

# Review of Reform Options for Metropolitan Transport Governance

Final Report

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# Passenger Transport Executive Group

## Review of Reform Options for Metropolitan Transport Governance

### Final Report

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## Executive Summary

### Introduction

Atkins has been commissioned by the Passenger Transport Executive Group (PTEG) to undertake a review of options for reform to the delivery arrangements and governance of local transport in the six metropolitan areas of England outside of London.

These reforms relate particularly to the roles and responsibilities of Passenger Transport Authorities (PTAs) and Passenger Transport Executives (PTEs). The Local Government White Paper, published by the Department for Communities and Local Government in October 2006, sets out the Government's intentions to introduce a package of changes to enable a more coherent approach to transport in the conurbations, in combination with stronger leadership and governance structures.

Proposals for reforms are due to be set out in the draft Road Transport Bill in the first half of 2007. This Bill will also take forward the Government's proposals for modernising the bus sector outside London, details of which were published at the end of 2006.

PTEG has welcomed the White Paper proposals and is keen to engage with the Department for Transport (DfT) in the precise reforms to be included in the forthcoming legislation. In order to support this engagement, the Group has commissioned Atkins to advise on the strengths and weaknesses of various options for reform. These options include:

- ◆ powers over local bus services;
- ◆ changes to PTAs and PTEs' arrangements for local rail services;
- ◆ providing PTAs and PTEs with strengthened highway and traffic powers;
- ◆ changes to how PTAs and PTEs are funded;
- ◆ relating reform of PTAs and PTEs to wider governance arrangements in their city regions; and
- ◆ the form of legislation or guidance to be developed within, or following from, the Road Transport Bill.

### The Case for Reform

Transport in the conurbations is improving. There is a range of evidence which shows that with the current powers available, PTA/PTEs, and their Districts, have invested widely, innovated and made a visible difference to their areas. Key achievements include supported bus services, light rail, travel information, concessionary fares, interchange and other outputs from the first Local Transport Plans.

Progress has not been without its problems, however. There is a range of quantitative and qualitative evidence of mixed outcomes compared to other parts of England together with examples of LTP programmes which have been constrained in their outturn or effectiveness. Investors, businesses and developers continue to see transport as a major barrier to urban competitiveness and development. One reason for this is the division of planning, delivery and regulation of transport in metropolitan areas across a range of authorities and agencies, and tensions between representation of local interests at District level compared to strategic objectives at the level of the conurbation.

Based on our discussions, whilst the strengths of existing metropolitan governance arrangements are recognised, there is a strong sense that changes are required to improve the effectiveness and efficiency of transport delivery, as a means of supporting wider economic and social regeneration and development. The Government is itself already publicly committed to reform. The key issue is the extent and scope of reform required in order to improve transport delivery effectively, link this to wider objectives, and command a broad consensus from the various national, regional and local stakeholders

and interest groups.

There is general agreement that the existing PTA/PTEs should provide the basis for reform rather than the introduction of wholly new structures, based on their acceptance by all stakeholders and record of achievement to date. The Local Transport Plans prepared by PTEs also provide the statutory basis for an integrated transport strategy for each conurbation. It is preferable to build on, and strengthen, these existing arrangements.

### **Comparative Experience**

We have examined the experience of metropolitan transport governance structures and delivery arrangements from a number of UK and overseas cases. The evidence does allow some high level comments to be made as follows:

- ◆ the existence of some kind of metropolitan or regional structure with responsibilities for transport co-ordination and delivery a consistent success factor. There are very few examples of successful regional transport delivery which have developed without such a structure being in place;
- ◆ there are a wide range of approaches to achieving improved integration of governance of transport at the city region level. However, radical re-organisations through the creation of new governance structures and significant re-ordering of existing powers are comparatively rare. A more frequent response is voluntary associations of existing organisations, with encouragement of greater levels of formal or informal co-operation towards shared goals;
- ◆ radical shifts of power to new city regional institutions are often constrained by tax issues, political and administrative structures and opposition from national or local bodies keen to retain a measure of power and authority. Voluntary and co-operative approaches are less likely to directly threaten such interests, and these seem to work best where there are clear incentives for doing so;
- ◆ in some instances, governments may introduce legislation or regulation to formalise existing voluntary arrangements, with or without reserve powers, to strengthen delivery of policy objectives in the event of non-delivery from partners;
- ◆ whilst regional control or co-ordination of public transport is often accepted by lower tier authorities in order to achieve specific network and integration benefits, the transfer of highway and traffic powers is less common. Where the latter does occur, direct responsibilities tend to be limited to the strategic network, with influence over local transport policies and programmes achieved through a range of formal and informal partnerships and funding incentives;
- ◆ national government or agencies often retain some control over transport planning and provision, usually related to national road and rail networks, and the provision of funding; and
- ◆ there are a range of funding mechanisms to support city region transport objectives beyond direct funding from Government. These include public transport fare revenue, local forms of taxation, sale of land for development and levies or contribution from lower tier authorities and their taxpayers.

The overwhelming conclusion of the comparative review is that there is no single model for urban governance which is readily transferable to reforms for PTA/PTEs. There is also little conclusive evidence that new “top down” structures per se are necessarily more effective in supporting delivery than strengthening existing voluntary arrangements and partnerships. Based on this, it will be for English conurbations to define their own routes, reflecting local circumstances, traditions and practices and within the legislative and regulatory framework defined by Government.

### **Principles of Reform**

In determining the parameters of reform, it is vital to have a consistent and transparent set of standards on which to base any decision. These standards provide a common terms of reference through which PTEG, the PTA/PTEs, Metropolitan Districts and the Government can discuss the case for, and nature of, reform, understand the costs and benefits of particular approaches, and subsequently judge the performance of the changes put in place.

We believe the following principles should be central to the ongoing debate:

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- ◆ new metropolitan governance arrangements should offer greater effectiveness in delivering agreed transport and wider objectives and desired outcomes;
- ◆ reforms should be practical, affordable and reflect the capacity of the different authorities and agencies to deliver;
- ◆ reform should build on existing structures and relationships as far as is possible;
- ◆ reforms should be consistent with the principles behind the debate over wider city region governance and devolution from Central Government to the most appropriate level;
- ◆ reforms should retain levels of democratic accountability at both metropolitan and local level;
- ◆ structures should command a broad consensus of political and metropolitan stakeholder support;
- ◆ new arrangements should be reasonably stable over time;
- ◆ a distinction should be made between reforms which are possible through the Road Transport Bill, and those which can be achieved through other legislation or non-statutory guidance and regulation;
- ◆ the net benefits of reforms should justify the costs of change, including discontinuities and disruption which might come from radical restructuring and re-organisation to existing arrangements; and
- ◆ reforms should anticipate, and seek to avoid, unintended and potentially perverse incentives and consequences.

### **Some Directions for Reform**

In considering reforms, the questions of governance, functions and funding cannot be separated. Devolution of powers from Whitehall is likely to require Ministers to have confidence that there are strong metropolitan governance arrangements capable of effective decision making and implementation. Within the conurbations, metropolitan leaders and politicians will probably only accept a rebalancing of powers between strategic and local tiers of government if there is a prospect of tangible benefits such as greater freedom from central prescription and significant increase in resources. Greater powers for transport at metropolitan level may only be accepted locally if there are suitable scrutiny arrangements on the relevant decision makers, and transparent checks and balances on their conduct and accountability to the electorate.

We therefore believe that a “pick and mix” approach to new PTA/PTE arrangements, tackling each option for reform in isolation, is unlikely to be successful. Complementary and mutually-reinforcing packages of reforms are needed through which to structure the debate.

We have endeavoured to provide a structure within which these packages could be assembled, based on the concept of a “ladder” through which conurbations would seek, and receive, stronger combinations of governance, powers and funding compared to the current status quo. The particular framework considered in Table 1 is one possible illustration rather than a rigid blueprint or a final recommendation. In practice, different conurbations would also have their own unique starting point of existing powers and governance, and local variants of the stages necessary to accomplish successful reform. If the “ladder” concept is accepted, detailed work will be needed to develop a specific and definitive set of structures, powers and funding mechanisms, reflecting stakeholder views, and the exact combination might be different for each conurbation.

### **Governance**

Reformed governance arrangements are likely to be central for providing a framework for other reforms, into which strengthened powers and funding may flow. They need to be capable of building on existing arrangements, producing effective decisions, balancing strategic and local interests and securing buy-in from the Government. However, given the complexities and overlapping interests of transport objectives and decision making at a national, regional and local level, it is highly unlikely that a “perfect” institutional structure can ever be fully defined. The aim should be to agree the most appropriate governance arrangements that best enable transport to be delivered effectively and efficiently whilst supporting city region objectives within agreed limits of democratic accountability and legitimacy.

Appointing District Leaders or senior Cabinet members to the PTA would address some current concerns, and there may be scope to streamline PTA committee and other business arrangements. Whilst retaining local accountabilities, it is unclear whether this approach would elicit the full confidence and support of DfT in devolving powers and funding.

Arrangements for more ambitious reforms beyond this should be defined locally. Whilst there may be arguments from some quarters for radical proposals such as directly elected leaders, this seems unlikely to be supported at conurbation level. However, options such as appointing political and professional representatives to a Transport Board, with a degree of autonomy in its decisions, whilst retaining separate executive and scrutiny functions would seem to have a range of advantages and may be requirement for justifying devolution from Whitehall. The role of the existing PTA structure and membership would need to be carefully considered in any reformed decision making or scrutiny role.

The proposal for a Metropolitan Transport Commissioner as the “chief executive” for a conurbation’s transport system is a particularly interesting idea, similar to the idea of the Chief Constable, who could potentially hold significant powers and responsibilities in their own right, subject to political appointment or ratification. The timing and duration of appointment could be linked to the Government’s models of elected leaders or executives set out in the Local Government White Paper.

Where PTEs expand their role significantly, corporate arrangements would need to take account of the resource and institutional implications of any new functions and duties taken on. In particular, the acquisition of highway and traffic powers by a strengthened metropolitan authority would necessitate a re-evaluation of its capacity, aptitudes and competencies. This would present capacity building and change management challenges, including the possible re-deployment of key professional staff from highway and traffic posts within the Districts.

Where significant structural or organisational change is proposed, it will also be important to plan effective transitional arrangements to ensure continuity of PTA/PTE functions, “business as usual” in terms of public services, and clarity of roles, terms and conditions for individual officers and members. To this end, robust “change management” procedures will need to be implemented.

### *Function*

We see a case for providing PTA/PTEs with a range of additional powers to strengthen their role of developing and delivering the integrated transport strategy and programme set out in the LTP.

In this context, one reform might be to amend the Transport Act 2000 to place the duty on developing and delivering the Joint LTP solely with the PTA rather than one shared collectively with the Districts. This could be backed up with possible inclusion of a general PTA/PTE directive or reserve power to require the Districts to take whatever steps required to deliver the agreed LTP programme.

On delivery of improved bus services, the Government’s proposals set out in *Putting Passengers First* should provide the basis for early reforms which have already received PTEG support, although with some concerns over the details. In particular, the introduction of area or route franchising in place of the current deregulated regime raises the prospect of strong and integrated management of the bus network, allowing fares and ticketing to be integrated across modes and controlled for social rather than purely commercial objectives. Better co-ordination of buses can also be seen as the first point of metropolitan transport reform before moving onto wider powers over the highway, traffic and demand management.

Extension of these roles to stronger PTE regulation of taxis and private hire vehicles may be an effective reform which has potential to demonstrate benefits in terms of accessibility, personal safety and integration with the wider public transport network. This is especially the case where there is significant actual or latent cross-boundary demand between Districts, and supports the city region economy.

On metropolitan rail services, the statutory re-introduction of PTE co-signatory status on new passenger franchises is desirable, but this outcome may be better pursued in the short-term by lobbying the Secretary of State to use his discretion on the forthcoming West Midlands franchise, rather than

necessarily focusing on an amendment to the Railways Act. This precedent in combination with PTEs' ability to buy or realise service increments or decrements in relation to franchise commitments, buy or lease rolling stock, and role in existing partnerships would represent a potentially powerful range of tools for urban rail, providing that the affordability and funding issues for track access and rolling stock leasing are addressed. The Road Transport Bill should also recognise PTEs' role in working with Train Operating Companies on the maintenance and improvement of railway stations and station car parks, as a natural extension to their current management of major bus stations.

Beyond the existing self-contained Merseyrail and North London Railway cases, there may be scope for PTEs to press for franchise management responsibilities where this can be justified against the complex overlay of local, regional and national services, operational, safety and efficiency implications of fragmenting the network, and significant costs involved in delivering improvements. This would lie towards the upper end of powers which might be negotiated from the Government.

On wider powers, we see a case for PTA/PTEs taking a range of highway and traffic responsibilities provided locally acceptable political arrangements with the Districts concerned can be agreed.

The focus should be on those powers necessary to deliver the strategic objectives and targets set out within the LTP or equivalent plan across the conurbation, with Districts retaining authority relevant to their local networks and services. Issuing strengthened guidance to District Traffic Managers for the management and enforcement of bus priority, together a new duty to work with the PTE to support the agreed metropolitan transport plan might be an initial reform which would not require primary legislation. Beyond this, the designation of PTA/PTEs as highway and traffic authorities in their own right would trigger access to a range of existing legislation, to which the Road Transport Bill could add additional specific duties and powers.

Strategic public transport priority, traffic management, demand management and promotion of Major Schemes appear to us to offer most scope for a selective re-balancing of powers within metropolitan areas and devolution of additional powers from Government. More detailed consideration is needed on whether enhanced PTA/PTE powers in this area should be based on direct responsibility for a core network, a more consultative and directive role in relation to the Districts, or reserve powers in the event of a District failing to implement its contribution to the agreed LTP or metropolitan transport plan.

Areas such as promotion of walking and cycling, smarter choices and on-street parking management and enforcement should remain predominantly a District function unless more radical reform were sought or an overwhelming case can be made for their transfer to the strategic tier of decision making. In some instances, a case may be made for some transfer of parking regulation and management powers where these are necessary to deliver strategic objectives for prioritising public transport and tackling network congestion, and for specific measures such as strategic park and ride.

Strengthened highway and traffic powers of any kind at metropolitan level would be likely to raise legitimate concerns from District Councils. Precise arrangements therefore need to be negotiated and set out in secondary legislation, rather than defined in the Road Transport Bill itself. Arrangements may well vary between the different conurbations. Whilst a District "veto" on a Transport Authority's exercise of its new powers may be excessive, procedures for appeal and resolution of disputes must be considered in the Bill, together with effective scrutiny procedures within the Authority itself.

### *Funding*

Definitive arrangements on how metropolitan transport is funded are likely to have to await the publication of the Lyons Inquiry and the Government's subsequent response to its recommendations. It is therefore unclear whether the Road Transport Bill will be specific on reforms in this area. However, we believe that any changes should be related to the scale and type of additional powers granted and the ability of the PTA/PTE and the Districts to strengthen their governance arrangements.

In this context, some basic reforms could apply to all conurbations with additional options for areas seeking stronger powers and governance reforms. For the former, we see a good case for a re-

introduction of a PTA Precept on Council Tax and a move to PTA/PTEs receiving direct Transport Grant direct from Government, with the latter likely to be the more significant reform.

A range of additional funding mechanisms should be sought, linked to wider economic development patterns and specific transport initiatives. The Lyons Inquiry is likely to make a range of recommendations in this area and we suggest that PTEG considers these carefully. Using revenue streams from public transport and road user charging to secure additional borrowing for transport investment seems to us to be a way to secure a step change in funding levels, and has been successfully carried out in London. However, this will be a bold approach for some conurbations, possibly linked to programmes under the Transport Innovation Fund.

In the medium-term, it has been suggested that LTP funding could be routed exclusively via the PTA/PTE, replacing separate allocations to the Districts and the PTA or Transport Board deciding on expenditure in line with LTP objectives. Whilst this is essentially the approach in London, it risks overlooking local needs and accountabilities, and is likely to be politically unacceptable to Districts Councils. We therefore suggest caution with this approach at the current time.

### *Legislation*

The Road Transport Bill should be enabling legislation, seeking to set out the broad objectives of reform and the arrangements the Government wishes to offer metropolitan authorities and stakeholders, including the range of additional powers and funding mechanisms available, and the key objectives, duties and broad governance arrangements expected in return.

Detailed structures and distribution of powers should be left to be defined in secondary legislation, reflecting the needs, support for reform and political dynamics in each conurbation.

The Government should provide PTEs with Wellbeing Powers in line with other local authorities with appropriate guidance on how they and the Districts might exploit the Powers in practice.

### **Next Steps and Advice on PTEG Engagement with Government**

Following this report, we recommend further discussion of our findings and ideas with PTEG and refinement and revision of proposals as necessary. These should then inform further discussion with PTA representatives and, in due course, engagement between PTEG, DfT and other relevant stakeholders on emerging proposals for Road Transport Bill.

## **Acknowledgements**

This report has been prepared with contributions from a team made up of Atkins, and a number of local government experts as follows:

- ◆ Andy Southern (Project Director), Managing Director, Atkins Transport Planning
- ◆ Jonathan Spear (Project Manager), Senior Managing Consultant, Atkins Transport Planning
- ◆ Iain Roxburgh, Local Government Centre, University of Warwick
- ◆ Tony Travers, Greater London Group, London School of Economics
- ◆ Peter White, Transport Studies Group, University of Westminster
- ◆ John Preston, Transportation Research Group, University of Southampton

In addition, the evidence contained in this report is based on discussions with the PTEG Support Unit, senior officers representing each Passenger Transport Executive, PTE Director Generals and the Department for Transport. We are grateful for the time and the views of those contacted.

*However, we stress that the views expressed in this report are those of the authors and do not represent official views or policy of the Passenger Transport Executive Group, any individual Passenger Transport Authority or Executive or Metropolitan District Council.*

**Table 1 – A Possible Indicative Hierarchical Framework for Strengthened Metropolitan Transport Governance and Delivery**

Model	Role and Function	Governance	Powers	Funding
Status Quo (PTA/PTE)	Co-ordination of public transport Preparation and co-ordination of LTP and Bus Strategy	PTA comprised of Members appointed by Districts PTE carries out policies of PTA	Powers to co-ordinate socially necessary public transport, input into rail franchise specifications and additions and public transport information and promotion	Levy plus Revenue Support Grant via Districts Some direct LTP funding from DfT and a few specific grants
Passenger Transport Authority	Enhanced co-ordination and regulation of public transport through direct regulation or franchising Preparation and co-ordination of LTP and Bus Strategy	District Leader or more senior member representation on PTA and streamlining of decision making and scrutiny roles. Building on existing PTE brand and stronger corporate identity	Introduction of Statutory Quality Bus Partnerships and Quality Contracts at current funding levels. Retention of co-signatory status on new rail franchises, plus use of increment/decrement powers. Strengthened guidance or legislative amendments on PTA/PTE duties to prepare and deliver a Joint LTP for the conurbation	Re-introduction of Precept on Council Tax Marginal adjustments to existing capital and revenue funding levels Potential farebox income from public transport supporting Prudential Borrowing etc. for delivery over LTP commitments
Transport & Highway Authority	Enhanced co-ordination and regulation of public transport plus delivery of infrastructure Preparation and co-ordination of LTP and Bus Strategy	Reform of political control and legal authority through a Transport Board of political and professional appointees, supported by existing executive role of PTE Agreed scrutiny and appeal procedures on specific policies or decisions as a check on the powers of the Transport Board and Executive	Highway powers for the delivery of infrastructure and network management improvements District Traffic Managers to take account of PTAE objectives in NMD Definition of a “core” network of PTE interests with split of highway powers between PTE and Districts to be negotiated and agreed Powers of consultation on major planning applications on or adjacent to strategic network Strengthened capabilities for achieving delivery of plans such as on-street parking, walking and cycling, and smart measures in a more co-ordinated way	Re-Introduction of Precept on Council Tax Potential farebox income from public transport supporting Prudential Borrowing etc. for delivery over LTP commitments Additional funding to deliver a “step change” in bus service coverage and quality Direct grant from Government for LTP and highway duties with greater flexibility to determine priorities Freedoms to promote and fund Major Schemes from grant and borrowing
Transport & Traffic Authority	As above, but with traffic duties and powers, inc. Traffic Management Act	Political control options as above.	As above, but with traffic powers and the creation of a metropolitan Network Management Duty, Traffic Manager and Permit Scheme	As above, with additional direct grant to support traffic responsibilities
Metropolitan Transport Authority	Preparation and delivery of all aspects of transport strategy and plan including public transport, traffic management, demand management & wide range of integrated transport and operational strategies	Political control options as above Freedom to move away from prescriptive LTP format for transport strategy and programme Appointment of a quasi-independent Transport Commissioner reporting to the Transport Authority Board and supported by a management team Inclusion of wider stakeholder interests or advisors on Board Separate scrutiny panel to protect District and public interests and ensure accountability	Combined highway and traffic powers over a defined strategic network and possibly wider powers of direction/consultation Strategic demand management including implementation and receipt of revenues from road user charging Potential rail franchise manager and powers of direction for services beyond metropolitan boundary Licensing authority for taxis and private hire vehicles Powers of consultation on major planning applications Guidance, control of funding and directions over walking and cycling and other integrated transport programmes	Broad range of funding streams including direct Government grant, farebox revenue, Precept, Transport Innovation Fund, Road User Charging, and income streams from PCNs, taxi licensing etc. Development of innovative forms of funding All capital funding to be routed via Transport Authority and then allocated to Districts according to LTP objectives Potential for direct negotiations with Government on long-term funding settlement
Metropolitan Transport & Planning Authority	As above, but with LTP linked to metropolitan spatial and economic development strategy	Unlikely to be viable without directly elected metropolitan government leaders and structures (e.g. Mayor)	Strongest combination of transport, spatial planning and potentially other strategic powers Powers of direction over strategic planning applications & negotiations	As above, but with additional potential to secure funding from land use taxation and development process.



# 1. Introduction

## 1.1 Background – The Local Government White Paper & Road Transport Bill

Atkins has been commissioned by the Passenger Transport Executive Group (PTEG) to undertake a review of potential options for reform to the delivery and governance of local transport in the six Metropolitan Areas of England outside of London.

These reforms relate particularly to the roles and responsibilities of Passenger Transport Authorities (PTAs) and Passenger Transport Executives (PTEs). The remit of these bodies currently includes public transport strategy and infrastructure investment, public transport information, planning and funding of socially necessary bus services, concessionary travel, and the funding of specified urban rail services. Under the Transport Act 2000, PTEs also have a duty to prepare and co-ordinate delivery of a Joint Local Transport Plan (LTP) for their Metropolitan Areas in partnership with the relevant Metropolitan District Councils.

The six PTAs/PTEs in England are shown in Table 1.1.

**Table 1.1 – Metropolitan Areas in England with PTAs/PTEs**

Metropolitan Area	Passenger Transport Executive	Creation	Population	Metropolitan Districts
Greater Manchester	Greater Manchester PTE	1970	2.482 million	10 Salford, Trafford, Stockport, Manchester City, Tameside, Oldham, Bolton, Bury, Rochdale, Wigan
Merseyside	Merseytravel	1970	1.362 million	5 St Helen's, Liverpool, Knowsley, Wirral, Sefton
West Yorkshire	Metro	1974	2.079 million	5 Bradford, Calderdale, Kirklees, Leeds, Wakefield
South Yorkshire	South Yorkshire PTE	1974	1.266 million	4 Barnsley, Doncaster, Rotherham, Sheffield
Tyne and Wear	Nexus	1970	1.076 million	5 Gateshead, Newcastle, North Tyneside, South Tyneside, Sunderland
West Midlands	Centro	1970	2.556 million	7 Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton

A seventh PTE, Strathclyde, was reformed into a Regional Transport Partnership under the Transport (Scotland) Act 2005 and is not considered as part of this Study.

The effectiveness of transport arrangements in the metropolitan areas has come under scrutiny in recent years, especially given the focus on improving economic prospects and governance arrangements for 'city regions'. There have been a series

of well publicised difficulties in the co-ordination of delivery of LTP integrated transport programmes, for example, delays or abandonment of a number of Major Schemes, and mixed outcomes, such as the continued decline in metropolitan bus patronage<sup>1</sup>. By contrast, other governance models, such of those operating in London or many cities in Europe, are seen as potentially more effective and able to deliver more positive outcomes<sup>2</sup>. Scope for reform has been raised in a number of arenas, including the Commission for Integrated Transport, House of Commons Transport Committee and Eddington Transport Study.

The Local Government White Paper, published by the Department for Communities and Local Government in October 2006, responds to these concerns and sets out the Government's proposals to devolve powers and resources to city regions in combination with stronger leadership and accountability. In particular, the White Paper sets out the Government's intentions for PTAs/PTEs as follows<sup>3</sup>:

*"The Department for Transport will propose a package of reforms for all Passenger Transport Authorities and Passenger Transport Executives, which are the bodies responsible for securing public passenger transport in their areas, to enable a more coherent approach to transport to be taken in our major cities by addressing the criticism that transport powers are fragmented between PTAs and local councils.*

*In keeping with the principle that greater powers require stronger leadership to access the powers, there will need to be more powerful local authority representation on the transport authority boards."*

Specific proposals for reforms will be set out in the draft Road Transport Bill, due for publication in the first half of 2007. This Bill will also take forward the Government's proposals for modernising the bus sector outside London, as set out in the White Paper and published in further detail on 12<sup>th</sup> December 2006<sup>4</sup>.

PTEG has welcomed the principle of more cohesive planning and management of transport in the conurbations<sup>5</sup> and is keen to engage with the Department for Transport (DfT) in the precise proposals to be included in the forthcoming legislation. In order to support this engagement, the Group has commissioned Atkins to advise on the strengths and weaknesses of various options for reform. These options include:

- ◆ reforms to governance arrangements in the city regions, ranging from maintenance of the status quo to new formats such as District Leader Boards and Strategic Boards/Executives for key functions;
- ◆ providing PTAs and PTEs with the full range of options for strengthened highway powers – from direct powers and management responsibilities to indirect influence. This also includes the options on associated highways issues relating to parking, taxis, demand management, travel planning, cycling and "smart" measures;

<sup>1</sup> E.g. Long-Term Process & Impact Evaluation of the Local Transport Plan Policy: Interim Report. Atkins (August 2005)

<sup>2</sup> See Chapter 3.

<sup>3</sup> Strong and Prosperous Communities: The Local Government White Paper. Department for Communities and Local Government (October 2006). Page 86.

<sup>4</sup> Putting Passengers First – The Government's Proposals for a Modernised National Framework for Bus Services. Department for Transport (December 2006).

<sup>5</sup> Position Statement on Forthcoming Legislation Affecting PTE/As. PTEG (October 2006).



- ◆ powers over local bus services, including the implications of the Government's proposals as published in *Putting Passengers First*;
- ◆ changes to PTAs and PTEs' arrangements for local rail services, including co-signatory status to relevant passenger franchises, marginal costing of services and PTEs becoming the franchise manager for certain self-contained services;
- ◆ changes to how PTAs and PTEs are funded, including direct funding from Government, flexibility on Major Scheme funding, strengthened borrowing powers and new funding/revenue streams; and
- ◆ the form of any legislation or guidance to be developed by DfT for the purposes of strengthening PTA/PTE governance, powers and effectiveness, ranging from prescriptive to permissive or enabling approaches.

This report sets out the results of this initial review and evaluation. It should be noted that the analysis has been completed in short order in December 2006 and January 2007, reflecting the short timescale available between the White Paper and the intended publication of the draft Bill. As such, the report is high-level and discursive, and designed to set out a broad level of analysis for the various options rather than propose detailed recommendations at this stage. The latter is rightly dependent upon further engagement and discussions amongst PTEG members, at both officer and political level, and between PTEG and DfT.

