



LYONS INQUIRY INTO LOCAL GOVERNMENT

QUESTIONS FOR STAKEHOLDERS

***pteg* RESPONSE**

***pteg* Support Unit
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE**

**0113 251 7445
info@pteg.net**

Introduction

pteg represents the six English Passenger Transport Executives which between them serve more than ten million people in the Metropolitan areas of Tyne and Wear, Greater Manchester, West Yorkshire, South Yorkshire, Merseyside and the West Midlands. Strathclyde Partnership for Transport and Transport for London are associate members.

The PTEs are the locally accountable bodies responsible for planning, providing, procuring and promoting public transport in their areas.

A fuller description of the current roles, responsibilities and funding sources can be found here:

http://www.pteg.net/NR/rdonlyres/D4358A1B-DBBA-4FC0-810C-D3F628114324/0/PTE_A_powers_and_duties_200611.pdf

The Government has said that it is planning a package of reforms for PTE/As as part of its wider review of local authority and city region governance. **pteg** has commissioned further work to review the options for reform of PTE/As and is in dialogue with DfT on the options.

This response therefore represents an interim view from **pteg**. Some of the questions raised in this consultation are also beyond our remit.

A. Governance

A1. Do local authorities have the powers they need to effectively undertake their place-shaping role, particular with regard to pursuing economic prosperity?

A2. How do the issues raised by the three reviews, and the implications of their recommendations, vary between different parts of the country and different kinds of place, for example between rural areas and major cities?

A3. Are there any other aspects of these reviews relevant to local authorities and to their place-shaping role that I have not identified? If so, what are they and what are their implications?

Effective and efficient mass transit systems are particularly important for the major cities – and by extension for the UK economy. The Eddington report has demonstrated the importance of the major cities as economic drivers. High growth in these cities is generating more - and longer distance – commuting, and both road and public transport access to those cities in peak hours is severely constrained.

Giving the city regions the ability to both plan and fund the public transport networks they need is therefore arguably more important than for other areas of the country. In effect this is what is already happening in London – and the logical next step is to extend this policy to the next tier of major city regions.

PTEs – as the joint local authority bodies responsible for the strategic development of public transport in their areas – do not currently have the powers they need to effectively undertake their place-shaping role, particularly with regard to pursuing economic prosperity.

This is covered in more detail in responses to other questions but the main powers they lack are:

- ability to plan and secure integrated public transport networks of the quality which is taken for granted in European counterparts and in London (due primarily to bus deregulation)
- limited scope for accessing the funds they need to invest in, and support, a high quality public transport network capable of meeting the city regions' changing needs
- mismatch between strategic planning of public transport (powers rest at a PTE level) and local planning of Highways (powers rest with Districts)
- more effective linkage between land use and transport planning and provision

B. Eddington transport study

Governance

B1. Can local authorities work effectively in partnership to deliver transport outcomes or are new/reformed institutions necessary?

At present the responsibility for public transport in the Met areas rests with Passenger Transport Executives/Authorities. The PTAs being made up of representatives of the Met Districts. Responsibility for roads lies with each District who are the Highway Authorities. The PTEs and the Districts together draw up the Local Transport Plans for the Met areas.

In general these arrangements have allowed cross-party and cross-Met area consensus to be reached on priority transport projects and there has been effective delivery of projects, policies and programmes within the limited resource available.

However, the division between highways and public transport responsibilities can hamper the effective delivery of some Met-area wide policies. The extent to which this occurs varies between issue, and between Met areas. The two most quoted examples of the mismatch between highways/public transport powers hampering the delivery of strategic transport policies are a) implementing bus priority measures and b) implementing significant traffic restraint policies (including road user charging).

The first point to note is that the Met areas vary greatly in size, geography, political cohesion and in the interdependency of their transport networks – and this has a bearing on to what extent current governance arrangements are effective in delivering strategic transport priorities like bus priority.

For example in a more polycentric conurbation most of the major bus corridors will be serving single centres whose Highways are the responsibility of a single District. In other conurbations, where urban areas converge, a major bus route may cross several District boundaries. In the latter example poor cooperation between highway authorities is likely to be more damaging to the implementation of effective bus priority measures than in the former.

