

The Value of Transport Investment for the Scottish Economy and Society

STSG Occasional paper 2010/1

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Summary

Transport budgets are under more pressure than they have been for many years. Transport spending is undervalued as a way of delivering programmes for regeneration, health, employability, education, social inclusion and improving the built environment. At the same time transport investment is sometimes overvalued as a way of saving people and businesses money.

This Scottish Transport Studies Group paper reviews transport's contribution to the achievement of the Scottish Government's strategic objectives and considers options that could improve the value added. The findings of a recent survey of MSPs' priorities for transport, undertaken for this review indicate the investment of political value.

In many places transport supply and demand are out of balance causing congestion, damaging the economy, weakening society and damaging the environment. Investment to change both transport supply and demand is needed. It is neither practical nor good value to invest in transport supply without complementary action to stimulate some transport demand, and suppress other demand.

Transport is much more important to Scotland than just the transport economy. Transport impacts on every sector. If economic efficiency, employability, health, climate change and social inclusion, become the main focus of transport delivery, rather than just a corollary, then the current tightening of public finances overall could prompt a shift towards greater transport spending to help other sectors save money.

The survey of MSPs indicates a surprisingly low level of support for the current level of fares subsidies such as concessionary travel and avoiding bridge tolls. This may indicate that they might support asking users to pay a little more for investment if public funding is tight.

This review highlights some radical approaches to improve value, investing in people, places and links through: new ways of valuing parking, personalised budgets, and a rebalancing of priority for road space in urban areas from movement to creating spaces for people.

Current spending programmes could make more impact by: managing links between Government objectives and transport programmes explicitly; maximising the stake for transport users with fair charges and investment opportunities; cross-sector working to manage delivery of shared aims; and more informed travellers making better use of transport systems.

A new approach, where all stakeholders in Scottish transport have incentives to contribute to efficient sustainable transport, would add value. These 'smart' techniques rely on effective partnership working, backed by well-managed evidence-based approaches.

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1.0 Introduction

- 1.1 The aims of the Scottish Transport Studies Group¹ (STSG) are to “promote the transport function and its importance for the Scottish economy and society”. At this time when transport budgets are under more pressure than they have been for many years many years, STSG publishes this review to inform debate on transport spending in Scotland and its effectiveness.
- 1.2 This short paper reviews transport’s contribution to the achievement of the Scottish Government’s strategic objectives and considers options that could improve the value added. The findings of a recent survey of MSPs’ priorities for transport, undertaken specifically for this review, are also presented.
- 1.3 STSG seeks to ensure that knowledge on transport issues is made accessible to encourage evidence-based decisions across the industry. Members individually or jointly submit articles and papers for publication within STSG and if these are felt to be of wide interest by the committee STSG publishes these. This paper was specifically requested by the STSG committee, but the views expressed in the review are those of the authors.
- 1.4 Not everyone will agree with everything in this review and we would encourage others to come forward with other evidence based papers to further develop the debate on the value of transport.
- 1.5 This paper includes five main sections:
 - The value of transport.
 - Getting better value from transport spending.
 - MSPs’ views on transport priorities.
 - Why we don’t get better value.
 - Conclusions about delivering a wealthier & fairer, healthier safer & stronger, smarter and greener Scotland through transport investment.

¹ STSG is an independent charity with members from across all areas of Scottish transport. The group was formed in 1984 to promote debate on Scottish transport issues.

2.0 The Value of Transport

Transport spending is undervalued as a way of delivering programmes for regeneration, health, employability, education, social policy and improving the built environment. At the same time it can be overvalued as a way of saving people and businesses money, since unplanned consequences of spending sometimes erode the intended benefits.

In both cases better value is achieved by integrating transport investment with wider programmes with “smart” delivery of cross-sector programmes locking in planned benefits.

- 2.1 Value is about how best to deliver a set of aims. If the aims are well-considered then the next step is to manage the delivery of these aims through funded programmes. The Scottish Government is very clear in its aims: they are set out in the National Performance Framework. This section sets out these government objectives and the value of good planning and management to deliver these aims.