## 1.2 Methodology and Evidence Base

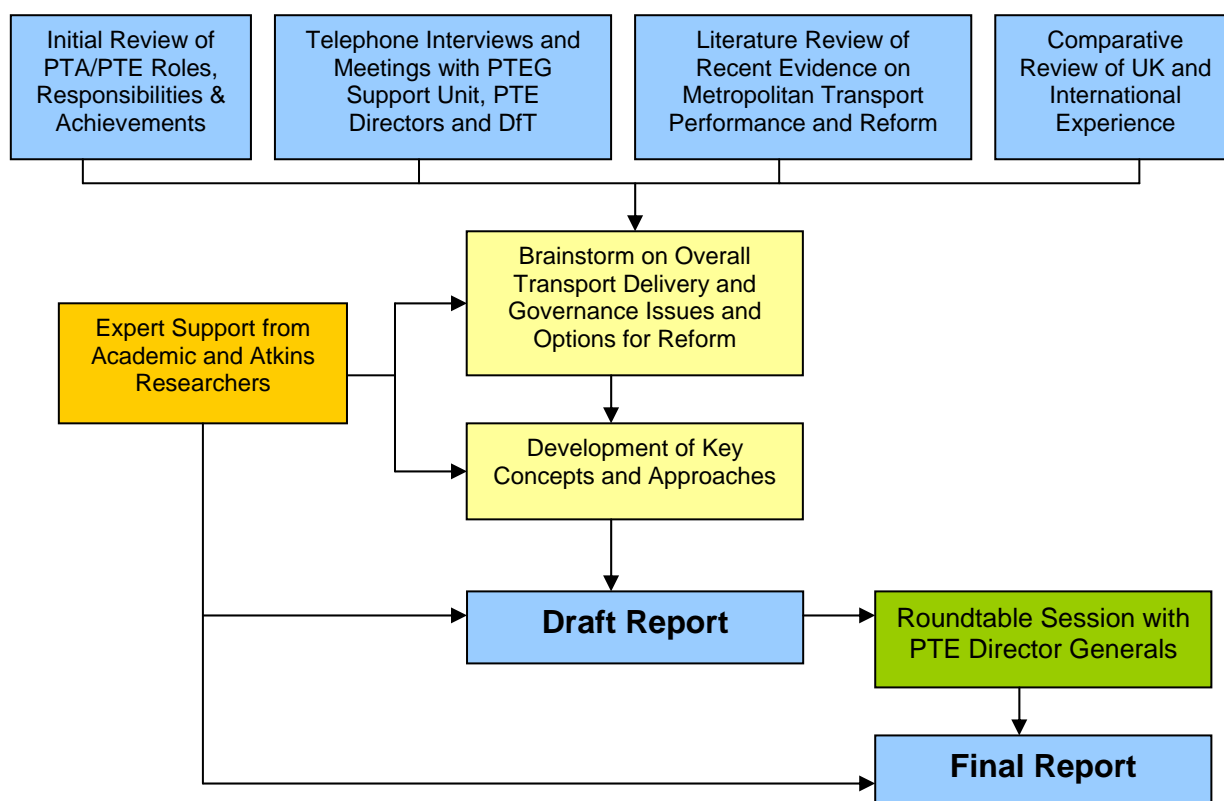
The methodology and evidence base for the Study includes the following elements:

- ◆ an initial review of current PTA and PTE roles and responsibilities;
- ◆ a comparative desktop review of delivery and governance arrangements pertaining in other city regions in the UK and overseas;
- ◆ a brief literature review of existing evidence on metropolitan transport delivery, governance arrangements and recent proposals for reform, including current PTEG policy and position papers on key issues;
- ◆ a semi-structured telephone interview with nominated directors in each of the PTEs, focusing on current problems and issues, the sustainability of existing arrangements and perceptions on options for reform;
- ◆ a meeting with the Department for Transport to ascertain their initial views on reform options and proposals for the draft Road Transport Bill;
- ◆ a brainstorm workshop, attended by the Atkins team, selected academic experts, the PTEG Support Unit and two PTEs, in mid-December 2006;
- ◆ a discussion session with the Director Generals of the PTEs at a PTEG Roundtable in mid-January 2007.

Figure 1.1 shows how the key elements of the approach relate to each other.

It should be noted that our research has not, at this stage, included formal contact with any representatives from District Councils and this might rise to a range of views and perspectives contrasting with those expressed in this report. Nor have we been asked to review issues of PTA/PTE boundaries or issues of governance and delivery in other large urban areas not covered by PTA/PTE arrangements.

Figure 1-1 – Study Approach



### 1.3 Structure of Report

The remainder of this report is structured as follows:

- ◆ Chapter 2 sets out, in broad terms, the case for reform of transport functions, funding and governance in the Metropolitan Areas, as derived from available empirical evidence and recent policy discussion;
- ◆ Chapter 3 provides a comparative review of transport governance in London, elsewhere in the UK and overseas, and sets out what relevant lessons can be drawn for PTA/PTEs;
- ◆ Chapter 4 describes the key options for PTA/PTE reform, based on those concepts defined in the PTEG brief and suggestions made during the course of this research;
- ◆ Chapter 5 sets out the key principles which PTEG, and others, should have regard to, in considering and assessing the options available;
- ◆ Chapter 6 contains a discussion of the options in terms of their likely effectiveness, relevance and acceptability to PTEG and its members, and overall strengths and weaknesses for addressing the priorities and interests of the various stakeholders;
- ◆ Chapter 7 summarises our emerging findings and advice to PTEG in the next stage of engagement with its own members and with the DfT.

There are also a series of appendices containing our evidence base for the main research findings.

## 2. How Strong is the Case for PTE Reform?

### 2.1 The Recent and Current Roles of Passenger Transport Authorities and Executives

The role and powers of Passenger Transport Authorities and Executives are set out in the Transport Act 1968 and the Local Government Acts of 1972 and 1985 and provide for the provision of public transport services in their areas<sup>6</sup>.

A Passenger Transport Authority (PTA) is made up of elected representatives (Councillors) from the Metropolitan District Councils served by the Authority. These representatives are nominated by the Councils reflecting their balance of population and political control. The policies of the PTA are carried out by a Passenger Transport Executive (PTE) with a high level duty to:

*“Secure the provision of such public transport services as the PTA for the area consider it appropriate for the Executive to secure for meeting any public transport requirements within the area which in the Authority’s view would not be met apart from any action taken by the Executive for that purpose.”*

Provision of public transport in this context, includes:

- ◆ provision of socially necessary bus services which are not viable on a commercial basis, and demand responsive public transport;
- ◆ co-ordination with Local Education Authorities for home to school transport and transport for children with special educational needs;
- ◆ provision of comprehensive information about public transport services as well as a range of multi-modal area-wide ticketing;
- ◆ administration of concessionary fares schemes, covering statutory minimum requirements for senior and disabled people and often schemes for other groups such as jobseekers, children, students and young people;
- ◆ ownership, operation and maintenance of the majority of bus stops, bus stations and other interchanges;
- ◆ the promotion and funding of bus priority measures;
- ◆ the promotion, ownership and procurement of urban mass transit schemes, such as light rail, and improvements to urban heavy rail systems.

PTAs/PTEs also own and operate a number of tunnel and ferry services, including the Mersey and Tyne tunnels, and ferries on Tyne and Wear and Merseyside.

For a significant period following their establishment, PTEs were substantially larger organisations than they are currently. This was largely on account of their direct ownership and operation of municipal bus operations<sup>7</sup>. Political control was also exercised through the Metropolitan Counties, but these were abolished in 1986 with PTA representation being transferred to the Metropolitan District Councils. Under the

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<sup>6</sup> A Guide to the Powers, Funding and Duties of the PTE/As. PTEG (2005).

<sup>7</sup> In the mid-1970s, for example, Merseyside’s PTE owned a fleet of almost 1,400 buses with a subsidiary company, Merseyside Passenger Transport Services, responsible for operations.

Transport Act 1985, bus operations were almost completely deregulated and privatised with the majority of metropolitan bus services now being provided by the private sector on commercial lines.

PTEs have also long had a role of procuring passenger rail services in support of their areas. With the privatisation of British Rail in the 1990s, these services are also now run by the private sector under franchise agreements. However, PTEs are co-signatories to a number of franchises (Central, Northern and Merseyrail) giving them a significant influence over the specification of commuter rail services. They have used this influence to negotiate various improvements to rolling stock, new routes and stations. Merseytravel is unique amongst the PTEs in that it is the franchise manager for the self-contained Merseyrail network, although Nexus owns and operates the Tyne and Wear Metro and Greater Manchester, South Yorkshire and West Midlands have successfully developed light rail systems of varying scales.

Whilst the 2005 Railways Act makes PTE co-signatory status for new franchises conditional on the discretion of the Secretary of State, the same legislation allows PTEs to propose increments or decrements to local rail services during the franchising specification process or during the life of a franchise providing the costs of these changes are funded<sup>8</sup> A PTE may also enter into direct agreements with Train Operating Companies for the provision of “minor enhancements.”

PTEs’ responsibilities also include the production of a Joint Local Transport Plan (LTP) for the conurbation in partnership with the District Councils. Under the Transport Act 2000, this includes an integral Bus Strategy. LTP1 covered delivery in each area between 2001 and 2006, with progress reported in the LTP1 Delivery Reports published in July 2006. The second Joint LTP for each metropolitan area was produced in March 2006 and sets out the framework for local transport delivery between 2006 and 2011. Table 2.1 shows DfT’s assessment of LTP1 delivery and the quality of planning for LTP2 as announced in December 2006.

**Table 2.1 – DfT Assessments of Metropolitan LTP1 Delivery and Quality of LTP2 Planning**

Metropolitan Area	LTP1 Delivery Report	Final LTP2
Greater Manchester	Good	Good
Merseyside	Excellent	Excellent
West Yorkshire	Good	Good
South Yorkshire	Satisfactory	Fair
Tyne and Wear	Very good	Good
West Midlands	Very good	Excellent

PTA/PTEs are not designated as highway or traffic authorities under a range of relevant legislation<sup>9</sup>. Highway powers for the purposes of delivering the LTP or infrastructure and enforcement elements of the Bus Strategy rest with the

<sup>8</sup> The New System for the Role of English PTEs in the Rail Franchising Process. Department for Transport (2005).

<sup>9</sup> For example, the Highways Act 1980, Road Traffic Regulation Act 1984, New Roads and Street Works Act 1991 and the Traffic Management Act 2004.

Metropolitan Districts. There is no provision in existing legislation for these powers to be transferred to organisations, including PTA/PTEs, which are not designated highways or traffic authorities.

Authority to license and regulate taxis and private hire vehicles also lies with each Metropolitan District, with respect to such issues as processing of driver applications, vehicle type, maximum fares, and enforcement activity. PTEs may consider these modes as part of the wider transport strategy within the LTP, but have no direct responsibility for regulation of services, or associated on-street infrastructure and management measures, such as taxi ranks.

Most of the PTEs' core funding to carry out their functions comes from an annual levy which is negotiated with the constituent Metropolitan District Councils and allocated on a per capita basis, as well as Revenue Support Grant which is also routed via the Districts. In addition, capital funding for infrastructure investment and maintenance is awarded by DfT via the Local Transport Plan process and local rail funding is met from a grant from the Government to the relevant franchise. PTEs have also had some success in securing funding via specific Government and European grants, such as Kickstart and Objective II.

PTEs' ability to secure substantial funding, or to borrow, in support of additional investment of service improvements, over and above levels negotiated with the Metropolitan Districts is currently relatively limited.

## 2.2 Experience and Perceptions of Metropolitan Transport Delivery

In the forty years of their existence and the changing context of their role, PTA/PTEs can point to an impressive range of achievements in multi-modal planning, integration and delivery of public transport. For example, they have<sup>10</sup>:

- ◆ strengthened cross-party and cross-boundary consensus on metropolitan transport priorities, as expressed for example in Local Transport Plans;
- ◆ developed and disseminated best practice and innovation in such areas as light rail, guided busways, school transport and Demand Responsive Transport, as well as initiating the development of the Package Approach as the precursor to the current LTP system;
- ◆ demonstrated high levels of investment and effective delivery in a range of areas under their direct control; and
- ◆ ensured that their delivery supports revitalised city centres, regeneration areas and the wider urban renaissance agenda.

With regards to the latter, specific highlights and examples<sup>11</sup> include:

- ◆ supporting almost 100 million kilometres of socially necessary bus services each year, through subsidy of £80 million targeted at gaps in the commercial network;
- ◆ investment of over £140 million annually in capital improvements to bus services, including a range of Quality Bus Partnerships on key corridors which have shown positive patronage growth, passenger satisfaction and modal shift;

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<sup>10</sup> The figures cited here generally include Strathclyde Transport Partnership.

<sup>11</sup> Backing the Bus. PTEG (2006)

- ◆ managing expenditure of over £250 million per annum to support concessionary fares for pensioners, disabled peoples and children, often in excess of statutory requirements, for the promotion of social inclusion;
- ◆ supporting direct provision of dial-a-ride for disabled and older people, as well as Demand Response Transport, linking rural and urban areas, and providing access to jobs and other opportunities;
- ◆ maintaining and improving over 60,000 bus stops and shelters, as well as running and improving 57 major metropolitan bus interchanges with a further 11 under construction or planned;
- ◆ operating 58 travel centres in a range of locations which deal with 9.5 million enquiries each year, and producing more than 1.7 leaflets, timetables and other
- ◆ achieving a range of assessment scores ranging from “good” to “excellent” for the strategies and programmes set out in the second round LTPs.

As well as buses, PTEs have a strong track record in urban rail<sup>12</sup>. Key achievements include:

- ◆ supporting 137 million trips per annum on regional rail services, with patronage of some metropolitan networks more than doubling in the last 20 years;
- ◆ investment in new or refurbished rolling stock, and associated improvements, such as electrification;
- ◆ opening of 68 new stations and re-opening of some disused routes, together with access improvements to stations and promotion of multi-modal interchange;
- ◆ taking over the franchise management of the Merseyrail network on Merseyside, with subsequent modernisation of rolling stock and interchange to improve service reliability, customer service and personal security; and
- ◆ substantial and sustained investment in light rail systems such as Manchester Metrolink, Midland Metro, Sheffield Supertram and the extension of the Tyne and Wear Metro.

Nevertheless, quantitative and qualitative evidence for recent PTA/PTE performance suggests that progress has not been without its problems. A view was expressed during our Brainstorm Workshop that “something isn’t working in the Mets,” with progress in terms of transport delivery and outcomes falling below expectations and the full potential of cities and their regions<sup>13</sup>.

Examination of LTP performance data for metropolitan areas lends some support to this view and illustrates that PTA/PTE areas have generally experienced higher rates of growth in car ownership and traffic volumes, and sharper declines in bus patronage, against the national picture across England, particularly in comparison to London<sup>14</sup>. They have also seen mixed performance in terms of other indicators such as bus user satisfaction, increases in bus fares, road safety, and road condition. Key statistics are shown in Table 2.2 and 2.3. This mixed performance is despite significantly higher levels of capital and revenue funding to support LTP objectives, compared to county and unitary authorities, and the availability of greater resources in terms of staffing and skills.

<sup>12</sup> Tackling Rail Growth in the City Regions. PTEG in association with Modern Railways (October 2006).

<sup>13</sup> Brainstorm Workshop, December 2006.

<sup>14</sup> Various evidence including LTP Annual Progress Reports, DfT and TfL statistics.

**Table 2.2 – Key Trends in Metropolitan Transport Performance Compared to Other Large Urban Authorities and London**

Indicator	PTA/PTE Areas	20 Largest Unitary/ Joint LTP Area	London
<b>Overall</b>			
Average Population: 2001	1,803,586	263,649	7,420,600
Average Increase in % of Households with 2+ cars: 1991-2001	+6%	+4%	+1%
Expenditure per Head of Population: 2001/02 – 2005/06 (Capital + Revenue)	£511	£461	£1,788
Average LTP/APR Scores: Average rank – 2001 – 2005 <sup>2</sup>	66 → 31	46 → 50	N/A
<b>Public Transport</b>			
Change in Bus Patronage: 2003/04 – 2005/06	-4%	-1%	+7%
Average Annual Number of Bus Trips per Person: 2005/06	106	98	244
Change in % of Public Satisfied with Local bus Services: 2000/01 – 2003/04	-1%	+9%	+12%
Change in % of Bus Users Satisfied with Local Bus Services: 2000/01 – 2003/04	+1%	+8%	+12%
<b>Road Safety</b>			
Change in Killed and Seriously Injured (KSI): 1994/98 – 2005/06	-28%	-33%	-45%
Change in Child KSI: 1994/98 – 2005/06	-42%	-50%	-63%
<b>Traffic</b>			
Change in Traffic Flows for all Motor Vehicles (Million Veh-Kms): 2000/01 – 2005/06	7%	5%	0%
<b>Cycling</b>			
Change in Cycling Trips: 2000/01 – 2005/06	+8%	-22%	+60% <sup>3</sup>
<b>Road Condition</b>			
Condition of Principal Roads - % of road length in need of repair: 2005	16%	15%	9%
Condition of Non-Principal Classified Roads - % road length in need of repair: 2005	25%	18%	N/A
Condition of Un-Classified Roads: % road length in need of repair (2005)	16%	8%	N/A

Sources: 2001 Census, National Statistics; Road Lengths in Great Britain, DfT, 2005; Road Traffic Statistics for Local Authorities, DfT, 2005; Road Casualties English Local Authority Tables, DfT, 2005; Public Transport Statistics Bulletin GB, DfT, 2006; LTP/APR Assessment Scores, DfT, various years; LTP F2 and F3 Finance Forms, DfT, various years; Proforma A Data, LTP Delivery Reports, various local authorities, 2006; Transport for London Annual Report and Accounts, various years; Transport for London Best Value Performance Plan 2006; London Travel Report 2006; BVPI104 returns by local authority area for 2003/04 and 2000/01, Audit Commission.

<sup>1</sup> Including six PTA/PTE areas and the thirteen most significant urban unitary authorities, based on absolute levels of bus use (annual number of bus trips per head of population) as reported in their 2006 LTP Delivery Reports.

<sup>2</sup> A higher rank means a better performance in LTP/APR scores, i.e. rank 85 is the best and rank 1 is the worst.

<sup>3</sup> Cycling on Transport for London Road Network.

Furthermore, the average position of metropolitan LTP and APR scores against DfT assessments has fallen consistently throughout the LTP1 period compared to a more constant or increasing performance by unitary and county authorities<sup>15</sup>. Whilst this partially reflects changes in the assessment process itself over the LTP1 period, research by Atkins suggests that metropolitan LTP programmes have been pulled down by their greater size and complexity, and the fact that delivery is fragmented across a range of partners, authorities and political designations. Metropolitan Areas have also tended to include a greater number of Major Schemes, compared to other authority types, an area which has experienced particularly significant delivery and budgetary problems over the course of the first round<sup>16</sup>.

**Table 2.3 – Recent Experience in Bus Performance in PTA/E Areas**

Metropolitan Area	Patronage (1994-2005)	Real Fares Index (1994-2003)	Service Levels (1994-2005)
Greater Manchester	-10%	+8%	-12%
Merseyside	-17%	+33%	-10%
West Yorkshire	-20%	+27%	-11%
South Yorkshire	-33%	+11%	-31%
Tyne and Wear	-25%	+3%	-41%
West Midlands	-15%	+6%	-20%

Source: NERA (2006)

This view of variable performance is also shared by our engagement with PTE directors and DfT officials during the opening stages of this study. In particular, there is a feeling that during the mid-1990s, metropolitan areas were “ahead of the game” in promoting a more strategic and integrated approach to transport planning and delivery, for example through their instrumental role in promoting the Package Approach to the Government. Since 2000, however, the early promise of strong urban transport strategies and programmes is not seen as matched by equally effective strategic service delivery and co-ordination of activities across District boundaries.

Our engagement with officers<sup>17</sup> highlights a number of specific concerns:

- ◆ shared ownership of transport objectives between the PTA/PTE and the Districts is greater in terms of overall strategy, compared to specific translation into local delivery on the ground;
- ◆ a lack of direct PTE control over a number of crucial levers to secure implementation of LTP programmes and objectives, and a lack of a single point of responsibility and accountability for strategic transport delivery;

<sup>15</sup> Long-Term Process and Impact Evaluation of the Local Transport Plan Policy. Interim Report. Atkins (August 2005).

<sup>16</sup> Although views on the reasons for the variable delivery of Major Schemes vary sharply between the PTA/PTEs and DfT.

<sup>17</sup> See also Transport Committee Inquiry into Local Transport Planning and Funding, Evidence of PTEG. PTEG (April 2006).



- ◆ examples of transport programmes and schemes being delayed, diluted or abandoned due to public objections and political resistance at local level, often on the basis of very local issues such as perceived loss of passing trades, minor changes to residents' parking and visual appearance;
- ◆ examples of changes in political control at local elections impacting on District support for previously agreed objectives;
- ◆ lack of an overall political priority for the LTP or the wider transport agenda from District Leaders and Members, given the perceived greater importance of other service areas, such as education, social services and housing;
- ◆ differing (and sometimes conflicting) local authority positions on the specification, routes or procurement approaches to LTP programmes and Major Schemes, weakening the case for support and funding from DfT;
- ◆ a perception from some officer that DfT stewardship of Major Schemes is overly-centralised, inconsistent with the localist agenda of the LTP and subject to frequent and inconsistent changes of policy and guidance, most graphically demonstrated by approaches to urban light rail and mass transit;
- ◆ views that PTE resources may be significantly constrained by the process of annually negotiating levy and other revenue contributions from the Districts;
- ◆ performance by bus operators, such as route and mileage reductions, poor punctuality and reliability, significant fare increases and lack of progress on securing integrated fares and ticketing which serve to undermine the attractiveness of local bus services as a viable alternative to the car;
- ◆ concerns over the organisational and financial efficiency of duplicating core transport functions and competencies across multiple Districts, especially in the context of the recognised skills shortage within the local transport sector;
- ◆ institutional, professional and cultural differences between public-transport focused officers within the PTE and a narrower engineering focus for their colleagues within the Districts.

There is some evidence of improvement and efforts to address these issues, in the absence of legislative change. In all PTEs, central or support teams have been, or are being, established to assist in the co-ordinated development of transport strategy and the LTP specifically, with some ceding of this role from the District level. The precise motivation for this varies, but has often been a pragmatic response to the resource intensity of the LTP process itself, as well as a response to incentives (and penalties) from DfT encouraging co-ordinated strategy development and programme delivery across boundaries<sup>18</sup>. There is also some evidence that some District Leaders and senior politicians are becoming increasingly able, and willing, to make decisions which balance the local interests of communities, neighbourhoods and businesses with the wider strategic needs of their wider city regions. For at least two metropolitan areas, the potentially significant resources available in future through the Transport Innovation Fund appears to be an additional motivator in driving closer joint working.

In some instances, closer co-operation between PTEs and Districts appears to be extending from policy and strategy into aspects of LTP programme delivery such as

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<sup>18</sup> For example, DfT's assessment of the quality of planning in LTP2, including criteria for joint working and broader context, is linked to an adjustment of +/- 25% funding above or below the Planning Guideline for integrated transport.

scheme prioritisation, outcome monitoring and performance management. This is encouraged by DfT Guidance for LTP2. There also appears to be greater focus going into co-ordination of planning, design and consultation of individual programme elements, for example, through the designation of working parties or project teams drawing on professional staff across organisations. Whilst at an early stage, these initiatives are seen as partially effective, at least at officer level, in improving the certainty and coherence of delivery, although powers and ultimate political sanction for implementation remains firmly with the Districts.

Existing levels of joint working and co-operation are seen as driving some improvements, with numerous examples of excellent delivery evident within all the metropolitan areas<sup>19</sup> and evidence of success in meeting transport and wider policy objectives.

The current developments seem to have their limits, however, and there is a general feeling, from the discussions held during this study, that whilst closer joint working on a voluntary basis is capable of producing positive impacts, this outcome may not be consistent, assured, structured or systematic. The majority of the PTE representatives contacted believe that there remains significant scope for local interests to hinder the pursuit of strategic objectives at the metropolitan level to the detriment of the city as a whole, and that PTEs lack the direct powers to press on with delivery, if partnership cannot be secured. This makes it less likely that the status quo is able to respond to new and emerging challenges facing the economic and social needs of the city regions and PTA/PTEs in supporting these.

## 2.3 Funding

The question of governance, roles and responsibilities is closely inter-connected with the question of funding. The process through which PTA's were originally precepting bodies was abolished in 1990. PTA/PTEs have concerns about the replacement mechanisms in place since then – a levy negotiated collectively with the Districts – through which they receive funding, which are seen as lacking transparency and accountability<sup>20</sup>. They also generate tensions between PTAs and their constituent Districts which see PTA functions and expenditure as potentially in competition with the direct provision of their own services. This tension can be exacerbated by general revenue pressures within Districts and the impact of “floors and ceilings” in the flow of Revenue Support Grant.

There is some evidence that District Councils pressure PTAs to keep their requests for an increase in the levy to a minimum with a “lowest common denominator” effect operating whereby the District(s) with the least favourable annual settlement tend to dictate a low level of increase year on year. With the introduction of increased capital expenditure through the LTP, extra debt charges for PTE programme delivery may be reflected in District Revenue Support Grant settlements, but not necessarily transferred to the PTAs, with the implication that the latter is increasingly unable to fund the revenue implications of capital expenditure.

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<sup>19</sup> For example, see *Delivering Better Local Transport: Key Achievements from the First Round of Local Transport Plans*. Atkins (December 2006). Numerous specific examples of effective scheme and programme delivery can also be found in individual metropolitan LTP1 Delivery Reports, published in July 2006.

<sup>20</sup> Submission by PTEG to the Lyons Enquiry into Local Government Funding. PTEG (2005).

## 2.4 The Potential for Using Existing Powers More Effectively

PTAs, PTES and Metropolitan Districts already have a wide range of powers to deliver or secure improved transport using existing legislation and guidance.

The Transport Act 2000, for example, includes provisions for local authorities to replace deregulated bus operations with structured Quality Contracts, as well as introduce orders for road user charging or workplace parking levies. Similarly, the Traffic Management Act 2004 requires Highway Authorities to work with their neighbours to co-ordinate enacting their Network Management Duty and to consider how to involve PTEs and operators in making the most efficient use of the network<sup>21</sup>.

There is consensus, amongst those contacted for this study, that use of existing legislation and guidance may go some way to addressing the current difficulties of delivery and co-ordination. However, available powers may not be taken up for a range of good practical, economic and political reasons, and some legislation is not “fit for purpose” in reflecting these realities. The process of introducing Quality Contracts under the 2000 Act, for example, is described as “tortuous” with the result that no local authority in England has yet to enact the powers which are theoretically available. Whilst the Traffic Management Act recognises the role of PTEs, it is too early to tell whether its provisions will encourage Metropolitan Districts to actively ensure that buses are fully considered compared to other classes of traffic. The provisions provided by this, and other, legislation is significantly weaker in respect of PTEs, compared to those provided to the Mayor of London and TfL, on account of their lack of designation as highway or traffic authorities<sup>22</sup>.

There are a number of opportunities, however, where better use of, or amendments to, existing legislation could be useful. For example:

- ◆ amending the Transport Act 2000 to place a much stronger duty and support on the PTA/PTE for the development and delivery of an agreed Local Transport Plan, rather than designating this duty collectively with the Metropolitan Districts;
- ◆ the provisions within the Railways Act 2005 allow PTEs to purchase increments on existing passenger franchises, or request decrements with the savings invested in other transport modes. The Act also allows agreements with Train Operating Companies for minor improvements outside of the formal franchise process. Significant use of these powers could provide mechanisms to PTEs to retain an influence on urban rail outside of their co-signatory status<sup>23</sup>; and
- ◆ an amendment to the Highways Act 1980 and Traffic Management Act, and associated legislation to designate PTAs as highway and traffic authorities would give them access to a range of existing powers enjoyed by the District Councils, County Councils and non-metropolitan Unitary Authorities, to which the Road Transport Bill could then add additional general powers and duties as required. This is discussed further in Chapters 4 and 6.