The implementation of significant traffic restraint policies would impose greater strains on the existing arrangements. For example, under current arrangements a road user charging scheme would require voluntary cooperation between District Highway Authorities, the PTE/A, private sector operators, the Highway Agency and DfT rail. These arrangements would have to be robust enough to withstand the intense political pressures that would inevitably occur. This is not to say that existing governance arrangements could not deliver a congestion charging scheme but in these circumstances a strong case could be made for a more focussed structure with clearer leadership.

B2. What are the key behaviours required of local authorities to work in such partnerships? Would new institutional or contractual arrangements be needed to support them?

As the response to B1 shows the extent to which existing arrangements deliver varies by conurbation and by issue. **pteg's** view is that the best way forward would be enabling legislation which gave the Met areas a number of options for transport governance, which in turn would allow consensus to be reached on the option most appropriate for that conurbation, and for the degree of ambition for the delivery of strategic policies across that conurbation.

If existing arrangements are working satisfactorily on issues like bus priority and there is no political will to introduce radical measures like road user charging, then there is little value in imposing a new structure. Indeed doing so could damage the relationships between the various parties that are currently cooperating effectively.

On the other hand if there is a consensus within a conurbation that traffic restraint coupled with bus priority measures and the franchising of bus networks is a priority, then being able to use legislation to set up new institutional arrangements to deliver on that consensus would be necessary.

Enabling legislation would also be helpful in allowing Met Areas to arrive at bespoke solutions that best meet local needs. For example on Highways Powers there are multiple options - ranging from amalgamating all highway powers and staff (including for associated responsibilities like parking, road safety and taxi licensing) within the existing PTE/As - through to giving PTEs the 'powers of direction' on strategic highways to ensure the delivery of strategic Local Transport Plan priorities and targets.

B3. Do the issues not considered by Eddington – particularly the potential benefits of aligning transport with other policy powers – alter the best overall design for governance arrangements?

There would be benefits in ensuring closer links between transport and land use planning (see response to section C)

We would also to see local authority 'wellbeing' powers extended to PTE/As.

The Local Government Act 2000 gave local government the power to promote economic, social and environmental wellbeing. If these powers were available to PTE/As it would give them more scope to develop and implement policies which helped to promote the regeneration of the city regions in an equitable and sustainable way.

B4. How could local government make use of any new bus powers in line with its broader role in promoting economic development?

The city regions are changing for the better with their economies in the process of transformation from heavy industry to new, knowledge-based economies.

The resurgence of the city regions is translating into growing congestion on key routes into revitalised city centres and new regeneration sites but elsewhere the city regions are still home to some of the most deprived communities in the country – and the economic performance of wider regional economies continues to drag behind that of European counterparts and an overheating London and South East.

If the economies of our city regions are to grow in a way that is both equitable and sustainable then we need public transport networks that can grow and adapt to meet the needs of those city regions.

Both train and tram have an important role to play – but with 85% of public transport trips in PTE areas by bus it's clear that more effective bus networks are crucial.

The city centres are where jobs are growing fastest. If this growth isn't to be choked off by congestion then on the major corridors into city centres we need frequent, good quality, reliable and rapid services benefiting from extensive bus priority programmes. However the city centres are not the only economic hotspots. New business parks are springing up on city peripheries or on the reclaimed sites of heavy industry. Retail, healthcare, further education and leisure facilities have also been consolidating and relocating – also often to fringe locations. These are easy to drive to, but not so easy to get to by bus networks that have failed to keep up with changing land-use patterns.

This also relates tackling social exclusion. With the poorest most dependent on the bus, without safe, reliable and affordable bus services (which provide good access to new job opportunities as well as healthcare, education and other key services) then there is simply no way in which the Government's wider social exclusion objectives will be met.

All of which means we need more orbital services, more flexible demand-responsive services and better integration across networks.

At present bus services outside London are deregulated and determined by the market. In practice this means around 13% of current city region bus networks are supported by PTEs.

After twenty years of deregulation there are some rural areas and smaller, self-contained towns and cities where deregulation has been made to work. Often where there is a single operator and a single local authority working together in territory where the bus has a natural advantage. Typically these are prosperous 'cathedral' cities where car access is restricted by narrow city centre streets, central area parking is very limited and bus Park and Ride is the only alternative. However, in the country as a whole – and in the city regions in particular - bus deregulation has failed to prevent a collapse in bus use.

