transport data sharing in Scotland is highly adversarial. Private companies, including bus operators, guard data against potentially predatory policy objectives to nationalise their operations, and private companies need to use freedom of information requests to obtain basic data from public bodies.

Building consensus for change

- 4.10 The current weaknesses in transport delivery in Scotland stem from the dual challenge of highly centralised policy development, decision making and funding, combined with a plethora of organisations with overlapping remits for most transport delivery. Although there are ambitious national transport aims, there is no prospect of these aims being realised without far greater connection between policy and implementation.
- 4.11 If we could only have one tier of government to streamline all politically democratic accountability, it would therefore need to be the regional transport partnerships. Scotland needs to move quickly towards a new governance framework that provides direction, stability, clarity and purpose. It would take far too long to restructure the political systems at a local and national level, but democratic accountability can be built into joint working arrangements for future transport by directing most transport budgets by default to the regional level.
- 4.12 Pooling far more of the professional delivery for all transport at a regional level need not involve legislative change, if local and central government decided to delegate delivery of current functions to the regional bodies, giving them both the funding and agency to link regionally relevant strategies to delivery on the ground. The expanded regional bodies could also employ many more of the professional staff who currently work in either Local

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Authorities or Transport Scotland helping to assemble a critical mass of expertise in both policy and delivery, and nurture skills development.

- 4.13 The Accounts Commission's recent overview of local government in Scotland highlighted that it is only by working more collaboratively that local authorities and their local partners and communities will be able to provide sustainable local services to tackle issues such as climate change and inequality. The community planning system governs the processes for community capacity building and empowerment, and in recent years regional transport partnerships have often been more active participants in community planning than transport officers from local authorities. This is perhaps because the focus in community planning is on building partnerships, which is a better fit with regional partnership skills, than with the fixed views of service delivery functions more prevalent in local authorities.
- 4.14 Perhaps most importantly for future governance will be breeding the culture of partnership working across sectors, nurturing the innovation that the future of transport needs. Understanding that business cases are built collaboratively, will be critical for the more automated transport systems to be delivered in the years ahead. About 90% of the value of investment in Scottish transport is currently private, so bending this spend with the 10% of public investment has a far better chance of success than losing 9-1. Continuing to fragment the public investment makes it easy for private investors to find the cracks between authorities, with the danger that social value is seen as a cost to be minimised rather than an opportunity for growth.
- 4.15 Smart cities have demonstrated smart procurement approaches, but Scotland is not a country of large cities, having only two medium sized cities, 7 small cities, lots of towns, and some very remote rural areas. Regions have the critical mass to achieve success, recognising that transport policies are highly political, and successful solutions must reflect the local issues across associated with Scotland's diversity. The regional partnerships have long had the remit for developing the route map to the future so perhaps it is time to put some flesh on these bones.