<sup>21</sup> Traffic Management Act 2004. Network Management Duty Guidance. DfT (November 2004).

<sup>22</sup> The Traffic Management Act requires TfL and the London Boroughs collectively to deliver the Network Management Duty, including the designation of a Strategic Road Network over which TfL is either the Highway Authority or has powers of consultation and direction over the Boroughs.

<sup>23</sup> However, it is early days in judging the extent of take-up of these powers and the affordability of rail investment given the high level of track access charges and rolling stock leasing charges may act as a constraint on major take-up.

In summary, there are a number of powers which already exist, or could be readily adapted, to assist delivery of metropolitan transport objectives were they to be taken up on a significant scale. However, there remains general agreement that additional legislative or regulatory change is required to drive improvement if PTA/PTEs are to successfully deliver their strategic objectives. The lack of highway and traffic powers to deliver the LTP and the infrastructure elements of the metropolitan Bus Strategy, either directly or through powers of consultation/direction is seen as a particular gap that will require new provisions or amendment of existing legislation in order to address existing problems.

## 2.5 City Regions - The New Policy Agenda

The observations above have not taken place in isolation. The debates on the role and functions of PTA/PTEs should be set within the context of the increasing focus on research and policy development on city regions as key assets to the greater UK competitiveness, more efficient service delivery and better governance. The apparent success of the Mayoral system in London, and the continued apparent under-performance of UK regional cities compared to their European counterparts, has further intensified the debate. The Local Government White Paper continues the Government's intention to strengthen the economic prospects and governance of the metropolitan areas, other core cities and their surrounding hinterlands.

Public policy towards city regions has been set out in a range of official reports and discussion documents which collectively point to a view that the continued operation of fragmented local government outside of London militates against strategic decision making based on the needs of the conurbation as a whole as opposed to local interests of the communities within it. Legitimate strategic functions in this context, for which devolution of powers might be considered in combination with new or strengthened local governance structures, include transport, economic development, labour-market skills, housing, business supply chain and cultural services<sup>24</sup>.

Moreover, some commentators have advanced the argument that leaving the question of governance itself aside, there is a case for strategic service delivery at the regional or sub-regional level based on economies of scale and efficiency wholly in line with the Treasury's Gershon agenda<sup>25</sup>. A strategic authority is better able, for example, to make efficient use of scarce professional staff, pool planning and programme management activity and command more advantageous terms and prices in procurement from the private sector.

PTEG itself has embraced the arguments<sup>26</sup>, and its submission to Government for the 2007 Comprehensive Spending Review argues<sup>27</sup>:

- ◆ the English regions are vital to the success of the UK economy and city regeneration is vital to support their wider regions;
- ◆ whilst metropolitan economies are recovering from industrial re-structuring and loss of population, they are doing so at different paces and some are struggling

<sup>24</sup> Office of the Deputy Prime Minister. A Framework for City Regions (2006).

<sup>25</sup> Emmerson, G. (2007): Time to Re-Think How Shire Transport Policy is Delivered. Local Transport Today No. 459. 4<sup>th</sup> January 2007.

<sup>26</sup> PTEG and the City Regions. PTEG (2005)

<sup>27</sup> Comprehensive Spending Review 2007: The Case for Transport in the City Regions. PTEG (2006)

to re-invent themselves as effective competitors within Europe and in comparison to London;

- ◆ transport plays a central role in supporting access to labour markets and connectivity between the main urban centres, and whilst the quality of key networks has improved, transport constraints need to be tackled if the process of economic growth and regeneration is to continue;
- ◆ investors, developers and businesses continue to see poor transport as a significant barrier to investment; and
- ◆ investment in quality public transport in particular is urgently required to ensure that growth is achieved in a sustainable manner and for the regions to begin to close the gap with London.

PTEs are central to the process of transformation which is shaping major regional cities. For example, they have invested significantly in new and upgraded transport infrastructure that provide access to city centres and key development sites, promote commuting by public transport rather than the private car, change perceptions and image of localities and act as a trigger for wider urban redevelopment. This in turn supports wider challenges for city regions of raising economic performance, tackling social exclusion and contributing to sustainable regeneration and development. In this context, reform of transport governance could act as a precursor to major change in other sectors, as well as addressing a number of problems, such as congestion, air quality, urban public transport, and climate change, which have become important Government priorities in recent years<sup>28</sup>.

Moreover, since they already exist and are recognised and understood, PTA/Es provide a good starting point for providing any reformed governance arrangements for metropolitan transport. Local Transport Plans spanning the PTEs and Metropolitan Districts are already in place and it should be possible to build on these foundations rather than starting from a blank sheet.

The city regions debate also needs to be seen within the context of Government's commitments to devolving powers and responsibilities from the centre to local and regional bodies, including in relation to transport. This aims to provide greater flexibility and incentives for decisions reflective of local circumstances, but with challenges to these bodies to improve their capacity to deliver, demonstration of positive outcomes, and transparency and accountability in their decision making.

The Eddington Transport Study<sup>29</sup> highlights the performance of current 'sub-national' decision making as it applies to transport, together with the range of different stakeholders currently involved with differing responsibilities, powers and incentives, including the PTAs/PTEs. In considering future structures, four objectives are deemed to be relevant:

- ◆ the scope of transport bodies' decision making should reflect sub-national economic geography and the nature of key journeys affected by each body's decisions;
- ◆ the duties and powers vested in transport bodies should equip them to make

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<sup>28</sup> Improving Local Transport: How Small Reforms Could Make a Big Difference: A Policy Discussion Paper. Local Government Association (May 2006).

<sup>29</sup> The Eddington Transport Study: Main Report: Transport's Role in Sustaining the UK's Productivity and Competitiveness (December 2006). Section 4.2 Sub-National Decision Making

decisions which reflect the needs of all users, consider a range of modes, and have assessed the most effective solutions from a broad range of intervention options;

- ◆ incentives, including funding, should be aligned to support identification and prioritisation of the most effective measures to support productivity and competitiveness alongside other objectives; and
- ◆ transport bodies should have the capability and capacity need to bring forward and assess options and make evidence-based decisions.

Against these objectives, the powers currently available to PTA/PTEs present challenges in resolving the inevitable tension between collective metropolitan and more local interests. PTE/As also do not have the direct levers or incentives they need across the full range of modes which can support the effective functioning of the urban area and its catchment. Under current arrangements, delivering outcomes is reliant on partnership working, and whilst in some cases this is sufficient and works well, it can be costly, and in some instances, may lead to gridlock in the decision making process.

Whilst Eddington does not make explicit recommendations for reform of the PTAs/PTEs, he does state that consideration should be given to “whether sub-national bodies could have greater control over discrete networks by co-locating a range of powers from the national level and local level.” Eligible powers include:

- ◆ local highways and traffic powers across the main urban road network within the area and maintenance of those roads to provide for bus lanes, parking restrictions, traffic management etc;
- ◆ legal powers to adopt road pricing-proposals for urban congestion, consistent with any national design or technology standards;
- ◆ existing, and any new, bus powers for both commercial and non-commercial routes; and
- ◆ ownership of local authority-owned ports and airports and developing options for necessary surface access.

Eddington believes these reforms could be further supported through the provision of a consolidated funding pool for urban areas, with flexibility to support a range of policy options in line with local priorities and structures.

The House of Commons Transport Committee<sup>30</sup> sets out its view of the case for providing PTAs and PTEs with new arrangements for delivering effective transport planning and delivery:

*Although a collaborative approach was favoured by some local authorities, there is little indication that voluntary arrangements of this sort will be effective. We are doubtful that collaborative arrangements, without specific sources of funding and direct planning and regulatory powers, will achieve the necessary results.*

*If Passenger Transport Authorities are to be capable of making significant improvements to transport services in major metropolitan areas, they will require*

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<sup>30</sup> Local Transport Planning and Funding. Twelfth Report of Session 2005-2006. House of Commons Transport Committee (October 2006).

*enhanced powers over the transport system. Such powers must be accompanied by increased levels of accountability. We recommend that the Government explore the possibility of giving Passenger Transport Authorities such extended powers, funding and democratic accountability.*

The Commission for Integrated Transport goes further by suggesting<sup>31</sup>:

*CfIT believes that the cumulative effect of the separation of strategic highways management and public transport development, economic and land use planning, strategic public transport planning and commercial service provision within the main metropolitan conurbations outside London, represents a significant barrier to successful transport delivery.*

*We believe that functional bodies with a coherent set of transport powers are needed to deliver in the conurbations. CfIT is therefore supportive of a 'city region wide' approach to the development of strategic transport authorities for our larger conurbations, with powers equivalent to those of the PTEs, but also including strategic transport planning, management of the local strategic road network, traffic control, parking enforcement and taxi licensing.*

In summary, there is broadly consistent evidence from the wider official and policy research literature that existing arrangements, both generally and specifically in relation to transport, face clear problems in addressing the economic, social and environmental demands of cities and their regions and there is therefore a case for reforms of varying magnitude over and above relying on existing voluntary and partnership arrangements across metropolitan stakeholders.

## **2.6 Putting Passengers First – The Government's Proposals for Modernising Bus Services**

A key driver of the debate of strengthening metropolitan transport governance has been the continued decline of bus patronage outside of London and the apparent lack of levers for local authorities in securing comprehensive, stable and attractive local public transport. PTEG and others have long argued that the current pre-dominance of deregulated, commercial bus service provision should be replaced by a system based on network franchising, with the public sector setting the desired network and service specifications, and the private sector providing these under contract. This will ensure bus services which are more stable, more reliable, better integrated, and up to modern standards and technology<sup>32</sup>.

In December 2006, the Government went some way to responding to local authority concerns through its publication of *Putting Passengers First – The Government's Proposals for a Modernised National Framework for Bus Services*. This discussion document introduces a range of changes, which will be enacted in the Road Transport Bill, designed to improve the quality and attractiveness of bus services across England, including:

- ◆ enhancements to existing arrangements for partnership schemes between local

<sup>31</sup> Integrated Transport Delivery – Is It Working Across Government Departments? Commission for Integrated Transport (November 2006)

<sup>32</sup> A Fresh Start to the Urban Bus. PTEG's Initial Response to the Government's Bus Policy Review. PTEG (October 2006).

- authorities and bus operators, including allowing Statutory Quality Bus Partnerships to cover minimum frequencies, timings and maximum fares;
- ◆ making Quality Contracts easier to introduce, although with safeguards to protect operator interests;
  - ◆ development of a new performance management regime which includes monitoring of local authorities as well as operators for the performance of local bus services; and
  - ◆ considering the scope for refocusing the current bus subsidy regime towards more environmental and sustainability objectives.

The specific proposals are set out in Table 2.4 below. This is presented not as a “one size fits all” solution for all circumstances, but a flexible “toolkit” of interventions, enabling different solutions in different locations, matched with more stronger and more coherent leadership at local level in exchange for greater powers and responsibilities.

**Table 2.4 – Government Proposals for Reform of Urban Bus Services<sup>33</sup>**

Theme	Proposed Change
Voluntary Agreements Between Local Authorities and Operators	<p>The current system relies on mutual agreement between local authorities and bus operators to ensure that promised improvements are implemented. Agreements between an authority and more than one operator, or voluntary co-ordination between operators, can be difficult due to competition issues, especially on timetables and fares.</p> <p>The Government proposes strengthened voluntary agreements with a new legal test to facilitate multi-lateral arrangements between a local authority and more than one operator, subject to a public interest test. Such agreements could include minimum frequencies, timings and potentially maximum fares.</p>
Statutory Quality Partnership Schemes	<p>Unlike current arrangements, SQPs will be able to specify minimum frequencies, timings, frequencies, timings and, where appropriate, maximum fares.</p> <p>Improvements by local authorities and operators could be phased in over time, rather than coming into effect on a single date.</p>
Quality Contract Schemes	<p>Quality Contracts will become a ‘more realistic option’. The test in the Transport Act 2000 that a Quality Contract is the “only practicable way” to achieve its Bus Strategy will be replaced by a public interest test. The Secretary of State’s approval role will be replaced with a new framework for scheme approval and appeals.</p> <p>The duration of Quality Contracts will be extended beyond current limits of 10 years with individual contracts within a scheme limited to five years.</p>
Punctuality	<p>A new performance regime will be introduced for operators to provide performance data to the local Traffic Commissioner. The new regime will also focus on local authorities’ contribution to bus performance, for example through the provision and enforcement of bus priorities.</p>
Community Transport	<p>‘Section 19’ Permits will be modified to allow the use of smaller vehicles and the permit issuing system will be simplified.</p> <p>‘Section 22’ Permits, allowing the provision of local services to the general public, will allow drivers to be paid</p>
Bus Service Operators Grant	<p>The Government is reviewing whether there is a case to reforming BSOG to ensure it continues to deliver best value for taxpayers’ money and supports Government objectives e.g. for bus performance and the environment</p>

<sup>33</sup> Adapted from Putting Passengers First. DfT (December 2006) and Has the Door Been Opened for Quality Contracts? Transit (22 December 2006)



PTEG has welcomed the Government's proposals, particularly the Government's stated aim of making Quality Contracts a more 'realistic option'<sup>34</sup>. The proposals are also been generally supported by the PTE officers contacted at the start of this research. Whilst the full potential of the Government's proposals to drive improvements to metropolitan bus services will, to some degree, lie in the detail, the overall concepts are seen as an effective basis to strengthen delivery of LTP and wider transport objectives and provide a starting point for more ambitious changes to transport governance arrangements. Further PTE views on the proposals are set out in Chapter 6.

The specific proposals to bring local authorities (including Metropolitan Districts) within the scrutiny of Traffic Commissioners for investigating problems of poor bus reliability and punctuality, linked to the requirements of the Traffic Management Act, if strongly enacted, could assist PTA/PTE objectives by strengthening the onus on authorities to introduce and enforce bus priority and associated traffic management measures. The proposals do not, however, confer direct highway or traffic powers on PTA/PTEs which remain with the Metropolitan Districts and there are issues of skills sets and local accountability in strengthening the role of the Traffic Commissioners to carrying this broader set of functions.

## 2.7 Summarising the Case for Reform

On the basis of the evidence presented in this chapter, there is ample evidence of strong transport delivery in the metropolitan areas, based on existing arrangements. Nevertheless, in light of future challenges, there is also a strong, and consistent, case for reforming transport delivery, governance and funding arrangements and for basing these reforms on the existing PTAs and PTEs.

This case is grounded on the following evidence:

- ◆ the view that transport is a crucial ingredient and contributor to the wider debate over the economic and governance prospects of city regions as key drivers for the UK economy;
- ◆ a separation of PTEs' duty to produce a Joint LTP for the conurbation from the direct powers for its implementation in a number of crucial areas, including buses, highways and traffic, and demand management;
- ◆ a number of recognised problems of transport delivery and outcomes within metropolitan areas, compared to London, in relation to the objectives and proposals set out in the first round Local Transport Plans;
- ◆ a consistent perception from PTE officers contacted for this study that current voluntary partnership arrangements between different organisations, whilst producing effective outcomes in some instances, are time and resource intensive, and do not provide an absolute assurance of strategic service delivery of public transport and wider LTP priorities;
- ◆ a perceived lack of take-up of PTA/PTA powers under existing legislation;
- ◆ a lack of transparency and accountability in the way PTAs have been funded since the abolition of precepting, leading to tension between PTAs and their Districts in the distribution of revenue funding;

<sup>34</sup> Big city Transport Authorities Welcome Government's New Buses Blueprint. PTEG Press Release (12<sup>th</sup> December 2006)

- ◆ potential efficiency savings, in line with the Treasury's Gershon agenda, arising from the consolidation of strategic functions and procurement at the metropolitan level;
- ◆ an emerging consensus of clear recommendations for reform within metropolitan areas from amongst others, the Eddington Transport Study, CfIT, the House of Commons Transport Committee, and Local Government Association; and
- ◆ the central importance of metropolitan areas in supporting the delivery of a number of the Government's transport and other priorities, including bus patronage, congestion, road safety, air quality and reducing regional disparities.

Against these considerations, the current governance and delivery arrangements have a number of acknowledged strengths and arguments in their favour which either limit the extent of change which may be required or at least should be retained as far as possible within any successor arrangements:

- ◆ there are numerous instances where existing partnerships between PTA/PTEs and Districts work well and are delivering positive outcomes. Where this is the case and there is no political appetite at metropolitan or local level for introducing a new structure, then reform may have little practical impact, and imposition of new arrangements top down may be counter-productive;
- ◆ metropolitan authorities have generally developed sound transport strategies and programmes with two Joint LTP2s assessed as "excellent" by DfT, three as "good" and only one as "fair;"
- ◆ the focus of highway and traffic powers at District level is well understood, resourced and skilled, and able to ensure that the interests of local communities are served in a flexible and accountable way.
- ◆ Districts, and members on the PTA, have a direct political mandate and legitimacy from the electorate in a way that new metropolitan structures might not;
- ◆ with their broad political and geographical representation, PTAs provide an arena where key public transport priorities and policies can be debated and agreed. As such they have a good record of achieving consensus around the priorities for the city region as a whole – with relatively limited recourse to public disagreement and 'politicking;'
- ◆ Districts Councils have modernised their constitutions and are increasingly able to balance their own local needs with the wider economic and social interests of the city regions. This is enabling them to take potentially courageous decisions on transport delivery for the "greater good", sometimes against strong local objections;
- ◆ likewise, there are instances where Districts already accept the political, practical or efficiency arguments for cross-boundary co-operation and pooling of resources and are acting on them;
- ◆ comparative experience from elsewhere in the UK and overseas does not generally support the case for radical structural reform and major re-distribution of powers; and
- ◆ a starting point is arguably to incentivise and motivate better use of existing powers, before new approaches are actively considered.

Nevertheless, putting the arguments and against new arrangements to one side, the Government itself has made a commitment to reform, both through its proposals for modernising the national framework for buses, and its intention to embody these proposals, and other specific reforms to PTA/PTEs, within the forthcoming Road Transport Bill.

As the DfT says in *Putting Passengers First*:

*The [Road Transport] Bill will present an opportunity to look afresh at transport arrangements in metropolitan areas, to ensure that local government is empowered to take the hard decisions that are increasingly necessary and is accountable for effective delivery. Ensuring fit for purpose decision making and leadership capacity in England's major cities is a prerequisite for bus franchising and road pricing. But any solution must remain locally run and owned. This means promoting local solutions to local problems: enabling local government to lead and to innovate.*

A new balance is therefore in prospect between decisions, activities and funding requiring a strategic perspective and those which retain a clear opportunity and case for local community engagement and representation. This provides the context, and motivation, for the PTA/PTEs to consider a range of options for reform.



## 3. What Lessons Can Be Learnt from Elsewhere?

### 3.1 Patterns of Metropolitan Governance

Experience of metropolitan governance arrangements elsewhere in the UK and overseas offers a number of important lessons for PTEG in considering the way forward.

The development of effective arrangements for urban transport planning, delivery and operations, with a particular focus on public transport services, has been a consistent factor identified for successfully addressing problems of urban transport delivery across the World<sup>35</sup>. In the same vein, institutional weaknesses are the source of many observed failures in urban transport in many cities.

Managing urban public transport is particularly difficult when there are many modes and operators, operating across local authority boundaries and with regulatory responsibilities split between tiers of local and regional government. In these circumstances, it is important that responsibility to ensure the coordination of physical infrastructure, service systems, fares, and finances is clearly allocated. There are various models for achieving this, including:

- ◆ a **regional coordinating committee** composed of political representatives of all local government jurisdictions, but without its own executive powers. This sort of institution has been set up in several Brazilian metropolitan areas;
- ◆ a **regional coordinating authority** governed by a board of political representatives of the constituent authorities, but having a professional executive agency to implement its policies, with operators either directly controlled by the executive or operating under contract to it. This was the pattern of PTA/PTE arrangements in the UK until the mid 1980s and remains the approach for some of the German Verkehrsverbund;
- ◆ a **regional mixed coordinating authority** governed by a board containing both political representatives of the constituent authorities, and operators. This is the form of Verkehrsverbund in Stuttgart, for example, or a two-tier arrangement, in which there is a political body and an operators' body linked by a formal agreement, such as the arrangement in Berlin;
- ◆ a **legally established independent authority** governed by a broadly based representative board of directors, including directors nominated by the political jurisdictions, but outside direct political control. An example of this structure is the Madrid Transport Consortium, or Singapore's Land Transport Authority. A variant, where there is direct political control by an elected Mayor, is Transport for London (TfL).

No single institutional blueprint for urban transport is appropriate in all cases or readily transferable to PTA/PTEs. Nevertheless, there is enough experience of the difficulties arising from the failure to align policies between local authorities, operators and agencies, or to secure effective collaboration between them, to establish some general principles. The distinguishing features of all successful examples, both within

<sup>35</sup> Urban Transport Institutions. Meakin, R. (2004).

the UK and overseas, are to manage the public transport system as an integrated whole, to introduce and maintain effective integrated service planning and pricing, to ensure that transport delivery reflects the extent of public sector finance available, and to deliver public transport within a wider transport strategy for the whole city or conurbation.

The following sections illustrate these points for a number of case studies.

### 3.2 London

The 1999 Greater London Authority Act set up a new structure of transport governance in the capital and is seen by many as having been a great success. Effectively, Greater London is the only region in the UK with its own tier of statutory, directly elected regional government with responsibilities for transport and land use. The government is led by an elected Mayor, whose executive powers are carried out by Transport for London (TfL) under scrutiny from the Greater London Assembly.

TfL's current functions include:

- ◆ regulating and/or managing the metropolitan bus network, light rail, trams and the London Underground as well as integrated fares, ticketing and information across the public transport network;
- ◆ highway authority for a defined TfL Road Network (TLRN);
- ◆ controlling or influencing management and investment on strategic roads, managing all traffic signals and managing the Central London Congestion Charging Scheme, soon to be extended to West London;
- ◆ regulation and licensing of taxis and private hire vehicles;
- ◆ management a network of piers for river services on the Thames, Victoria Coach Station and a series of bus stations across the city;
- ◆ preparation of London-wide strategies for road safety, walking and cycling, travel demand management and freight, either for implementation by TfL directly or in partnership with the boroughs or others; and
- ◆ consultation and directions over transport aspects of major planning applications, although with direct planning responsibilities remaining at the borough level.

TfL has an independent Board which is chaired by the Mayor, who also appoints its members, and which oversees the organisation's executive functions which are headed by the Transport Commissioner. Unlike other metropolitan areas in England, London does not produce a Joint Local Transport Plan. Instead, the Mayor's Transport Strategy provides the strategic framework and delivery plan at regional level, linked to other strategies prepared by the Mayor including spatial planning, economic development, housing, environment, cultural services and energy. The policies set out in the Transport Strategy are implemented by TfL through its Business Plan, which is updated annually.

The lower tier of Government – the 32 Borough Councils and the Corporation of the City of London – has not changed in extent, but its autonomy has been restricted compared to the previous system, where implementation of cross-boundary transport projects was much more dependent on voluntary co-operation between authorities, and consequently varied considerably depending on how well the boroughs in

question related with one another. Since 2000, boroughs are obligated to prepare and deliver Local Implementation Plans (LIPs) to secure the Mayor's Transport Strategy in their area. Collectively, the boroughs are represented by London Councils, until recently known as the Association of London Government, which has limited transport functions of its own, such as parking appeals and management of the London Lorry Control Scheme.

Much of the Mayor's influence over delivery of transport at the local level comes from the right to prepare guidance for, and approve, borough LIPs and control of decisions over their capital funding, rather than direct highway powers over local roads. To date, the Mayor and TfL have used these limited powers to great effect to further their transport objectives across London, sometimes in the face of vocal opposition from borough politicians.

The Traffic Management Act 2004 strengthens the Mayor's powers over the strategic highway network in London. Specifically, the Act gives TfL powers over an enlarged Strategic Road Network (SRN) which is larger than the TfL Road Network and which includes a number of key routes where a borough is the Highway Authority. Any development affecting the SRN must be approved by TfL, including works off the SRN but which may impact on it, major developments which may generate traffic impacts on the SRN and the implementation of traffic management, public transport priority and maintenance works. The Act also requires TfL to appoint a Traffic Manager for London with whom the Traffic Managers in the individual boroughs are required to co-operate to discharge their duty of keeping cars, buses, cycles, pedestrians and other forms of traffic moving.

The Mayor may make further alterations to the SRN to include additional roads provided he has the consent of the borough(s) concerned. If this consent is not forthcoming, he may apply to the Secretary of State for a decision on whether the alteration should be granted.

These direct and indirect highway powers are significantly stronger than those enjoyed by any of the PTEs and demonstrate the Government's willingness to strengthen the Mayor's role and remit since TfL was established in 2000.

To date, the Mayor and TfL have not had direct control of rail services in London. However, as a result of the 2005 Railways Act, the Mayor is acquiring the right to set service levels and invest in improvements in certain rail services wholly within London and effectively become the franchise manager in some instances. To date, the East London Line and North London Line are due to be transferred to TfL. Under the TfL London Rail Concession, "London Overground" services will commence in 2007, with TfL supporting the purchase of new rolling stock, more staff at stations, integrated ticketing and a programme of station upgrades. TfL have also developed a Rail Vision 2025 for London which argues for significant capacity upgrades to cater for increasing levels of commuting forecast in future years.

TfL's budget, totalling over £4 billion a year comes from a combination of Central Government Block Grant, the GLA precept on London Council Tax, Prudential Borrowing and revenue streams from public transport. This budget is significantly

larger than that available to PTA/PTEs<sup>36</sup>. In addition, the Mayor also has the powers, under the 1999 Act, to raise revenue through congestion charging schemes. In 2004, the Government agreed a five year funding settlement with TfL to support its Five Year Investment Programme to 2010. A key element of this was greater certainty of funding allowing TfL to borrow up to £3 billion on schemes such as the East London Line Extension, extensions of the DLR and further improvements to the bus network. TfL has recently published *Transport 2025: A Transport Vision for a Growing World City* sets out London's case for funding in the Comprehensive Spending Review 2007.

The current governance arrangements in London replaced the system through which between 1986 and 2000, transport was managed by the Government Office for London, London Transport and a range of advisory and delivery organisations, such as the Traffic Director for London and Public Carriage Office, generally accountable to Central Government, and working in partnership with the boroughs. Under this system, a range of transport measures were implemented, but the quality of their delivery varied greatly across boroughs since it depended on voluntary co-operation rather than direct control. The point may also be made that when public transport in London was directly controlled by Central Government, London Transport was much more cautious in the improvements that it might seek compared to the present day, when it is supported by a direct political mandate from the Mayor and significant funding streams.

London is unusual in Europe in that the regional government has direct control of most public transport and major roads, and can exert a significant influence on local transport policy through setting guidance for local transport frameworks, funding allocations and development of partnerships. It also has considerable autonomy in the way that it can raise funds. Early indications suggest that the new London system has improved the speed and effectiveness of delivery of large cross-boundary schemes and substantially strengthened the delivery of public transport improvements across the capital. Progress is arguably far greater than could have been achieved from a voluntary partnership approach, although it has come at the expense of some autonomy for the Boroughs, and (arguably) a bias towards central/inner London.

