

LGA response to consultation on Rail Decentralisation
Devolving decision-making on passenger rail services in
England

KEY POINTS

The existing rail devolution arrangements in London, Merseyside Wales and Scotland are widely regarded to have delivered effective services to the communities involved, boosting investment, satisfaction and ridership.

Devolution must be fully funded. It is too soon to assume the current cost-saving and revenue generating plans will succeed.

It is unrealistic to expect that rail can deliver increased benefits to passengers, an economic stimulus, reduced carbon emissions AND cost less in absolute terms. The test must be whether the benefits delivered are worth the costs.

If the benefits of decentralisation are to be fully realised councils must be given freedom to explore funding options, devise assessment criteria and avoid red tape. The provision of some form of central legal/technical expert resource via DfT may prove essential.

A flexible approach to governance and structures will be necessary. All forms of franchise structure set out in the consultation document should be available to councils

Rail devolution needs to be considered in relation to the devolution of local major schemes, BSOG and other initiatives.

Franchising must be transparent. Councils will need to have access to all the relevant cost figures.

1. General

1.1. The Local Government Association (LGA) is a voluntary membership body and our member authorities cover every part of England and Wales. Together they represent over 50 million people and spend around £113 billion a year on local services. They include county councils, metropolitan district

councils, English unitary authorities, London boroughs and shire district councils, along with fire authorities, police authorities, national park authorities and passenger transport authorities. The LGA welcomes the opportunity to respond to this consultation

1.2. The LGA shares the Secretary of State's determination to move to a more localised approach to decision making on the railways and wants to work with the department to realise that vision; however, we do not understand how devolution fits with the Government's new policy that franchise specifications should be less prescriptive than before and give more responsibility and flexibility to bidders (and subsequently train operators).

1.3. In the short term DfT needs to ensure that councils wishing to influence franchises do not miss the boat simply because the franchise timetable means a particular franchise is awarded before the details dealt with in this consultation have been fully worked out..

1.4. The Government's vision for rail needs to see rail in the context not only of the totality of an area's transport provision but in the context of other policies, in particular around economic growth and the environment.

1.5. LGA would like to see the development of a model of devolution that:

- Supports increased local economic growth
- Maximises councils involvement in bus/rail and road provision,
- Allows authorities to enter into partnerships when and where appropriate with each other, private and third sector partners and agencies such as Highways Agency and Network Rail and to get the best from LEPs
- Minimises financial risk and ensures devolution does not simply mean creating an environment in which service cuts are inevitable and councils get the blame.
- Maximises budgetary flexibility to shift funds between modes and to access other funding aimed at promoting growth/environmental goals and health outcomes.
- Maintain a role for DfT, working with LGA and others to provide support for councils through the provision of central expertise and dissemination of best practice while freeing councils from a single DfT evaluation criteria
- Dovetails the various devolutionary measures central government is currently considering both within the transport sphere and relevant to it.

2. Existing Devolution: Consultees are invited to identify lessons which may be learned from existing rail devolution arrangements in Scotland, Wales, London and on Merseyside, and which are relevant to any proposals for future rail decentralisation covered in this document.

2.1. The existing rail devolution arrangements in London, Merseyside Wales and Scotland are widely regarded to have delivered effective services to the communities involved, boosting investment and ridership.

2.2. The experience of devolution suggests that better results can be achieved when bodies controlling transport at a strategic level can plan across modes at a local level.

3. Objectives: Consultees are invited to submit views on how they consider that devolving responsibility could help achieve the objectives for the railway:

- **Cost reduction and enhanced value for money**
- **Local democratic control**
- **Benefits for passengers**
- **Supporting and stimulating economic growth**
- **Contribution to carbon reduction**

3.1. We consider it self-evident that by involving local authorities in the franchising process to a greater extent than has previously been the case, the department is increasing the local democratic control of the railway.

