Scotland's Connections and its Governance

The Independence Debate: Does Transport Figure

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Summary

Does Transport Figure?

The average Scottish household spends a significant proportion of its income on transport, either directly or through the transport component of the goods and services they buy, and much of this expenditure is not discretionary. The independence debate has so far been characterised in terms of economics, culture and identity, and little has been said or committed in future visions of governance about this vital element in our society. Transport has complex regulatory and administrative structures, an appetite for large capital projects and a growing list of challenges to face, particularly as resources are increasingly squeezed and bedrock technologies challenged. Occasionally the debate about constitutional change has strayed into specific transport projects like High Speed Rail, or slots at Heathrow for Scottish flights, but never into the issues which have a much more significant impact for most citizens, questions about who sets the rules and who pays for the services. This paper highlights some of these issues surrounding regulation, ownership, safety, competition, distribution of funding, social issues, and sustainability, where the benefits or otherwise of further constitutional change could be realised.

What Might Change?

Transport governance is already highly devolved. For the vast majority of internal Scottish transport, the rules are applied by Scottish institutions responding to Scottish politicians. For links with other parts of the UK, the UK government makes and implements the policy, and for services which are procured by the public sector EU rules are applied, initially as interpreted through UK institutions, but ultimately in response to the perceived European protocol.

Pressure for greater devolution might reflect issues where social or cultural norms in Scotland differ from norms under other jurisdictions, such as attitudes towards competition, procurement, health and safety, human rights, equality, and the environment. Further devolution could continue to widen the gap between Scotland and other parts of the UK on how these are regulated and managed. Full independence also requires that each of the agencies which regulate Scottish transport would need to be considered for relevance, and arrangements made for the delivery of necessary functions.

Regulation – All transport takes place within a framework of regulations, primarily to ensure safety but also to promote customer confidence. 'Economic regulators' and a framework of competition regulation are used to secure the latter goals and with a greater level of devolution (*Referred to as* ***Devo-Opt*** *throughout this paper*) these could be modified, particularly for internal transport. With independence would come the need for a Scottish set of regulations, which could initially be a codification of existing UK legislation, but in time could come from a 'blank sheet' approach.

Governance – Under independence, successor agencies would be required for each UK organisation currently contributing to the provision or governance of the transport system (such as DVLA, VOSA). In some instances (eg Network Rail; Coastguard Agency) national entities would need to be formed from the current UK organisation, and this might open the prospects for new (or renewed) combinations of organisations. (eg track and train back in one organisation; Coastguard and lighthouses together; etc).

Ownership – There would be greater opportunity under independence for a fresh look at the ownership of assets and contracting out of their management, but also less public pressure to introduce competition between asset providers and to promote choice through competition.

Safety – Relative to many other aspects of life (alcohol, drugs, eating habits!) in Scotland the transport system is relatively safe, except for pedestrian safety where Scotland lags UK averages. Most safety interventions are evidence led, with that evidence being drawn from across the globe. What might change is the relative benefit from particular interventions if assessed in a purely Scottish context.

Competition – There are benefits from both competition and integration but in the UK the two policy aims often regarded as incompatible. There would be stronger prospects for a more balanced view if the purview of the OFT/Competition Commission were to be relaxed for surface transport and as a consequence a more holistic view of the market could be developed. Such changes would be more likely to proceed under independence as the pursuit of competition for its own sake is less embedded within Scottish culture.

Funding – Local accountability for an even wider set of responsibilities is likely to lead to greater pressure for short term priorities in sectors other than transport. However higher overall spending levels for transport might be possible if higher taxation revenues allowed increased transport investment to be accommodated alongside other priorities.

Taxation – Fuel duty, road tax and air passenger duty could be devolved under any option, increasing available income by £3bn a year, but also creating two pressures because of the increased transparency: for a reduction in the levels of duty closer to levels of spending on transport, and for an increase in the transport budget. Full hypothecation of transport taxation has not proved to be a solution for this dilemma in any country, but lower taxes and higher user charges would be the likely result if public concern grew about the imbalance between taxation and spending, particularly for remote areas.