The success factors in helping London towards better transport delivery appear to be:

- ◆ the creation of a regional body with a clear political mandate and leadership by a clearly identified “champion” politician determined to use (and stretch) his powers to maximum effect;
- ◆ availability of new funding sources to the regional body – including direct funding grant from Government, hypothecated revenue from road pricing, but also increased tax raising powers and greater freedoms to borrow, secured by access to considerable revenue streams from public transport;
- ◆ the fact that TfL is a single service authority, free from the requirement to focus on other service areas such as education, social services or housing, areas which often command higher priority from elected members compared transport investment;

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<sup>36</sup> Between 2001 and 2006, London spent around £1700 per head of population on transport capital and revenue functions, compared to between £420 and £690 per head in the metropolitan areas, based on LTP and TfL data.



- ◆ retention of the regulated bus market, whereby the regional authority can continue to set service specifications and drive integration with other modes;
- ◆ the ability to directly require, or strongly influence, compliance from lower tier authorities to support key elements of the regional transport strategy and programme through a combination of legislated powers, guidance and funding mechanisms; and
- ◆ public acceptance that there is an acute transport problem and, in inner London at least, a general consensus on the ways to solve this problem, requiring significant investment in public transport, re-allocation of road space and demand management.

As such, London represents a model for strengthening the PTAs/PTEs which appears to command support from Central Government, is delivering considerable success in transport outcomes, and connect transport investment to the economic, social and environmental vision for the city. TfL's success appears to be a significant factor in the Government's thinking to offer the prospect of new powers to other city regions, especially as in its strategy to deliver key national targets.

The London model does, however, represent a "radical option" for reform which would dramatically change the balance of powers between the city region and its lower tier authorities. As such, it might attract opposition from Metropolitan Districts who are likely to prefer a strengthening of collaborative arrangements across stakeholders, especially in the absence of a strong agreed citywide vision. It is also not entirely clear as to the extent to which London's success is due to its governance arrangements, the unique political skills of the current Mayor or the exceptional funding streams available to support it as the capital of the UK.

London also shares some of the same barriers found in the metropolitan areas:

- ◆ a continued division of responsibility for transport delivery between a range of organisations with differing priorities, especially in the rail industry, although the degree of fragmentation is less than the PTA/PTE areas;
- ◆ uncertainty of funding, especially for rail projects, with TfL still dependent on Central Government for much of its grant beyond 2010; and
- ◆ a skills shortage in the transport planning sector which has led to a "brain drain" from the boroughs to TfL; and
- ◆ stakeholder and public opposition to radical transport policies, especially in Outer London.

The experience, in 2005 and 2006, of some boroughs removing or suspending measures such as traffic calming and bus priority on their local roads, or actively opposing proposals for the extension of Congestion Charging or new tram schemes, on the grounds of representing local concerns, suggests that TfL's influence on lower tier authorities is not unlimited<sup>37</sup>.

Our assessment of particular strengths and weaknesses of the London model relative to the objectives of the PTAs/PTEs can be summarised are summarised in Table 3.1.

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<sup>37</sup> Local Transport Today (Various). TfL has threatened to reduce or withdraw further capital funding, or seek re-imburement, from boroughs which remove or suspend TfL-funded schemes such as traffic calming and bus lanes, but its powers to prevent such action on roads where the borough is the Highway Authority is constrained and politically contested.

**Table 3.1 – Strengths and Weaknesses of Transport Governance Model for London**

Strengths	Weaknesses
<p>London's status as a "World City" and influence on UK economy leads to a stronger argument for additional funding and powers from Government</p> <p>TfL constituted as a local authority with an independent Board appointed by the Mayor with substantial statutory powers covering public transport, highway authority, integration and links between transport and strategic land use policy e.g. 1999 Greater London Authority Act, 2004 Traffic Management Act, 2005 Railways Act</p> <p>Freedom to plan and deliver transport for London largely free of Central Government prescription and scrutiny (although with Government support)</p> <p>Retention of regulated bus market under 1984 London Regional Transport Act and 1985 Transport Act, with TfL control of fares, service specifications and revenues from fares, with tendering of private sector delivery of operations</p> <p>Highway and Traffic Authority for TfL Road Network and considerable influence over Strategic Road Network as defined under 2004 Traffic Management Act</p> <p>Strong funding regime through direct grant from Government, precept on London Council Tax, fare revenue from public transport, hypothecation of road user charging and Prudential Borrowing</p> <p>Small and focused TfL Board with strong executive powers undertaken by an appointed Transport Commissioner</p> <p>Focused delivery of clear priorities set out in statutory plans (e.g. London Plan, Mayors Transport Strategy), annual TfL Business Plan, such as improving public transport, promoting integration and restraining traffic growth and congestion, including integrated ticketing through Oystercard and call-in powers over major planning applications</p> <p>Strong and statutory influence over borough transport delivery consistent with Mayoral objectives through LIP-BSP system (Guidance and funding allocations)</p> <p>Extensive monitoring of some key positive outcomes demonstrating case for investment to Government (including for CSR 2007)</p> <p>Considerable innovation and leadership e.g. on congestion charging, ITS, bus priority and smarter measures</p> <p>TfL as a single service authority means that competing priorities such as education and social services do not arise and divert political and management focus, and funding</p> <p>Significant corporate profile and resources allows attractive staff packages for recruitment, development and retention</p> <p>TfL's size and corporate profile gives it influence over major suppliers of transport technology, equipment and expertise, securing additional innovation, economies of scale and development of new approaches</p>	<p>Lack of direct control over most National Rail services and interchanges, which remain with Network Rail, DfT Rail and franchise operators. Investment in London Underground largely set through Public Private Partnership negotiated prior to handover to TfL and therefore beyond Mayoral control</p> <p>TfL Road Network accounts for only 10% of London's road network and whilst Traffic Management Act defines greater powers, boroughs continue to be Highway Authority for 90% of network, including control of local roads</p> <p>Focus of investment in Central London at expense on Inner and Outer areas. Many stated successes relate to this more limited area rather than whole of Greater London</p> <p>Lack of checks and balances on TfL policies through (i) no borough representation on TfL Board and (ii) limited scrutiny and veto powers from London Assembly. The lack of checks has arguably resulted in a level of waste and inefficient use of resources within TfL, limited accountability and lack of responsiveness to external challenge</p> <p>Modal silos have been largely maintained between TfL Business Units, weakening an integrated approach to transport planning and budgeting</p> <p>Recruitment and retention incentives from TfL, as well as a perceived less challenging policy environment, have adversely affected the staff and skills base within the boroughs</p> <p>Prescriptive and resource-intensive LIP and BSP processes limits local freedoms and flexibilities at borough level and TfL sometimes pursues proposals in face of considerable borough opposition (e.g. Congestion Charging Western Extension, West London Tram)</p> <p>TfL powers have not prevented boroughs recently challenging Mayoral powers e.g. on traffic calming and bus priority although legal basis remains unclear</p> <p>Use of Prudential Borrowing and considerable capital investment has led to need to raise public transport fares in contravention of Mayoral Manifesto commitments, and fares remain amongst highest in Europe. Servicing existing borrowing limits the scope for further investment beyond existing commitments in the foreseeable future</p> <p>Continued funding gap between aspirations and available resources and to date little progress on innovative sources of funding such as supplementary business rates and land value capture</p> <p>The establishment of the Mayoral system and TfL led to considerable costs and a significant policy vacuum ahead of the election of the Mayor between 1997 and 2000 and immediately afterwards as TfL established its new organisation and immediate priorities. In effect, this vacuum lasted for around three years.</p>

### 3.3 Scotland

The Transport (Scotland) Act 2005 provides for the establishment of statutory Regional Transport Partnerships (RTPs) to whom unitary authorities may cede transport powers. The model is interesting as it builds on voluntary RTPs successfully established since 2000 to improve co-ordination and delivery, with Scottish transport regions being broadly similar in size to the English sub-regions and proposed city regions.

The primary responsibility of the RTPs is to prepare a joint statutory Regional Transport Strategy (RTS), taking account of guidance from Scottish Ministers. These strategies will be used to steer the funding priorities of the partnerships, their constituent councils, and the new national transport agency, Transport Scotland. The latter, and the Scottish Executive, will hold some discretionary funding, and the RTS will form the basis of any funding bids to the centre. Individual authorities will need to prepare Local Transport Strategies which must be aligned to the RTS.

Seven statutory RTPs have been set up, since December 2005. These bring together local authorities and other key regional stakeholders with the core task of drawing up the RTS, although some partnerships will also be responsible for the delivery of transport services and initiatives. Essentially three different models for RTP role and function are envisaged with varying degrees of transfer of powers from constituent councils to the RTP. To date, the Strathclyde Partnership for Transport has the most significant powers reflecting its role as the former PTA/PTE for the Glasgow city region. For example, it owns and operates the Glasgow Metro.

Membership of the RTP is through a combination of council members and non-council members with around a third of the membership being drawn from outside the councils. The RTPs will recommend a list of candidates to Scottish Ministers who will take the final decision on appointments. RTPs will also be able to appoint advisers and the guidance also suggests that RTPs may establish consultative forums to ensure stakeholder engagement.

The 2005 Act provides an illustrative list of the functions which could be conferred on an RTP for the purposes of delivering its strategy, including:

- ◆ quality bus partnerships and contracts;
- ◆ establishing voluntary ticketing arrangements or binding ticketing schemes;
- ◆ providing subsidized bus services;
- ◆ installing bus lanes;
- ◆ designing and implementing road user charging schemes;
- ◆ operating or managing tolled bridges, ferry services, airports and air services.

In order to achieve these, or other, additional functions, RTPs must make a request to Scottish Ministers for the relevant order, against certain set criteria, such as full consultation with the constituent unitary authorities and other concerned stakeholders. To date concerns from the constituent local authorities over ceding powers have limited the extent to which RTPs have sought to apply for additional functions.

RTPs will have limited direct control over rail services in Scotland and their input into Scottish Executive policy and investment decisions is on a partnership basis rather than through direct powers or directions of their own.

In the current debate, there are some concerns centred on the future role and powers of local government with respect to transport, and how local authorities and the RTPs will work together. There is also a concern about introducing another layer of bureaucracy without adding value, so the respective roles of central, regional and local government has to be more clearly defined. At present the Scottish Executive is looking towards each individual RTP to agree with the constituent authorities what their respective roles will be, and the framework is still therefore in transition.

The key lesson for the English PTAs/PTEs from the Scottish experience is the foundation of legislative reforms on existing voluntary partnerships, and the variation of governance arrangements and powers between different RTPs, dependent on the nature of their transport problems and the extent to which local authorities wish to cede powers upwards. A further lesson is the enabling nature of the legislation for RTPs, presenting different models and a “toolkit” of options for negotiation between the Partnerships and Scottish Ministers rather than a single prescriptive structure for all regions.

### **3.4 Wales**

Since 2000, local authorities in Wales have formed themselves into four regional consortia in order to work towards a better co-ordinated and more effective transport system. These consortia have undertaken significant amounts of transport planning work and have worked with individual local authorities to plan and deliver integrated transport strategies and schemes. For example all consortia have produced, or are producing, bus and rail strategies, and some have been involved in joint tendering of bus services, including ticketing schemes. Highway schemes tend to be dealt with at the level of each individual authority.

All consortia have groups made up of elected local authority members who provide a political steer, and officers, who undertake or direct detailed technical work and make recommendations to members. To date, the voluntary nature of co-operation between authorities is seen as having worked well, as well as having flexibility to reflect local circumstances. The precise governance arrangements for each of the four consortia have been largely decided locally by the constituent authorities.

The Transport (Wales) Act 2006 gives the Welsh Assembly (WA) the power to require two or more local authorities to discharge specific functions, including being required to set up a “joint transport authority” to discharge these functions. Under the Act, the Assembly will require the four consortia to produce statutory Regional Transport Plans (RTPs) by the summer of 2007 to replace the 22 Local Transport Plans submitted in 2000. The WA will, in future, target capital and revenue funding through the four consortia and the LTP framework will effectively cease to operate in Wales.

To date, funding of transport improvements through the consortia has been against specific schemes and initiatives accepted for funding by the WA. In this sense, the regional framework in Wales lacks the longer-term certainty of funding or

objective/outcome-led approach of the English LTP system. Nor do the consortia or their constituent authorities have significant scope for realising other funding streams, although there is currently consideration of road user charging as a means of funding a package of transport improvements in Cardiff.

The consortia, and their constituent authorities, have limited direct control over bus services, the majority of which are provided by private companies in a deregulated environment. Their influence on rail services is also constrained, although under the Transport (Wales) Act, the WA is to become a co-signatory to the new Wales and Borders Franchise and therefore able to specify additional services over franchise commitments, providing funding for these is identified.

In summary, the move towards regional transport planning in Wales has come about largely through the efforts of the local authorities themselves. In this sense, Wales has clear similarities of approach with Scotland as set out above. Different regional consortia have adopted different structures and models of working to reflect their particular circumstances and political dynamics, although funding arrangements and direct powers to improve public transport services remain largely constrained.

The implication of the Welsh experience for PTE areas is to suggest a model of transport governance based on voluntary co-operation between key partners, backed up by intervention and/or more prescriptive requirements from Government should this approach fail to deliver improved delivery and evidence of positive outcomes.

## 3.5 Overseas

### 3.5.1 Europe

A range of previous studies have reviewed governance structures and powers between different cities and city regions across Europe, both in terms of overall public policy and transport specifically<sup>38</sup>. Conclusions are varied, but a key common finding appears to be that whilst some cities have formal governance structures and arrangements in place, the majority seem to work on a co-operative and voluntary (i.e. partnership) basis. Approaches taken seem to depend largely on local circumstances, local government history and tradition and the relationship between the local, regional and national levels. In short “place matters” and there are few simple and directly transferable models which can be readily identified<sup>39</sup>.

Nevertheless, the European evidence appears to suggest a link between successful transport outcomes and three factors in particular as follows:

- ◆ the existence of some kind of regional structure with responsibilities to deliver integrated ticketing, public transport service integration, franchising or bus and other public transport services and to promote or lead regional transport investment. There are very few examples of successful regional transport delivery which have developed without such a structure being in place, although arrangements are often voluntary and collaborative, and most European examples are limited to integration of public transport powers rather than direct responsibilities relating to highways, demand management and land use;

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<sup>38</sup> For example see CfIT (2001, 2002, 2004) and Scottish Executive (2003).

<sup>39</sup> Seeing the Light: Next Steps for the City Regions. New Local Government Network (December 2005).

- ◆ availability of sufficient funding to maintain and enhance the transport system together with effective and appropriate funding sources, both for capital investment and operations, and certainly of funding streams over time. The ability to raise funds at the regional level independently of National Government is a key feature of some examples; and
- ◆ the existence, and effective implementation, of policies and measures to actively restrain car use in conjunction with the promotion of attractive public transport, although such policies are often achieved through partnership and collaboration between regional and local agencies, rather than through direct powers at a regional level.

The evidence on the relative importance and contribution of these three factors to positive outcomes is more uncertain. It is often not clear from the literature whether success is due to having the right regional structures in place or the availability of more generous and flexible funding sources, although the presence of co-operative structures which are able to pull in funding from national, regional and local levels as appropriate seems to be a key factor for some conurbations.

National decision making, by contrast, tends to be more focused on enabling a framework of legislative or funding measures and on key elements of national or international networks or services, for example national motorways or rail corridors. Rarely are National Governments directly involved in policy or investment decisions at the local or regional level, to the same degree as has recently been the case in the UK context.

CfIT (2002)<sup>40</sup> summarises the institutional roles evident in various best practice examples across Europe as set out in Table 3.2 below.

In contrast, the role of the PTAs and PTEs in England is far more limited than European best practice. They tend to cover only part of the metropolitan area, excluding the wider hinterland; tax raising powers are more limited with resulting stronger reliance on local contributions or Central Government support and powers over urban public transport tend to be very limited, particularly given the commercial nature of most bus service provision. As such, PTEs largely are less able to secure the “total” public transport system consistent with regional goals.

Few European regional authorities appear to have direct powers or strong influence over strategic or local highway networks that are evident with Transport for London or a small number of other international examples. The approach is more one of partnership and co-ordination rather than direct control or powers.

The evidence in relation to a number of specific city examples, including Madrid, Barcelona, Paris, Munich and Copenhagen, is set out in Appendix A.

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<sup>40</sup> Organisation and Delivery of Transport at the Regional Level. CfIT (2002).

**Table 3.2 – City Region Governance Based on European Experience**

Scale	Strategic Integration	Responsibilities		Service Provision
		Transport Policy	Funding	
National	Often not explicit, but tends to be part of a broader urban and regional policy within the European context  Articulation of overall principles of transport policy at national, regional and local level	Specification of national road and rail networks and major projects  Duty and enabling legislation for regions to secure integration	National rail network owned and financed by Government  Motorways financed and maintained by tolls  Earmarked taxes dedicated to public transport investment	Open access to EU networks  Specification of national rail services e.g. TGV/express passenger services
Regional	Incorporate transport as part of the regional strategy planning process	Secure provision of regional roads and public transport and their integration with national and local networks  May include specification of regional rail services in some instances	Deciding on levels of capital and revenue support  Levying local taxes, pooling national contributions or securing borrowing approvals to support regional transport objectives	Direct service provision of public transport or franchise of services to public or private sector consortia for urban sub-regions  Appropriate regulation of private sector access to market
Local	Integration of regional priorities into local action plans	Local regulation and implementation of complimentary policies and measures such as traffic calming, parking management and bus priority	Contribution to regional initiatives reflecting local aims	Direct or franchised local public transport services

### 3.5.2 Singapore

The Land Transport Authority (LTA) was established in 1995 with a mandate to provide an efficient and cost-effective land transport system for different needs. It was created from the merger of four public sector organisations, with a remit extending to the planning, design, development and management of all land infrastructure and policies including road building and maintenance, the design, construction and operation of the metro and future urban rail system, vehicle ownership and demand management policies. The LTA manages the registration and licensing of motor vehicles, and Singapore's Electronic Road Pricing scheme and effectively integrates all government functions relevant to land transport, except land use planning, into one agency.

The LTA sets the legislative and regulatory framework for the operation of the principal urban bus and rail systems by semi-private companies and closely monitors their performance. The Authority is managed by a Board appointed by the Government and comprising representatives from business, academia, the professions, labour and community organisations.

Other powers include the compulsory purchase of land for the construction of road and rail infrastructure, traffic management strategies and practices and longer term transport policies. Although it does not have direct spatial planning responsibilities, its

activities have been closely co-ordinated with the development of CBD and new town land uses across Singapore.

Along with Transport for London, Singapore represents an example of a strong independent urban transport authority with a wide range of powers and mechanisms to achieve its objectives. The relative centralisation of Government decision-making in Singapore, however, limits its direct applicability to UK cities outside of London where the Metropolitan Districts are more likely to defend their existing powers over highways, parking policy and local traffic management.

### 3.5.3 Vancouver, Canada

The Greater Vancouver Transportation Authority, also known as *Translink*, was created in 1998 as a new organisation with a mandate to plan and finance a regional transportation system which moves people and goods efficiently and supports the urban growth strategy. It took on this role in place of many of the functions provided previously by the Province (British Columbia).

Translink subsidiary companies and contractors provide:

- ◆ public transport services by bus, BRT and regional rail;
- ◆ travel demand management, including trip reduction programmes (travel plans) and promotion of alternative modes of travel; and
- ◆ management and improvement of the strategic road network and strategic bridges, in partnership with municipalities and other agencies.

Local roads and local transportation policies remain the responsibility of the municipalities.

Translink is funded through a range of different mechanisms, including public transport fares, hypothecation of a levy on fuel tax, a levy on utility bills, a property tax and a tax on on-street parking charges. It also has permission to borrow to fund specific investment plans, although in practice, much of Translink's ability to raise finance is subject to approval or consultation with the Province and this is seen as limiting the freedom and effectiveness of the regional body.

## 3.6 Overall Conclusions and Implications for PTA/PTEs

The discussion in this chapter has considered a range of evidence on transport governance in city regions from around the UK and overseas. Inevitably, policy and practice in any one instance is a complex interaction of local historical, economic, political and cultural factors and this limits the conclusion of simple and directly transferable lessons to the city regions in England. Nevertheless, the evidence does allow some high level comments to be made as follows:

- ◆ the existence of some kind of metropolitan or regional structure with responsibilities to deliver integrated ticketing, public transport service integration, franchising or bus and other public transport services and to promote or lead regional transport investment is a consistent success factor. There are very few examples of successful regional transport delivery which have developed without



such a structure being in place, and many examples where institutional weakness has been one factor behind poor transport delivery and operations;

- ◆ there are a wide range of approaches to achieving improved integration of governance of transport at the city region level, either from the UK, Europe and worldwide. Many of the examples quoted in this chapter predate the current debate over city regions in the England, but have addressed many of the same issues of effective transport delivery across administrative boundaries and jurisdictions, achieving an appropriate balance of powers between different tiers of government, the level and structure of funding and the need for particular powers to achieve desired outcomes;
- ◆ radical re-organisations through the creation of new governance structures and institutions and significant re-ordering of existing powers are comparatively rare. A more frequent response for strengthening integration is voluntary associations of existing organisations, with encouragement of greater levels of formal or informal partnership and co-operation towards shared goals;
- ◆ in particular, radical shifts of power to new city regional institutions are often constrained by tax issues, political and administrative structures and opposition from national or local bodies keen to retain a measure of power and authority. Voluntary and co-operative approaches are less likely to directly threaten such interests, and this is likely to be a key consideration for the PTA/PTE city regions;
- ◆ co-operation between stakeholders seems to work best where there are clear incentives for doing so. Such incentives may include greater economic and financial efficiency for the management or procurement of public transport networks at a regional or sub-regional scale, the benefits of more integrated networks, greater ability to attract patronage and promote modal shift, support for urban development, or greater opportunities for securing plan and funding approval from Central Government. In some instances, a specific event – for example, major sporting or cultural events such as the Olympics – may act as a catalyst for greater co-operation which remains as a legacy benefit to the city region in question;
- ◆ in some instances, governments may introduce legislation or regulation to formalise existing voluntary arrangements, with or without reserve powers to compel fulfilment of policy objectives in the event of non-delivery from partners;
- ◆ whilst regional control or co-ordination of public transport services is often accepted by lower tier authorities in order to achieve specific network and integration benefits, transfer of highway powers and responsibilities in such areas as traffic management, TDM, walking and cycling and parking is less common. Even in examples such as Transport for London or San Francisco's Metropolitan Transportation Commission, direct responsibilities are limited to the strategic network, and influence over local transport policies and programmes is achieved through a range of formal and informal partnerships and funding incentives. Of the examples considered, only Singapore's Land Transport Authority appears to have a comprehensive array of highway powers across the whole of its city region and this is largely related to the unique combination of national and metropolitan powers within this city state;
- ◆ experience of governance of urban rail services is also mixed. Whilst metro and light rail networks tend to fall under the remit of regional transport authorities, suburban and inter-city services often continue under the control of national

ministries or agencies albeit with agreements in place to ensure integration in key areas, such as fares, ticketing and service information;

- ◆ indeed, within city regions, national government or agencies are likely to retain some control over transport planning and provision, usually related to the national road and rail networks, intercity and long-distance passenger rail services and the provision of funding, either via mainstream funding or for specific major projects; and
- ◆ there are a range of funding mechanisms to support city region transport objectives and initiatives beyond direct funding from Central Government. These include public transport fare revenue, local forms of taxation, sale of land for development and levies or direct contribution from lower tier authorities and their taxpayers. In a small number of cases, contributions may also come from levies on, or enforcement of, parking charges, levies or taxation on business, and direct road user charging, although the proportionate contribution of such sources is often relatively small relative to overall transport authority budgets. Such funding mechanisms are particularly relevant to PTAs/PTEs in the context of the forthcoming recommendations of the Lyons Inquiry.

The overwhelming conclusion of the comparative review is that there is no single model for urban governance which is readily transferable to reforms for PTA/PTEs. There is no conclusive evidence that new “top down” structures are necessarily more effective in supporting delivery than strengthening existing voluntary arrangements and partnerships. In this sense, a clear conclusion is that it will be for metropolitan areas to define their own routes, based on local circumstances, traditions and practices and within the legislative and regulatory framework defined by Government.

This latter theme is central to the development of our discussion in the remainder of this report.

## 4. What Are the Options for PTA & PTE Reform?

### 4.1 The Need for a Coherent and Integrated Approach

Our starting point for this study is that the existing PTAs and PTEs provide the most desirable basis for the reform of metropolitan transport governance. This position is based on their established role of co-ordinating public transport and developing integrated Local Transport Plans for their areas, evidence of some excellent examples of delivery since 2000, and the significant costs and disruption entailed in radical change without a clear demonstration of firm benefits. In this line of reasoning, we agree with Sir Michael Lyons in his assessment to the House of Commons Transport Committee<sup>41</sup>:

*All of my experience tells me that reorganisation is a pretty wasteful exercise. It is not to say that you might not feel that sometimes you need to embark upon it, but if it can be avoided so much the better. I come down very strongly in favour of encouraging people to do things voluntarily by working together where they need to go outside their boundaries.*

We also recognise that the Local Government White Paper itself, and DfT's more recent *Putting Passengers First* discussion paper, focus very much on PTAs and PTEs as the means towards a more coherent approach to transport in metropolitan areas rather than completely new alternative structures.

Whilst radical re-structuring could be considered, we believe it is not justified by the evidence, at this stage of the debate, nor is it being realistically promoted by any of the main contributors to the city regions debate. The imposition of vastly different metropolitan governance arrangements by Whitehall would also run the risk of reducing local accountability, creating significant uncertainty and disruption in decision making over a period of time and also run counter to DCLG's current agenda of paralleling a focus on stronger city regions with greater empowerment at neighbourhood and community level.

It is equally clear, however, that PTA/PTEs are face particular current challenges, some more than others, both in terms of co-ordinated transport planning and delivery across their metropolitan areas and in terms of the key outcomes which are stated priorities for Central and Local Government. In the same way that radical re-organisation is not on the agenda, the weaknesses of current arrangements need to be recognised and the Government seems unlikely to grant additional powers, freedoms and funding to city regions unless they demonstrate an ambition and willingness to embrace change in support of their economic and social aspirations and case for closing the funding gap with London.

The challenge set out in the Local Government White Paper is to develop a set of specific reforms, negotiated and agreed between the DfT, PTEG, PTA/PTEs and the Metropolitan Districts, which balance the policy and efficiency arguments for strategic delivery at the conurbation level with the legitimate representation and protection of

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<sup>41</sup> Local Transport Planning and Funding. Twelfth Report of Session 2006-2007. House of Commons Transport Committee (November, 2006). Oral evidence by Sir Michael Lyons. Transcript of 5<sup>th</sup> July 2006.

local communities. We feel that specific incremental changes, and a marginal redistribution of powers amongst existing authorities and agencies, is the most realistic way forward in the current political landscape.

Options for PTA/PTE reforms which will be considered over the remainder of this report can be essentially summarised into three main and inter-related categories:

- ◆ **governance:** the political and administrative structures, relationships, rules and processes through which transport decisions are made, implemented and monitored;
- ◆ **function:** the functions and powers available to different authorities, agencies and stakeholders to support key decisions required across policy objectives, modes and networks, and their legal and regulatory basis; and
- ◆ **finance:** the funding resources available to support transport objectives, both capital and revenue, and the mechanisms and channels through which these resources are secured.

The specific options considered under each category been derived from PTEG's Brief, suggestions made during our engagement with PTE and DfT officers, our Brainstorm Workshop and our own judgement. They are not mutually exclusive and nor do we suggest that they will be equally applicable or appropriate to all PTA/PTEs and for all metropolitan areas. Intuitively, we are also inclined towards regarding them as a flexible "toolkit" of approaches which are available to be taken up and combined in different formulations based on local geography, circumstances and political dynamics.

