Scottish transport review

Issue 58
January 2016
www.stsg.org
ISSN 1462-9708

An independent publication by
Scottish transport Studies Group
SCOTLAND'S TRANSPORT THINK TANK

Towards a Democratic Mandate for Transport Reform

Summary

Transport is changing rapidly with new technologies transforming the capabilities of users and providers. Whatever the outcome of the 2016 Scottish Parliament election the new government needs a democratic mandate for radical transport reform. The terms of that mandate are not yet clear, so this paper seeks to start a debate about the need for and scope of change required.

Delivering good transport is a collaborative process since most trips used shared space or shared vehicles, and rely on efficient personal choices and business practices as much as good policy. However the policies and processes to nurture this collaboration are some of the least developed areas of transport delivery. Better partnerships, customer relationships and new business models are needed for socially progressive, economically efficient, and environmentally effective approaches to transport.

The current transport debate remains divided by mode, sector, regulation and finance. Each group has understandably been seeking a greater priority for their part of the transport system. However, promises made for action on individual modes of travel can undermine the ability of government to deliver for all people across all modes working collaboratively. Most voters just want to be able to travel safely, efficiently, enjoyably and cheaply from their homes to their places of work, shopping, education, and for leisure, friends or on holiday.

This paper suggests that reform is needed of transport governance to build the delivery frameworks around traveller needs, rather than modes of travel. This contrasts with the current legal and financial frameworks that are built up around infrastructure, modes and sectors. The legislation must change incrementally building broad public support for a more user focused approach to transport governance. Consensus about these complex changes can be built if government commits to work closely with users and industry partners.

This can only happen if commitment and trust are built, backed up with a manifesto pledge to reform the fiscal, regulatory and administrative frameworks.

This paper suggests how an electorally popular progressive approach to reforming fiscal, regulatory and administrative frameworks could start with achievable manifesto commitments for the 2016 Scottish Parliament elections. It has been published to encourage debate about these issues in advance of the 2016 Scottish Parliamentary election campaign.

www.stsg.org

STSG was set up in 1984 by a group of transport operators and academics to provide greater clarity in the Scottish transport debate. STSG cuts across the narrow interests that divide the transport sector by mode and sector and its stated purpose is to "promote the importance of transport for the Scottish economy and society".

As Scotland's leading transport think tank STSG prepares papers and organises events to share knowledge and understanding of topical issues. Debates are organised around core themes and published through Scottish Transport Review.

STSG supporters come from every part of Scottish transport and the Committee seeks to ensure that all perspectives are recognised and reflected in balanced publications. This publication is based on an online debate and a round table within STSG to help inform the 2016 Scottish Parliament manifestos.

STSG is a charity registered in Scotland SCO14720.

1. Core challenges facing Scottish transport

This paper summarises some of the main issues emerging from a STSG round table held in October 2015. Many views were expressed and this paper does not seek to be comprehensive. Instead the paper concentrates on three topics where voters have difficult choices to make, and where inaction could be the worst choice of all.

Transport attracts more household spending than any other sector. The largest funders are people and businesses, but, rather than seek to engage and influence, Government has skated round the edge of this mainstream transport investment. This has resulted in weak democratic control over transport systems, with adverse social consequences. It has been getting slower, more expensive, more polluted, unhealthy and more dangerous to travel around, particularly for the least mobile in society.

STSG has identified three main challenges requiring a stronger democratic mandate:

- Clarity about who pays and who benefits - Transport investment is inequitable, appraisal is failing to measure the benefits correctly, and greater clarity is needed in transport and development plans about who should pay for infrastructure.
- Reform taxation and regulation - Transport regulation needs reform to ensure that in the coming years travellers can expect better performance, as opposed to the declining levels of service seen in recent years.
- Empower communities - The role of transport in enabling successful, smart places for people needs to be better recognised to help enable successful integrated solutions.

Transport governance is currently framed around satisfying vested interests in each separate mode of travel, rather than protecting and enhancing connections for people. Democratic leadership is needed to create a new approach to transport governance that is more collaborative.

New technology is radically changing the transport economy. Within the period of the next Scottish Parliament transport will face game changing events from the growth of collaborative business models and new types of modes and vehicles for travel. Combined with the expected social and economic shocks from global change politicians will need to make important choices. The need a strong democratic mandate for action in their manifestos.

Within the period of the next Scottish Parliament, transport will face game changing events from the growth of collaborative business models and new types of modes and vehicles for travel.

2. Clarity about who Pays and Who Benefits

To ensure that government spending is equitable, the benefits of transport spending should be much more clearly identified, and the costs of paying for the investment fairly allocated to the beneficiaries. Current transport appraisal processes enable the distribution of benefits to be rigorously analysed and indirect outcomes and impacts assessed, but in practice these assessments are rarely undertaken well, if at all. As a result of failing to make a strong case for investment, transport is underfunded including:

- Place making where the benefits of delivering attractive streets for people are often not measured and rarely considered in transport appraisal. Many trips by walking are excluded from the analysis despite often adding the greatest economic value to towns and cities.
- Opportunities which rely mainly on investment from non-government sources but which depend on enabling powers of government to proceed. Only public authorities can currently enable the packaging of integrated solutions through: access fees, joint development, land taxation, planning and development charges, and licencing. The returns on big schemes like High Speed Rail may be sufficient for some investors, but are lower than the returns achievable through cross sector packages, organised through access plans and for smart towns and cities. Returns on transport delivery could increasingly replace taxation as a means of funding Scotland's transport sector.
- Proposals in land use development plans which lack clarity on the investment structure to deliver the changes. In particular, the benefits of land value uplift are not factored into investment plans as they could be.