Government objectives

- 2.2 The National Performance Framework, published as part of the Scottish Budget Spending Review in 2007, sets out the Scottish Government’s purpose; *“to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing economic sustainable growth”*.
- 2.3 Supporting this, the Government set five Strategic Objectives; that Scotland should be:
- Wealthier & fairer
 - Smarter
 - Healthier
 - Safer & stronger
 - Greener.
- 2.4 Fifteen National Outcomes and 45 National Indicators and Targets provide more detail and enable success (or otherwise) in meeting the Strategic Objectives.
- 2.5 As we demonstrate below, Government has an important role to play in the delivery and use of the transport system; these Strategic Objectives clearly state the outcomes that Government’s investment and influence should seek to achieve.

The value of good planning and management

- 2.6 Transport plans in Scotland 20 years ago were little more than a list of projects². Planning and management of transport in Scotland has improved significantly in recent years but the National Transport Strategy³ still recognises the need for better links between high level aims and project delivery.
- 2.7 In almost every transport programme there are examples of good value delivery, but best practice is not as widespread as is desirable. Although transport can be a complex area there are some key organisations with an administrative or financial stake in Scottish transport where transport plans and programmes are unclear. When public funding is tightening the need for good planning is particularly important to clarify what government (local and national) will and will not be funding and the criteria that will determine future funding opportunities.
- 2.8 Neither is it always transparent as to which transport-related spending is directly or indirectly supported by government. In some instances, there is considerable confusion in the presentation of information on capital spend, borrowing charges, maintenance and renewals and other revenue account spending.
- 2.9 Key elements of transport planning are:
- A statement of **policy** – that state what authorities and service providers want to achieve.
 - The development of **strategies** – for complex issues (particularly when partnership working is involved) it is sometimes also necessary to complement policies with a strategy to describe how the policies will be delivered.
 - **Implementation plans** – for all policies and strategies a plan is needed to set out the detail of practical and affordable actions to be delivered by whom and by when using defined resources and processes.
- 2.10 Local transport planning is used to manage and co-ordinate action on transport delivery so is essential to cut out waste, focus action on priorities and secure action towards transport delivery.
- 2.11 Policy has sometimes been used as a defensive mechanism to describe an aim without firm plans to deliver something practical. Although this can be of political value, policies without policy instruments (funding, regulation, etc.) become empty vessels and devalue the policy making process. Closing the disconnect between policy and delivery remains perhaps the greatest challenge for Scottish transport policy, planning and management today.

² SACTRA 1994 - Trunk roads and the generation of traffic. HMSO

³ Scottish Government. December 2006

The demand for travel

- 2.12 The transport system in Scotland caters for 5 billion passenger journeys per year (965⁴ on average for each of the 5.2 million residents) and 36 billion person-miles travelled. Underpinning each of these journeys are a multitude of decisions about where, when and how to travel by the individual, influenced directly or indirectly by factors of travel time, price, convenience, comfort, habit and prejudice.
- 2.13 Many journeys are for work (17% of all journeys are commuting and a further 3% business travel) or education (9% of the total, including education escort), but as many journeys with a high degree of discretion about destination or time of travel are even more common (20% of all journeys are for shopping, 16% for visiting friends, etc).
- 2.14 Relatively few journeys are long distance (albeit that those that are have a disproportionate effect on the transport system and its external costs). The average length of all trips is seven miles. Half of all journeys are less than two miles long⁵.
- 2.15 Use of the car dominates travel (63% of all journeys are as a car driver or passenger), yet walking accounts for more than a fifth of all journeys (this is as the main mode; almost all journeys include some element of walking). Just less than 10% of all journeys use bus as the main mode; fewer than 2% are by train.
- 2.16 The benefits and costs of use of the transport system are not uniformly distributed between Scottish residents. For example, there are strong correlations of use of the transport system with state of health and with income: around 85% of adults that live in households with the highest income are likely to travel on any given day, only 71% of those in households with the lowest income do so. Meanwhile, average journey distances of residents of Scotland's remote rural areas are nearly two-thirds greater than those in the large urban areas.
- 2.17 Freight transport makes up relatively small volumes compared to passenger transport but the value to Scotland's economy is large compared with the vehicle numbers. With increasingly refined supply chain schedules, the reliability of freight movement is key to the success of many sectors of Scotland's economy. The economics of supply chains and the role of public spending in supporting this are beyond the scope of this paper.
- 2.18 Transport accounted for nearly a quarter of all Scottish greenhouse gas emissions in 2006 and transport emissions are predicted to continue to grow, both in absolute terms and as a proportion of total emissions⁶.