These three areas are also closely inter-related in terms of the reforms which might be contemplated. For example, the Government has indicated a willingness to grant additional funding<sup>42</sup> together with strengthened powers<sup>43</sup>, but only where it has confidence that effective governance arrangements are demonstrated such that increased resources translate into clear improvements in delivery and transport outcomes. Conversely, PTA/PTEs and District leaders and elected politicians may only be prepared to accept (and incentivised to negotiate a re-balancing redistribution of powers and authority if this alternative approach offers the real prospect of significantly increased funding and devolution of key decisions from Central Government.

Given the role of this study in informing PTEG on the precise proposals to be incorporated into the Road Transport Act, we have added a fourth category – legislation and regulation – into the framework.

The remainder of this chapter summarises the principal options for consideration.

## 4.2 Governance

Reform to governance arrangements in the metropolitan areas is potentially the most complex and contentious issue on which PTEG will need to derive its position, responding specifically to the Government's stated view that the granting of greater powers for transport delivery will require a demonstration of stronger leadership and

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<sup>42</sup> For example through the Transport Innovation Fund or Private Finance Initiative.

<sup>43</sup> for example to secure improved local bus services

authority over the principal levers of delivery. It is quite likely that solutions will need to vary across different areas if they are to be considered locally relevant and acceptable by the key stakeholders concerned.

Aside from maintenance of the status quo, the key options are:

- ◆ arrangements to ensure better joint working between PTA/PTEs, Metropolitan Districts and public transport operators, either voluntary or mandatory;
- ◆ revised leadership and executive arrangements for the PTA and PTE, including the direct involvement of council leaders or other senior members for political decision-making;
- ◆ merger of PTAs and PTEs into a single strategic transport planning and delivery authority for the whole conurbation;
- ◆ establishment of a Transport Board empowered with greater levels of policy and delivery determination and able to delegate executive authority;
- ◆ new management structures such as the appointment of a Transport Commissioner with significant delegated authority;
- ◆ redistributing the range of roles and powers between the PTA/PTE and Metropolitan Districts, based on an agreed view of which decisions are truly strategic and which are central to the daily interests of local communities; and
- ◆ changes to, and working across PTE, boundaries to reflect city region geography.

### 4.3 Function

Options for strengthened or new PTA/PTE powers essentially revolve around reforms to current practice for buses, rail and highways, with the latter covering wider issues on traffic, demand management and a range of other travel modes.

#### 4.3.1 Buses

As described in Chapter 2, since 1985 PTA/PTEs have had limited direct control over the vast majority of urban bus services which are operated by the private sector on commercial lines. They retain powers for tendering socially necessary services, concessionary fares, provision of public transport information and management and development of bus stations, stops and shelters. Since 1985, bus patronage in the metropolitan areas has continued to decline amidst member and officer concerns over service quality, coherence and stability and affordability to users.

PTEG's position on potential solutions is well established and articulated. Indeed, the Government has accepted many local authority arguments through its proposals for a "toolkit" of options for reform contained in its *Putting Passengers First* document. A priority for PTEG is to build on these proposals and ensure that they are fully translated, both in overall approach and points of detail, within the draft Road Transport Bill.

The key options include:

- ◆ the continuation of current deregulated system, where existing partnerships with operators are shown to be effective;
- ◆ strengthened voluntary agreements with operators, for example taking in service specifications, ticketing and fares;
- ◆ introduction of Statutory Quality Partnerships with broader elements than currently allowed under legislation, and allowing phased implementation;
- ◆ introduction of Quality Contracts on an area or route/corridor basis, where this is demonstrated to be in the public interest, with sub-options on whether the PTA/PTE or franchise operators should take revenue risk.

Along with these reforms, a range of associated initiatives are also relevant, including transitional arrangements between the deregulated system and the introduction of a Quality Contract(s), direct PTE ownership of vehicle fleets and depots, and, in certain circumstances, PTEs becoming an “operator of last resort.”

Whilst PTEs are required to produce a Bus Strategy as part of the LTP, they do not currently have the powers to implement and enforce the highway elements of these plans which are responsibility of the Metropolitan Districts. Proposals for reform of these functions are addressed below.

#### 4.3.2 Passenger Rail

PTEs currently have co-signatory status on relevant passenger rail franchises and have long used their powers to help sustain and develop their local rail networks in infrastructure and operational terms. The 2005 Railways Act removes the co-signatory status for new franchises at the discretion of the Secretary of State; the first test of this change will come with the award of the West Midlands franchise in 2007.

Under the 2005 Act, PTEs do retain the statutory right to be consulted on the specification of passenger franchises before tenders are invited from interested parties, as well as various other stages of the franchising process. PTEs may also enter into agreements with Train Operating Companies for implementation of minor enhancements directly rather than through the franchising process and propose increments or decrements on franchise specifications, subject to funding, available network capacity and approval from the Secretary of State.

Options for PTEG to consider include:

- ◆ greater partnership working and engagement with DfT Rail, Network Rail and with neighbouring authorities working on cross-boundary rail services within wider city regions;
- ◆ closer involvement in passenger rail franchises, including the retention of co-signatory status for all new passenger franchises;
- ◆ mechanisms for funding increments/decrements on rail services over franchise requirements, including the addressing the affordability of increments through the re-introduction of marginal costing for regional service provision;
- ◆ PTAs/PTEs taking direct control of self-contained rail networks/services, including becoming franchise authorities in their own right and vertical integration where appropriate, building on the precedent set by Merseyrail and London;

- ◆ PTEs taking direct management responsibility or leasing railway stations and station car parks from train operators; and
- ◆ purchase or leasing of additional rolling stock through train operators and ROSCOs.

### 4.3.3 Highways and Traffic

PTA/PTEs have no direct powers, under existing legislation, over any part of metropolitan highway networks or the movement of traffic across them. Their ability to implement, consistently at a conurbation level, schemes such as bus priority, integrated corridor treatments and road pricing is reliant on partnership with the Metropolitan Districts. They are also collectively, rather than solely, responsible for development and delivery of a Joint LTP. Whilst there are cases of this partnership working effectively, there is a range of evidence that local interests can act as a barrier to strategic service delivery. There is therefore a case for considering the transfer of a range of highway, traffic and other powers in order to strengthen delivery of the LTP, the Bus Strategy and wider integrated transport objectives.

The key difference between the London and other metropolitan areas in England, aside from the retention of bus network regulation, is the designation of TfL as a highway and traffic authority for a core network, further strengthened by consultation and directive powers over specified Borough roads of strategic importance. The PTEs are essentially restricted to a role of public transport authorities, although their powers also exclude licensing and regulation of taxis and private hire vehicles. TfL therefore has direct control or significant statutory influence over the enhancement and management of strategic roads in London.

Significant changes to legislation will certainly be required if PTEs are to be given highway and traffic powers to ensure delivery of LTP objectives. This could be extended further to other powers – such as responsibility for allocation of LTP capital funding at District level – deemed necessary to ensure the delivery of safe, efficient, integrated and sustainable transport for the metropolitan area as a whole, and the potentially the wider city region. However, more so than bus or rail services, this would have major implications for the balance of authority and decision making between the PTA/PTE and its constituent Metropolitan Districts; there is therefore a strong overlap between the reform of highway and traffic powers and the options for reforming governance arrangements as set out above.

Specific options for PTA/PTEs include:

- ◆ stronger and more efficient use of current and potential powers under existing legislation such as the Transport Act 2000 and Traffic Management Act 2004;
- ◆ switching the duty to prepare and deliver a Joint LTP or equivalent from a collective one between PTA/PTEs and Districts to a stronger role at PTA/PTE level with general directive or reserve powers to ensure implementation of the agreed capital and revenue programme;
- ◆ designating PTA/PTEs as a highway and traffic authority in their own right with varying degrees of responsibility and powers in relation to the Districts;
- ◆ responsibilities for managing, maintaining and enhancing a designated strategic highway network;

- ◆ planning, implementing and enforcing public transport priority;
- ◆ planning and implementation of strategic demand management (e.g. parking, environmental traffic management, road user charging);
- ◆ promotion of walking and cycling, as well as “smarter measures” through a range of infrastructure and promotional approaches;
- ◆ licensing and regulation or licensing of taxis and private hire vehicles;
- ◆ traffic signals, area traffic control and Intelligent Transport Systems; and
- ◆ enforcement of stationary and moving traffic offences (e.g. parking, bus lanes, signals);
- ◆ strategic land use planning decisions with an impact on the highway network.

In practice, we suggest that it is unlikely that these reforms should be considered on an individual basis, but as packages of complementary powers and duties relating the service delivery of LTP and wider integrated transport objectives, with matching funding and governance structures.

#### **4.4 Funding**

A definitive view of likely changes to funding mechanisms and levels for PTA/PTEs, Districts and conurbations as a whole, must await the recommendations of, and the Government’s response to, the Lyons Inquiry. Lyons is now expected to report in March 2007 with the Comprehensive Spending Review later in the year. Nevertheless, there are a range of options which can be considered now, linked to supporting strengthened powers, and potentially available for cities demonstrating effective leadership and governance arrangements.

These options include:

- ◆ revising the system of levies from the Metropolitan Districts to the PTA;
- ◆ re-introduction of a PTA/PTE Precept on Districts’ Council Tax, a power which the PTAs held until 1990 and available to the Greater London Authority;
- ◆ direct grant funding to PTA/PTEs from Central Government, closely following the TfL model;
- ◆ channelling all capital funding from Government through the PTA/PTE, including LTP awards currently allocated by DfT direct to each District, with decisions on how this funding is spent taken at conurbation level;
- ◆ securing and leveraging farebox revenue from public transport;
- ◆ greater local freedom on decision making and funding of Major Schemes; and
- ◆ various borrowing powers, including the existing Prudential Code; and
- ◆ new sources of funding, including hypothecated revenue from road user charging, land value taxation, Section 106 and Planning Gain Supplement, employer and tourist taxes and reformed business rates.

#### **4.5 Legislation and Regulation**

The Road Transport Bill will offer the opportunity to amend existing legislation as it applies to PTAs/PTEs or introduce entirely new reforms. It may propose changes to



metropolitan transport structures, the roles, functions and duties of different organisations, and the funding mechanisms to enable improvements to planning, delivery and monitoring of urban transport<sup>44</sup>.

To date, the Government has indicated that it intends to develop the key elements of the Bill in liaison with metropolitan stakeholders, recognising local distinctiveness and the legitimate needs and interests of all parties. In this sense, the strength and direction of the Bill will be influenced by the willingness of PTEG and individual conurbations to accept the case for change, and their views on the extent of reforms required to deliver improved transport.

The options for legislation, some of which are clearly more realistic than others, include:

- ◆ the Bill prescribing a single model for all metropolitan areas;
- ◆ the Bill prescribing two or three PTA/PTE models, with different cities picking the approach most reflective of local circumstances<sup>45</sup>;
- ◆ enabling legislation with PTAs free to select from a range of options on powers and governance, with or without approval or confirmation by Secretary of State, and with or without further secondary legislation and detailed guidance issued subsequently;
- ◆ enabling legislation as above, but with DfT reserving powers for Ministers to intervene or issue directions to metropolitan authorities under certain circumstances<sup>46</sup>;
- ◆ implementing one or more pilot schemes for revised structures and powers ahead of wider application to all metropolitan areas, and potentially other city regions<sup>47</sup>.

Taking the lessons from Chapter 3 into account, consideration of this theme also needs to identify areas where improved outcomes could be brought about by non-statutory guidance and regulation, and through voluntary partnerships, rather than through legislation.

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<sup>44</sup> Although the latter may be limited if there is insufficient time available for the Government to have responded to the recommendations of the Lyons Inquiry.

<sup>45</sup> The approach adopted for Regional Transport Partnerships in Scotland, for example.

<sup>46</sup> The Traffic Management Act 2004 follows this approach.

<sup>47</sup> As proposed by the House of Commons Transport Committee in its Inquiry into Local Transport Planning and Funding.



## 5. Which Principles Should Inform Decision Making?

### 5.1 Summary of the Principles for Assessing Options

In determining which of the options set out in Chapter 4 should be taken forward, in what packages and combinations, and under what conditions, it is vital to have a consistent and transparent set of standards on which to base any decision. These standards provide a common terms of reference through which the PTA/PTEs, Metropolitan Districts, the Government and other stakeholders can discuss the case for, and nature of reform, understand the costs and benefits of particular approaches, and subsequently judge the performance of the changes put in place.

There is no shortage of guidance and advice on principles of good governance for local authorities and other public agencies<sup>48</sup> and certainly no shortage of views on what would constitute an acceptable set of structures, functions and funding for improved metropolitan transport delivery. However, we believe the following principles should be central to the ongoing debate:

- ◆ new metropolitan governance arrangements should offer greater effectiveness in delivering agreed objectives and desired outcomes;
- ◆ reforms should be practical, affordable and reflect the capacity of the different authorities and agencies to deliver;
- ◆ reform should build on existing structures and relationships as far as is possible;
- ◆ reforms should be consistent with the principles behind the debate over wider city region governance and devolution from Central Government to the most appropriate level;
- ◆ reforms should retain – and preferably enhance – levels of democratic accountability at both metropolitan and local (District) level;
- ◆ structures should command a broad consensus of political and metropolitan stakeholder support;
- ◆ new arrangements should be reasonably stable over time;
- ◆ a distinction should be made between reforms which are possible – and necessary – through the Road Transport Bill, and those which can be achieved through other legislation or non-statutory guidance and regulation;
- ◆ the net benefits of reforms should justify the costs of change, including discontinuities and disruption which might come from radical restructuring and re-organisation to existing arrangements; and
- ◆ reforms should anticipate – and seek to avoid – unintended and potentially perverse incentives and consequences.

The remainder of this chapter builds on these principles in further detail.

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<sup>48</sup> For example, see Good Governance in Local Government: A Framework. CIPFA and Solace (June 2006)

### 5.1.1 Effectiveness in Meeting Objectives and Desired Outcomes

One of the principal commentaries on current arrangements is that, despite evidence of some positive achievements, PTA/PTEs have been unable to deliver and demonstrate positive outcomes consistently, compared to London, many other authorities across England, and overseas cities.

Clearly, reforms should aim to improve the effectiveness of transport programme delivery in metropolitan areas within the available resources and provide greater confidence that objectives and targets defined in the second round of Local Transport Plans can be met. This in turn will support a number of key Government targets at national level, such as congestion, bus patronage, and road safety. Evidence of improved quality of local transport resulting from a more integrated and strategic approach is also a vital incentive for lower tiers of government to cede certain powers upwards to metropolitan institutions.

As noted in Chapter 2, it is important to view delivery of improved transport in the wider context of supporting the growth and regeneration of the city regions and closely the gap in productivity and competitiveness with London and other cities in Europe.

### 5.1.2 Practicality, Affordability and Capacity to Deliver

Proposals for change must be practical within the current legislative environment, the evolving framework for local government and local public services, and the capacity of existing stakeholder organisations to meet new roles and challenges which might be placed on them.

It was noted in Chapter 2, for example, that PTEs are now significantly smaller organisations than they were in the 1970s and early 1980s, when they had far greater responsibilities for operating urban bus networks. With their current role, most PTEs currently have around 350-1000<sup>49</sup> staff largely focused on a range of bus-related functions. TfL by contrast has around 10,000 staff in its central directorates, excluding frontline staff, spread across a wide range of public transport, highway and strategic planning functions<sup>50</sup>. For PTEs to take on additional powers, especially on highways and traffic, would require a major capacity building exercise which would influence the timescale over which change could be phased in.

New arrangements must also be affordable. The introduction of Quality Contracts would allow available resources to be used in a co-ordinated way and result in greater levels of service stability and integration<sup>51</sup>. However, a step change in the level of provision, such as additional peak period capacity, extensions of evening or weekend services or new vehicle technology, would require significant increases in the amount of funding provided by Government or city regions themselves. Similarly,

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<sup>49</sup> Data from PTEG indicate headcounts are GMPTE 495, Merseytravel 941, Metro 350, Nexus 1031, SYPTE 367. No data is available for Centro. Comparisons of these figures must be treated with some caution since they include a range of operational and frontline staff such as inspection and enforcement officers, interchange staff and metro operations (Tyne and Wear only). Staffing numbers are excluded where functions are contracted out to external suppliers.

<sup>50</sup> Staff Summary of TfL Board Meeting 20 Sept 2006 and TfL Operational, Financial and Investment Programme Reports - 1st Quarter 2006/07.

<sup>51</sup> A Fresh Start for the Urban Bus. PTEG (2006).

securing increments on rail franchises are subject to constraints on network capacity and the relatively high cost of funding additional rolling stock leasing and access charges.

### **5.1.3 Building on Existing Structures**

Reforms should build, insofar as possible, on existing structures, relationships and processes. Radical changes based on new organisations can be disruptive, incur significant costs, and do not appear to be particularly common on the basis of UK and overseas comparative experience.

The Government has already determined that the Road Transport Bill will focus on reform of the role and governance of the existing PTA/PTEs, rather than seek to develop and impose entirely new structures. The advantages of this approach have already been set out in Chapter 2.

### **5.1.4 Consistency with Principles of City Region Governance and Devolution**

Government must offer genuine devolution of power from Whitehall rather than seek further centralisation. In this sense, reforms to PTA/PTEs should be consistent with the granting of greater freedoms and flexibilities to city regions, allowing stakeholders who best placed to understand and represent local issues to determine economic and social priorities.

Effective and acceptable approaches in Greater Manchester may not be the same as the preferred approach for Tyne and Wear or South Yorkshire. Solutions should be locally and regionally relevant reflecting geography, traditions and formal and informal power structures and relationships.

### **5.1.5 Accountability at Metropolitan and Local Level**

Wherever reformed functions and powers are located, whether for strategic or for local service delivery, it is vital that decision makers are democratically accountable to the electorate and other institutional stakeholders in some way. The mechanisms to ensure this accountability should be transparent and clearly understood to the decision makers and those affected by the decisions arrived at.

### **5.1.6 Political and Stakeholder Support and Consensus**

To a large degree, the extent to which new arrangements are supported follows from many of the other principles cited here, for example, a demonstration of effective delivery, transparent mechanisms of accountability, and a foundation on existing structures. In the medium- to long-term, it is vital that reforms to PTA/PTEs are accepted, especially by the Metropolitan Districts. If they are not, then the desired objectives will not be embedded, will be subject to active or passive resistance, with subsequent pressures for abandonment or further reforms to address perceived failings.

The reformed governance arrangements in London represent a good successful example of this, with a view that “the GLA has been accepted relatively easily by

virtually all players in the great game of London politics. Whereas the GLC was under constant abolitionist pressure even before the mid-1980s, there is no one actively campaigning to abolish the GLA. By London standards, this is progress.”<sup>52</sup>

Acceptability needs to be ensured not only by sensitivity in Government in defining new arrangements, but also those within the revised structures in deploying any strengthened powers.

### 5.1.7 Stability over Time

It is absolutely certain that the set of reforms now under discussion for PTA/PTEs will not be the last of proposals for changing the way in which metropolitan government plans and delivers transport and other public services, or links this to wider economic and social goals. The Local Government White Paper includes a range of parallel proposals for strengthening Local Area Agreements, developing a new performance management regime for Local Government, and progressing DCLG’s community engagement agenda, amongst others. The future of two-tier relationships between counties and district councils is under potential review outside of the city regions, whilst the regional planning agenda continues to evolve. DfT will, in due course, need to consider arrangements for Local Transport Plans in the third round from 2011 to 2016.

In this changing policy churn, time should be provided to allow changes for transport arrangements in the metropolitan areas to bed down and for the benefits to be ascertained and assimilated before further reforms are considered. When they are, subsequent policy development should build on what has gone before and avoid changes in direction unless justified by poor outcomes and stakeholder discontent.

### 5.1.8 Relevance for Inclusion in the Road Transport Bill

It is by no means essential that all possible reforms are fully defined in detail within the proposed primary legislation of the Road Transport Bill. Detailed aspects of reform can be left to secondary legislation and/or associated guidance from Ministers. This is especially relevant should the Government accept the need for local flexibility in enacting and enforcing reforms, and deploy the legislation in a way consistent with the devolution principles noted above.

It is also highly possible that the Bill will seek to confine its coverage to strengthening principles of governance for PTA/PTEs and a range of powers for key highway, traffic and integrated transport proposals, and leave the treatment of urban rail powers and financing to other primary and secondary legislation specifically focused on these areas. In the case of finance, much is likely to depend on the recommendations of the Lyons Inquiry and the Government’s response to these.

It may also be possible to achieve some improvements to metropolitan transport delivery through strengthened voluntary partnerships, stakeholder engagement and lobbying of decision makers, with legislation reserved only in where there is consensus these avenues are insufficient. For example, whilst the 2005 Railways Act

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<sup>52</sup> The Greater London Authority: The Government’s Proposals for Additional Powers and Responsibilities for the Mayor and Assembly. A Response to the Consultation Paper. Tony Travers on behalf of LSE London (February 2006).

removes PTEs' automatic co-signatory status on new passenger franchises, PTEs may still retain this status at the discretion of the Secretary of State where they can demonstrate that their presence as a co-signatory adds significant value to the management of the franchise and wider Government objectives of improving performance and cost control<sup>53</sup>. A first call may therefore be for PTEs to lobby Ministers to invoke this discretion rather than seek, in the first instance, to effect amendments to the Railways Act itself.

### 5.1.9 Costs of Change

Changes to metropolitan transport arrangements will need to demonstrate that new arrangements are proportionate in balancing costs and benefits, such as outcomes against objectives, direct and indirect efficiency savings, implementation and changes in operational costs, and other relevant impacts. This principle is likely to be a key requirement from the Treasury for proposed reforms, as well as being inherent within the need to undertake a Regulatory Impact Assessment of the key policy options and final ministerial decision.

The costs of change also include disruptions and discontinuities to decision making and delivery over the time of developing and enacting reforms, which should be minimised as far as possible. This is largely related to the extent and nature of the changes proposed and whether new or existing structures provide the basis for reform. The creation of new transport arrangements in London in 2000 led to a number of years of relative stasis in metropolitan decision making as key issues were deferred prior to the election of the Mayor and Assembly, as well immediately afterwards as the newly created and empowered GLA/TfL developed its policies, and corporate capacities.

### 5.1.10 Potential for Perverse and Unintended Consequences

In order to be effective, proposed changes should be focused on the specific problems, with minimal side effects. As with costs of change, a properly conducted Regulatory Impact Assessment should clearly identify any perverse or unintended consequences.

The creation of TfL as a strong and powerful transport authority for London, for example, has had a significant adverse impact on the ability of the boroughs to recruit and retain good transport officers. Similarly, the costs of funding new transport responsibilities within the PTEs through the return of a precept arrangement could risk hostility from Metropolitan Districts, local electorates and the private sector<sup>54</sup>.

## 5.2 Application of Different Principles

The list above is not exhaustive or definitive, but there does need to be an open discussion and arrival at consensus of what the various parties concerned with metropolitan governance want and expect from reform. Different stakeholders will

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<sup>53</sup> Railways Act, Sections 13-14.

<sup>54</sup> See, for example, London Assembly proposed amendments to the Mayor's Budget for 2006-2007 with regards to the GLA Precept. [www.london.gov.uk/assembly/assemmtgs/2006/plenaryfeb15/minutes/minutesapp3.rtf](http://www.london.gov.uk/assembly/assemmtgs/2006/plenaryfeb15/minutes/minutesapp3.rtf)

undoubtedly regard specific principles as more or less important depending on their own objectives, interests and perspectives. The final reforms enacted, if they are to be successful, are likely to depend on compromise, potentially flexible by conurbation on local geography and political dynamics, rather than a single “top down” prescription from Government.



## 6. Which Options Offer the Greatest Potential?

### 6.1 Consideration of Options

The intention of this section is not to make specific recommendations on detailed structures, powers and funding mechanisms, but to indicate the options which seem to us to be more realistic and effective contenders for consideration taking account of the principles set out in Chapter 5.

### 6.2 A Overarching Framework for Reform

In considering reforms, the questions of governance, functions and funding cannot be separated. Devolution of powers from Whitehall will require Ministers to have confidence that there are strong governance arrangements capable of making effective decisions and carrying them out. Within the conurbations, metropolitan leaders and politicians may only accept a redistribution of powers between local and strategic tiers of government if there is an understanding of real tangible benefits in terms of greater freedom from central prescription and prospects of significant increases in resources. Greater powers for a Metropolitan Transport Authority may only be accepted if there are suitable checks and balances on its conduct and accountability to the electorate.

We therefore believe that a “pick and mix” approach to new PTA/PTE arrangements, tackling each option in isolation, is unlikely to be successful. Complementary and mutually-reinforcing packages of reforms should provide the basis for discussion.

Table 6.1 attempts to set out one possible framework for what these packages might look like, based on the concept of a “ladder” through which conurbations would seek, and receive, stronger combinations of governance, powers and funding compared to the current status quo<sup>55</sup>.

It should be noted that the framework is indicative and only one possible illustration, not a single rigid blueprint or a final recommendation. Since the specific powers of each PTA/PTE are currently different depending on local circumstances, then each PTA/PTE will have its own unique starting point and stages of the “ladder” in considering its options for reform<sup>56</sup>. Detailed work will be needed to develop effective and locally relevant attributes in each conurbation. Furthermore, the Governance arrangements, powers and funding at each stage of the “ladder” are not exclusive to each other at each level; for example, governance structures may apply to other stages than those shown and different combinations may be equally feasible.

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<sup>55</sup> Note that the table separates highways and traffic powers as distinct options. In reality, there is a question over whether it would be viable to apply for one without the other due to the need to manage and maintain highway infrastructure after a scheme was completed.

<sup>56</sup> Merseytravel already has rail franchising and road tolling powers, for example.

**Table 6.1 – A Possible Indicative Hierarchical Framework for Strengthened Metropolitan Transport Governance and Delivery**

Model	Role and Function	Governance	Powers	Funding
Status Quo (PTA/PTE)	Co-ordination of public transport  Preparation and co-ordination of LTP and Bus Strategy	PTA comprised of Members appointed by Districts  PTE carries out policies of PTA	Powers to co-ordinate socially necessary public transport, input into rail franchise specifications and additions and public transport information and promotion	Levy plus Revenue Support Grant via Districts  Some direct LTP funding from DfT and a few specific grants
Passenger Transport Authority	Enhanced co-ordination and regulation of public transport through direct regulation or franchising  Preparation and co-ordination of LTP and Bus Strategy	District Leader or more senior member representation on PTA and streamlining of decision making and scrutiny roles.  Building on existing PTE brand and stronger corporate identity	Introduction of Statutory Quality Bus Partnerships and Quality Contracts at current funding levels.  Retention of co-signatory status on new rail franchises, plus use of increment/decrement powers.  Strengthened guidance or legislative amendments on PTA/PTE duties to prepare and deliver a Joint LTP for the conurbation	Re-introduction of Precept on Council Tax  Marginal adjustments to existing capital and revenue funding levels  Potential farebox income from public transport supporting Prudential Borrowing etc. for delivery over LTP commitments
Transport & Highway Authority	Enhanced co-ordination and regulation of public transport plus delivery of infrastructure  Preparation and co-ordination of LTP and Bus Strategy	Reform of political control and legal authority through a Transport Board of political and professional appointees, supported by existing executive role of PTE  Agreed scrutiny and appeal procedures on specific policies or decisions as a check on the powers of the Transport Board and Executive	Highway powers for the delivery of infrastructure and network management improvements  District Traffic Managers to take account of PTA/E objectives in NMD  Definition of a "core" network of PTE interests with split of highway powers between PTE and Districts to be negotiated and agreed  Powers of consultation on major planning applications on or adjacent to strategic network  Strengthened capabilities for achieving delivery of plans such as on-street parking, walking and cycling, and smart measures in a more co-ordinated way	Re-Introduction of Precept on Council Tax  Potential farebox income from public transport supporting Prudential Borrowing etc. for delivery over LTP commitments  Additional funding to deliver a "step change" in bus service coverage and quality  Direct grant from Government for LTP and highway duties with greater flexibility to determine priorities  Freedoms to promote and fund Major Schemes from grant and borrowing
Transport & Traffic Authority	As above, but with traffic duties and powers, inc. Traffic Management Act	Political control options as above.	As above, but with traffic powers and the creation of a metropolitan Network Management Duty, Traffic Manager and Permit Scheme	As above, with additional direct grant to support traffic responsibilities
Metropolitan Transport Authority	Preparation and delivery of all aspects of transport strategy and plan including public transport, traffic management, demand management & wide range of integrated transport and operational strategies	Political control options as above  Freedom to move away from prescriptive LTP format for transport strategy and programme  Appointment of a quasi-independent Transport Commissioner reporting to the Transport Authority Board and supported by a management team  Inclusion of wider stakeholder interests or advisors on Board  Separate scrutiny panel to protect District and public interests and ensure accountability	Combined highway and traffic powers over a defined strategic network and possibly wider powers of direction/consultation  Strategic demand management including implementation and receipt of revenues from road user charging  Potential rail franchise manager and powers of direction for services beyond metropolitan boundary  Licensing authority for taxis and private hire vehicles  Powers of consultation on major planning applications  Guidance, control of funding and directions over walking and cycling and other integrated transport programmes	Broad range of funding streams including direct Government grant, farebox revenue, Precept, Transport Innovation Fund, Road User Charging, and income streams from PCNs, taxi licensing etc.  Development of innovative forms of funding  All capital funding to be routed via Transport Authority and then allocated to Districts according to LTP objectives  Potential for direct negotiations with Government on long-term funding settlement
Metropolitan Transport & Planning Authority	As above, but with LTP linked to metropolitan spatial and economic development strategy	Unlikely to be viable without directly elected metropolitan government leaders and structures (e.g. Mayor)	Strongest combination of transport, spatial planning and potentially other strategic powers  Powers of direction over strategic planning applications & negotiations	As above, but with additional potential to secure funding from land use taxation and development process.