Sustainability – It has proved to be difficult to resolve policy aspirations with funding and delivery pressures and this will continue with any governance option. The potential to de-carbonise land based transport ahead of the rest of the UK, and most of the world is a key opportunity for Scotland, as set out in existing challenging national targets. Independence would offer the opportunity to deliver the ambitious policies more than Devo-opt, but the existing policies could also be threatened by disruptive changes in the economy, like the loss of jobs in traditional industries when sharper accountability for protecting these industries would lie with Scottish politicians.

Overall, greater independence offers increased opportunity but also greater risks for Scottish Transport. Current policies in transport, relating to competition, choice and regulation are not always fully in line with Scottish social attitudes and it is at this level that further devolution of powers could bring the most obvious changes. Further devolution or independence over transport taxes like fuel duty, vehicle licensing and air passenger duty could be delivered with either Devo-opt or independence, and will be needed for Scotland to make the most of its opportunities as a renewable energy nation.

The real question is ***"Are we agreed on what we want?"*** *If we are then is there something stopping us achieving that, and is it being part of the UK?*

Scotland's Connections and its Governance

1. Does Transport Figure?

To what extent does the debate about the Scottish constitution affect transport? Scotland's past has been shaped by its leading approach to transport from Telford's bridges to Kirkpatrick MacMillan's invention of the bicycle. According to the Scottish Household Survey Scots spend 14% of all they earn on transport so how will this sector that is so highly valued by citizens be affected by potential constitutional change? In this paper we look at a few of the issues to stimulate more debate about how the transport sector might be affected by constitutional change.

The powers given to Scotland have been changed more times since devolution on transport issues than for virtually any other sector, with an evolving role on the railways and increasing autonomy on the management of roads with additional flexibility on speed limits being a recent change. Yet the public debate on future Scottish Independence in advance of a referendum has focussed more on the ownership of resources, with the implication that there would be more tax money available for state-funded projects. Independence offers increased profile as a nation state, but would the splitting Scotland from key transport assets including air and rail connections lead to poorer connections through separation from England and its international connections. Some opponents to independence have raised issues about cross border transport links with England, but very little else has been said about transport in the political debate so far. Would Scottish air services lose landing slots at Heathrow, and how might cross border rail franchises change? Elsewhere in Europe these cross-border transport issues have created friction, often around different attitudes to national operators and competition, so how would Scotland's relations with England change. Transport issues have not yet figured in any meaningful way in the vision being advanced for Scotland so this paper seeks to stimulate debate on the topic.

It is understandable, but unfortunate, that there has been so little debate since transport links are crucial to the Scottish economy and also to the ability of a Scottish government to offer a broad range of opportunities to all its citizens in areas like health and education. Where there is debate, it has focused on very specific outcomes - for example: the debate on High Speed Rail - many of which are independent of the status of Scotland because they are already within the competence of Scottish government and its delivery partners. A much bigger set of questions needs to be addressed before this stage of the debate is reached, one in which there are currently no concrete answers and few pointers.

Because transport is embedded in so much of life could changes in the way we 'do transport' be a precursor to a different sort of society?

In a move to/towards independence there are two high level questions which will determine if anything changes, which are:

- Who makes the decisions; and who makes the rules under which those decisions are taken?
- Who pays for the service and where do the funds come from to meet the cost, with the implication that, in the long run 'he who pays the piper calls the tune'.

In this paper we begin to explore some of the issues under a number of headings – not as might be expected specific modes or even headline projects but by looking at the structures of governance within which transport activity takes place. **The key headings for this discussion are:**

➢ Regulation and Governance	Who makes and applies the rules?
➢ Ownership	Who takes the profit?
➢ Safety	What is the expectation?
➢ Competition	Is it the basis of all our thinking?
➢ Relative levels of funding between modes/regions	Is this determined rationally or politically?
➢ User payments and taxation (as a charge)	What is the balance?
➢ Social policy – access to opportunity / equality of access	Is this the main driver for intervention?
➢ Sustainability	Do we really care?

2. Key Questions

Some framework questions

In each of these areas the questions which must be considered include:

- Which set of rules applies – chosen from: Scottish, UK, European, International
- Does a greater level of devolution (*Referred to as **Devo-Opt** throughout this paper*), or Independence force or allow change to the applicable set of rules?
- Would a 'Scottish' set of rules be different from the ones currently employed?
- If the rules don't change, would they be implemented differently in a Devo-opt or Independent Scotland? and
- How will cross border or internationally determined issues be handled?

So how does it work at the moment?

