



Devolution in England and Transport: Key Issues

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Preface

Devolution to local government in England is now a major political priority as part of attempts to rebalance the UK's economy and give cities and regions the same opportunities to shape their future as London has enjoyed. There is also now widespread recognition that transport has a major role to play in helping to improve economic and social development at a local level. These developments could profoundly change how we provide and plan our transport systems and the ITC is keenly aware of the need for these issues to receive closer attention.

We are pleased, therefore, to present this insightful paper from legal expert Mary Bonar exploring a range of key issues where devolution could affect transport planning and operations. The paper highlights a number of concerns deserving of greater attention by policy makers, including the problem of balancing local and national needs, the potential impacts on fares and transport funding, questions of accountability and expertise, the needs of non-urban areas, and the opportunities that might arise for closer integration of transport services. While the ITC welcomes the move to give local people greater control over their connectivity – an issue also highlighted in our research work on High Speed Rail and cities – it will be important to ensure that the devolution framework is tailored for a range of different needs and does not impede existing local transport provision where this has been successful.

In the context of current legislation, we therefore commend this paper to policy makers and call for a more detailed examination of how these issues can be addressed. The ITC looks forward to assisting this debate further further through our work over the coming months.

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Cover photo: Manchester Town Hall.



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Introduction

The focus by Britain's Chancellor of the Exchequer, George Osborne (a Cheshire MP) on the Northern Powerhouse was spelled out in his first speech following the 2015 General Election. His support for improving the transport connections between Britain's Northern Cities (HS3), now combined with the momentum behind HS2, are not only exciting because of the emphasis on transport and land use but also because transport is firmly set in the context of being a vital part of economic and social development. The current Government, like the Coalition before it, recognises that there is an increasing gap between the economic productivity of London and the South East and the rest of the country. It believes that through greater investment in infrastructure and a greater devolution of powers, accompanied by appropriate accountability, the economy of the rest of the country can grow and contribute more to the whole and in doing so narrow the gap. Lord Heseltine's report to the Coalition Government *No Stone Unturned: in Pursuit of Growth* (October 2012) reflected his conviction, based on his experience in government, that decisions on regional and local matters are better formed when they are taken in the region and locality affected. Much of that thinking was adopted by the Coalition and now it has increased impetus in an English devolution agenda represented in the Cities and Local Government Devolution Bill 2015-16 (Cities Devolution Bill) and a promised Buses Bill. The ITC has become increasingly involved in working out what this means for transport and land use and what will need to be done to optimise the outcome.

Britain has a very centralised government compared to its peers in the developed world with over 78% of taxes being raised centrally.¹ Political moves towards elected regional government for England, in contrast to devolved national governments for Scotland, Wales and Northern Ireland, have not been successful apart from the changes in 1999 to create a government for London with an elected mayor, assembly and functional bodies. Transport for London, as one of those functional bodies, is internationally recognised for its achievements and vision and is currently responsible for delivering one of the biggest transport infrastructure projects in Europe: Crossrail. In the other English metropolitan areas there have been conversions of Passenger Transport Authorities to Integrated Transport Authorities (ITAs) representing the local councils alongside their executive Passenger Transport Executives (PTEs) and under the Coalition government we have seen the emergence of Combined Authorities. These have a remit in the development of the local economy, housing and transport and work with their private sector led Local Enterprise Partnerships (LEPs), the source of government funded project revenue, in the areas of Manchester, Leeds, Newcastle, Sheffield and Merseyside. Birmingham and the West Midlands remains an ITA. Greater Manchester has led the way working with central government to establish an "earn-back" funding mechanism that allows it to benefit from taxation on local developments. In the rail sector Rail North has been formed representing a large number of authorities to be involved in managing the two northern rail franchises followed by Transport for the North.²

¹ National Audit Office, *A Short Guide to the NAO's work on local authorities* (July 2015)

² Transport for the North is now expected to become a statutory body by 2017 following an amendment to the Cities Devolution Bill.