At lower stages of this “ladder,” a PTA/PTE might aspire to an integrated public transport network, with improved service levels and quality for metropolitan buses, fares and ticketing. It might seek reforms to its bus network through Statutory Bus Partnerships or Quality Contracts, linked to bus priority measures defined in the LTP, as well as influencing urban rail through existing co-signatory and increment/decrement arrangements. This could be done largely through existing structures and powers in combination with the proposals for buses which are likely to be contained in the Road Transport Bill emerging from in *Putting Passengers First*. The Government might require stronger leadership of the PTA through senior member or leader representation, and streamlining of PTA decision making, as a condition of its support for this option.

Where a PTA/PTE aspired to more ambitious change, it might start at, or seek to progress to, the next stage of the “ladder,” combining improved bus services, possibly with additional funding to enhance coverage and duration, with the delivery and management of strengthened bus priority and interchange. This would require limited highway and traffic powers to achieve selective re-allocation of road-space on key corridors and provide a step-change in bus reliability, punctuality and potential for mode shift. Stronger powers for the PTA/PTE would require further strengthened leadership and capacity for decision making, for example through a compact Transport Board of political and professional representatives, but possibly also revised scrutiny procedures to protect local interests<sup>57</sup>.

Higher stages of the “ladder” might see PTA/PTAs applying for the full range of transport powers, including strategic network management, major infrastructure construction or procurement, demand management, licensing of taxis, and stronger influence or co-ordination of metropolitan programmes for walking, cycling and area-based packages. In combination with control or strong influence of urban buses and rail services, this would effectively provide an almost-complete set of levers for delivery of the conurbation’s Local Transport Plan for the conurbation, as well as other major transport programmes such as those funded through the Transport Innovation Fund or supported from alternative revenue streams. For the strongest Metropolitan Authorities, the appointment of a Transport Commissioner reporting to the Transport Board might be a realistic prospect, together with negotiated freedom from DfT to prepare a statutory transport strategy tailored to the conurbation’s needs rather than the prescription of the national LTP framework, aligned with direct negotiations with Government on an appropriate long-term funding settlement for transport for the city region.

Finally, the complement of powers might be completed by the addition of powers of call-in and direction of major planning applications, issue of guidance on parking and other development control standards, and the ability to decide the allocation of transport grant settlements from Government across all transport modes and networks, including at District level, in line with strategic transport objectives and targets. This would place transport strategy and delivery firmly within the context of the metropolitan vision as a whole and associated plans for spatial development, social inclusion and economic competitiveness.

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<sup>57</sup> Existing PTA functions and membership could be revised to provide this scrutiny role, with the Transport Board effectively becoming the “cabinet” of the Transport Authority.

Higher stages of the “ladder” would require, and be justified on the benefits of, parallel strengthening of governance arrangements, devolution of key decisions, and inflow of additional funding from Central Government and local revenue streams. The highest levels might require a significant re-organisation of metropolitan political leadership and structures, producing metropolitan authorities and civic coalitions strong enough to negotiate with Government on the future of policy, planning and delivery as a much more powerful counterpart than the present arrangements.

We do not pretend that all conurbations would aspire to the higher stages of the “ladder,” or its local variant, some elements of which would bear close similarities to the London model. For some, significant redistribution of powers and governance would prove politically unacceptable, incompatible with geographical diversity of the metropolitan area, and therefore impossible or undesirable to deliver. For others, the existing partnership between PTA, PTE, operators and Districts might be seen as working well, obviating the need for reform. In a framework which respects devolved decision-making, and local solutions reflecting local circumstances and politics, these would be perfectly acceptable outcomes.

It would therefore be for each city to decide which stage, or variant thereof, it was seeking to reach, at a particular point in time or as its end state, and then to negotiate with the Government the appropriate funding mechanisms and powers for that level, including providing a demonstration of a suitable governance structure (or process) to manage the change. For some cities, this might clearly be linked to ambitious programmes under the Transport Innovation Fund, where higher level powers would be essential; others might be content to seek powers over bus franchising as a means of eliminating on-street competition, relying on existing partnerships with their Districts to deliver the rest.

There is no doubt that higher stages of the “ladder” would stretch the political and executive roles of the PTA/PTE, require them to raise their game and pose wider implications for metropolitan leadership and accountability. However, this development would be the most consistent with a strong and radical city region vision, support regional growth and competitiveness, and be the most effective way to provide a step-change in funding over that realistically available through the current LTP system. It would also be the most effective in having an impact beyond the PTA/PTE area into the wider city region and travel to work catchment and providing a strong partner in the regions for negotiating directly with Central Government.

A key problem at these higher stages of powers and funding, however, would be balancing the strategic imperatives for the operation of the conurbation with local interests which would also need to be protected and represented. Whilst both are legitimate, it would have to be accepted that in some cases, decisions for the greater good of the city would need to go against purely local wishes. This would require effective political mechanisms and will to drive through the necessary initiatives, in some cases in the face of objections from local interests. This would have to be a basic element for PTA/PTE reform in delivering their agenda - providing basic aspects of accountability and transparency were built into the system - and essential to demonstrate a capacity to work out an effective balance between strategic and local tiers. This would provide confidence for Government to devolve powers and funding to secure metropolitan transport goals.

The following sections set out the discussion on key specific aspects of reform listed in Chapter 4. This is followed by Table 6.2 which set out the key strengths and weaknesses of the main options under each category, together with how appropriately they could be included in the Road Transport Bill or secondary legislation, and comments on other considerations.

### 6.3 Governance

In the final analysis, it is unlikely that Ministers will agree to grant additional powers and funding to metropolitan areas unless they have confidence that effective delivery and outcomes will occur through robust governance structures capable of working at a strategic, as well as a local, level. Discussions during our Brainstorm Workshop concluded, rightly or wrongly, that even with the right structures established, the Government might only feel comfortable supporting metropolitan devolution with the right individuals in post to lead the process and provide effective leadership<sup>58</sup>. Within strengthened institutional arrangements, this implies that revised arrangements would therefore need to be led and managed by politicians and officers who have the vision, drive and skills to effect change and bring the key interests at city and local level with them.

Arguments have been put from some quarters for radical reforms such as directly elected leaders in the conurbations. This seems unlikely to be supported locally, but there is a range of alternative options, progressively increasing in the extent of change from existing practices, which could form the basis of an informed negotiation between Central and Local Government on the way forward.

One approach would be to require the appointment of District Leaders or more senior members of Cabinet rank to the existing PTA, where this was not already current practice. This might secure stronger corporate support and engagement to strategic-level decisions, and broker the high-level formal and informal agreements between Districts necessary to secure an integrated outcome. It is recognised, however, that District Leaders can – and in some cases already do - voluntarily serve on PTAs and it is pressure on senior members' time might limit the extent to which this could occur in all cases.

There may also be scope to streamlining and modernising some of the work practices and committee structures within the PTA, paralleling wider recent changes to the constitutions and decision-making arrangements of local authorities. A more significant change would be the appointment of a compact Transport Board of political and professional appointees with significant degrees of delegated autonomy from the District Councils, in place of existing PTA structures. Under this option existing PTA members could potentially be re-organised into a scrutiny role, calling the Board and its Executive to account and ensuring a measure of balance of local interests and concerns from strategic decisions. Alternatively, the scrutiny role could be vested in other collaborative structures spanning Districts when these existed<sup>59</sup>.

The strengths and weaknesses of these and other specific models are set out in Table 6.2.

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<sup>58</sup> It is arguable whether the new governance arrangements in London would have been as successful in transport terms if a less visionary and skilled politician had not been elected to be Mayor in 2000. In other words, the individual who fills a post can be as important as the powers of the post itself.

<sup>59</sup> For example, the Association of Greater Manchester Authorities (AGMA).

Where significant changes in governance structures are proposed, it will be important to consider robust transitional arrangements, both overall and for individual members and officers. These arrangements should aim to ensure continuity of PTA/PTE business in the interim period, present the public with a “seamless” change and guide individuals in the event of changes in their role, terms and conditions.

The proposal for a Metropolitan Transport Commissioner as the transport “chief executive” for the conurbation is a particularly interesting idea. The Commissioner could be a senior appointee for a fixed term with a mandate and powers from the metropolitan leaders to manage the city’s transport system with a measure of authority above purely modal or local interests. This is similar to the idea of the Chief Constable and the Transport Commissioner for London who are appointees, but with significant levels of power and responsibility in their own right. The Commissioner would owe his or her legitimacy to their appointment, or the ratification of their appointment, by senior politicians and would be directly or indirectly accountable to them (or the Transport Board) for their decisions. However, they would also need to build a working formal and informal relationship with the Districts and broader community of civic stakeholders.

The Commissioner might head up the Transport Executive or hold a separate post to take decisions with some independence across public transport and highways, and strategic and local transport, in the interest of all users and interest groups. The timing and duration of appointment could be linked to the Government’s models of elected leaders or executives set out in the Local Government White Paper. The Commissioner could even be directly elected, giving him direct accountability to the public in his or her own right. The separate and potentially conflicting mandate with other District politicians would probably render this option unacceptable, however, for the same reasons as there is generally current opposition to an elected Mayor.

As well as governance, institutional arrangements will need to take account of the professional, resource and cultural implications of any new functions and duties taken on. In particular, the acquisition of highways and traffic powers by a Transport Authority, as discussed below, would need to drive a re-evaluation of its basic set of aptitudes and competencies. The highway is used by a range of different users, including local and through private traffic, buses, taxis, pedestrians, cyclists, as well as providing access and a public realm for local residents, businesses and amenities. It also carries utilities underneath and has a maintenance and asset management requirement. A reformed and enlarged PTE taking this asset on would need to be aware of all of these needs, their planning, operational and maintenance implications and legal duties and obligations. This would present major recruitment, staff training and development, and change management challenges, including the possible re-deployment of key professional staff from highway and traffic posts within the Districts.

Despite the indications of policy direction given above, it should be emphasised that, with transport contributing to the achievement of economic, social and environmental policy objectives at a local, regional and national level, the interfaces between stakeholders, objectives and modes will remain many and diverse. There is no perfect institutional structure that conveniently provides for governance of all these interfaces within one organisation or clearly demarcates responsibilities such that the need for interfaces between different organisations is removed. Inevitably, there will

be overlapping interests and legitimate differences in emphasis in policy goals that create tensions between organisations in any institutional arrangement.

Reform is unlikely to resolve these differing interests. The aim has to be to find the most appropriate governance arrangements that best enable transport to be delivered effectively and efficiently, and by so doing support economic growth and regeneration of the metropolitan areas and their city regions in a way which retains democratic accountability and legitimacy.

The case for reform is therefore predicated not on the grounds of seeking some perfect institutional structure, but on current governance arrangements in metropolitan areas being sub-optimal. As Eddington concludes, the clear risk that, without reform, less effective or lower value for money solutions are selected<sup>60</sup>.

## 6.4 Function

### 6.4.1 Buses

With the Government's publication of *Putting Passengers First*, the main options for reforming bus services in the conurbations within the Road Transport Bill are now largely set. PTEG has welcomed the document as consistent with the positions it has held over a number of years, although the need for further discussion on the details is recognised and there are concerns on some detailed aspects of the Government's proposals<sup>61</sup>.

Strengths and weaknesses of the principal bus options are set out in Table 6.2.

In particular, the introduction of area or route franchising in place of the current deregulated regime raises the prospect of strong and integrated management of the bus network, allowing fares and ticketing to be integrated across modes and controlled for social rather than purely commercial objectives. Better control of buses can also be seen as the first point of metropolitan transport reform before moving onto wider powers over the highway, traffic and demand management.

A key issue is whether under a Quality Contract, revenue risk remains with the operator or is transferred to the PTE. Crucially, the latter is central to securing a revenue stream against which future borrowing for investment could be secured. Firm plans would also need to be put in place for transitional arrangements between a deregulated and franchised system, whether the Authority itself should actually involve itself in the purchase or leasing of bus vehicles and depots, and the question of whether the Authority should be the operator of "last resort" in the event of insufficient interest from private sector bidders or the withdrawal or collapse of a franchise operator.

In the short-term, whilst Quality Contracts offer the prospect of a more stable, integrated and efficient network, significant improvements to bus service coverage, hours of operation and service frequencies would require additional public sector

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<sup>60</sup> Eddington Transport Study. Paragraphs 1.154 to 1.160.

<sup>61</sup> For example, concerns that the precise process proposed for introducing Quality Contracts is still potentially unrealistic, competition law might prevent authorities and operators co-operating and accountability issues over the strengthened role of the Traffic Commissioners to investigate the role of local authorities in contributing to bus performance. PTEG Response to *Putting Passengers First*. PTEG (Forthcoming).

funding over current levels. This would bind bus reforms to wider changes to funding if a “step change” in network quality was to be truly achieved.

Extension of PTA/PTE roles from buses to regulation of taxis and private hire vehicles may be an effective additional reform which has potential to demonstrate benefits in terms of accessibility, personal safety and integration with the wider public transport network. This is especially the case where there is significant actual or latent cross-boundary demand between Districts, and supports the city region economy<sup>62</sup>.

Improvements to bus service reliability and punctuality will also require priority infrastructure improvements. This is discussed in the context of highway and traffic powers below.

## 6.4.2 Rail

Whilst an important issue for PTEs, it is questionable as to the extent to which the Road Transport Bill will concern itself with powers pertaining only to rail. Making progress on the range of options summarised in Chapter 4 may therefore lie in a range of lobbying and engagement activities outside discussions on the Bill itself.

Nevertheless, the emergence of a metropolitan governance structures with greater powers and funding streams, potentially allows resources for urban transport to be equally assessed and allocated across modes using consistent objectives and criteria. This would help move rail “out of its box” into consideration as part of an integrated urban transport system contributing towards LTP objectives and wider city region goals.

Like reforms to urban buses, PTEG’s position on the options for rail is already reasonably well developed, with the key issue being the re-introduction of the PTE co-signatory status on new passenger rail franchises which was removed in the 2005 Railways Act. The return of this will give the PTEs significant – and statutory - influence on the base specification of services from the outset of franchises, rather than having to make separate arrangements with DfT and TOCs. However, much will depend on the how the terms of the Railways Act are applied in practice, for example to the West Midlands Franchise in 2007, where the Secretary of State could use his discretion to retain Centro as a co-signatory if he was minded to do so.

In combination with the increment/decrement provisions of the Railways Act<sup>63</sup>, co-signatory status would give the PTEs a potentially powerful set of tools to promote urban rail, especially if able to push for improvements to rail capacity as essential to support employment growth in city centres, a key point raised by the Eddington Transport Study. Funding of increments could come from decrements elsewhere on the network, increases on passenger fares, or through hypothecated revenue from road user charging, business taxation and other innovative sources of funding.

The most realistic way forward on rail in the short term, therefore, may be through PTEs maximising their existing powers and working in partnership with authorities

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<sup>62</sup> For example, the nighttime economy.

<sup>63</sup> PTA/PTEs are beginning to use these powers, for example, through securing additional rolling stock and seat capacity into Leeds City Centre, or enhancements to Leeds-Nottingham services.



outside their boundaries in order to influence strategies, franchise and investment plans from DfT, Network Rail and Train Operating Companies. Indeed, PTEs have already achieved considerable success in terms of line re-opening, new or refurbished stations, additional services and leasing and financing of rolling stock and this provides a basis for further progress.

The key strengths and weaknesses of the various options for rail are shown in Table 6.2.

In the medium- to long-term, there is a case for PTEs aspiring to become a franchising authority, or even a network operator, for a package of metropolitan passenger rail services within its wider travel to work area where the configuration of the network and these services made such an approach technically feasible, wider rail objectives could be reconciled, and it could demonstrate the central role of urban rail in supporting wider metropolitan and city region goals<sup>64</sup>. Such powers would be a logical element of higher stages of the “ladder” for a reformed PTA/PTE seeking control over all forms of surface transport in support of its strategic goals. However, a key question is whether current rail franchise networks map neatly within the PTE boundaries and there is reasonable segregation between local, regional and national passenger services on the network. With a very few exceptions, this is not the case and this situation may affect the scope for direct PTE control of metropolitan rail beyond the existing examples of Merseyside and London.

One specific area – leasing or management of railway stations – is an obvious theme for inclusion in the Road Transport Bill, building on PTEs’ role in the ownership and operation of bus stations. This offers opportunities to strengthen the physical integration of public transport, including information and branding, and also offers potential economies of scale for PTEs and TOCs, resulting from joint maintenance of stations and adjacent bus stops, and support for park and ride operation. It is likely that TOCs might have a reasonably open mind about this approach if they are able to discharge their franchise responsibilities more efficiently using PTEs or their contractors so long as a consistency of offer across the network is maintained.

There is also scope for PTEs purchasing, leasing or modernising rolling stock in order to provide additional capacity, and higher quality services, into city centres. The PTEs have a relatively strong record in this area<sup>65</sup> and there are also recent precedents using the “increments” provisions of the Railways Act. However, the current process is costly and time consuming, reflecting high leasing charges from the ROSCOs; a preferred approach should be to ensure sufficient capacity and modern rolling stock is built into franchise specifications from the outset, to which PTA/PTEs could supplement as economic growth and changes in commuting patterns required.

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<sup>64</sup> Were PTE franchising or other responsibilities to extend outside the existing metropolitan areas, then this might necessitate a rebalancing of membership of the PTA, Transport Board or equivalent body to ensure that wider regional interests were represented. The membership of the TfL Board is being revised, for example, to reflect greater Mayoral influence over rail services beyond the GLA boundary.

<sup>65</sup> During the modernisation of the Airedale and Wharfedale routes in West Yorkshire in 2001, for example, Metro sponsored electrification of the lines from Leeds to Ilkley, Bradford Forster Square and Skipton, and new Class 333 electric trains were introduced. Stations on the route were also refurbished.

### **6.4.3 Highways and Traffic**

As is evident from the discussion throughout this report, there may be a case for strategic highway powers to deliver better bus services, but also ensure that PTEs are able to ensure effective delivery of the Local Transport Plan strategy and programme, a duty defined in the Transport Act 2000. In essence, securing greater powers over highways and traffic would reflect a more holistic approach to integrated transport. Such powers will also be essential to deliver TIF programmes where the Government will want confidence that the key elements of the proposals can be implemented effectively as a condition of their continued programme and financial support.

There are a range of existing duties and powers which are relevant, some of which could be utilised with relatively minor reforms. The Traffic Management Act 2004 already requires Districts to work together, for example, for the efficient movement of traffic, including buses, and to consider the role of the PTE in their Network Management Duty. The Highways Act 1980 includes provisions for highway authorities to co-operate, including one authority carrying out works on the roads of another. The Government's recent proposals for reforming buses will also give the Traffic Commissioners' authority to investigate local authorities, as well as operators, for bus punctuality and reliability, in respect of their implementation and enforcement of bus priority. The key question is whether on their own these duties, powers and requirements are sufficient to deliver PTE objectives, given they lack the formal status of a highway or a traffic authority.

Our view is that what is required is an effective mechanism to ensure that genuinely metropolitan and cross-boundary movements by all modes are served, in line with strategic objectives, in a way which allows variation in such local issues as traffic management, parking management and enforcement, pedestrian routes and public realm and street maintenance and cleansing. As has already been argued, whilst there is an inherent tension between strategic and local objectives, the evidence points to a better balance being required to give more focus to metropolitan level planning and delivery.

An initial and relatively straightforward option might be to develop the role of District Traffic Managers who are already in post. The Government might issue revised guidance and a performance framework which ties Traffic Managers more tightly into the LTP or the accepted metropolitan transport strategy, strengthens the duty to manage and enforce bus priority, and also further develops the duty to cooperate across boundaries and with the PTE. Such an approach could be implemented through guidance, rather than primary legislation and would not require PTA/PTEs to take on additional powers and responsibilities directly.

A stronger reform, which might subsume all other proposed changes, would be an amendment to the Transport Act 2000 to switch to place the duty on developing and delivering the Joint LTP, or equivalent, to lie more firmly with the PTA rather than collectively with the Districts. This could be backed up with possible inclusion of a general PTA/PTE directive or reserve power to require Districts to take whatever steps were required to deliver the agreed LTP programme. Were this to be implemented effectively, then additional specific powers might then be unnecessary.

Beyond this, the easiest way to provide a specific highway and traffic role at a metropolitan level would be to designate PTA/PTEs as highway and traffic authorities for the purposes of delivering the objectives of the conurbation's Local Transport Plan. This would trigger access to a range of powers under existing legislation (including the right to negotiate transfer of powers from other authorities), to which the Road Transport Bill could add additional general duties and powers. PTA/PTEs could take their new powers directly over a designated strategic network, have powers of direction over the Districts, or reserve powers for implementation of the agreed metropolitan transport plan. Specific application of powers to each conurbation could be dealt with through secondary legislation developed by agreement between the DfT, PTA/PTE and relevant District Councils.

District Councils are likely to oppose proposals for any radical transfer of highway and traffic powers upwards to the metropolitan level. In particular, arguments for the PTA/PTE or Transport Board to become the highway and traffic authority over a defined core network, or for the implementation and management of road user charging or major traffic schemes, as has been done in London, is likely to attract considerable disquiet at District level<sup>66</sup> unless significant collective benefits or added value can be demonstrated, local interests are acknowledged and protected, and there are transparent checks and balances on how the metropolitan body exercises its enhanced powers.

In this context, there may be a case for keeping most highway and traffic provisions at the level of the District, at least at the lower to middle stages of the "ladder," but with the strategic authority having a limited agenda (e.g. bus priority) which is negotiated upwards on the basis of specific costs and benefits and on a case by case basis. In other words, existing powers should remain with the Districts by default unless there is a specific and overwhelming argument for their transfer upwards, overall consensus between upper and lower tiers and a process of transparency and accountability by which local political interests could be protected.

Within this debate, a distinction will need to be drawn over whether the strategic authority should have direct responsibility for a defined core network distinct from local networks managed by the District Councils, or whether more indirect, discretionary or reserve powers of consultation and direction would be sufficient to secure achievement of metropolitan goals without a distinct physical entity.

This is one area where more work will need to be done and again the preferred solution might vary by conurbation. Powers of consultation and direction for the Districts to deliver on the agreed metropolitan transport strategy and plan, would avoid the need for a PTE to take on additional skills, competencies and delivery capacity itself. Such an approach might also be more strongly supported by District Councils. However, there are a number of political and practical difficulties which would need to be resolved if such an approach was to be effective, consistent and politically viable<sup>67</sup>. In many ways, we believe direct highway and traffic powers over a

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<sup>66</sup> There is an advantage for Districts, however, in that the transfer of potentially controversial decisions to the metropolitan level could reduce the local political consequences for members were they to be seen to be signing up to the decisions themselves.

<sup>67</sup> For example, there would be issues of whether it would be legitimate for a PTA/PTE to issue directions to a District for the delivery or enforcement of particular policies without the commensurate responsibility of contributing to the costs for implementation. There would also be questions of what penalties a PTA/PTE could impose in the event of a District refusing to comply with a direction given to it and whether the setting or enforcement of directions would become highly politicised, especially where Districts changed political control. For some PTA/PTEs, issuing of directions might therefore be a policy of last resort, limiting the effectiveness of this approach as a principal means of delivering LTP and other strategic objectives.

defined strategic network, whilst logistically more challenging, would ultimately be a politically more straightforward and comprehensible solution, provided the case for the initial transfer of powers from to the Districts could be made.

In terms of precisely what powers might be ceded or directed through this process, there is a need for a detailed examination of the specific highway, traffic and other powers which are available under current legislation and how they might be shared or combined to balance metropolitan and local interests. The combination in any one place may depend on the level of ambition of the city region plan, the precise transport objectives and strategies agreed to deliver it, as well as the morphology of the highway network, pattern of land use and travel, and the balance between metropolitan and local priorities sought. The degree of success in the use of existing powers might also be a consideration.

In principle, however, we believe there may be a stronger case for the ceding or direction of powers relating to strategic public transport priority, major network management, demand management and other Major Schemes over a limited and clearly defined core network<sup>68</sup>, compared to others which might be re-distributed. Rebalancing of roles and responsibilities for parking might be split, with those necessary to deliver strategic goals, such as the efficient movement of buses, tackling congestion and the delivery of strategic park and ride transferring to the PTA/PTE and the remainder staying at District level.

In contrast, highway and traffic powers over the networks of more local importance, local on-street parking management and enforcement, promotion of walking and cycling, 'smart' measures are probably best left at the District level, albeit with encouragement for co-ordination and sharing of good practice, than transferred to the strategic tier, at least at middle stages of the "ladder" framework defined above. There may be a case for centralisation of some of functions at the metropolitan level (e.g. taxi licensing), but for reasons related to economies of scale, efficiency savings, consistent levels of service and operational flexibility, rather than a strong argument of alignment with strategic goals as such.

Dependant on precise local circumstances and geography, reforms to PTA/PTE highway powers will need to consider the relationship between these revised arrangements and the Highway Agency, where the latter has responsibility to urban motorways and trunk roads on national importance within metropolitan areas.

Table 6.2 contains an assessment of the strengths and weaknesses of the various options set out in Chapter 4. It will be difficult and probably unnecessary to legislate for any precise application of these powers, and primary legislation followed by more detailed secondary measures, potentially variable by each conurbation, appears to be the most sensible approach.

Some measure of arbitration or independent adjudication between strategic and local interests may be possible, and accountability in some shape or form will be important in order to legitimise a decision which is sensible at metropolitan level, but less justifiable in terms of local interests. This relates to the wider issues and structures of governance, for example in relation to scrutiny, discussed above.

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<sup>68</sup> A key issue would also be the specific criteria against which any "core" network might be defined.