As noted before the current legislative framework surrounding transport has a mix of sources, with:

- much air and maritime regulation derived from international obligations
- cross border land transport and most issues affecting vehicle construction and use subject to EU directives
- core parameters for road and rail transport set by the UK government, including driver licensing, insurance requirements and road traffic law
- but with some detail of road transport law devolved already, for example drink driving and speed limits, bus regulation and financial support, concessionary travel.

There are also some overarching legislative areas which are set by EU directive and implemented at a UK level, covering:

- **Competition** and **Public Procurement**
- **Health** and **Safety**, including working time directive; commercial vehicle driving time etc
- **Human Rights** and **Equality**, particularly in relation to access to public transport systems by those with disabilities
- **Environmental impact** of both new construction and also noise/chemical pollutants.

However, if we look at the application of the legislation, a simpler picture appears:

- For the vast majority of internal transport the rules are already applied by Scottish institutions responding to Scottish politicians, using funds at the disposal of Scottish government
- For links with other parts of the UK – particularly rail and to some extent air (specifically landing slots at south east England airports) – UK government makes and implements the policy
- For services which are procured by the public sector from the market (however defined) EU rules are applied, initially as interpreted through UK institutions, but ultimately in response to the perceived European protocol.

3. What Might Change?

And now – looking forward

Against this background it is important that we distinguish between changes which are the result of different priorities and those which are structural – affecting either the legislative framework or the institutions which implement the legislation. However a much larger influence on outcomes will be the ethos of the Holyrood government, whether of an independent Scotland or with greater devolved powers, and in particular its approach deregulation and private sector involvement.

We now consider some implications of change under the headings identified previously. At this stage none of these descriptions should be considered a complete consideration under the particular heading, rather illustrative of the actions which will need to be taken.

Regulation and Governance

The functions of the UK agencies which currently have a regulatory role in transport services in Scotland **could** change under Devo-Opt, and **would**, by definition, change with full Independence. Under **Devo-Opt** specific provision could be made for the continued involvement of each of the current UK wide bodies in the relevant areas of Scotland's transport or replacement with a 'local' alternative. It should be noted that the majority of these regulatory roles will continue to be required, even if the regulations are different.

With **full independence** two questions would need to be asked:

- Are the specific functions exercised by this body still relevant / required in Scotland?
- How do we wish to exercise those functions?

If these questions are to be addressed properly the first step should be to prepare a 'first principles' review of the regulation and governance structure required for national and international transport in a nation of the nature and size of Scotland. An overview of the strands of such a process are set out later in this paper as an illustration of 'next steps' for those advocating further steps to independence. (*Annex 3*)

What might change…..Regulation	
With Devo-opt	Role of OFT / Competition Commission changed (diminished) in relation to local bus services, internal ferry services and the rail network. Replacement regulation introduced (See also Traffic Commissioner) Rail Regulator directly responsible to Scottish Government for services and infrastructure in Scotland, potentially with a much reduced remit Role of Traffic Commissioner reviewed and alternative structures for supervising bus and HGV operations considered/implemented Consideration given to creating a single agency responsible for maritime matters in Scottish coastal waters (Merge Coastguard and Northern Lighthouse Board?), taking these powers into Scottish control

Independence	All functions need to continue, but there is no need to reproduce the current structure. A Scottish set of regulations needs to be framed – which could initially be a new codifications of the existing UK legislation (*which is what happened in former UK colonies*) Certain agencies could continue to provide services, but directly (on request or by commercial agreement) to the government of Scotland – specifically RSSB/RAIB (for rail accident investigation and 'best practice'), NATS (for airspace control), Air Accident Investigation

The large number of bodies now involved in regulation is related to the current structure for governance in the UK transport sector. With a move towards less commercial regulation and a reduction in the state's involvement in direct provision of services there has been a separation of roles, so that regulators are now independent of providers (so, for example, ORR is required to mediate the relationships between multiple operators and a separate infrastructure provider). However regulators are not 'governors'. Governance in the transport sector is also spread across many organisations and again there are policy decisions to be taken – relating to some of the 'big questions' raised in the opening remarks.