The Cities Devolution Bill introduced into Parliament shortly after the election and anticipated to get Royal Assent in 2016 is an important milestone to greater devolution. Building on the legislation which introduced Combined Authorities it addresses the issue of accountability for greater powers by requiring those Combined Authorities that will qualify for full powers to change their governance and have an elected mayor for the Authority's area. Specific powers will be vested in the Mayor and others in the Authority. Unlike London's governance this will not also involve a directly elected assembly and instead scrutiny will be through elected Councillors, in the case of Greater Manchester acting by a two-thirds majority. A recently published House of Commons Library Briefing Paper³ makes it abundantly clear that the Government is taking a flexible approach, remaining open to different solutions and different levels of devolution across England, rural as well as urban, depending in the proposals made by the areas and their political arrangements. It also clarifies that some areas of devolution such as NHS budgets and social care are not matters for the elected Mayor and that in some respects Greater Manchester will have more extensive powers than the London Mayor and the GLA.

The ITC, following its Discussion Evening in February 2015 and the outcome of the May General Election, has canvassed its supporters on the proposals for greater devolution and how they impact transport. Through this consultation we have identified several issues that ought to be taken into account and further explored by policy makers as this process continues. ITC supporters, operating national and international businesses involved in transport, recognise that local decision making can result in better decisions. They have also identified that regional devolution may result in fragmented or conflicting planning affecting efficiency and value. The ITC aims to open the debate in order better to understand these concerns and help the process of finding viable solutions.

There has been widespread support for the devolution policy coupled with some general concerns around matters of accountability and the extent to which tax raising powers need to be included. The announcement by the Chancellor at the October 2015 Conservative Party Conference of the intention to devolve business rates along with the devolved powers under the Cities Devolution Bill provides a political solution although the detail remains to be clarified.

3 'Devolution to local government in England', House of Commons Briefing Paper No. 07029 (September 2015)



National versus local needs

A fundamental belief supporting devolution policy is that local needs are best served by local decisions rather than those taken centrally in London. Before the passing of the Cities Devolution Bill the substantial sum of general taxpayers' money allocated to local transport schemes encouraged the Department for Transport and the Treasury to exercise detailed control over entirely local projects. Four significant light rail schemes planned by Northern Cities in the early 2000s had their government grants withdrawn as a result of cost escalations or a lack of local political support. These schemes in Manchester, Sheffield, Leeds and Merseyside were examples of local planning for local needs and closed systems discrete from national roads or rail. Since then Greater Manchester has shown that, with the aid of a government grant and enhanced local funding powers, it has been possible to deliver extensions to its Metrolink with fewer central government constraints than previously applied. However, it has not always enjoyed a straightforward path to achievement, as seen in the rejection of its Transport Innovation Fund bid in 2008 because of local resistance to the introduction of an extensive Road User Charging scheme. The predicated change in funding for the devolved areas, particularly those which agree to elect mayors, should allow them to follow Greater Manchester's lead in delivering much needed local schemes without central government involvement. However, this does not solve the different problem of the balancing of national and local transport needs both within and across modes.

We start from the position that internal transport powers over the national road and rail networks are substantially devolved to Scotland and (to a lesser extent) to Wales. The three separate transport ministries are intended to liaise where required. The Office of Rail and Road (ORR) regulates the rail infrastructure manager Network Rail which manages the infrastructure in all three countries and ORR regulates track access charges based on separate government High Level Output Specifications for England and Wales on the one hand and Scotland on the other. ORR also regulates access to the rail network as a whole and must balance usage for both passengers and goods amongst the many conflicting interests which it is statutorily required to consider.

The same does not apply to ORR's new oversight of roads which applies only to Highways England. This manages the motorways and trunk roads that form the strategic road network in England but not in Wales or Scotland. Highways England operates under a Licence from the Secretary of State for Transport granted when it was set up in April 2015. This shows that it is expected to take account of the views of devolved administrations as well as local authorities (and their local plans and priorities) and other transport network operators. These include local roads, ports, airports and Network Rail. Highways England is expected to consider the need for effective integration between the strategic road network and the rest of the transport system.

Some parts of the strategic road network have been devolved to Transport for London and there are some concerns over whether this approach will also apply to the Combined Authorities. Under the UK system ports are not owned by central government, nor are international airports, although Local Public Authorities may be involved as owners or shareholders or they may be entirely privately owned. Most freight distribution and consolidation centres are privately owned.