## 6.5 Funding

If metropolitan governance arrangements are to be reformed and serious consideration given to redistributing powers between strategic and local levels, then changes to funding will offer both the resources through which improved outcomes can be secured, and the critical incentive for Districts to accept a dilution of their role.

As a general principle, as a PTA/PTE moved up the “ladder” it would expect to have access to a larger and more significant range of funding sources and a greater freedom on how these were utilised across transport modes and objectives.

PTA/PTEs are also concerned about the way they currently receive funding. The return of a PTA/PTE Precept, abolished in 1990, is one way to secure a more transparent and potentially more significant funding position since it would reduce the transfer of local contributions from strategic transport needs to directly provided local services. Whilst there are some technical problems related to the establishment of a suitable Formula Spending Share for PTAs compared to other authority types, these are not insurmountable and workable solutions could be developed. The additional funding which could be secured through a Precept would be limited, however, by political constraints on making large increases in Council Tax.

A switch of Government support to PTAs from Revenue Support Grant, indirectly provided via the Districts, to a direct Transport Grant, calculated according to range of powers and functions with or without the Precept, would be a potentially more significant change and a way of promoting a more one-to-one relationship between a metropolitan authority and Whitehall, much in the way that TfL now engages directly with DfT. Districts might feel that this change reduces local accountability, however, and PTA/PTEs would also need to resist the risk of the switch to direct grant being paralleled by strong central prescription on how the funding could be allocated. This latter has been the case with Regional Transport Partnerships and Consortia in Scotland and Wales, although far less so in the case of London.

Beyond reforms to the Precept and direct Transport Grant, the scale of funding available to Transport Authorities and the level of prescription placed on them by Government might likely depend on the wider transfer of powers and governance issues discussed above. It is difficult to be definitive in this area before the outcomes of the Lyons Inquiry are known.

A key choice resulting from the proposals in *Putting Passengers First* will be whether to link use route or area franchising of buses as a revenue stream and retain keep farebox revenue from franchise contracts<sup>69</sup>. Within more radical models of reform, combined with revenue from such measures as road user charging and workplace parking levies, this would provide a very convincing case to lenders against which metropolitan authorities could borrow for investment, or use to lever additional funding from the Transport Innovation Fund and other sources. Various public-private delivery mechanisms and structures would also be easier to enable and the ability of the PTA/PTE to deliver on a wider transport front, through transfer of bus and highway powers, would make the private sector more willing to enter into long term partnership and may encourage a greater degree of competition.

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<sup>69</sup> The PTA/PTE might have to take revenue risk in the early years of a Quality Contract in any case in order to encourage affordable tenders from private sector operators, given the uncertainties of the new system.

The Lyons Inquiry is likely to make a range of recommendations on new sources of funding, with proposals such as reforms to business rates, Planning Gain Supplement, tourist taxes, congestion charging and land value taxation potentially available to support additional borrowing and provide a local contribution to match bids to Government for direct support. Collectively, these represent some potentially powerful mechanisms for increasing resources for transport, although it should be recognised that there is relatively little experience of new forms of local taxation and financing in the UK. More importantly, decisions would have to be made on the division of the revenue raised by new sources between the metropolitan and lower tier authorities<sup>70</sup> and these discussions would likely be politically contentious.

In the medium-term, we believe the Government is likely to offer significant increases of resources and financial freedoms only where conurbations are prepared to be bold in reforming governance and demonstrate they can make firm decisions in securing and allocating funding. However, the benefits from this approach may be huge. In London, TfL has argued for a share of the increased tax base created by a metropolitan economy expanding faster as a result of essential transport improvements<sup>71</sup>. Its use of farebox revenue, congestion charging and a long-term funding settlement from Government has enabled it to borrow extensively, and support a range of public-private partnerships to procure and fund infrastructure investment and maintenance. Whilst the potential of these arrangements is not unlimited nor without problems, they offer a range of experience from which PTA/PTEs could learn.

Strengths and weaknesses of specific proposals for reforming metropolitan transport finance are shown in Table 6.2.

## 6.6 Legislation

There is a consensus from the Brainstorm Workshop, our discussions with PTE Officers and the current literature that the format of the Road Transport Bill should be enabling, rather than prescriptive. This will provide flexibility in the detailed development of powers and funding to reflect local geographical, economic and political circumstances, as well as allow each city region to adopt the stage of reform it considered to be effective and appropriate. These stages could be referenced to the various stages of the “ladder” referred to throughout this chapter, are a variant of it, with the Government offering particular combinations of powers and funding in return for cities demonstrating robust governance arrangements.

Given the flexibility of the different levels of powers, funding and governance, which may be different for each city region, we see little case for “pilots” for metropolitan governance reform, or a limited number of “models. Effectively, whilst there might well be similarities, each conurbation would adopt its own pace and model for reform, depending on its level of ambition, ability to negotiate a redistribution of powers internally, and the level of confidence from Government to devolve powers, funding and freedoms.

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<sup>70</sup> Congestion Charging provides an example of this, with motorists from outside a charging cordon who are being charged to enter, not necessarily living in the areas which might benefit from investment in new transport infrastructure and service made possible by hypothecation of charging revenue.

<sup>71</sup> Transport 2025: Transport Vision for a Growing City. TfL (November 2006).

Finally, one relatively quick reform which could be easily incorporated into the Road Transport Bill would be the granting of the Wellbeing Powers to PTEs defined within the Local Government Act 2000. This could potentially give them the ability to undertake certain initiatives for the social, economic and environmental well being of their areas, for example in relation to new Demand Responsive Transport, concessionary fares, provision of public transport information, travel awareness activity or joint working with the Districts for the implementation of certain infrastructure and services. The Power could apply to those instances where specific legislation is lacking and provide PTEs with a mechanism to fill in gaps within existing powers.

The uptake of the Wellbeing Power amongst local authorities since 2000 has been relatively limited<sup>72</sup>. Any proposals to extend its availability to PTEs should therefore be accompanied by wider dissemination of advice and best practice from the Government on the potential of the Wellbeing Powers more widely. It should also be noted that the essentially enabling nature of the Wellbeing Power would necessitate PTE officers needing to think innovatively and “outside of the box” if they were to exploit its full potential.

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<sup>72</sup> Formative Evaluation of the Take-Up and Implementation of the Wellbeing Power. Annual Report 2006. Department for Communities and Local Government (July 2006).

**Table 6.2 – Strengths and Weaknesses of Individual Reform Options**

Theme/Issue/Option	Strengths/Advantages	Weaknesses/Disadvantages	Inc. in Road Transport Bill	Other Considerations
<b>Governance</b>				
Maintaining the governance status quo of PTAs, PTEs and districts	<p>Structures and practices already exist, and are recognised by PTA/PTEs and Districts.</p> <p>Inclusive and helps deliver cross-party/District consensus on city region transport priorities</p> <p>Effective delivery of many key public transport improvements and LTP outcomes.</p> <p>Minimal costs or disruption from change.</p>	<p>Problems of PTEs in successfully delivering strategic public transport and LTP objectives</p> <p>Lack of levers over public transport operators and lack of strategic authority over Districts. Mismatch between strategic public transport planning and delivery and local highways planning and delivery</p> <p>Government committed to reform</p>	No	<p>Generally ruled out by Government.</p> <p>Such a position might rule out other reforms potentially on offer</p>
Arrangements for better joint working between PTE and Districts	<p>Better working at officer level can be pursued without legislation and without major change to governance arrangements. Potentially strengthened through Multi-Area Agreements proposed in Local Government White Paper.</p> <p>Some evidence that this can produce effective results.</p>	<p>Joint working arguably taken as far as possible under current arrangements. Lack of credibility with Government if major devolution of powers is on the agenda</p> <p>Does not address the strong local/weak strategic power relationship, and continued examples of strategic objectives constrained at local level</p>	No	<p>Could be developed further within the wider city regions debate</p> <p>Generally rejected by PTE officers as viable way forward</p>
District to establish Joint Metropolitan Traffic/Highways Team as Counterpart to PTE	<p>Could achieve improved delivery without need for major capacity building within PTE or legislative change</p> <p>Potential for economies of scale and efficiency savings in key areas of delivery.</p> <p>Better development/dissemination of practice.</p>	<p>Arrangements essentially voluntary and Districts may still block delivery for local considerations</p> <p>Officer arrangements may lack political accountability</p> <p>A parallel body to PTEs might creation further competition and complexity</p>	No	<p>Some precedents within metropolitan areas.</p> <p>Could be developed to service any stronger District-led committee or partnership</p>
Merger of a PTA and PTE into a single Transport Authority	<p>Separation based on historical precedents rather than current needs and conditions and rarely replicated in other parts of local government</p> <p>Reform would bring greater clarity of role and governance. Already largely adopted in practice in Merseytravel and Centro-PTA</p> <p>Accompanied by re-branding, this would emphasise a “re-launch” of the transport authority in minds of the public</p>	<p>Separate delineation reflects separation of accountable decision-making body and professional delivery agency</p> <p>Forced merger could be resented when existing arrangements are satisfactory locally</p> <p>Would not be worth doing as only reform and unlikely to make significant difference on its own.</p>	Yes	<p>Within the single reformed authority, there would still a need to retain political decision making and accountability from officers within the executive.</p>



Theme/Issue/Option	Strengths/Advantages	Weaknesses/Disadvantages	Inc. in Road Transport Bill	Other Considerations
<p>PTA to comprise District Leaders/Cabinet Members</p>	<p>More senior representation likely to secure stronger political leverage from Districts</p> <p>Problems resolved at top level before running into resistance from local ward members and interests</p>	<p>Leaders/Senior Members may not have time to commit to large PTA role alongside other priorities</p> <p>If consensus required, lowest common denominator might still result</p> <p>If votes taken, unclear how this approach takes account of different sizes of districts and political balance requirements. Weighted voting might need to be adopted</p> <p>Leaders can already sit on PTAs, and in some cases do</p>	<p>Yes</p> <p>Potentially as one option to strengthen PTA leadership, according to local circumstances and political dynamics</p>	<p>Difficult to see how, on its own, this would take into account unequal district size and political balance across a metropolitan area</p>
<p>Reform PTA into a Transport Board with policy and executive responsibility</p>	<p>Legislation could define basis for structure and appointment criteria to Board</p> <p>Stronger link between metropolitan transport strategy and levers for delivery.</p> <p>Potentially useful “sounding board” of providers supporting and informing PTA/PTE leadership</p> <p>Board appointments could take account of professional qualifications</p> <p>System used within TfL</p>	<p>Some appointees, such as business and voluntary sector, may lack direct democratic mandate and accountability</p> <p>Decision-making powers could not be given to a collective body of providers. Arrangement would be seen as an unelected quango</p> <p>Loss of District cross-party and cross-area consensus as their authority over the PTE is removed and the forum for reconciling differing interests is lost.</p>	<p>Yes</p> <p>Potentially as one option to strengthen PTA leadership, according to local circumstances and political dynamics</p>	<p>Size of Board and range of executive responsibilities could impact on effectiveness of decision making</p> <p>TfL model is relevant</p> <p>Structure, role and appointments must comply with Local Government Act</p>
<p>Transport Commissioner appointed for a fixed term</p>	<p>Clarity of responsibility and creates powerful, quasi-independent figure “Transport Czar” akin to Chief Constable which would be useful for transport to argue its case forcefully at metropolitan and District level</p> <p>Precedent in London has arguably been broadly successful</p> <p>Could be a powerful focal point for an individual with the right professional and political talents</p>	<p>Unclear whether post would be instead of, or in parallel with the current PTA. PTA members might feel a Commissioner was usurping their power, exacerbating tensions between the elected bodies and executive</p> <p>Unclear as to which elected person would this unelected official be accountable, although legislation could define this</p> <p>Unclear what delegated authority would the Commissioner be given and whether he/she could override District concerns.</p>	<p>Yes</p> <p>Potentially as one option to strengthen PTA leadership, according to local circumstances and political dynamics</p> <p>Bill could set out who would make and confirm the appointment their political legitimacy</p>	<p>Links between the Commissioner and other senior local officers and members would be crucial (e.g. Chief Constable, senior planners, District Leaders and Chief Executives). Strong personal, political and professional skills required.</p>
<p>Widening the powers of the PTA/PTE (e.g. in directing or issuing guidance to Districts)</p>	<p>General strengthening of LTP and TMA roles might be effective over other specific powers</p> <p>Would strengthen the “strategic” conurbation-wide perspective on transport issues, especially if combined with specific powers</p>	<p>Without a direct electoral mandate at the strategic level, any strengthening of PTA powers when the real power (the levy system and the power to appoint and recall PTA members) rests with Districts risks conflict.</p>	<p>Potentially as one option to strengthen PTA leadership, according to local circumstances and political dynamics</p>	<p>Might be better to create a number of joint powers – shared by Transport Authority and Districts.</p>

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<p>Directly elected Transport Commissioner or “Executive Mayor” with transport as one of a number of conurbation-wide responsibilities</p>	<p>Clear electoral mandate and accountability over the whole sub-region</p> <p>Would provide a metropolitan equivalent of the Mayoral/TfL framework</p> <p>With this political accountability, other strong reforms (e.g. on highway powers) make sense and could be sought</p> <p>Significant reform of metropolitan governance likely to find favour in Government</p>	<p>A major change which has implications well beyond transport.</p> <p>Fear of the re-creation of the Metropolitan Counties and general lack of support from any of the current conurbations at either District or PTA/PTE level.</p> <p>Electorate support for mayoral systems has been mixed in recent reforms.</p>	<p>No</p>	<p>A reform which needs to be applied to metropolitan policy and service delivery more widely</p>
<p><b>Function</b></p>				
<p><b>Bus Powers</b></p>				
<p>Continuation of current deregulated system with PTEs procuring socially necessary services</p>	<p>Current system enables operators to make commercial innovations and makes cost of non-commercial services explicit (e.g. high cost of extra non-statutory school peak journeys).</p> <p>Existing structures and relationships already exist.</p>	<p>Existing approaches demonstrably not working with continued decline in patronage, poor performance and increasing fares. Cross boundary implementation of measures appears to be a contributory factor.</p> <p>Current system is fragmented, including lack of integrated ticketing.</p> <p>Some evidence of monopolistic behaviour by some operators as well as some wasteful competition.</p>	<p>No</p>	<p>Options for change set out in <i>Putting Passengers First</i> discussion paper.</p>
<p>Strengthened Voluntary agreements with bus operators</p>	<p>Strengthening voluntary partnership would enable better timetable co-ordination of common route sections and a ‘return’ for the TE in terms of service and fare level guarantees where bus priorities provided.</p> <p>Many successful QBPs exist.</p> <p>Proposals in <i>Putting Passengers First</i> including strengthened role for Traffic Commissioners for holding local authorities to account for bus punctuality and reliability</p>	<p>This approach might not be sufficient to give security to PTE, especially if operator’s circumstances or management change financially on the provision of commercial services</p> <p>Pool of voluntary QBPs may have been exhausted and may be stimulated by fare and timetable co-ordination. Issues of free rider behaviour from some operators</p> <p>PTEs may have difficulties in delivering priority measures due to lack of highway and traffic powers.</p> <p>Little direct financial incentive to become involved in a QBP.</p>	<p>Yes</p>	<p>Options for change set out in <i>Putting Passengers First</i> discussion paper.</p>

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Statutory Quality Bus Partnerships	<p>Potentially capable of delivering a better standard of service overall due to binding nature of SBQP targets and commitments. Proposals in Putting Passengers First introduce a number of positive reforms.</p> <p>Overcomes 'free rider' problem (although in practice this has not been a significant problem)</p>	<p>Probably not too much advantage over voluntary agreements if partnerships are strong.</p> <p>Issue of vehicle quality now less critical than a few years ago due to large scale fleet replacement programmes.</p> <p>The limited number of SQBPs in England since 2000 indicates high costs, difficulties of phasing and mistrust between operators and authorities.</p>	Yes	
Quality Contracts/Area Franchising	<p>Ability to introduce consistently marketed and priced networks, with greater stability than deregulated systems. May also potentially result in a planned optimum mix of fares, service quality and service quantity</p> <p>Retention of regulated market through franchising in London has seen massive patronage growth since 2000 (although with significant increases in levels of support)</p> <p>Taking revenue risk would allow a PTE to collect farebox income and use this as a revenue stream against which to borrow for investment in bus priority and infrastructure and other modes.</p> <p><i>Putting Passengers First</i> introduces a range of reforms which could make introduction of Quality Contract easier</p> <p>Transitional arrangements could help to ensure continuity of service and investment in vehicles by commercial operators ahead of QC introduction</p> <p>Last resort of PTA/PTE introducing a Quality Contract could, in itself, incentivise greater levels of co-operation and partnership from existing operators on a voluntary basis</p>	<p>Complexities and potential legal challenges mean that no Quality Contracts introduced in England to date. <i>Putting Passengers First</i> aims to reduce, but does not eliminate, this complexity</p> <p>Securing a full range of service upgrades desired might require substantial increase in funding support. There is also a danger of excessive cross-subsidy being favoured politically</p> <p>Under gross cost contrasts (where PTE would keep the farebox revenue), there is a lack of incentive to operators to maximise revenue collection, enforcement and service quality, although performance-related payments regimes can help overcome this</p> <p>In implementing a franchising system, the PTE might need to develop a much larger and enhanced bus network planning and implementation role in terms of staff, systems and processes</p> <p>Area franchising will limit competition to the 'big players' and militate against smaller local operators</p> <p>Absence of transitional arrangements could seriously disrupt continuity of service and affect the service quality provided</p>	Yes	<p>Important to note crucial difference between gross and net cost contracts.</p> <p>South Yorkshire seems to be the first PTE area likely to progress area franchising in the short- and medium-term</p>
PTEs ownership/leasing of buses	<p>May assist entry into market by new operators by reducing initial investment</p> <p>Allows PTE to secure a guaranteed minimum quality of vehicle benefits such as low emissions, smoothness of ride, and consistent brand image</p>	<p>An extensive market in leasing of vehicles already exists and PTE would still need to meet costs in any case e.g. higher contract prices.</p> <p>Unlikely that any PTE could match the bulk purchasing discounts achieved by larger operators</p>	No	<p>More important issues may be access to operating premises in terms of capital costs and planning permission</p>

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PTEs as an “operator of last resort”	Avoids the need to be dependent on private sector where only one or no bids are received, or emergency replacement is required  Expands PTE’s competencies and skills set  May be popular with some local members	The performance of East Thames Buses (TfL’s subsidiary) is generally poor, suggesting caution.  There is also conflict between setting up an operator as a ‘public sector comparator’ and last resort role	Yes  Part of full set of options available for buses.	
<b>Rail Powers</b>				
Greater partnership and engagement with DfT Rail and industry on improvements	Structures already exist  Builds on vertical integration concept and consistent with work on Route Utilisation Strategies	PTA/PTEs lack financial powers to influence DfT Rail and Network Rail  Current partnerships vulnerable to clash of organisational cultures	No	Also need to consider TOCS and ORR in building partnership.
Closer involvement in passenger rail franchises, including retention of PTE co-signatory status	Co-signatory status ensures that PTA/PTEs local knowledge and skills are more likely to be captured and reflected in franchise	Under current regime, PTA/PTE decisions and representations on franchising have only a weak link to financing of enhancements for metropolitan needs.  Does not in itself lower railway costs.	No	Final decision over co-signatory status for all new franchises is at discretion of SoS. First test on West Midlands franchise in 2007.
Mechanisms for funding increments/decrements on rail services over franchise requirements	In combination with retention of co-signatory status, potentially a powerful tool which link PTE aspirations with the cost of service provision.  Powers available across transport modes  Already successfully used to secure some service enhancements	Relatively untested to date  Potentially capable of leading to inconsistency between Metropolitan and other authorities. For instance, a PTE could propose decrements to services which go beyond its boundaries, and service increments for services wholly within its boundary  Affordability and capacity issues may constrain ability to secure improvements in some instances	No	Technical basis for costing increments/decrements is not clear.  Results sensitive to accountancy rules.
Resumption of marginal costing for regional rail services	Better alignment with first economic principles	Inconsistent with current track access charging regime and could lead to ‘second best’ problems (e.g. too many regional services at the expense of long-distance services)	No	
PTAs/PTEs taking over direct control of self-contained rail networks/services, including franchise management	Merseyrail experiment seems to be working well and has supported rolling stock and station improvements since 2003  DfT/TfL agreement for TfL to take over North London Line as self-contained franchise from 2007 (and link to East London Line)	Few self contained systems elsewhere within the boundaries of PTE areas  Network Rail resistant to Merseytravel acquiring direct control and ownership of Merseyrail infrastructure  Cost and affordability issues	No	This issue may be better considered within a regional context.

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PTE management/leasing of railway stations and station car parks	<p>Consistent with current PTE role on bus stations, investment in new stations and some obvious potential for improving the standard of interchange with other modes</p> <p>Some potential economies of scale from joint bus stop and rail station maintenance and from park and ride site operation</p>	Possible diseconomies from an additional level of vertical disintegration.	Yes	PTEs already have a good record of opening new stations, although pace of investment slowed down with cost increases.
PTEs buying or leasing rolling stock directly rather than via ROSCOs	<p>This may ease some alleged distortions in the rolling stock market</p> <p>Record of PTEs buying or leasing rolling stock</p>	Not proven that the costs of direct leasing of rolling stock would achieve rates significantly cheaper than ROSCOs.	No	
PTE directions for rail services beyond Metropolitan boundaries	<p>This would reduce cross-boundary problems, with respect to service levels and fares and eradicate excessive railheading</p> <p>Would strengthen wider city region agenda</p>	<p>PTEs currently lack the financial powers to implement this option</p> <p>Possible clash with regional bodies</p>	Yes	
Light-rail track sharing/ Train-Tram Systems	<p>Potential to make better use of existing rail rights of way. On-street running in central areas could release capacity at bottleneck stations and their approaches.</p> <p>Track sharing already demonstrated for Tyne and Wear Metro and overseas examples</p> <p>Lighter engineering could reduce costs</p> <p>Existing powers largely allow this approach</p>	<p>Traditional concern from rail safety regulatory bodies</p> <p>Institutional barriers due to involvement of PTA/PTEs, adjacent local authorities, various highway authorities, DfT Rail and Network Rail</p>	Potentially	Approach might go in parallel with wider highway, traffic and public transport powers, and therefore more applicable to top-end of reform
<b>Highway and Traffic Powers</b>				
Using and developing current and potential powers under Highways Act, Transport Act, Traffic Management Act etc.	<p>Current legislation does provide scope for some consultation and engagement of PTEs by Districts, for example, in exercising NMD</p> <p>Strengthened guidance to District Traffic Managers might be an effective initial reform, as might stronger PTA/PTE role in directing Districts on LTP development and delivery</p> <p>Districts have some incentive to support PTE through signing up to LTP objectives/targets, attracting a higher score and funding from DfT</p> <p>Effective where existing partnerships work well</p>	<p>Denies PTA/PTEs of benefits they might enjoy if they were designated as highway or traffic authorities in their own right (including transfer of District powers to PTA to deliver specific schemes or initiatives)</p> <p>There remains no direct and specific duty on Districts to follow PTE or LTP objectives, or reserve powers in the event of a District not implementing the agreed metropolitan strategy</p> <p>Arrangements to date have shown a range of delivery problems and evidence of local interests over-riding the strategic imperative</p>	No	DfT could issue non-statutory guidance advising (but not compelling) Districts to use their existing powers to achieve PTE and LTP objectives, and also take joint working into account in scoring of performance and funding allocations

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<p>Implementing and enforcing public transport priority</p>	<p>Fully integrated approach to implementing strategies relating to bus services, ticketing and information and bus infrastructure, allowing a 'whole service approach' to be applied</p> <p>Could be done through direct, directive or reserve powers</p> <p>Approach shown to be successful in London and consistent with current DfT agenda</p> <p>Economies of scale from more strategic planning and programming of delivery resulting in efficiency savings</p> <p>Designation of PTA/PTE as a highway and traffic authority for a defined network would invoke benefits in other legislation (e.g. Highways Act 1980)</p> <p>Scrutiny could be provided by enhanced role for Traffic Commissioners, as proposed in <i>Putting Passengers First</i>, although there are issues of accountability in this approach</p>	<p>Likely to be opposed by District Councils</p> <p>Risk of over-riding legitimate local objectives and priorities of Districts, unless appropriate checks and right of scrutiny/appeal put in place</p> <p>May be technically difficult to separate powers for construction and enforcement of bus priority from wider traffic management objectives</p> <p>Unclear whether, and how, rights and duties of Traffic Management Act would apply to a PTA/PTE taking bus-only highway powers</p> <p>Giving PTA/PTEs powers to implement and enforce priority measures, but not providing powers relating to other aspects of the highway could result in dis-jointed strategies and could disperse traffic management responsibilities</p> <p>Additional significant resource burden on PTA/PTEs to fulfil additional functions, unless matched by increased funding from Government</p> <p>It may be more practical and economic to delegate some roles, especially enforcement, to the Districts</p>	<p>Yes</p> <p>Road Transport Act could provide general powers and leave inclusion/exclusion and definition of specific strategic networks in each conurbation to secondary legislation</p> <p>Legislation on whether PTE would appoint a metropolitan Traffic Manager (Buses) and his or her specific powers</p>	<p>PTA/PTEs could be given these powers without a designated network, allowing them to negotiate and enter into agreements with Districts to undertake these functions on a case by case basis.</p>
<p>Managing, maintaining and improving the strategic highway network</p>	<p>Strengthened capacity of PTE to deliver strategic traffic and public transport objectives across city and maintain overall accessibility of the conurbation</p> <p>Precedent successfully demonstrated in London</p> <p>Potentially improved asset and network management, and highway condition, for the defined strategic network with consistency of programme design, construction and management</p> <p>Designation of PTA/PTE as a highway and traffic authority for a defined network would invoke other legislation (e.g. Highways Act 1980)</p> <p>Could be done through direct, directive or reserve powers</p>	<p>Likely to be opposed by District Councils.</p> <p>Questions over whether PTEs should have control of a strategic network, rely on indirect powers of consultation and direction, or reserve powers</p> <p>Risk of over-riding legitimate local objectives and priorities of Districts, unless appropriate checks and right of scrutiny/appeal put in place</p> <p>If direct powers, PTE would need to develop highway competencies and skills, raising significant organisational and HR challenges (although these could be contracted back to the Districts under agency agreements)</p> <p>Additional significant resource burden on PTA/PTEs to fulfil additional functions, unless matched by increased funding from Government</p>	<p>Yes</p> <p>Road Transport Act could provide general powers and leave inclusion/exclusion and definition of specific strategic networks in each conurbation to secondary legislation</p>	<p>It might be possible to designate PTA/PTEs are highway authorities without a defined network to allow transfer of powers from Districts on a case by case basis (e.g. for specific schemes)</p> <p>Otherwise, a network would need to be agreed between PTA, Government, and PTE</p>