3.2. We believe Decentralisation will deliver the objectives listed above because it will encourage the provision of local rail services that are better attuned to local needs, better integrated with other local transport services and with other local priorities, such as economic growth. It will therefore deliver better value for money.

3.3. Examples of why this will be the case include: the ability to integrate rail with existing local transport plans and local carbon reduction plans; the potential to build links between rail provision and local authorities work on Health and Wellbeing boards (e.g. using rail to promote improvements in air quality by reducing road congestion); and in particular working with LEPs to maximise the economic benefits of improved rail services. Experience of devolution so far indicates increased levels of passenger satisfaction.

3.4. A simple practical example is the proposal to raise more revenue from car parking facilities. LGA is already aware that this is encouraging passengers to get lifts to and from stations, doubling their road journey (as those who drop/collect them return/leave home) and is leading to displaced parking in surrounding streets. It may also encourage passengers to leave rail and journey by road by increasing the price of rail. Greater local involvement in franchising can ensure that the revenue raising aspects of parking are considered in the appropriate wider context.

3.5. We support the Government's intention to expand smart ticketing technologies. We hope that this will encourage passengers onto trains that are currently less than full. Greater local involvement in franchising would, we

think, encourage a more innovative approach to ticketing by bringing more detailed local knowledge into play; for example there may be scope for considering contra-peak ticketing that would reduce the costs of those travelling against the peak flow, making cheap days out simpler for families in school holidays.

Cost reduction and enhanced value for money

3.6. The understanding of local needs in relation to local services that councils can bring to rail franchising, will assist the introduction of some of the measures mentioned in paragraph 3.6 of the consultation, such as the adoption of lower cost technologies, light rail and generally simpler means of operation. However it cannot be expected to do so quickly. Moreover it cannot necessarily be expected to have any effect on employee terms and conditions; nor should devolution be based on assumptions about staffing arrangements at stations as this may prove to be a false economy. We are therefore concerned that too great an emphasis may be being placed on cost reduction and on the role of decentralisation in achieving it.

3.7. We agree that 'decision-makers at local level may be better placed than central government to identify cases where other transport modes might meet local transport needs more effectively and at lower cost than an existing rail service' [3.11] However, where light rail is identified as an appropriate way forward, the technical and legal difficulties of conversion will take time to overcome. If the Government wishes to see progress on this front it needs to avoid holding all schemes up while a pilot is attempted that may have significant differences to many potential schemes; the DfT may also need to revise its role to one of central resource of expertise and support.

3.8. Although the rail industry is currently planning how it may achieve the savings envisaged in the McNulty report, Key aspects of the cost reductions set out in the Initial Industry Plan are as yet unclear and there is an inevitable uncertainty over whether these savings will emerge. While exploring the possibilities for decentralising NR, greater partnership working and increasing train utilisation are sensible and welcome proposals, but while it is almost certainly true that the industry can save money through better partnership, at this stage none of these initiatives can offer a firm, securable, saving. Some may yet turn out to be dead ends (for example there is no guarantee that the work on possible increased train utilization will find significant savings) and the report acknowledges that 'a step-change in the degree of cross-industry collaboration' is required, if the envisaged improvements are to be achieved. Historically it has almost always the case that the rail industry over-estimates future earnings and underestimates future costs. Equally the IIP sets out a vision in which lowering the subsidy requirement depends to a significant extent on an increase in revenue, which could fail to materialise for a variety of reasons, some of them beyond the railways' control.

3.9. For the reasons set out above we suggest that unless the assumed savings built into the devolution of funding are very low there is little prospect

of additional savings materialising that can be redirected to increase train usage as mentioned in paragraph 3.9 of the consultation paper. We also question the extent to which more people can travel by train without additional costs being incurred in accommodating them. Devolution should be structured to ensure that the other options set out in 3.9 are available.

3.10. The subsidy to rail – and other transport modes – should not be seen simply as a cost to the taxpayer but as a charge for the service transport provides beyond the service to direct users, which they pay for in fares and freight charges, in terms of economic social and environmental benefits. These benefits need to be fully taken into account when judging the value for money offered by both the existing service and additions to it.