What might change…..Governance	
With Devo-opt	UK DfT plays no role in the Scotrail franchise – separate rules as well as the current separation of specification. Network Rail to provide a separately accountable subsidiary for Scotland, with possible longer term changes in governance and status A new look at the roles of specialist and generalist in the formulation and implementation of transport policy as Scotland diverges from Westminster.
Independence	UK DfT would have no authority for or input to the specification of internal or direct international services by any mode Replacements for all for all agencies providing licencing, registration and certification services (eg DVLA, MCA, etc) Network Rail (as the only cross border public sector operational agency) would be split and a new organisation formed, with the reconstitution of a combined 'track and train' organisation considered

Ownership

It is conventional to categorise company ownership into 'public' and 'private', a distinction which is of most interest to economists and politicians. In transport these distinctions are important, particularly in relation to procurement because of EU rules, and funding because of the implications for public sector accounting. However the distinctions are very blurred in practice because many notionally private sector companies receive most or even all their income directly from the public purse and some companies (eg Lothian Buses) which are publically owned derive most of their revenue directly from individual customers.

Many of the operators (providers) of transport services in Scotland are private sector companies, in that any profit made goes to individual or corporate shareholders. This includes most of the 260 bus companies which are part of the concessionary travel scheme, as well as retailers of cars and fuel.

Examples of large private sector operations, with full commercial risk, customer facing responsibility and an impact on policy are rare, comprising, inter alia:

- Firstgoup, Stagecoach and other bus operators with identifiable commercial networks
- Western and Pentland Ferries
- Cross border and international air services
- Some FlyBe internal air services
- Rail freight operators [but Rail Freight Facility grants clouds this]
- Road and sea freight operators.

In the public sector but potentially responding directly to customers, either fully (by ownership) or by implication are:

- Network Rail;
- CalMac (and its subsidiaries);
- HIAL;
- Lothian Buses;
- Glasgow Subway;
- Community owned bus operators providing tendered services;
- Orkney Ferries;
- Shetland Island and other Council Ferry services;
- Local Authority road maintenance and minor works
- ferry terminals and other small harbours

It is also the case that a number of contractors are consortia specifically established to provide services in Scotland to government agencies, or are small companies only providing services under contract, and so are effectively 'public sector' at arm's length, for example:

- Road maintenance contractors (BEAR etc)
- Local bus operators in the Highlands and Islands

What might change….. Ownership	
With Devo-opt	No forced institutional change, but with more innovative responses to EU requirements where appropriate Return of strong partnerships between private sector operators and public sector funders (particularly for local bus services) as part of a move towards a less competitive societal ethos. Less presumption in favour of the private sector for publicly-funded services – eg road maintenance

Independence	Early review of the benefits of 'contracting out' compared with direct operation, against a background of an independent 'Department of Finance' with potentially different rules on the treatment of public expenditure and debt Review of the impact of commercial competition with heavily subsidised services – ferries and express bus versus rail being two examples. Review of ownership in relation to procurement practice in the EU

Safety

Currently most matters affecting transport safety are reserved to the UK government, and exercised through a variety of agencies. At a higher level regulations affecting sea and air travel are largely determined by the EU and are in line with international practice. The same is true of much of the legislation surrounding the safety of vehicles (both road and rail), leaving matters of infrastructure and personnel to the domestic authorities.

Currently the key inputs to travel safety currently in Scotland's power are:

- Road infrastructure improvements
- Specific implementation of road traffic regulations (eg speed limits)
- Enforcement – priority and resources
- Additional expenditure on rail safety which is not justified on UK industry wide criteria, largely confined to road/rail interfaces unique to remote areas (eg open level crossings on major roads)

What might change….. Safety	
With Devo-opt	Significant changes to the **implementation** of road traffic regulation – speeds, use of standard signs, designation of special roads, use of average speed cameras etc Enhanced emphasis on complementary issues (eg level of alcohol consumption) Potentially lower available infrastructure budget emphasising behaviour change rather than infrastructure change to reduce accidents on all modes
Independence	Maritime safety would become a responsibility – particularly in relation to pleasure craft and working vessels (fishing etc), where these are not covered by EU regulations Review of the principles of rail safety to consider cost/benefit of alternative approaches to primary safety Review of road traffic regulation to balance measures which reduce accidents and measures which reduce the severity of accidents in the Scottish context.