And patronage is not the only indicator heading in the wrong direction:

- in PTE areas fares have gone up by 86% in real terms since deregulation

- subsidy to the industry has increased from around £1 billion in 99/00 to well over £1.8 billion in 04/05
- around 15% of buses spot-checked by the Government's Vehicle Operator and Safety Agency are issued with prohibition notices

Other than the occasional outbreak of low quality competition on the very busiest corridors, bus provision in the city regions is now generally divided up between the 'big five' bus operators – who monopolise provision of services in their areas of control.

Although PTEs cannot plan or regulate bus networks – they do still have an important role to play on bus. For example, in most cases the PTEs run or own the bus stations, and maintain bus stops and shelters.

Where PTEs have direct responsibilities for aspects of bus provision - they invest.

For example:

- about three quarters of PTE bus stations are either new or extensively modernised. The typical bus station in our areas is now bright, clean, safe and modern
- PTEs and their local authority partners invested £145 million in capital improvements to bus services last year – a level of spend an estimated five times greater than for local authorities in the rest of England
- PTEs spend more than £80 million a year supporting nearly 100 million kilometres of bus services that can't be run commercially. These are mainly 'lifeline' off-peak services or those extending the network to isolated rural communities or council estates.

PTEs also work in voluntary partnerships with operators on implementing new bus priority schemes and in providing information for passengers on fares and services.

However, despite the best efforts of the PTEs to make voluntary agreements work the reality is that the current system is giving us little more than 'managed decline'. With car ownership rising, services still being cut back, fares still rising and patchy service quality this trend is likely to continue. Indeed a recent report by leading economists NERA predicts that in PTE areas over the next ten years – if current policies continue – then fares will rise by a further 20% in real terms, service levels will fall a further 20% and ridership will decline by 20%.

pteg has argued that better public transport is far too important to the sustainable development of our city regions, and to the battle against social exclusion, to allow a policy of 'managed decline' to continue any longer.

City regions need to be able to ensure that bus networks serve the changing economic and social needs of the city regions. They need to ensure that the bus plays its full part within wider integrated public transport networks. And if we are seriously going to tackle traffic congestion, the quality of the alternatives must be a lot better if demand management is to be deliverable.

The best way of achieving this is to make the PTEs responsible for planning and regulating bus services through the franchising of bus networks. Under franchising the PTE would set out the bus network it wants provided and the private sector bids for the contract to provide that network. Some have suggested that franchising of bus

networks in the city regions would require similar levels of subsidy to that which London currently receives. This is misleading. In 1997/8 franchising gave London a comprehensive, fully integrated bus network, which was attracting more passengers for just £1 million a year. In 2006 London has a 'world leader' bus network, which costs over £500 million a year. The extra subsidy has bought, among other things, a fully accessible fleet of buses, fares reductions, better pay and conditions for staff and new routes.

PTEs are not expecting London's 'world leader' 2006 budget for franchising. However, London 1997/8 showed that you can get a much better bus network than the city regions have now for a fraction of the budget that PTEs currently devote to filling in gaps in the commercial network. One of the reasons for that is if a network is treated as an integrated network then the commercial services can cross-subsidise the unprofitable ones. Instead of all the profits made from the commercial network going to the operators to do with as they wish, some of that profit is used to cross-subsidise a wider network.

This is what the PTEs would use quality contracts to do and it's one reason why PTEs believe that a better bus network could be provided for broadly the same level of public subsidy.