Transport tends to be thought of and planned for modally rather than integrally and there is no national process for balancing the needs of passenger and freight outside the Department for Transport, although both mainly use the same road or rail infrastructure. This often results in conflicts between national and local needs. There are, for example, frequent problems with congestion on the A34 — a major trunk road 250km long — that links the Port of Southampton to Birmingham and Manchester. It is not built to motorway standards and is heavily used by both freight transport and passenger vehicles, particularly around denser residential areas such as near Oxford. There are pressures for major housing developments all along the corridor and yet there is no obvious means (outside the planning system) of reconciling the increased private car use that these local developments will bring and maintaining an efficient long-distance transport route. It is encouraging that Highways England is expected to take account of such matters but this is unlikely to be sufficient to resolve intractable matters, some of which fall to the planning system and ultimately to politicians for resolution.

Freight and passenger access to the rail network is balanced at an operational level by the ORR. Recent focus on the stacking of lorries using the Channel Ports on the M23 in Kent illustrates the lack of coordination of freight and passenger usage along another major route serving nationally significant ports. Ports, airports and national freight operators are concerned that one outcome of stronger Combined Authorities focused on their local economy (including housing provision and local passenger transport) will be to create even more fragmentation which is likely to impact adversely on national services such as freight.



Figure 1: Port of Hull - a nationally significant gateway



Such impacts may be felt acutely in areas that are already difficult for planners such as the siting of freight distribution centres. It may also have effects ranging from the planning of adequate road and/or rail links to international ports and airports, to the potential for different Combined Authorities to impose a variety of restrictions on freight deliveries (as currently has happened in the London boroughs). This is a policy area which the ITC believes needs to be better understood, debated and developed at the current time as part of getting the details of devolution right.

Although the UK Parliament since 1997 has increasingly devolved power to the home nations, to Greater London and much more recently to Greater Manchester and other metropolitan areas, over this period there has still been no National Transport Strategy for England and the National Infrastructure Plan, although useful in identifying schemes of national importance, is not a satisfactory substitute. The recent appointment of our Patron, Lord Adonis, to head the new National Infrastructure Commission is therefore a welcome and timely step. The Commission will have the role of reviewing the UK's economic infrastructure needs over a rolling 30-year term, and will cover not only transport but also energy, waste, water, flood defences, digital and broadband. It will also have to give consideration to the urgent problem of housing needs. Its initial remit (while statutory powers are put in place) includes the plan to transform the connectivity of the Northern Cities and priorities for future large-scale investment in London's public transport infrastructure. This initial focus will provide an apposite starting point for organisations such as the ITC to engage with this new Commission on the means to reconcile successfully regional/local and national needs.



Figure 2: Will local transport needs trump national?