Competition

The current UK wide model of transport provision is one in which customer choice is viewed as the key driver of standards and pricing but people are heavily constrained in how these choices are made. There is however a gap between theory and practice that undermines the delivery of all modes of transport, with a number of strands:

- the availability of a transport in a particular place / at a particular time depends others wanting the same provision (even the provision of roads is limited by this constraint)
- people are assumed to behave in economically and socially rational ways, which in transport decisions requires a large number of trade-offs, some instant and others more long term, and where individual decisions have immediate or delayed effects on others, so that individual choice may have to be denied for the greater good
- expensive infrastructure is required which predicates some form of guarantee of use before it is committed and it requires a long term vision which will be refreshed.

Because theory does not translate into practice there is a fault line in the social geography of Britain where the more socially orientated Scots want something different from the market based approaches in Westminster. The market approach is also only theoretical in much of Scotland since:

- car ownership is lower than the UK average and so many, particularly in urban areas, do not have the option of private transport as a 'competitor' to public transport;
- in much of the geographic area (but not most of the population) no form of public transport is commercially viable and so there is certainly no prospect of competition for the customer. However non car owning households rely heavily on lifts in cars for their transport so a more socially motivated approach to shared transport in private cars could be viable;
- modes seen as critical to the transport system are heavily subsidised (rail and franchised ferry) and yet subject to competition from commercial (and in some cases other subsidised) services which sometimes provide a better overall level of service; and
- because of the remote and highly specific nature of much of the operating territory competition for tenders is also limited.

What might change….. Competition	
With Devo-opt	Remove bus services from the purview of the OFT/Competition Commission and replace with regulatory powers Remove the rail franchise from the purview of the OFT/Competition Commission with potential for reduced costs of franchise compliance and better integration across modes.
Independence	Think from scratch – how do we get customer focussed operations with integration and minimum wastage, and without artificial constructs? A nationalised railway industry has been suggested by some parties but questions remain about how this will be received in large international companies based in Scotland such as Stagecoach and Firstgroup, which are engaged in the debate

Relative levels of funding between modes/regions

Funding for transport in Scotland is provided through the settlement with the UK government. The choice of distribution of this funding, both geographically and across modes lies almost entirely in the hands of the Scottish Parliament already. The distribution of this funding is intended to reflect priorities as expressed by the electorate and interpreted by government. Some indicators of the current mood are:

- A growing subsidy for the ScotRail franchise (~75% of the total cost) and a heavy cost per passenger when infrastructure expenditure is included (£8+ per journey going forward) [based on the 2014/18 High Level Output Statement costs and 2011 passenger numbers]
- Increasing subsidies to the Western Isles and Northern Isles ferry services, which collectively serve less than 2% of Scotland's population
- A growing share of the major road investment to connect up Scotland's cities contrasting with the focus a decade ago to tackle congestion in the central belt.
- The removal of tolls on estuarial crossings and the Skye Bridge to reduce inter-urban road journey costs.

In circumstances where finances are constrained (as is likely to be the case for the foreseeable future under any scenario) these large commitments of public funds will need to be weighed much more carefully against other expenditure priorities. Many politicians are voicing concern about funding levels as part of the Independence debate, currently more in relation to universal benefits enjoyed in Scotland but not elsewhere, rather than infrastructure. Such debates can only intensify.

What might change….. Funding	
With Devo-opt	No change – all powers are already held by Scottish Government BUT Other policy areas may assume a higher profile as more powers are transferred
Independence	Economic growth will be the headline indicator – does this mean a re-orientation of transport spending? A fairer Scotland is an aspiration – does transport really impact urban or rural deprivation?

User payments and taxation

In Scotland at present a high proportion of transport expenditure is met from general taxation, with public transport users also contributing through fares. A proportion of users (mainly those using privately purchased hydrocarbon fuel) make a significant contribution to general taxation through the tax on fuel (and to a lesser extent the taxes on car purchase and licensing). Other general taxation – eg air passenger duty – also contributes to the funding of all government services.

On the other hand 21% of the population enjoy a non-means tested benefit in the form of the national concessionary travel scheme and children enjoy reduced cost or free travel to and from school as part of the overall provision of education.

None of the taxation income from transport is currently hypothecated and so income from transport cannot be directly related to transport expenditure. With closer links – because of the 'small country' effect – between politicians and the electorate the perceived mismatch between transport taxation and transport spending could create two pressures: for a reduction in the levels of duty closer to levels of spending on transport, or for an increase in the transport budget. Full hypothecation of transport taxation has not proved to be a solution for this dilemma in any country but lower taxes and higher user charges to balance would be the likely result if public concern grew about the imbalance between taxation and spending, particularly for remote areas.