⁴ Scottish Transport Statistics. Published 2009

⁵ Scottish Household Survey: Travel Diary 2007/08. Published 2009

⁶ Mitigating Transport's Climate Change Impact in Scotland: Assessment of Policy Options. Atkins and University of Aberdeen for Scottish Government. 2009

The transport economy

- 2.19 The transport economy⁷ has grown strongly over the last decade with continuing strong car sales, a buoyant freight and logistics sector, rail investment, a strong taxi sector, pockets of growth in bus travel and rapid growth in aviation.
- 2.20 Government investment in the transport economy is a relatively small proportion of total transport expenditure⁸, but has a disproportionate impact since Government shapes decisions across the sector.
- 2.21 It is important to distinguish between the value of:
- The transport economy – particularly fuel, fares, transport infrastructure construction and maintenance, employees of transport companies, and
 - The value of transport to the wider economy and society – where sometimes less transport spending can be good e.g. if a business makes bigger profits by savings on fuel purchases.
- 2.22 Typical examples of these two facets of transport’s links to the economy for major modes are given in Table 2.1.

Table 2.1 – Key Concepts when Valuing Transport

Transport economy	The value of transport to the wider economy
More transport, including more travel in cars, buses and trains means more value	Sometimes more transport increases value but sometimes less transport increases value
Sales by freight transport operators	The value of supply chain fulfilment
Increased revenue from passengers	Savings in transport costs for passengers resulting in increased spending in the wider economy
Value of modes that do not collect revenue such as walking and cycling rarely included	Value of walking recognised in footfall to businesses and leisure attractions, social inclusion and health of population

- 2.23 Traditionally, transport valuation has used the value of time as a convenient proxy for the many economic and social benefits not captured in the ‘transport economy’ through the farebox or transport purchases. Although these approaches need not be inaccurate, in practice they can result in appraisals where the value of transport to

⁷ Households spend more than 15% of their income on transport. There about 2.3 million households spending about £60 per week on transport (i.e. just over £7bn). In addition to this there are transport costs included in other in other areas of spending such as retail purchases including food, health provision and other sectors. Total spending on transport is difficult to estimate exactly (e.g. extracting costs of transporting oil in pipelines from other oil industry costs) but a rough estimate is that it lies between 15 and 20% of the Scottish economy.

⁸ Government spends just over £2bn per year directly on transport compared with a transport economy which includes household spending , warehousing and distribution, transport in pipelines, other business transport spending, etc. totalling well over £15bn per annum.

the wider economy is not clear, and where the distribution of benefits is poorly understood⁹. At this time when public expenditure is under pressure, standard appraisal approaches¹⁰ can usefully be complemented with an alternative view of the value of transport to show that:

- Transport investment can be a better value approach to deliver better health, employability, community capacity, and other benefits than spending directly in these policy areas.
- There is much more to transport investment than time savings. Reduced travel times are not always a benefit in the wider economy (even though they might be a benefit in the transport economy).

2.24 This means that transport planning and delivery can seriously undervalue transport if it fails to consider transport investment as an alternative to other non transport programmes and can overvalue transport investment if the negative effects of transport investment are not included (e.g. a village shop closing if people use a new road to drive to a supermarket).

2.25 Perhaps more importantly transport can compete very effectively for public funding if its value is measured:

- As a way of improving the employability of people¹¹.
- As a mechanism for investing in the health of the population¹².
- In order to invest in the built environment such as pedestrianising a street to create an attractive local environment which may reduce the size of the transport economy if people drive less but increase by more the value in the wider economy e.g. if people shop more.
- As a method to support cognitive and social development in children as they learn to travel independently.
- As a way of supporting community cohesion such as through community transport investment.

2.26 These are just a few ways that transport could deliver value to Scotland's economy if the planning of transport were integrated into the planning of education, health, social inclusion, employability, and other areas of the Scottish economy and society. Smart approaches to transport delivery are still evolving but could potentially capture revenue from the wider economy and deliver a much wider range of benefits including efficiency savings across the economy.

⁹ Mackie P (2008) Who Knows Where the Time Goes? Transport Reviews. 28:6,692— 694

¹⁰ Scottish Transport Appraisal Guidance.

¹¹ E.g. the Glasgow Works programme.