At a minimum these networks would:

- be more stable – with less regular changes to fares, times and frequencies
- be more reliable than they are now because services would be monitored and good performance would be incentivised
- be better integrated: one brand, one network, one ticket, simpler fares. There would also be clear, reliable and comprehensive information at each bus stop, and increasingly on your phone and on your PC
- mean buses would connect rather than compete. Buses would operate as a single network, connecting with each other and with local tram and heavy rail networks
- require bus operators to provide newer, cleaner buses and to maintain them properly

If there were more resource – be it from national government or from the city regions themselves - then quality contracts could be used to make a further step change

- more 'state of the art', low or no emission buses could be brought in
- fares could be simplified and be held at current levels – or even reduced
- the network could be made more accessible more quickly by making every bus low floor, with easy to access for wheelchair users
- new services could be added to help link people to vital destinations like jobs and hospitals
- more buses in rush hours to help reduce traffic congestion

All of which would help reduce car dependency, improve air quality and contribute to the quality of the urban environment.

pteg has welcomed the Secretary of State's proposals for reform of the bus industry which aims to give PTEs a better 'toolbox' for delivering better bus services – including making franchising a 'more realistic option'. Our concerns on the detail are chiefly:

- the extent to which the competition authorities have agreed to step back from their stance that on-street competition is in the passengers' interest. The Government needs to ensure that the competition authorities do not undermine their bus policy (and by extension their wider transport policy) by continuing to obstruct sensible coordination and cooperating between operators and PTEs
- the proposal that the unaccountable Traffic Commissioners should arbitrate on quality contract applications (with a right of appeal to a Transport Tribunal) could introduce unnecessary delay, costs and bureaucracy into the process. If this proposal is included in the legislation it could be five years before any franchise could be implemented. We believe that it is the PTE/As – as the locally accountable, strategic public transport bodies – that are best placed to decide on whether or not a quality contract is the right option for their local public transport networks.

Convening

B5. How can local authorities make the links between transport and other elements of economic development and quality of life most effectively at the local level?

As a locally accountable strategic transport body for the city regions the PTE/As are well placed to develop and implement transport policies and programmes which underpin the economic development of those regions and which help to promote an improved quality of life.

As discussed elsewhere in this response there is a strong case for:

- extending the powers of the PTEs so that they can more ensure more integrated and better planned public transport networks (in particular the bus network)
- better cohesion of public transport and highway planning
- better linkage between land use and transport planning
- more funding for transport in the city regions – with more locally determined funding streams

Funding

B6. How could current funding arrangements best be reformed to support cost effective and appropriate spending and investment decisions at sub-national level?

B7. What transport funding sources are most appropriately managed by local bodies?

B8. What would be the most appropriate incentives to encourage the adoption of demand management options at local level?

B9. Local authorities currently retain the revenues from local road pricing schemes. How might further developments in this area affect the use of those revenues?

The levels of spend available to PTEs is insufficient to meet the needs of changing city region economies.

Research commissioned by **pteg**, Yorkshire Forward and Core Cities, from leading property analysts, GVA Grimley, of the views of leading investors in the city regions underlines the point

<http://www.pteg.net/CSRCentre/04-Transportanddevelopment.htm>

The report found that by and large developers, investors and business thought that the cities were performing well and had plenty of scope for future growth. However, either now, or in the near future, congested road and public transport networks was either deterring, or would deter, further investment. Better public transport networks were seen as particularly important in allowing mass access to city centres for employment and retail, and for ensuring that those city centres remained attractive and viable.

London has successfully made the case for a greater share of transport funding. Five years ago spend per head on transport in London was 70% more than in the West Midlands and the North. Now transport spend per head is 160% more in London than it is in the West Midlands and the North. The Eddington report underlines the need for a similar uplift in the next tier of major cities.

The city regions also need to follow London's lead through a more balanced income for its transport budget.

The most high profile income source is road user charging. However, it is important to recognise that congestion levels (and by extension likely public consent) for road user charging varies across the PTEs. If road user charging is seen as the only option for locally determined funding for local transport improvements – then this will disadvantage those city regions who are unlikely to be frontrunners for congestion charging.

City regions need a range of options for generating additional resources for transport – which will allow consensus to be achieved around the most appropriate mechanisms for their local circumstances.

The potential measures include:

- taxes based on land value increases resulting from transport improvements
- additional levies on the business rate of local taxes
- the local authority business growth incentive scheme
- planning gain supplements
- tourist taxes
- off street parking levies
- local VED add-on
- reforming the Bus Services Operator Grant (BSOG). This is currently based on fuel use, and is under review by the DfT

We do not intend to discuss in detail the advantages and disadvantages of the various mechanisms in this response – but to reiterate that the more mechanisms that are available, the more opportunity there will be for city regions to implement measures that are most appropriate to local circumstances, and around which a reasonable consensus can be built.