What might change….. Payments and taxation	
With Devo-opt	Nothing in principle unless general taxation is devolved, particularly fuel duty and air passenger duty (totalling about £2.5bn - £3.0bn per year) Extension of RET to all ferries if finance available, giving equality of treatment
Independence	Review of level and balance of motoring taxes Review of balance between rail fares and subsidy Hypothecation of some taxes on transport – differentiation into charges and general taxation

Culture, Identify and Society – access to opportunity / equality of access

The current ethos behind the provision of 'public' services in the UK, including Scotland, is to give people choice. This is seen as creating a more responsible society (people engage with the providers) and driving up standards. However to have choice means to have access to more than one provider of a service, and access requires travel. There is a tension here that goes to the heart of the independence debate, which is ultimately about better reflecting Scotland's distinct culture, in which meeting social needs rather than providing choice is relatively more important.

In sparsely populated and possibly 'remote' areas travel almost invariably means 'travel beyond walking distance', which for those without immediate access to private transport requires a public transport network which serves multiple locations. In parts of Scotland this level of service provision has never existed and could not be provided at any reasonable price – indeed in some places it is difficult to discern how such a choice could be reasonably offered.

Where public transport services are already 'fragile' because of low use it is also difficult to segment provision to give specialist services for user groups who find standard public transport difficult to use. In such areas it is likely that there will be considerable overall benefit in maximising the appeal of the basic public transport service, so that provision can be consolidated and use maximised.

The opposite is true of some locations in the central belt, where proximity to a good transport network and a number of vibrant centres puts pressure on housing provision and generates substantial amounts of movement as people take advantage of the choices around them.

What might change…..	
With Devo-opt	Most areas of concern already under devolved control Some moves to change the prevailing ethos
Independence	More potential change in the prevailing ethos (to a less 'choice' based agenda for public services) Consequential impacts on the need to provide access to a range of alternative locations so that choice can be exercised

Sustainability

The current Scottish Government agenda aims to achieve a low carbon, low emissions, highly 'sustainable' nation, to underpin Scotland's position as a nation well located to provide non-carbon energy and the perception that the country has a 'high quality' environment. It is reasonable to claim that Scotland is pursuing this low carbon agenda with more 'enthusiasm' than the UK government.

However transport in Scotland is a major user of carbon – as most travel depends on fossil fuel. In parts of the country travel distances to basic services are long, and whilst driving conditions may help achieve greater fuel efficiency a trip necessarily consumes more energy. One of the key drivers in the move towards low carbon vehicles – the steadily increasing cost of hydrocarbon fuels through a mixture of market forces and taxation – is very unpopular in remote areas dependent on private car travel over long distances. Currently this is addressed (some would say inadequately) through the rebate on fuel duty in the Isles. With independence, remote and rural areas become a more sensitive part of the political landscape and therefore this issue may become a constraint on 'carrot' based approaches to low carbon use or alternatively, a catalyst to a more flexible and targeted form of pricing for the use of roads.

In order to match the vision and the practice as far as transport is concerned significant government involvement is required to underpin a change. To date this has involved overlaying any UK national provision to address the specific issues in Scotland. Note that a similar issue arises with the roll out of fast broadband in an area of low population density and dispersed settlements.

What might change….. Sustainability	
With Devo-opt	Innovative thinking around electric vehicles for remote areas – justified by difficulties supplying hydrocarbon fuels More emphasis on land use controls to reduce need to travel – active planning to ensure use of accessible locations (using existing powers) Better utilisation of existing public transport capacity and further extension of rail electrification
Independence	Re-think around a wider set of national priorities and a shared vision A move away from fuel duty as a low elasticity component of general taxation towards flexible pricing for the use of roads, coupled with a proper carbon tax to address air quality and CO_2 emissions National investment in low carbon transport technologies and systems

Frivolous but emotive issues

The comments and debate around the eight key topics are where the debate should be concentrated, with proponents and opponents encouraged to frame their vision for transport in an independent Scotland in these terms. However we acknowledge that other items may be more likely to generate headlines in some papers. Watch out for issues which will generate substantial debate, indeed will be seized on by some as the defining issue around independence:

- **Miles or kilometres** for speed limits and distances?
- **Multi lingualism** – how far south and east will Gaelic spread?
- **Sterling or Euros –** on a bus to Berwick? [*Not a problem between Ulster and the rest of Ireland!*]
- **Pension age –** eligibility for universal concessions may be a defining issue, but what age? [*In view of the contribution this subvention currently makes to the bus network this is actually a crucial issue*]
- **Landing slots at Heathrow –** if we are independent don't Amsterdam and Paris offer better connections than London?
- **High speed rail –** who wants to go to London anyway? This argument is a two edged sword – if HSR is so important then why do we want to be independent?