¹² For example the Scottish Physical Activity Task Force identified that promoting active travel was better value than investment in sporting facilities for improving health and perhaps also even improving performance in sporting activities. See comments by John Beattie who leads the Task Force http://www.ros.gov.uk/pdfs/pa_task_force.pdf

3.0 Costs and Benefits of Transport Spending

Transport spending could make more impact by: managing links between Government objectives and transport programmes explicitly; maximising the stake for transport users with fair charges and investment opportunities; cross-sector working to manage deliver of shared aims; and more informed travellers making better use of transport systems.

- 3.1 This section explores the potential for transport investment to provide better value contributions to the Government's Strategic Objectives.
- 3.2 The Scottish Government spent around £2.1 billion on those aspects of transport directly within the responsibility of Ministers 2008/09¹³. Of this, three fifths is comprised of subsidies to transport industries; the remainder is split between maintenance of and enhancements to the Trunk Road network and capital investment on local transport projects. Scottish Local Authorities spent around £450 million on transport in the same year; 70% of this went towards roads maintenance (including winter maintenance) and street lighting.
- 3.3 Table 3.1 draws together a summary of the current expenditure on and benefits of different types of transport investment for the largest elements of the programme.
- 3.4 Spending programmes making up more than 90% of the total budget are itemised. The total spend is shown including the contribution to each of the Government's Strategic Objectives is described in outline¹⁴.
- 3.5 The table is not intended to be comprehensive but instead to illustrate how making best practice mainstream practice could improve value and effectiveness within major spending themes. Comparisons are made with the benefits that can be achieved with a smart approach to investment and delivery. This identifies a few of the ways where more value can be delivered within the same spending:
 - Delivering investment in partnership where users and businesses fund more of the delivery costs¹⁵.
 - Social marketing programmes undertaken alongside planning and delivery of transport, achieves benefits many times those from infrastructure delivery alone¹⁶.

¹³ Scottish Transport Statistics December 2009 - <http://www.scotland.gov.uk/stats/bulletins/00786>

¹⁴ Note that the Wealthier & Fairer objective has been split into two separate headings, reflecting the potential for many transport investments to make differential contributions to overall economic performance and the distribution of benefits between different sections of society

¹⁵ E.g. see Social Market Foundation 2009. Roads to Recovery: Reducing congestion through shared ownership. Halden 2008 Citizens, Consumers and the Acceptability of Road Pricing. Institution of Civil Engineers Proceedings Transport.

¹⁶ DfT 2010. The Effects of Smarter Choice Programmes in the Sustainable Travel Towns.

- Partnership investment with other government departments¹⁷ to jointly procure transport so that people can access their services.
- 3.6 Key points that the review presented in the table are that:
- Links between government objectives and transport programmes need to be managed - These are large expenditure programmes and smarter management can optimise programme delivery to achieve these goals. Management techniques already in place include smarter choices and accessibility planning. These seek to align specific public policy aims with transport delivery programmes to lock in the benefits of investment in transport infrastructure and services.
 - There are major gains achievable from cross sector working - Central and local government fund transport in many different ways. In 2003 the Cabinet Office pointed out that, even within national government, the Department for Transport in England spent less on transport than other government departments¹⁸. The impact of transport spending depends on many programmes and there is clear evidence of competition between some programmes reducing efficiency¹⁹.
 - Engagement by transport beneficiaries and users in transport delivery increases value by enabling better-informed decisions – Engagement can be as simple as user charges or as smart as cross sector programmes to deliver shared benefits.
 - Informed travellers behave more efficiently – It can be more efficient to change how people behave than modifying the transport infrastructure²⁰.
- 3.7 Similar smart approaches could add value to other spending programmes for ferries, air, waterways and freight.
- 3.8 Looking to the future these principles become even more important. Rapid investment will be needed to reduce transport's dependence on oil, and more of this investment will come from business and consumers than government as they purchase low emission cars, invest in smart electric grids and adopt smarter payment systems for travel.
- 3.9 Smarter delivery builds a new partnership between government, business and citizens to increase investment in shared solutions.

¹⁷ For example Local Authority education and social service departments, and the NHS, provide or procure extensive transport services. These costs can be reduced very substantially through joint procurement and include costs such as: patient transport, transport to care homes, hospital travel costs scheme, hospital car park management/maintenance/charges.