The PTEs could have a greater role as the body cooperate which administers new funding mechanisms and which gets the best value from new income streams and capital bases.

The potential benefits of a greater role for the PTEs include:

- greater transparency and credibility for new taxation measures designed to raise additional funds for transport. If a new income generating proposal is put forward specifically to provide additional resources for transport then it might be more credible and acceptable to the public if the city region's transport body is seen to be 'in charge' of the new tax
- in the absence of new large city region governance structures the PTE has the advantage of being a well established corporate body for the city region

However, it's important to note that at present the capital base and income streams of the PTEs varies. Some PTEs have assets and income streams against which they have been able to introduce prudential borrowing – this includes Merseytravel raising additional funds from the Mersey Tunnel tolls. However, all PTEs fall well short of the assets and income streams that TfL has used to increase its overall spend. TfL has not only the assets of the Tube network it also has the income stream from bus and tube fare revenue.

Tony Travers and Stephen Glaister, in a paper for the LGA, have suggested that the franchising of bus networks would provide an income stream if the PTEs took revenue risk on bus franchising.

<http://www.lga.gov.uk/Publication.asp?lsection=0&ccat=28&id=SXA4E7-A783AAE6>

C. Barker review of land use planning

Governance

C1. What specific measures are needed to ensure that local planning authorities have appropriate flexibility over issues of solely local impact? Are there particular implications from the Review's recommendations on the use of green belt land?

C2. What different approaches could be taken to enable strategic decisions to be taken at an appropriate spatial level? Can local authorities work effectively in partnership across wider areas to do this or are new/reformed institutions necessary?

C3. What role should local authorities have in relation to a future independent Planning Commission, and how should they best work with local communities on their concerns and potential benefits?

Convening

C4. How can local authorities link work on planning, housing and transport issues together more effectively?

Funding

C5. What would be the most effective and practical means of creating incentives for local authorities to support appropriate growth?

C6. How should the empty property relief in business rates be reformed? How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system? Would any local flexibility on such measures be desirable?

At present there is poor linkage between development/land use and transport decision-making. When new developments are proposed the transport implications can be an after-thought. This can be the case for both public and private sector developments. For example the amalgamation and relocation of healthcare and educational facilities to the urban fringe often takes place without proper consideration of the transport implications. Limited transport resource, few controls over bus networks and the inherent challenges to public transport of serving low density fringe developments all combine to create traffic congestion and difficulty of access for those without a car.

If land use controls are to be weakened to allow further urban fringe and low density development then these problems could be exacerbated.

All of which strengthens the case for greater coordination of public transport and highways planning. It also raises the question of to what extent new corporate arrangements for highways and public transport planning and management should extend to influencing planning and development policies and approvals, and in stepping up the promotion and implementation of company travel plans.

D. Leitch review of skills

Governance

D1. With their new strategic leadership role, how can local authorities relate most effectively to a reformed Learning and Skills Council on 14-19 education issues?

D2. What are the merits of the different options for managing the division of these responsibilities?

Not applicable

Convening

D3. What links need to be made between employment and skills provision, and other local services and responsibilities?

D4. What role should local authorities play in a new demand-led skills system?

Local authorities, working with the Learning and Skills Council, proposed Commission and other stakeholders, have a key role in setting out the vision for their area in terms of the skills needed to drive economic, productivity and social capital growth. This is especially important in less affluent areas where they can relate skills and wider regeneration issues, ensuring that the benefits of improved skills drive delivery of key outcomes.

Local authorities are also best placed to co-ordinate the efforts of agencies at the local level through their responsibilities within Local Strategic Partnerships, and support Sector Skills Councils in providing planning data and guidance on local skills demand and supply.

D5. What role should local authorities play in the proposed Employment and Skills Boards, to ensure skills and employment issues are properly linked to wider work on economic prosperity and development?

Local authorities should fully participate in any future Employment and Skills Boards. This in line with their strategic responsibilities, the emerging 'place-shaping' agenda, and links to wider work on economic prosperity and development, through Local Strategic Partnerships. Engagement with boards also reflects the status of councils as major employers in their local area.