In conclusion

This paper has endeavoured to open a debate about the impact of further devolution or independence from the UK will have on transport policy and delivery in Scotland. Whilst transport is important to the Scottish economy (possibly 14% of GDP) and by implication to the Scottish people, and so would be expected to be at the centre of the debate this does not seem to be the case. Key questions, many of which are related to the general ethos of Scottish government and politics, include:

- What evidence is there that the current framework of statute law, regulation, institutions and financing **constrains actions** which are desired by the incumbent Scottish political class? And once this question has been answered, a second is "What changes do professionals in transport consider desirable, which are currently overlooked by politicians and/or which are being hindered by the present framework?"
- Is the political and public mood towards a more integrated public transport network as the alternative to private transport, or do we wish to continue with the current deregulated / competitive model with its attendant over-provision of service on some corridors, suboptimal use of capacity (particularly rail) and frustrating lack of co-ordination?
- Is there a preference for franchising / contracting or for direct operation of publically funded services?
- If there is significant government input to the specification of services, is this to be done by transport professionals or generalist civil servants (old style PTEs vs Transport Scotland/DfT)?
- How strong will be the debate over regional equity of expenditure (with political benefit being equated to relative level of spend)?
- Much of the internal transport in Scotland is subsidised, with rail, ferry and internal air receiving very large sums in annual support, the road network enjoying high (per capita) levels of capital investment, localised subsidies for car use (fuel duty rebate in remote places) and many of our public transport services subsidised. Will overall funding levels allow this subvention to continue? Would the political mood swing away from revenue support towards capital investment and 'user pays'?
- If we assume that public funds will be more constrained in the future than the past under any scenario (including status quo), will we see greater integration of public services to reduce costs, more emphasis on local access and less on reducing long distance journey times, and/or more-restricted entitlement to transport-related subsidies?

And summarised – four questions around which the debate should concentrate:

- What would we like to do differently?
- Why are we not doing it now?
- Would independence make a difference?
- What would we need to change post-independence to make it happen?

Annex 1 Regulation and Supervision

Organisation	Current Regulatory or Supervisory Roles in Transport (key headings)	Implications of change
Office of Fair Trading	Competition issues in a deregulated bus market Pricing and competition in the private car market (fuel, garage services etc) Consumer issues in air and sea travel	The general functions of these bodies would need to be replicated, but not necessarily in the same form. Some or all transport issues could be removed from the remit. New jobs in Scotland, although much is done by 'experts' from academia.
Competition Commission	As above if serious breaches found Also competition issues relating to overlap of rail franchises with bus operations Competition issues arising from state funded services in competition with private sector providers (eg ferries); or private sector monopoly (eg airports)	
Rail Standards and Safety Board	Setting standards for rail infrastructure and operations	Rail industry sponsored with no governmental involvement
Rail Accident Investigation Branch	Investigating Rail and Light Rail accidents	Very specialist skills. Could be bought in from England or elsewhere in the EU. Some local input to set the framework (TS or similar)
Office of Rail Regulator	Regulating 'Open Access' operations for both passenger and freight Approving all operators Setting Network Rail targets, agreeing capital programme and setting access charges	Only required for the current UK model of rail service delivery. Other models do not require this function, which could be seen as superfluous for a small railway.
Traffic Commissioners	Quality Licencing of freight and road passenger operators Monitoring and enforcing quality standards in road passenger and freight transport	Part of a 'Quality Licensing' framework. Required in some form under any scenario. Already 'resident' in Scotland
DVLA	Licensing / registration of drivers and vehicles Maintenance of records	Functions required largely unchanged. Replicate in Scotland or buy in the service from Swansea