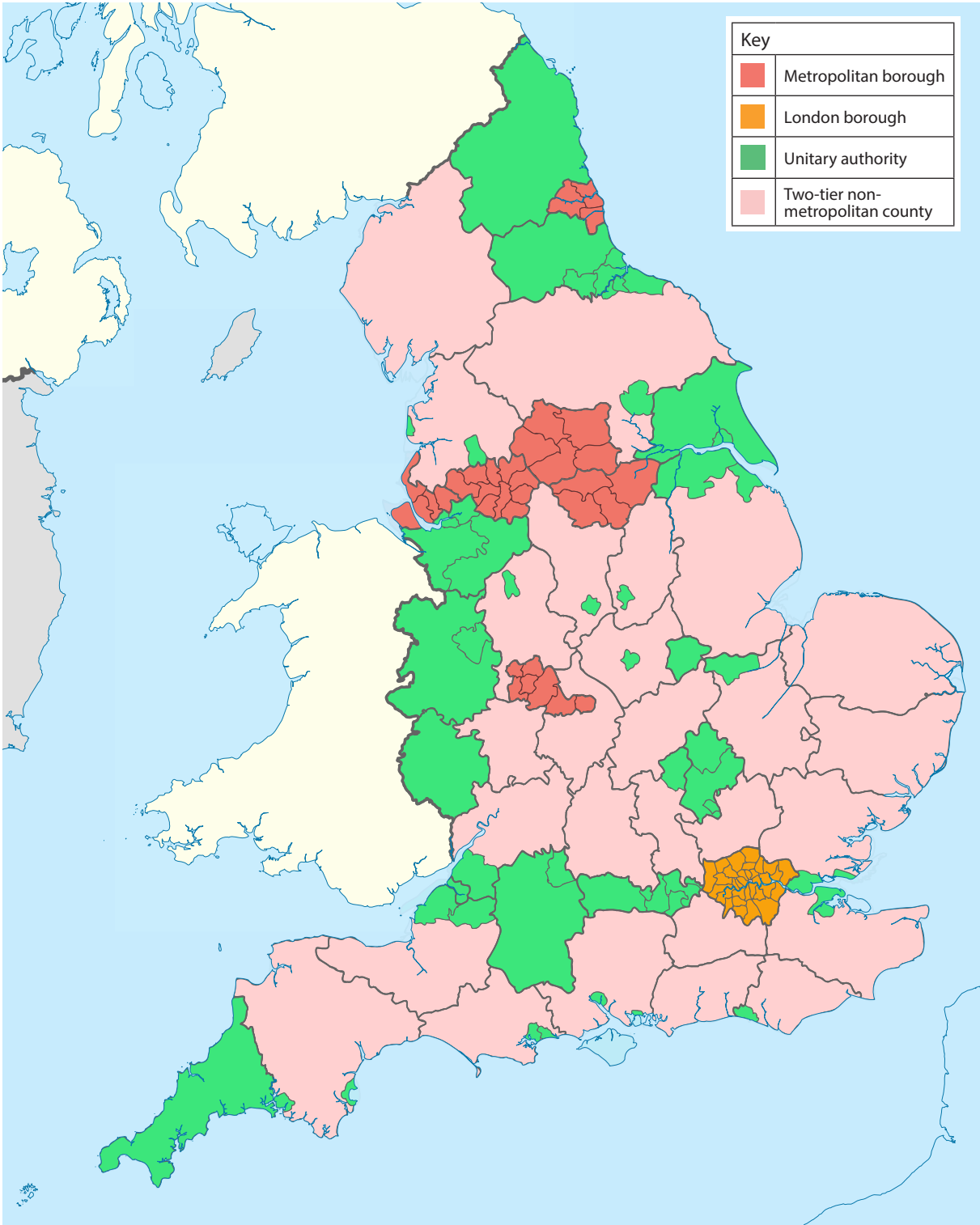


Figure 3: Local authority administrative areas in England as of 2009.



Accountability and expertise

The proposals in the Cities Devolution Bill are related to the recommendations of Lord Heseltine in his 2012 report *No Stone Unturned: in Pursuit of Growth*, which in terms of governance recommended the creation of Combined Authorities and/or directly elected Mayors. This viewpoint is related to the success of constitutional changes in London in the late 1990s, where the creation of an Assembly and Mayor instilled clear leadership and accountability for decisions.⁴ However, the current proposals will not have the checks and balances of a separately elected assembly but instead it is expected that existing Councillors will take on this role in cities. In terms of Mayors, the Chancellor made it clear before the Queen's Speech that:

'it is right that we have a single point of accountability: someone they [local people] elect, who takes the decisions and carries the can. So with these new powers for cities must come new city-wide elected mayors who work with local councils.'⁵



Figure 4: Will local leaders be accountable to voters for their decisions?

⁴ Lord Heseltine, *No Stone Unturned* (2012), pp.56-57

⁵ HM Treasury, 'Chancellor on building a Northern powerhouse', 14 May 2015



There is much to be welcomed in the concept of a directly elected Mayor as part of the framework for the devolution of transport powers. The experience of London demonstrates the benefits: in the 13 years between the abolition of the Greater London Council and the creation of the Mayor of London, there were nine central government transport ministers; whereas in the period since then a clear city leader with the ability to join up strategies for transport, land-use planning, and economic development has allowed for much improved strategic planning. A single figurehead can also make the case for sustained local transport investment and is likely to feel highly accountable to the electorate for the success or failure of his/her policies.

Rather less clear is whether the politicians and officials making transport decisions in the new Combined Authorities will have sufficient experience and resources required to plan and deliver complex transport projects, recognising the significance of international gateways, and to implement a coherent strategic vision across the fields of transport and land use. Although there have been some success stories, such as Manchester's delivery of Metrolink and Nottingham's delivery of the NET tram system, there are concerns as to whether all the skills necessary will be available, or whether the funding will be available to attract the right expertise, particularly in those areas which have not absorbed a PTE. Concerns also exist over micro-management of transport outcomes locally, without due accountability to voters. We would recommend that further attention is given to resources and training in local government in order to bolster the delivery of local transport policies and schemes. A recent ITC event identified that changes in the transport planning functions of local authorities has resulted in a shortage of professionally qualified and experienced transport planners and recruitment and training is urgently needed in this area.⁶

⁶ For a report of this discussion, see <http://www.theitc.org.uk/our-events/discussion-evenings/8-april-2014-education-and-skills/>