¹⁸ For example 2003 Making the Connections – Interim Report. Cabinet Office showed that policies to reduce travel demand could work against social inclusion aims to encourage more travel to work.

¹⁹ Audit Commission 2001 – Going Places

²⁰ For example the Norwegian speed limits in rural areas are specifically designed to achieve reliable journey times on long distance single carriageways.

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Table 3.1 – Improving the Benefits of Transport Expenditure with Smart Investment

Programme		Current Government Expenditure in Scotland ²¹	Main Benefits					
No	Theme		Wealthier	Fairer	Healthier	Safer & Stronger	Smarter	Greener
1a	Investment in road construction and maintenance ²²	Circa £711m ²³	Lowering transport costs and improving economic efficiency			Efficient and secure travel opportunities	Optimising the balance between structural maintenance/ renewals and routine maintenance.	Mitigation measures included to reduce disbenefits
1b	Examples of smart investment in road construction and maintenance ²⁴ ²⁵		Maximise the benefits of trunk road construction with complementary programme of Investment to lock in the benefits of road investment and to manage wider impacts ²⁶ .	Complementary investment for those that have less demand for travel to make the places people live as pleasant as the journeys between places.	Creation of more places for people in villages, towns and cities where active travel thrives ^{27 28 29}	Development of safer walking and cycling facilities	Use of smart approaches (e.g. to traffic management) to reduce construction costs	Investment in green infrastructure such as smart grids for charging electric vehicles from renewable power

²¹ All expenditure figures come from the Scottish Transport Statistics 2009 and are per annum unless specifically noted otherwise.

²² Transport Scotland – Strategic Transport Projects Review

²³ Trunk road £415m per annum, local roads £296 per annum

²⁴ Source - Cycling Revolution London, TfL. May 2010

²⁵ Source - Objective: More Cycling. Policy: No More Cycle Routes? N Guthrie, Atkins Transport Planning. Association for European Transport. 2003

²⁶ Using the best practice promoted in Scottish Government guidance Designing Streets

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Programme		Current Government Expenditure in Scotland ²¹	Main Benefits					
No	Theme		Wealthier	Fairer	Healthier	Safer & Stronger	Smarter	Greener
2a	Public transport investment	£200m+ ³⁰	Lowering transport costs and improving economic efficiency	Widening transport network coverage to people and areas that might otherwise be excluded		Public transport travellers are able to socialise and travel relatively safely		Average public transport emissions per passenger can be lower than for car users
2b	Examples of smart public transport investment		Market growth through lifestyle and network marketing (e.g. using business travel plans to tap business networks)	Safe routes to public transport widening the catchments of bus and rail services with complementary investment in streets, paths and connecting PT services ³¹	Supporting travellers with incentives to make healthy travel choices and to be able to take up healthcare	Integrating community provision into public networks helps to strengthen community capacity and build support for public transport	E-ticketing for buses and trains including smart and mobile phone tickets	Targeted marketing of public transport trips to help people use the greenest mode

²⁷ Source - Quantifying the Positive Health Effects of Walking and Cycling, Pan-European Programme on Transport, Health and Environment. World Health Organisation, 2008 http://www.euro.who.int/eprise/main/WHO/Progs/trt/policy/20070503_1

²⁸ Source - Health Economic Assessment Tool for Cycling, Pan-European Programme on Transport, Health and Environment. World Health Organisation, 2008, http://www.euro.who.int/transport/policy/20081219_1 (WHO currently working walking HEAT tool- due in 2011)

²⁹ Source - Value for Money: An Economic Assessment of Investment in Walking and Cycling, Dr Adrian Davis. Department of Health, NHS South West, Government Office for the South West. March 2010.

³⁰ Includes Glasgow subway, piers, ferry terminals, community transport

³¹ E.g. See DHC 2009 – Safe Routes to Public Transport – Final Report for SPT

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Programme		Current Government Expenditure in Scotland ²¹	Main Benefits					
No	Theme		Wealthier	Fairer	Healthier	Safer & Stronger	Smarter	Greener
3a	Subsidies for rail operation	£690m	Making rail travel more affordable for the majority of people in Scotland			Very safe mode of transport with good opportunities for socialising		Most services are green where there are high train occupancies
3b	Smart subsidies for rail		Ticketing discounts for low demand but high value travellers such as new entrants to job markets	Ticketing approaches which integrate with bus and taxi to ensure equitable costs of access to rail	Promotion of active travel to stations through incentives and discounts equivalent to the subsidy offered for those parking cars at stations.	Community investment in managing local stations "adopt a station"	E-ticketing options integrated with payments for buses, parking taxis, and other services. Ability to work on trains with wider deployment of wifi	Incentives for electrification of more rail services