Socialising transport investment can be applied much more widely to help build a more collaborative investment approach in Scottish transport

The Scottish Futures Trust, like the European Investment Bank, helps to socialise the available funds by giving investors what they want, a good safe return, and government what it needs, an enhanced funding capability.

The principles of socialising transport investment can be applied much more widely to help build a more collaborative investment approach in Scottish transport. Such approaches are well established (e.g. Business Improvement Districts) but the practice in relation to local transport improvements still needs to be developed. Social bonds, social crowd funding and other funding mechanisms need to be built into the transport policy landscape.

3. Reform Taxation

Ad hoc changes to transport taxation over many years have created a system that is poorly aligned with transport policy, unfair and which needs reform. Current taxes and charges evolved during an era of oil dependency. If Scotland wishes to move faster towards re-

newable energy than other parts of the UK, a new approach to taxation is needed.

The key changes needed to reflect Scotland's needs as a diverse and socially conscious nation are:

- Introduce the opportunity for rebates on fuel duty if drivers opt into pay as you go road charging - It has long been recognised that the demand for transport is largely derived from wider economic and social needs beyond travel so the social costs and revenue potential from transport should be determined according to the social value and costs of each trip. It is highly inequitable that a mile travelled in remote Scotland, often positively contributing to regional development, is currently taxed at the same rate as a mile travelled in urban rush hour congestion. The problems have been recognised by government but current trials of differential fuel taxation by spatial location are inefficient, and introduce perverse incentives and complex boundary effects. Applying 19th or 20th century solutions will not fix 21st century problems. A 21st century solution to pay as you drive has already been developing rapidly in the commercial car insurance market, including in Scotland. Pay as you go insurance helps young drivers who might otherwise have been unable to take up driving to get insured by managing the times and places they drive to minimise risk. However safety is not the only social benefit of pay as you go driving, although it is the most easily commercialised in the absence of government action. Wider social benefits could be achieved through pay as you drive road pricing by offering social tariffs that offer rebates on fuel taxes based on the vehicle being driven, the times of day and the location in Scotland. Such a scheme could be administered like bus service operators grant (BSOG) through service providers, and could create a sustainable business model which encouraged more socially responsible, economically efficient and environmentally friendly driving choices.

A 21st century solution to pay as you drive has already been developing rapidly in the commercial insurance market, including in Scotland. Pay as you go insurance helps young drivers who might otherwise have been unable to take up driving to get insured

- Reform air passenger duty (APD) - The application of Air Passenger Duty (APD) creates perverse incentives in the way the aviation industry operates. The tax is poorly integrated with regional development, and with social and environmental goals. APD is unpopular since it affects global competitiveness in key industries like tourism where visitors choose t travel to countries where the flights are cheaper in the absence of APD. This deprives Scotland of much needed income

APD is unpopular since it affects global competitiveness in key industries like tourism

compared with countries with lower air taxes. However domestic aviation is taxed at a lower rate than land transport distorting domestic travel choices by favouring air travel. APD could be redesigned so that each airport in Scotland has take-off and landing charges by type of destination that reflect the regional development aims of government. With APD being devolved to Scotland, the time is right for a new smarter design of taxation that is better targeted at delivering Scotland's transport policy goals.

- Develop a joint approach to transport and energy investment – Transport is one of the largest users of energy but the taxation of energy for business, homes and transport is fragmented. This undermines more integrated and combined approaches to deliver efficiency benefits and investment. A national strategy is needed for integrating the transport and energy economies.

The debate about regulatory reform has been dominated by competing organisations seeking greater power over transport, distracting attention from a more important debate about how to protect travellers

3 – Reform Regulation

A unified regulatory system is needed to protect citizens and consumers on all modes of travel. People travel as passengers in cars, taxis, buses, trains and ferries but there is little consistency about their rights and responsibilities across modes. This acts as a barrier to integration. The debate about regulatory reform has been dominated by competing organisations seeking greater power over transport, distracting attention from a more important debate about how to protect travellers.