Funding and Fare integration

The Government has promised that alongside the Bill due consideration will be given to the transfer of financial budgets to accompany greater powers for local authorities. The Chancellor announced at the 2015 Conservative Party Conference that powers to retain, reduce and, in limited circumstances, raise business rates will be part of the devolution settlements. Further details on local government financing will be revealed in the 2015 Spending Review. In those devolution deals already scoped, in addition to local transport funding, encouragement to develop smart ticketing systems with a view to fare integration is usually part of the package. However, significant questions remain over the extent to which further analysis will be required when the detail of the Chancellor's proposals is known. In particular, we should consider whether devolved taxation powers will be sufficient to ensure that local authorities are less dependent upon central government grants and are therefore more accountable for their funding decisions.

In London, these issues have taken on a further dimension through the recommendations from the London Finance Commission, which proposed that the city should be able to retain proceeds from stamp duty in order to help increase its budget. However, this is tailored towards the exceptionally high land values in London, and an approach relating to income or sales taxation might be more relevant elsewhere. It is worth distinguishing between situations where outcomes are mandated by national lawmaking, such as the provision of concessionary travel for pensioners, where there is a case for funding to be collected and disbursed through national taxation via central government, and local transport decisions, where the risks should be borne by the local taxpayers who provide the electoral mandate for the authority or Mayor.

The assumption that fare integration is a panacea is also worth exploring in greater detail. In London, the development of an integrated transport system with a single fare box has allowed TfL to maximise the use of non-grant related funding by reducing risk and supporting prudential borrowing to leverage government grants. However, in other city regions, it is more difficult to achieve a fully integrated system since the Combined Authorities do not control bus fares, although they do often subsidise rail travel and in cases where there is a concessioned tram system they can choose to take revenue risk and reward. There may be issues around local taxpayers subsidising some modes, such as light rail, which cannot easily be accessed by a large proportion of the population. It would be prudent to ensure that fare integration should be planned intelligently to meet the particular needs in each devolved area. In most cases successful fare integration will involve control over public transport fares, a rational fares structure and multi-modal ticketing.



The opportunity that devolution along with bus regulation will bring for smart ticketing is welcome, but it will be important that such systems are up to date and anticipate future payment trends. Smart ticketing can be useful for transport authorities both in reducing the costs of ticketing and revenue collection and increasing ridership. It also allows the collection and analysis of very useful data about travel patterns and the ability to create a range of flexible fares around, for example, peak hours. However, the pace of progress in both consumer technology and attitudes means that Oyster-like smartcard systems are gradually being replaced with new account-based and contactless charging mechanisms. Contactless payments allow greater convenience and scope, and devolved areas could learn from the experience of London and other international cities in implementing such schemes. The opportunity that smartcards or account-based systems provide for local transport authorities include a fares policy that can encourage or discourage certain travel behaviours, supporting wider policies in connection with transport and land use planning across the whole devolved area.



Figure 5: Opportunities exist for new forms of ticketing.



Non-urban areas

Much of the focus in discussions of English devolution has been on cities and urban areas. However, the 'devolution deals' which are being given a statutory framework in the Cities Devolution Bill are predominantly rural, so the question of how rural areas will have a voice and be able to attract the public transport schemes and services that they need has become more prominent. The issue may be greater when they lie in the hinterland of cities which often have much greater populations and prominence.

The case of Cornwall is useful to observe as a predominantly rural county which has created its own devolution deal. In the transport context this will permit devolution of local transport funding and the power to franchise bus services, as well as the ability to introduce a smart ticketing system. Interestingly, the deal does not require a Combined Authority or an elected mayor to be established, and concerns therefore remain about the strength of local leadership and accountability. The Government has sensibly indicated that any further devolution will need to be accompanied by a strengthening of local governance, with 'visible and accountable leadership' that enables residents to understand who is taking local decisions.⁷



Figure 6: Rural areas have very different needs to urban centres.

⁷ HM Treasury, Cornwall Devolution Deal (July 2015)



From the experience of devolution to London, it is apparent that it will be important to locate the right powers and responsibilities at the correct strategic level for an economic area if investment is going to be deployed in the most beneficial way to meet local needs. It therefore will be important to recognise that rural areas have different challenges and needs than urban areas, especially in transport.