The Value of Transport Investment for the Scottish Economy and Society

Programme		Current Government Expenditure in Scotland ²¹	Main Benefits					
No	Theme		Wealthier	Fairer	Healthier	Safer & Stronger	Smarter	Greener
4a	Concessionary fares provide publicly funded discounts for some travellers	£170m	Some older and disabled people are able to travel at lower cost			Helps more people to get out and about more often	Plans only to reimburse operators using smartcard system help to widen use of technology across the bus network	
4b	A smart approach to concessionary fares ³²		More people able to benefit from low fares more of the time with targeted user contributions.	Using demand responsive transport schemes such as community transport and taxicard to widen low fares to more vulnerable people and more rural dwellers	Avoiding incentives to use the bus for short journeys rather than walk in the way the scheme is targeted.	Building up the weakest and most fragile communities	Use of smartcards helping to widen deployment of new technology	Reduced incentives for people to take buses rather than walk.

³² Perhaps allocating a budget to each citizen and offering greater flexibility to them about how they use this, sometimes topping up the value with their own money to obtain premium benefits such as travelling in peak hours, using more expensive modes and enabling more people to benefit, perhaps using smart technology to manage the scheme.

4.0 What MSPs think about Spending Decisions

MSPs rank spending on the railways as their top priority.

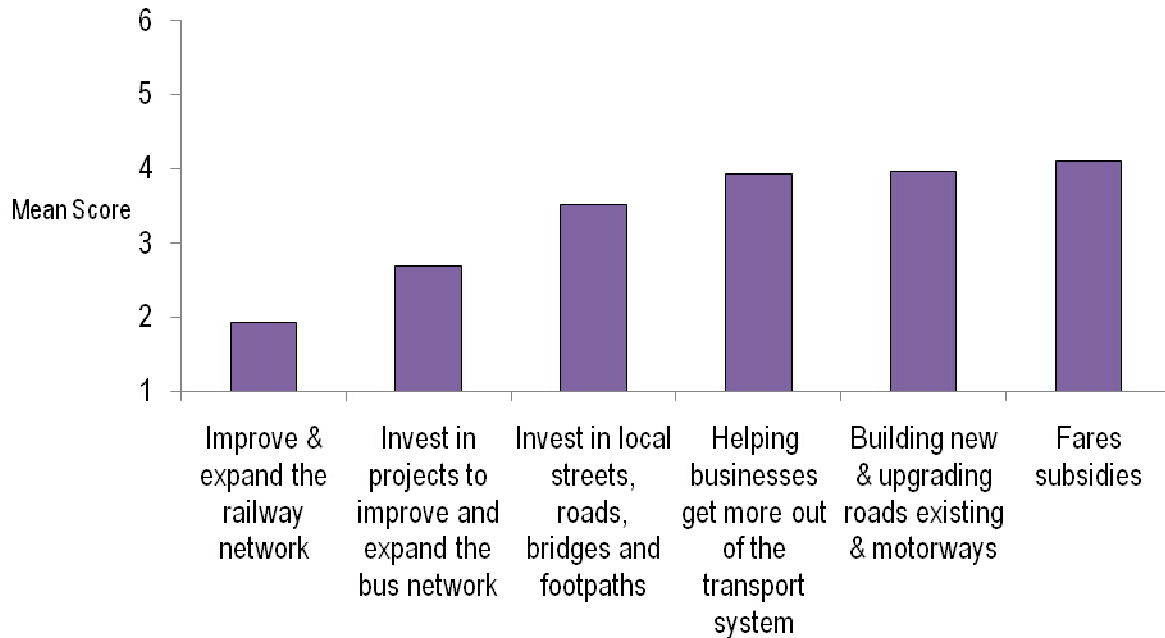
Funding for bus investment is also strongly supported.

Surprisingly fares subsidies are not strongly supported. This may indicate that Members might support asking users paying a little more for concessionary fares or bridge tolls if funding is tight.