- Better targeted use of partnerships, contracts and franchising is needed - Currently most rail is franchised by government, but bus is socially organised through partnerships and contracts, mainly contracts for services that would not be viable commercially. There is greater scope for partnerships that cover more than one mode, and within which cross modal customer promises can be offered. The new ScotRail franchise includes some cross modal partnership commitments, but the franchising system restricts the scope for the franchisee to build long term business relationships.
- Better regulation of transport performance is needed through new reporting requirements - For most journey purposes for most people it has been becoming slower and more expensive to travel around Scotland, but this is opaque in the current monitoring of performance. There has been a widening gap between the travel opportunities open to the richest and poorest in society, but although community plans have reported this they

Long overdue reform is needed to ensure that consumers are protected and network coverage is maintained as the market dynamics change

have failed to enforce action. No organisation or individual has any clear function to fix these problems. There are formal reporting requirements for transport emissions and travel demand but not for the core elements of transport performance, journey times and costs. User experiences of transport are not separated by national, regional and local administrative boundaries or by mode. End to end journey performance could be managed through project partnerships if the remit of these was regularly reviewed as part of regular reporting and performance assessment. Current bus partnerships or regional partnerships do not necessarily need to be replaced, but better coverage of issues and a sharpening of accountability within local and central government for the network performance experienced by users would help to focus action.

- New modes of transport create new needs – The protection offered to passengers travelling in demand responsive transport varies according to the legislation under which the service operates. However, this is often not clear to the users. Community transport, taxi, and bus legislation impose different requirements on operators and the collaborative economy with new players such as ridesharing company Uber provide additional strains. Long overdue reform is needed to ensure that consumers are protected and network coverage is maintained as the market dynamics change.
- Clarify rights and responsibilities – Local and central government cannot resolve many of the most complex social issues that hamper better transport. Better devolution of these issues to businesses and communities will be needed to clarify the rights and responsibilities of road users more clearly. Under current legislation some transport users believe that they have discharged their social obligations by paying taxes and obeying the law, and local authorities have struggled to encourage more social attitudes. Many vulnerable road users are not adequately protected and face problems due to poor safety, air quality or other negative effects from transport. More needs to be done to protect these groups who can face financial hardship after being involved in road accidents or health problems that require them to move house.

4 – Empower Communities

A new investment programme is needed to empower communities to deliver better transport. Much of Scotland's transport infrastructure was built by communities using crowdfunding/public subscription to invest in local places for public benefits. During the 20th century local government played an increasingly strong leadership role, but in the 21st

In the 21st century the funding model again needs to be refreshed to become more collaborative

century the funding model again needs to be refreshed to become more collaborative.

Local authorities need to provide project focused leadership that builds support from users and businesses for their proposals. There have been some locally focused good examples delivered through the Scottish Government's Smarter Choices Smarter Places programme, but in general transport delivery has been too narrowly focused by the providers seeking support for their particular transport approach or perspective. The Town Centre Action plan and Smart City programmes have helped to broaden the focus but transport delivery needs to be accelerated and strengthened.

Leading practice shows that people are willing to pay for more socially optimal solutions when attractive, achievable solutions are organised.

Community planning processes could enable the relevant partners to agree socially beneficial solutions so that investment packages can be assembled to deliver them.

5. Conclusions

After many years of stalemate the transport sector is changing fast. Technology is leading to fundamental changes in society that affect every aspect of transport.

The technology both demands and enables new approaches to taxation, regulation, planning and investment. More personalised, targeted, structured, better organised and socially funded solutions are not just possible but achievable in the next term of the Scottish Parliament. Table 1 summarises some key areas where manifesto commitments could give politicians the democratic credibility they will need in the face of this large social change, helping to steer Scotland towards a better transport future.

Manifesto commitments could give politicians the democratic credibility they will need in the face of this large social change, helping to steer Scotland towards a better transport future

Table 1—Summary of Proposals

Policy need	Required commitment	How it might work
Clarify who pays and who benefits	Audit of transport appraisals for local schemes	New local investment portfolios for towns
	Investment packages for place making	New incentives for new investors in sustainable transport
	Integration of transport into development portfolios	Include new audits of better transport investment strategies in reformed planning processes
Decarbonisation of land based transport over the next 20-30 years can only thrive if transport taxation is reformed. Current taxes are regressive and this has contributed to the failure of policies to promote low carbon transport such as the fuel duty escalator.	The Scottish Government could commit to offer fuel duty rebates to people who sign up for pay as you go road pricing agreeing to avoid congested roads in peak times or paying a premium charge.	The scheme would work just like the existing pay as you go insurance schemes but Treasury would rebate a proportion of fuel duty consistent with the social benefits delivered whilst protecting overall levels of fuel duty with adjustments to basic levels of fuel tax.
	Reform APD	Regionally differentiated rates of APD would make the tax consistent with policy and could be managed as an extension to the ADS scheme operated for the islands.
	Joint approach to energy and transport	To be developed through a national strategy
Separate regulation for each mode of travel is failing to ensure that the performance of transport systems as a whole meet the needs of people and businesses.	Better targeting and coverage of partnerships, contracts and franchises.	Financial incentives to deliver more effective partnerships
	Policy commitments on journey times and costs between homes, businesses and key opportunities such as workplaces, hospitals and schools	Publish current journey times and costs between key transport nodes across Scotland and set targets to improve these.
	Harmonise consumer protection across modes.	New legislation or government guidance on coverage of transport systems and consumer protection
	Clarify rights and responsibilities	The process of consulting on and drafting a roadsharing bill would clarify the detailed rights and responsibilities to encourage safer and healthier travel.