The root causes of public transport problems in rural communities usually include depopulation as well difficulties for travel companies in making a commercial return. In addition, rural areas are less densely populated, often disproportionately ageing and they see a much higher reliance on car use than urban areas. Technology might improve how community transport services are used and provided by aggregating demand, but local government will still need to assess rural needs in their social and economic context and plan accordingly. There is also a danger that, with such a strong focus on city regions, rural areas in the hinterland of urban conurbations will find their needs and services downgraded if set by local politicians primarily accountable to voters in the city which makes the progress of Cornwall something to be studied.



Integration of services and the public/private sectors

Associated with devolution proposals is the assumption that integrated transport networks are optimal for city-regions. The case for integration is boosted by the experience of Transport for London (TfL), which aims to provide a seamless journey experience for millions of commuters daily, and enables the implementation of a holistic regional connectivity approach. Many would also argue that this integration has enabled benefits of scale, including multi-modal planning and excellent levels of well-facilitated interchange which have enabled a high standard of service and the needs of a growing city to be met.

However, the scale and probably the scope of funding available to TfL will not be available to other devolved English cities or to rural regions. We should be careful also not to assume that London's experience is applicable in all other areas, and it will be important for each region to find the right models for local needs, as is currently encouraged through the 'devolution deals' process. To maintain existing standards of service it would seem wise to make use of the skills and knowledge accumulated by commercial operators, particularly where customer satisfaction is already high. Therefore, achieving the right balance between public and private provision of services will be important, and devolution settlements should make allowance for this.



Figure 7: Careful thought will need to be given to better modal integration.



More thought needs to be given to whether integrated multi-modal public transport can be delivered without local authorities taking over the customer relationship and directing all the services. In the context of bus services, the current assumption appears to be that greater regulation is required in order to achieve integrated services. However, in some cities outside London many private operators have already found ways to provide integrated (end-to-end) home to work services, and it will be important to ensure that any further regulation in the context of increased local authority transport powers will be able to build on such developments. There may also be issues connected with creating the right environment for equity and debt investors to give financial backing to local transport schemes.

Looking ahead, the objective of integrated transport networks will need to take into account the impact of disruptive technologies. New forms of competition and service provision from the private sector (e.g. Uber), the development of automated and electric vehicles, and the rise of the smartphone as a transport 'remote control' will all present challenges for local transport policy. The implementation of devolution will need to ensure that local authorities can meet these challenges, with sufficient local expertise and leadership to set 'intelligent' transport policy objectives. The effectiveness of such policy making is likely to be enhanced where local leaders are able to harmonise transport, infrastructure planning and land use decisions, and a devolution framework that incorporates all these areas (such as the Combined Authority model) would appear to have a number of advantages for integrated provision.



Summary of key issues

It is clear that the current devolution proposals will entail massive changes at a regional and national level as part of a wider attempt to boost and rebalance the economy as a whole. In the course of this paper, we have identified a number of issues in the context of transport and land use that ought to be considered:

- Further consideration is required to determine whether local authorities will have sufficient fundraising powers and control over funding to deliver excellent local transport services and infrastructure. It will be important to ensure accountability for their spending and fundraising decisions.
- We need to consider carefully how to balance local needs and demands on the transport network with nationally significant infrastructure. We would encourage the new role of the National Infrastructure Commission to consider this.
- Concerns remain about a lack of harmonisation of modal choices and provision. It is apparent that new ticketing and payment mechanisms could help to achieve better use of public transport.
- It will be important to ensure that Combined Authorities have sufficient expertise and resources to handle the new responsibilities, particularly in terms of delivering new transport infrastructure.
- We must recognise that rural areas and places in the hinterland of cities will have different transport needs, and devolution settlements should ensure these are not overshadowed by the greater focus on cities.



Figure 8: Can English cities and regions emulate the success of London?



Author Profile

Mary Bonar had a distinguished career as a transport lawyer with two decades of involvement post rail privatisation. Her extensive experience encompasses passenger rail franchising, rolling stock leasing, network access, light rail, road and rail infrastructure. A founder and chairman of the Light Rapid Transit Forum, she worked most recently on the Nottingham Express Transit Extension. Mary has invested successfully in railways, helping to launch the Wrexham & Shropshire Railway: an open access train company which was later acquired by Deutsche Bahn. She is a Fellow of the Chartered Institute of Logistics and Transport, a Partner at First Class Partnerships and a Commissioner with the ITC.

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