- 4.1 MSPs have traditionally been cautious about transport as it is perceived to be a difficult area politically. However faced with large costs for major transport infrastructure projects political debate can be contentious.
- 4.2 A survey undertaken for STSG by political polling company ComRes asked a sample of 50 MSPs about their priorities within six areas of possible spending. The survey was undertaken in May and June 2010 using a postal or online questionnaire, and the resulting data weighted to reflect the composition of the Scottish Parliament in terms of party, region, age and gender. The six areas of spending were:
- Building new and upgrading existing major roads and motorways.
 - Investing in projects to improve and expand the railway network (such as new lines and stations, more trains, faster journeys).
 - Investing in projects to improve and expand the bus network (such as bus lanes, interchanges/park and ride, waiting areas, footpaths to bus stops, rural bus support).
 - Investing in local streets and maintaining existing roads, bridges and footpaths (e.g. appearance of streets, salting and gritting, bridge strengthening, parking, pedestrianisation).
 - Helping businesses get more out of the transport system (i.e. purchase of low emission vehicles, smart ticketing, staff parking policies, relocation assistance for staff to make travel to work easier, safe routes to school, travel information, and other “smarter choices”).
 - Fares subsidies including bus concessions for older and disabled people, ferry fares subsidies, maintaining no bridge/motorway tolls.
- 4.3 This found that:
- Rail investment was the top priority for transport investment followed by bus investment.
 - Local road investment was also seen to be important by many MSPs.
 - Few MSPs prioritised the other three spending areas but business travel plans were seen as a higher priority than either road building or fares subsidies.

4.4 Figure 4.1 shows the priority scores from the analysis by ComRes with low scores indicating a high priority.

Figure 4.1 – MSP Priorities for Transport Investment



4.5 It is perhaps surprising that such a low priority is given to motorway and trunk roads given that this programme accounts for over a quarter of all expenditure.

4.6 Perhaps equally surprising is that bus investment attracts such a high priority relative to the spending. Given that concessionary fares are shown separately (and prioritised much lower) it seems that many MSPs would like to see a higher level of spending than the less than 3% of the total national transport budget that this mode currently receives.

4.7 However perhaps the most important finding is that the fares subsidies come out as the lowest priority. This seems consistent with some of the analysis elsewhere in this review that user charges could potentially play a greater role in funding transport if budgets fall. This may also indicate that Members might support asking users paying a little more for concessionary fares or bridge tolls if funding is tight.

5.0 What Needs to Change

Efficiently achieving transport's potential contribution to the Government's objectives requires a revised approach to managing transport spending, where all stakeholders in Scottish transport have incentives to deliver an efficient sustainable transport system.

In many places transport supply and demand are out of balance causing congestion, damaging the economy, weakening society and damaging the environment. It is neither practical nor affordable to balance supply and demand with public investment in transport supply, so an increased focus is needed on transport demand.

New approaches might include: personalised information and budgets, valuing land used for parking, investment in streets for people, and attractive pricing of seamless journeys.

Local, regional and national Government need to face challenging new roles in order to increase delivery of cross sector programmes. Deferring action relative to easier single sector spending priorities is no longer an option in the face of current budget constraints.

- 5.1 The transport system in Scotland is complex; its components are delivered by many players and decisions on its use made by almost all Scottish residents and visitors. Government's role is like that of a ringmaster, but currently only some of the players are in the ring and even amongst these there are competing aims.
- 5.2 Change is needed in order to:
- Invest in people, links and places rather than modes of transport³³.
 - Join up expenditure on transport recognising that Government needs help to make the transport economy work for everyone.
- Invest in people, links and places rather than modes of transport***
- 5.3 With centralisation and specialisation of some services and a more dispersed population the investment being made outside transport to change how people, links and places operate is much larger than the investment within transport. Transport investment is left to try and catch up with these wider changes in the economy and society. Transport cannot be expected to meet all needs by this mechanism.
- 5.4 Congestion is growing and negative impacts on health, society and the environment mean a new approach is needed that invests in people, links and places³⁴:

³³ As recommended in the Eddington report for the Treasury in 2006 – Eddington called this a “modally agnostic” approach.

³⁴ E.g. Jones P 2009. Links and Places. Landor.