Organisation	Current Regulatory or Supervisory Roles in Transport (key headings)	Implications of change
VOSA	Enforcement and administrative support for DVLA and Traffic Commissioners Vehicle Testing	Functions required largely unchanged. Personnel already 'resident' in Scotland
CAA	Airline, Aircraft and Air personnel regulation Consumer protection for airline passengers	Very specialist skills for regulation Could be bought in from England or elsewhere in the EU Consumer protection could be combined with other similar requirements across other functions
Air Accidents Investigation Branch (DfT)	Investigation and reporting on all aircraft/airspace related incidents	Very specialist skills – already shared by other countries. Scotland buys in services when required.
Air Traffic Control	NATS currently provides air traffic control services across the UK, both inflight and 'on the ground'	Scotland becomes a shareholder? Air space is shared, particularly for international flights – *Scotland to rest of Europe; England to North America*
Maritime and Coastguard Agency (DfT)	All aspects of licencing, certification and regulation of maritime activity Provision of coastguard service	Significant differences in the nature of territorial waters and also the shipping services using them. Create separate Scottish entity
Northern Lighthouse Board (currently a reserved matter)	Provision of navigational aids for shipping in the territorial waters of Scotland and the Isle of Man	Change in sponsoring agency from DfT to Scottish Government

Annex 2 Governance and specification

Organisation	Current Governance / Commercial Roles in Transport (Key headings)	Implications of change
Network Rail	Maintain and develop the rail infrastructure to meet contract requirements or agreed (and funded) policy objectives	Current separation of track and train seen as unhelpful in relation to the Scotrail services. Alternatives would require Scottish infrastructure to be divested. Significant capability already located in Scotland
Transport Scotland	Specify the requirements, manage the process and monitor the delivery for the Scotrail franchise Identify and fund improvements to the rail infrastructure Specify maintenance standards and required enhancements to the trunk road network Manage the concessionary travel scheme – eligibility and extent, payment	Remit could be altered (to cover more modes and/or functions) Possible return to a staffing model based on in-house technical expertise?
Department for Transport (UK)	Specify the requirements for the cross border rail services Set the framework for all rail franchises Oversee air and maritime regulation and infrastructure provision Regulation of road transport – vehicles, drivers and road traffic regulation Transport appraisal guidance	No role in the specification or funding of internal services under any scenario. Replaced for regulatory roles in relation to international requirements with full independence. Research and design expertise available as now.
Scottish Local Authorities	Specify and procure bus services to supplement those provided commercially Provide information and manage the collation of data for Traveline Provide priority measures and some infrastructure for buses	Change, if any, due to wider changes to remits, boundaries and finances.
Scottish Regional Transport Partnerships	Supplement work by local authorities Powers (not exercised except in Strathclyde) to procure bus services	Change, if any, due to wider changes to remits, boundaries and finances.

Organisation	Current Governance / Commercial Roles in Transport (Key headings)	Implications of change
Scottish Government (Civil Service)	Regulatory framework for bus services Procurement of ferry and air services	Responsible for all regulation, including incorporation of EU and wider obligations. Requires additional expertise, in house or on hand.
Transport Operators (bus)	Provide commercial bus services in competition with others (including cross border) Provide non commercial services through open tender Opportunities to co-operate limited by competition law	Will have to manage with two different regulatory regimes in the UK May have less commercial freedom under a more regulated regime
Transport Operators (rail)	Manage franchises to strict service specifications Relate to infrastructure and other providers through contracts Provide 'open access' services – mainly freight	Alternative forms of franchise / tender may be adopted and a public sector operator could be introduced
Transport Operators (ferry)	Manage franchises to strict service specifications Provide commercial services in competition to some franchised routes (eg: Western Ferries and Pentland Ferries)	
Transport Operators (air)	Provide internal services with financial assistance Provide heavily subsidised local services within the island communities Provide cross border services commercially (but with protected landing slots at Heathrow)	No change to services but airports policy would be a purely Scottish issue. Air passenger duty may change and this would affect both market size and sphere of influence in Northern England
Passenger Focus	The 'voice' of bus and rail passengers across the UK	A new approach to passenger representation, alongside a rethink of political input.
DiPTAC/MACS	Quangos to be disbanded?	

Annex 3 A possible "start from scratch" structure for regulating transport in a nation

This structure makes no presumptions about ownership or financing. However it does assume that regulation is separate from operation (unlike previous UK models of state ownership where the operator was also effectively the regulator)