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<p>Managing, maintaining and improving the strategic highway network (Continued)</p>		<p>Public unlikely to perceive (or care about) difference in highway or traffic authorities, unless distinguished by signage, road markings etc.</p> <p>Need for co-ordination of management approaches to traffic on strategic and local roads in order to avoid adverse behaviours (e.g. rat running on side roads of strategic network)</p>	<p>Legislation on whether PTE would appoint a metropolitan Traffic Manager and his or her specific powers</p>	<p>Safeguards on District interests to be considered</p>
<p>Strategic demand management measures (e.g. parking, road user charging)</p>	<p>Strengthened capacity of PTE to deliver LTP objectives across city and maintain overall accessibility of the conurbation</p> <p>Stronger integration of support for alternative modes and management of demand within a single strategy and programme</p> <p>Probably essential to support TIF Programmes and guarantee Government funding and support</p> <p>If TDM is road user charging or workplace parking levies, this potentially secures additional revenue stream for transport</p> <p>Successful example of Central London Congestion Charging on key outcomes</p>	<p>Acceptability related to levels of traffic and congestion in key areas of conurbation</p> <p>Some aspects of parking management may more easily be undertaken by Districts, such as pricing, regulation and enforcement of on-street parking. Districts likely to continue to need to enforce parking at off-street car parks.</p> <p>Strategic level demand management likely to be strongly opposed by District Councils, and public, unless strong case put by PTA/PTE, and a governance basis which is strongly transparent and accountable at metropolitan and local level.</p> <p>Highly unlikely to be viable on its own and schemes would need to be supported by wider highway and traffic powers. Probably unlikely without Government support through TIF</p>	<p>Yes</p> <p>Road Traffic Bill could provide general powers and leave definition of detailed demand management measures (e.g. location of charging zone) to secondary legislation</p>	<p>Powers to implement road user charging schemes already exist for Districts under Transport Act 2000 could theoretically be developed across boundaries through partnership working</p> <p>Debate needed on use of revenues at local &amp; metropolitan level</p> <p>Regardless of structure and powers, strong political will required.</p>
<p>Regulation/licensing of taxis and private hire vehicles</p>	<p>Closer linkage between taxis/PHVs and wider LTP strategy and programme</p> <p>Greater consistency of service provision, including vehicle quality, driver training and fares across conurbation</p> <p>Regulation of cross-boundary trips</p> <p>Economies of scale in licensing, regulation, inspection and enforcement activities</p> <p>Easier incorporation of taxis/PHVs into other public transport initiatives (e.g. smartcard ticketing, fleet management and information)</p> <p>Public Carriage Office in London licenses and regulates all taxi/PHV on behalf of the Mayor</p>	<p>A District function in all places but London. Likely to be opposed by Districts</p> <p>Arguably less of a strategic transport issue compared to urban bus and rail services. Would not be worth carrying out as the only reform.</p> <p>Risk of a loss of local flexibility and focus in approach to such issues as affordability of fares, passenger safety and matching of vehicle/driver supply to demand</p> <p>Requirement to build new capacity and competency within PTE</p> <p>PTE role over location, design and management of infrastructure elements of taxi system would require highway and traffic powers</p>	<p>Yes</p> <p>Part of a range of highway and traffic powers, but probably at the top end</p>	<p>Reform would signal greater role of taxis and private hire vehicles as key elements of an integrated transport network, compared to public safety, trading standards and crime and disorder goals which tends to dominate at District level.</p>

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<p>Promotion of walking and cycling, &amp; “smarter measures”</p>	<p>Stronger delivery of strategy and programme defined within LTP, including strategic networks crossing District boundaries</p> <p>Stronger and more consistent priority given to non-motorised modes for urban transport as part of public realm agenda</p> <p>Consistent design standards across whole conurbation and stronger development and spread of good practice</p> <p>Integration on-street with measures for public transport, traffic management and demand management</p> <p>Economies of scale in planning, design and procurement</p> <p>Strengthened direct and indirect powers and funding mechanisms included in London model</p>	<p>No evidence that PTA/PTE areas have performed less well on cycling levels than many other LTP areas</p> <p>Direct PTE implementation on District roads would require highway powers (although these could be temporarily transferred under amended legislation)</p> <p>Responsibilities for cycling and walking in London split between TfL and Boroughs, not solely a TfL responsibility</p> <p>Many cycling and walk trips are inherently local in nature and transfer of responsibility wholly to metropolitan authority risks ignoring this issue</p> <p>Movement away from partnership approach for delivery likely to be opposed by Districts which see this as ‘their’ territory</p>	<p>Yes</p> <p>Part of range of highway and traffic powers.</p>	<p>Strengthened partnership approach probably most appropriate with split of responsibilities between PTE and Districts in delivering LTP objectives whilst maintaining measure of responsiveness to local travel patterns and issues.</p>
<p>Strategic land use planning decisions with an impact on the highway network</p>	<p>Enables closer integration of land-use, public transport decisions and demand management decisions, especially in regeneration areas</p> <p>TfL has this power and actively uses it to secure transport improvements and developer contributions</p> <p>‘Localises’ power from unelected regions</p>	<p>PTEs may already be consulted on major planning applications, and Districts likely to object on binding directions</p> <p>Lack of clarity of whether developer contributions (or equivalent such as PGS) would go to District or PTE</p> <p>May run against Government agenda of strengthening regional spatial planning</p>	<p>Yes</p> <p>Part of a range of highway and traffic powers</p>	<p>Needs to be seen in context of frequent tension between regeneration and sustainable transport agendas</p> <p>Current practice in London, but highly unpopular amongst Boroughs</p>
<p>Enforcement of stationary and moving traffic offences (e.g. bus lanes)</p>	<p>Supports road safety and congestion objectives of LTP and could be used as a revenue stream for transport improvements</p> <p>Would complement existing bus powers, particularly if combined with powers to implement bus priority measures</p> <p>Could be linked to ITS applications with camera enforcement, with associated economies of scale and efficiency savings</p> <p>Operational and efficiency argument for a centralised appeals system</p>	<p>District focus allows enforcement efforts to be more effectively targeted at known blackspots</p> <p>Unlikely to be a business case for PTE to employ its own wardens separate from Districts. TfL does not do this and has Service Level Agreements with Boroughs for them to discharge the enforcement role on the TfL Road Network</p> <p>Public hostility to perceived “heavy handed” enforcement activities</p> <p>Lack of clarity over whether PTE or Districts should keep fine income</p>	<p>Potentially</p> <p>Link to a range of highway and traffic powers, but probably more viable under contractual framework</p>	



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Area traffic control and Intelligent Transport Systems	<p>Strategic management of traffic across District boundaries and strategic and local networks</p> <p>Additional mechanisms to tackle congestion, prioritise public transport and improve road safety. Likely to be key elements of TIF programmes or equivalent strategies</p> <p>Significant economies of scale in terms of capital procurement, operational and maintenance costs and central traffic control with resulting efficiency savings</p> <p>TfL is responsible for all traffic signals in London and is developing metropolitan and sub-regional traffic control plans and ITS investment programmes</p> <p>Specialist support needed which is more difficult to provide and support at District level</p>	<p>Strength of operational and efficiency arguments may foster closer co-operation and partnership working in any case</p> <p>PTE would need to develop signal and ITS competencies and skills, raising significant organisational and HR challenges (although these could be contracted back to the Districts under agency agreements)</p> <p>Additional significant resource burden on PTA/PTEs to fulfil additional functions, unless matched by increased funding from Government</p> <p>Unlikely to be justifiable without a wider transfer of highway and traffic powers and responsibilities to tackle congestion and encourage public transport</p>	<p>Potentially</p> <p>Link to a range of highway and traffic powers, but probably more viable under contractual framework</p>	<p>Some conurbations already working collectively on traffic signals and ITS applications</p>
<b>Funding</b>				
Continuation of existing system of levy and LTP funding	<p>Reflects and sustains the current balance of power and influence between Districts and PTA/PTE</p> <p>No change is always easiest politically</p>	<p>Metropolitan strategic interest is not always reflected in decisions and system makes independent action for PTEs very difficult.</p> <p>Strategic transport spend traded off against all other calls on District expenditure, and priority often on directly provided local services. Tendency to level down between Districts.</p>	Probably not	<p>This issue needs to be seen in context of possible post-Lyons changes to local government funding, including new revenue</p>
Direct funding to PTAs from Central Government	<p>Less tied to District spending decisions and freedom from local trade offs.</p> <p>Creates relative certainty and buy-in from Whitehall.</p>	<p>Central funding might make it harder for PTA/PTEs and Districts to act autonomously</p> <p>Risk aversion within Whitehall may stop experimentation and reform</p> <p>Danger of poorer integration with Districts.</p>	Probably not	<p>London, Scottish and Welsh experiences based on direct funding from the relevant Governments.</p>
Modifications/extensions on concessionary travel	<p>Government subsidy reflecting true cost of the national scheme in the area</p> <p>Existing arrangements often criticised</p> <p>Major possible revenue source for transport authorities</p>	<p>Must still allow enhancement of national scheme from own resources</p> <p>Concessionary fares policy increasingly nationally determined, leaving little room for local freedom.</p>	Probably not	<p>Difficult to reform concessions once given. Removing fare-raising from certain groups reduces access to locally determined resources.</p>

Theme/Issue/Option	Strengths/Advantages	Weaknesses/Disadvantages	Inc. in Road Transport Bill	Other Considerations
<p>Local freedom on decision making on Major Schemes</p>	<p>Better pace and delivery of major transport schemes in parallel with other regeneration / economic development initiatives.</p> <p>Consistent with Prudential Code for capital control. Good for local responsibility and accountability</p> <p>Allows conurbation to progress its vision for transport free of Whitehall 'micro-management' and risk averse decision making</p> <p>Affordability potentially assisted by additional revenue streams and innovative forms of funding (e.g. land value uplift, road user charging)</p>	<p>Experience of Major Scheme planning and delivery in LTP1 has been very mixed.</p> <p>Must be associated with freedom to fund from local resources (sometimes in innovative ways)</p> <p>Treasury may be very concerned that Government will always be the 'funder of last resort' and this will encourage reckless decision making</p> <p>Districts and public will need scrutiny on PTA/PTE activities to ensure that schemes pursued offer value for money</p>	<p>Potentially</p>	<p>TfL has done this reasonably successfully through its Five Year Investment Programme</p>
<p>Revising the system of levies from the Districts to the PTEs</p>	<p>Return to precepting would help rebalance power between Districts and PTA.</p> <p>Clarity and greater accountability for strategic public transport spend</p> <p>Might be privately welcomed by Districts</p>	<p>Weakens District ability to locally determine priorities and direction and exercise a veto.</p> <p>Might create confusion about overall Council Tax burden and calculation of bills</p>	<p>Potentially</p>	<p>Akin to District/County and Borough/GLA accountability and billing issues</p>
<p>Securing and leveraging farebox revenue from public transport</p>	<p>Fairer system whereby private profits help fund infrastructure improvements</p> <p>Creates a major revenue source that would form the basis of support for borrowing to deliver major infrastructure improvements</p> <p>Consistent with wider reforms to buses</p>	<p>Requirement for major reform of metropolitan bus regulation with significant legal, technical and organisational challenges.</p> <p>Bus company opposition. Ensuring transparency may be difficult</p>	<p>Potentially</p>	<p>The current system in London.</p>
<p>New sources of funding, including road user charging, land value taxation, Planning Gain Supplement/S106, business rates etc.</p>	<p>Very strong argument for land value taxation and road user charging to support further transport improvement</p> <p>Measures such as land value taxation provide a direct link between transport investment and benefits of regeneration and growth</p> <p>Road user charging likely to be cross district boundaries and hence a PTA matter.</p> <p>Consistent with ideas from Eddington, Barker and (probably) Lyons Reviews.</p> <p>Some impetus for local government funding reform in late 2007 or 2008</p>	<p>Potentially quite complicated and politically messy, with a lack of clarity of should set new funding requirements, collect charges and retain revenues, and for what purpose</p> <p>Few precedents of large-scale take-up in UK and therefore many practical difficulties not fully understood or resolved</p> <p>Development-based taxes or contributions may be subject to the uncertainties of the development process, making it difficult to forecast the timing of specific contributions</p> <p>Potential for sharp differences on how funding should be spent.</p>	<p>Potentially</p>	<p>Link between road pricing and revenue stream would allow borrowing to develop new infrastructure, as has been done in London.</p>

Theme/Issue/Option	Strengths/Advantages	Weaknesses/Disadvantages	Inc. in Road Transport Bill	Other Considerations
<b>Other</b>				
PTEs to have Wellbeing Power under the Local Government Act 2000	<p>A quick and easy reform</p> <p>Wellbeing Power offers a potentially powerful tool for a range of initiatives</p>	<p>Few obvious drawbacks</p> <p>Local authorities' take-up of the Power has been relatively small-scale and few specific transport applications</p> <p>This would not be worth doing as only reform and unlikely to make significant difference on its own</p>	<p>Yes</p> <p>Proposed as an amendment to the Local Government Act 2000</p>	<p>Needs to be accompanied by Government support and local authority take up of Wellbeing Power more widely.</p>
Significant strengthening of PTA/PTE staff base, skills, corporate systems and internal governance structures and processes	<p>This may be necessitated by, and follow from, the significant addition of new powers and functions, especially in relation to highways and traffic powers</p> <p>PTEs have already strengthened their capacity to develop LTPs through the development of central teams and closer co-ordination of key LTP functions such as scheme prioritisation, performance management and progress reporting</p> <p>Follows examples of Transport for London, Welsh Assembly Government and Scottish Executive which have all increased and strengthened their capacity to respond to new roles and challenges</p> <p>Justified on the basis of economies of scale and efficiency savings from the centralisation of some key functions, such as back office activity, larger and more systematic procurement and combination of corporate systems and processes</p> <p>A large organisation is able to offer more challenging and more diverse career opportunities, training and development for new graduates and staff of all levels</p>	<p>Danger of creating (in practice or a perception) a large bureaucratic institution which is unresponsive to change, especially if insufficient scrutiny and challenge build into governance arrangements</p> <p>Difficulties of recruiting large numbers of professional staff with relevant skills in current transport planning employment market</p> <p>Well understood revenue pressures impacting on ability to advertise and fill posts</p> <p>Creation of a large Transport Authority able to offer more attractive packages may lead to a "brain drain" of good staff from Districts and impede their ability to attract new recruits. This was the experience in London Boroughs following the creation of TfL</p> <p>Delivery of additional roles could be achieved through powers of consultation and direction over the Districts, using their available capacity rather than necessarily needing to build it within the PTE</p> <p>Even if direct powers and responsibilities taken, actual delivery could be contracted to Districts under agency agreements etc.</p>	<p>No</p>	<p>There may be scope for joint training, career development programmes and secondments between the PTA/PTE and Districts as a means of sharing scarce staff skills and ensuring diverse and fulfilling employment opportunities</p>



## 7. What Are the Initial Conclusions?

### 7.1 The Case for Reform

Metropolitan transport matters. Efficient, effective and integrated connections across the full choice of transport modes are essential as an enabler to the economic and social future of our major cities, to support the productivity of the UK, and directly contribute to a number of national targets in transport and regional competitiveness<sup>73</sup>.

In the recent past, much has been achieved, with signs of an urban renaissance in the city centres of Manchester, Sheffield, Birmingham and Leeds and evidence of some strong delivery across the full range of metropolitan transport networks. With the powers available, PTA/PTEs have invested widely and made a visible difference in such areas as supported bus services, light rail, travel information, concessionary fares, interchange and the establishment of the LTP process in partnership with their constituent Districts.

Yet progress has not been without its problems. There is quantitative and qualitative evidence of mixed outcomes in metropolitan areas, together with examples of LTP programmes being constrained in their effectiveness and outturn. Whilst this situation is by no means unique to PTA/PTEs, a key factor constraining progress in metropolitan areas is the division of the planning, delivery and regulation of urban transport across a range of authorities and agencies, and tensions between representation of local interests compared to strategic objectives at conurbation level.

Based on our discussions with PTE officers, DfT and our local government advisors, there is a strong sense that some changes to existing arrangements are required. The Government is itself already publicly committed to reform. The key issue is the extent and scope of reform required, in order to be effective in improving metropolitan transport delivery, link this to wider objectives of urban and regional growth, and command a broad consensus from the various national, regional and local stakeholders and interest groups.

There is general agreement, based on the views expressed to us during this Study, that the strengths and positive attributes of the existing structures and arrangements should be retained and built upon. PTA/PTEs should therefore provide the basis for reform rather than the introduction of wholly new structures. They have a track record of almost 40 years and are a well-understood form of joint local authority working. The Local Transport Plans prepared by PTEs also provide the statutory basis for an integrated transport strategy for each conurbation, agreed and endorsed by the Government and the Metropolitan Districts. It will be far preferable to build on, and strengthen, these existing arrangements rather than embark on the disruption, uncertainties and costs of structural re-organisation.

However, PTA/PTEs must recognise that new challenges lie ahead, seeking now to define their own vision of reform. If they are unable to achieve this, then there is the risk of them having to respond to a model imposed by Central Government which may be

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<sup>73</sup> Treasury Spending Review: PTEs Make Their Case. PTEG Newsletter (September 2006).

less effective and flexible in addressing the geographical diversity, local circumstances and political dynamics found in each conurbation.

## 7.2 Some Directions for Reform

In considering reforms, the questions of governance, functions and funding cannot be separated. Devolution of powers from Whitehall will require Ministers to have confidence that there are strong governance arrangements capable of making effective decisions and carrying them out. Within the conurbations, metropolitan leaders and politicians will probably only accept a redistribution of powers between strategic and local tiers of government if there is a prospect of real tangible benefits such as greater freedom from central prescription and significant increases in resources. Greater powers for a Metropolitan Transport Authority may only be accepted if there are suitable internal and external scrutiny arrangements and transparent checks and balances on its conduct and accountability to the electorate.

We therefore believe that a “pick and mix” approach to new PTA/PTE arrangements, tackling each option in isolation, is unlikely to be successful. Complementary and mutually-reinforcing packages of reforms are needed through which to structure the debate.

We have endeavoured to provide a structure within which these reform packages could be assembled, based on the concept of a “ladder” of different stages through which conurbations would seek, and receive, stronger combinations of governance, powers and funding compared to the current status quo. The particular framework considered in Chapter 6 of this report is indicative and one possible illustration rather than a rigid blueprint or a final recommendation. In practice, each conurbation will have its own unique starting point and set of stages on the “ladder,” depending on the precise roles and functions it already has<sup>74</sup>. Detailed work will be needed to develop a specific and definitive set of structures, powers and funding mechanisms, reflective of stakeholder views, and the exact combination might well be different for each conurbation.

Based on the analysis in this report, specific comments on the various dimensions of reform are as follows:

### 7.2.1 Governance

Reformed governance arrangements are likely to be central for providing a framework for other reforms, into which strengthened powers and funding may flow. They need to be capable of building on existing arrangements, producing effective decisions, balancing strategic and local interests and securing buy-in from the Government. However, given the complexities and overlapping interests of transport objectives and decision making at a national, regional and local level, it is highly unlikely that a “perfect” institutional structure can ever be fully defined. The aim should be to agree the most appropriate governance arrangements that best enable transport to be delivered effectively and efficiently whilst supporting city region objectives within agreed limits of democratic accountability and legitimacy.

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<sup>74</sup> For example, management of tunnels or rail franchise management.

Appointing District Leaders or senior Cabinet members to PTA would address some current concerns, and there may be scope to streamline PTA committee and other business arrangements. Whilst retaining local accountabilities, it is unclear whether this approach would elicit the full confidence and support of DfT in devolving powers and funding.

Arrangements for more ambitious reforms beyond this should be defined locally. Whilst the Government aspires to radical proposals such as directly elected leaders, this seems unlikely to be supported locally. However, options such as appointing political and professional representatives to a Transport Board, with a degree of autonomy in its decisions, whilst retaining separate executive and scrutiny functions would seem to have a range of advantages and may be requirement for justifying devolution from Whitehall. The role of the existing PTA structure and membership would need to be carefully considered in any reformed decision making or scrutiny role.

The proposal for a Metropolitan Transport Commissioner as the “chief executive” for a conurbation’s transport system is a particularly interesting idea. The concept is, similar to the idea of the Chief Constable, who could potentially hold significant powers and responsibilities in their own right, subject to political appointment or ratification. The timing and duration of appointment could be linked to the Government’s models of elected leaders or executives set out in the Local Government White Paper.

Where PTEs expand their role significantly, corporate arrangements would need to take account of the resource and institutional implications of any new functions and duties taken on. In particular, the acquisition of highway and traffic powers by a metropolitan authority would necessitate a re-evaluation of its capacity, aptitudes and competencies. This would present capacity building and change management challenges, including the possible re-deployment of key professional staff from highway and traffic posts within the Districts.

Where significant structural or organisational change is proposed, it will also be important to plan effective transitional arrangements to ensure continuity of PTA/PTE functions, “business as usual” in terms of public services, and clarity of roles, terms and conditions for individual officers and members. To this end, robust “change management” procedures will need to be implemented.

## **7.2.2 Function**

We see a case for providing PTA/PTEs with a range of additional powers to strengthen their capacity to deliver the integrated transport strategy and programme defined in the Local Transport Plan.

In this context, one reform might be to amend the Transport Act 2000 to place the duty on developing and delivering the Joint LTP solely with the PTA rather than collectively with the Districts. This could be backed up with possible inclusion of a PTA/PTE general directive or reserve power to require the Districts to take whatever steps were required to deliver the agreed LTP programme.

On delivery of improved bus services, the Government's proposals set out in *Putting Passengers First* should provide the basis for early reforms, which have already received PTEG support, although with some concerns over the details. In particular, the introduction of area or route franchising in place of the current deregulated regime raises the prospect of strong and integrated management of the bus network, allowing fares and ticketing to be integrated across modes and controlled for social rather than purely commercial objectives. Better control of buses can also be seen as the first point of metropolitan transport reform before moving onto wider powers over the highway, traffic and demand management.

Extension of these roles to stronger PTE regulation of taxis and private hire vehicles may be an effective reform which has potential to demonstrate benefits in terms of accessibility, personal safety and integration with the wider public transport network. This is especially the case where there is significant actual or latent cross-boundary demand between Districts, and supports the city region economy.

On metropolitan rail services, the statutory re-introduction of PTE co-signatory status on new passenger franchises is desirable, but this outcome may be better pursued in the short-term by lobbying the Secretary of State to use his discretion on the forthcoming West Midlands franchise, rather than necessarily focusing on a formal amendment to the Railways Act. This, in combination with the ability to buy or realise service increments or decrements in relation to franchise commitments, and PTEs' role in existing partnerships, would represent a potentially powerful range of tools for urban rail, providing that the affordability and funding issues for track access and rolling stock leasing could be addressed. The Road Transport Bill should also recognise PTEs' role in working with Train Operating Companies on the maintenance and improvement of railway stations and station car parks, a role entirely consistent with their current responsibilities for bus stations and interchanges.

Beyond the existing self-contained Merseyrail and North London Railway cases, there may be scope for PTEs to press for franchise or infrastructure management responsibilities over regional rail where this can be justified against the complex overlay of local, regional and national services within most metropolitan areas, operational, safety and efficiency implications of fragmenting the network, and significant costs involved in delivering improvements. This would lie towards the upper end of powers which might be negotiated from the Government.

On wider powers, we see a case for PTA/PTEs taking a range of highway and traffic responsibilities provided locally acceptable political arrangements with the Districts concerned can be agreed.

The focus should be on those powers necessary to deliver the strategic objectives and targets set out within the LTP or equivalent plan across the conurbation, with Districts retaining authority relevant to their local networks and services. Issuing strengthened guidance to District Traffic Managers for the management and enforcement of bus priority, together a new duty to work with the PTE to support the agreed metropolitan transport plan might be an initial reform which would not require primary legislation. Beyond this, the designation of PTA/PTEs as highway and traffic authorities in their own right would trigger access to a range of existing legislation, to which the Road Transport Bill could add additional specific duties and powers.



Strategic public transport priority, traffic management, demand management and promotion of Major Schemes appear to us to offer most scope for a selective re-balancing of powers within metropolitan areas and devolution of additional powers from Government. More detailed consideration is needed on whether enhanced PTA/PTE powers in this area should be based on direct responsibility for a core network, a more consultative and directive role in relation to the Districts, or reserve powers in the event of a District failing to implement its contribution to the agreed LTP or metropolitan transport plan.

Areas such as promotion of walking and cycling, smarter choices and on-street parking management and enforcement should remain predominantly a District function unless more radical reform were sought or an overwhelming case can be made for their transfer to the strategic tier of decision making. In some instances, a case may be made for some transfer of parking regulation and management powers where these are necessary to deliver strategic objectives for prioritising public transport and tackling network congestion, and for specific measures such as strategic park and ride.

Strengthened highway and traffic powers of any kind at metropolitan level would be likely to raise legitimate concerns from District Councils. Precise arrangements therefore need to be negotiated and set out in secondary legislation, rather than defined in the Road Transport Bill itself. Arrangements may well vary between the different conurbations. Whilst a District “veto” on a Transport Authority’s exercise of its new powers may be excessive, procedures for appeal and resolution of disputes must be considered in the Bill, together with effective scrutiny procedures within the Authority itself.

### **7.2.3 Funding**

Definitive arrangements on how metropolitan transport is funded are likely to have to await the publication of the Lyons Inquiry and the Government’s subsequent response to his recommendations. It is therefore unclear whether the Bill will be specific on reforms in this area. However, we believe that any changes should be related to the scale and type of additional powers granted and the ability of the Transport Authority and the Districts to strengthen their governance arrangements.

In this context, some basic reforms could apply to all conurbations with additional options for areas seeking stronger powers and governance reforms. For the former, we see a good case for a re-introduction of a PTA Precept on Council Tax and a move to PTA/PTEs receiving direct Transport Grant direct from Government, with the latter being the more significant reform.

A range of additional funding mechanisms should be sought, linked to wider economic development, spatial planning, and specific transport initiatives. The Lyons Inquiry is likely to make a range of recommendations in this area and we suggest that PTEG considers the opportunities and constraints of these in due course. Using revenue streams from public transport and road user charging to secure additional borrowing for transport investment seems to us, in particular, to be a way to secure a step change in funding levels. However, this will be a bold approach for some conurbations, possibly linked to programmes under the Transport Innovation Fund.

In the medium-term, it has been suggested that LTP funding could be routed exclusively via the PTA/PTE replacing separate allocations to the Districts and with the metropolitan authority deciding on expenditure in line with LTP objectives and targets. Whilst this is essentially the approach in London, it risks overlooking local transport needs and accountabilities, and is likely to be politically unacceptable to Districts Councils. We therefore largely rule out this approach as an effective and tenable solution at the current time.

#### **7.2.4 Legislation**

The Road Transport Bill should be enabling legislation, seeking to set out the broad objectives of reform and the arrangements the Government wishes to offer metropolitan authorities and stakeholders, including the range of additional powers and funding mechanisms available and the key objectives, duties and broad governance arrangements expected in return.

Detailed structures and distribution of powers should be left to be defined in secondary legislation, reflecting the needs, support for reform and political dynamics in each conurbation. This process should recognise any possible medium-term changes to the Local Transport Plan process which DfT may be contemplating for the third round and beyond.

The Government should take the opportunity of the legislation to provide PTEs with Wellbeing Powers in line with other local authorities, with appropriate guidance on how they and the Districts may fully exploit these Powers in practice.

Finally, the legislation should be framed to ensure stability and coherence of outcomes. In this respect, it should be consistent with, and build on, existing legislation, making sensible amendments as appropriate, and also anticipate other Parliamentary measures which the Government may be contemplating, especially in relationship to wider local government leadership and scrutiny structures.

### **7.3 Next Steps**

Following the drafting of this report, we recommend further discussion of the findings and ideas within this report with the PTEG Support Unit, PTE Director Generals and refinement and revision of proposals as necessary. This will then inform member-level discussions with PTA representatives and engagement between PTEG and DfT on the ideas in this report and emerging proposals for Road Transport Bill and other relevant transport-related reforms.

Following this, we recommend more detailed investigation of specific aspects of reform against the options and principles defined in this report. These investigations should focus particularly on the key areas of governance, highways and traffic and roles and duties in delivering the Local Transport Plan.

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Atkins  
Euston Tower  
286 Euston Road  
London  
NW1 3AT  
Telephone +44 (0)207 121 2000  
Fax +44 (0)1372 740055

[transportation@atkinglobal.com](mailto:transportation@atkinglobal.com)  
[www.atkinglobal.com](http://www.atkinglobal.com)

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Design: Creative Design  
[creativdesign@atkinglobal.com](mailto:creativdesign@atkinglobal.com)

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