- Investment in people could include: travel plans where employers and agencies have clear responsibilities for ensuring that staff get to work safely and efficiently, personal budgets for transport³⁵, personalised travel information where timely information is provided about travel³⁶, and travel training for low mobility groups.
- Investment in places could include: building and improving streets where people and businesses can engage more easily, incentives for more productive use of land with charging/taxing of land used for parking³⁷; creating home zones where children can play safely; and subsidy for travel intensive land uses to locate in accessible locations.
- Investment in transport supply to link people and places with high quality affordable journey options including: connecting car/train/bus/taxi/minibus services offering seamless journeys with door to door costs incentivising efficient choices.

5.5 Currently delivery is being attempted on the third of these approaches to change transport supply, without first comprehensively tackling travel demand through the people and places. As a result the transport supply approach remains too difficult to deliver and unaffordable. A much greater focus is needed on transport demand so that the transport supply will be affordable.

Towards shared spending on transport

5.6 For each pound Government spends on transport, consumers, businesses and other public agencies are spending many more. If the two spending streams work in opposite directions then transport funding will fail to keep up with consumer spending. As a result transport spending programmes can fail to achieve their aims.

5.7 Transport spending should be used primarily to create incentives for efficient partnership approaches to investment. It is unsurprising that examples of poor partnership working exist given the divergence in current incentives faced by each stakeholder are considered:

- Scottish Government: Achieving the Government's purpose, achieving re-election of governing party.
- Local Government: Achieving single outcome agreement objectives, attracting inward investment, achieving re-election of Members.

³⁵ The road fund licence currently allows largely unlimited use of the road network but this could be increased and each person offered road and public transport budgets either by changing or as an opt out of the current scheme.

³⁶ Despite transport becoming more complex there has been little investment in training. Road safety education and learning to drive and pass a driving test are the main rites of passage in learning about the transport system.

³⁷ Which would also help to fund the other 'placemaking' policies.

- Other public agency service providers (e.g. education, health): Publicly acceptable but minimum cost access to their services.
- Public transport service providers: Increased revenue (from farebox and/or revenue support), reduced operating costs.
- Motor industry: Increased sales/servicing of motor vehicles.
- Fuel industry: Increased fuel sales.
- Facilities management and consulting services: Increased income and profitability, development of technical and professional excellence/competitiveness.
- Providers of other services (retail, tourism, etc): Competitive access to their services.

5.8 Partnerships can be built through:

- Win-win solutions – By recognising and reflecting the aims of all partners there are many more shared solutions possible than are currently being delivered.
- Offering new incentives that skew partner aims towards alignment.

5.9 Partnership building to put these pieces of the transport jigsaw has yet to be comprehensively pursued. Single Outcome Agreements are helping local authorities to take a more integrated view of transport needs but it appears that some regard the transport agenda as too difficult – particularly where large scale resource assembly is needed.

5.10 A step change is required in the management support available to ensure that local, regional and national Government tackle this vitally important agenda. Continuing to defer action by progressing poorer value single sector spending priorities is no longer an option in the face of budget constraints.

6.0 Conclusions

- 6.1 Efficient transport investment cannot be separated from wider investment decisions. Transport serves the needs of public policy for economic efficiency, employability, health, education, social inclusion, and environmental improvement. Investment in transport is currently made through all of these policies and through a separate transport budget.
- 6.2 At times when spending priorities change the transport budget is affected by demand from many sectors. Delivering best value transport investment requires the alignment of transport spending from across sectors.
- 6.3 This paper has shown how the main types of public sector expenditure in transport contribute to meeting the Scottish Government's Strategic Objectives. It has also shown that smarter decisions about transport could provide a broader range of contributions to these objectives. The information collated suggests that the best value transport investment:
- Adopts smart approaches to balance supply and demand within delivery - Effective partnership working in transport delivery with those in other sectors, backed by well-managed evidence-based approaches and using appropriate technology, secures cross sectoral programmes.
 - Should be distributed via networks across the whole country - Seamless journeys use local links as well as the high speed arteries such as motorways and fast rail services. Delivering many smaller schemes can be more affordable and is potentially better value if more people can benefit in more ways.
 - Focuses on the wider economy rather than just the transport economy - Outcomes, including employability, health, climate change and social inclusion, should be the intention of transport spending, not just the sales of fuel, cars or tickets.
- 6.4 With the current tightening of public finances it is hoped that this review will help to challenge budget holders to look for new partnerships to improve the value of investment in Scottish transport so that it can deliver for all people in all parts of the country.