3.11. It is unrealistic to expect that rail can deliver increased benefits to passengers, an economic stimulus, reduced carbon emissions AND cost less in absolute terms. The test must be whether the benefits delivered are worth the costs. Effective local democratic control should mean allowing local authorities the freedom to invest in transport using flexible criteria that reflect local priorities and the freedom to bring in new sources of funding.

3.12. In particular, we are conscious that the success of devolution in Merseyside and London is partially founded on the availability in those areas of other funding streams (congestion charge and Mersey Tunnel fees). Local councils should be free to find similar means of cross subsidy within transport – for example through Workplace Parking Levies, charges on out of town retail parking, more flexible use of other transport funding streams and unringfenced infrastructure capital funding.

3.13. The government's desire to concentrate funds on services that offer better value for money is understandable and of course something everyone would support in principle (Para 3.10). However, there are some (small) parts of the rail network which exist because it has proved politically impossible to remove them but for which the cost-benefits case of maintained operation may be weak. If the Government considers that the consequence of devolving responsibility for them to councils will be that councils abandon them to use the money elsewhere it is likely to be disappointed. The political difficulties of withdrawing rail services are likely to be greater for councils than they have been for central government. This does not mean however that there is no scope for funds to be shifted between services.

Supporting and stimulating economic growth

3.14. Many of our major cities and towns underperform their European equivalents on key economic indicators and at least part of the reason is the quality of the local transport systems, which make these cities attractive places to invest and which enable people to get to the jobs.

3.15. In the UK, transport infrastructure problems are estimated to cost businesses nearly £20,000 on average and the top two improvements

businesses would like to see in their current city are improved transport links with other cities and improved public transport.

3.16. Another key role for transport in economic development is helping people to get into work. Nearly 40 per cent of jobseekers say transport is a key barrier to getting a job. Studies have show that this support works best when they are designed with the needs of different individuals and places in mind; they integrate and assist individuals in the use of existing transport provision; and when they work alongside initiatives in other policy areas. Again, this requires decision-making at a local level.

3.17. Experience of the Dalston Junction regeneration project in London shows how local control of transport can facilitate economic development at a micro level. Stations can function as hubs for the local economy. The work of community rail partnerships outside London also supports this view.

Additional points

3.18. If councils are to be involved in franchising there should be a local government seat on the Rail Delivery Group. There is currently no public sector representative on this body.

3.19. We agree that artificial restructuring of service patterns to fit individual local authority boundaries (para 3.14]) would disadvantage passengers, increase costs and prevent optimum utilization of the infrastructure.

4. Views on activities that should be devolved Comments are invited on the list of responsibilities that should be retained by central government and those that might be devolved to sub-national bodies

4.1. Devolution will be case specific, but we would not want to rule out any aspect of rail being devolved.

4.2. Councils need to be able to influence national services that are relevant to their local area (e.g. for some councils long-distance connections to London may be more significant than local services)

4.3. Devolution needs to be fully funded. We are concerned at the implications of para 4.9, which seem to be, in the longer term, decreased central government funding for enhancements: 'Where a devolved body seeks improved services for the reasons of improving connectivity, it is considered entirely reasonable for the devolved body to fund those services from their own resources. This would be **a continuation of the existing practice with the exception that the devolved body would be expected to fund such enhancements in perpetuity**'

5. Views on types of service that should be devolved and which types of service are suitable for local control? Should longer-distance

services be regarded as “strategic”, because they serve a variety of markets and economic purposes, and therefore be specified nationally?

5.1. While national strategic services cannot be devolved we need to reiterate the need for councils to be able to influence services and fares on strategic services from/to their area. Moreover we think a significant area of rail traffic growth in future could be mid-distance inter-urban journeys and this needs to be taken into account

5.2. In areas where responsibility for local passenger services is devolved, what are the implications for other users of the rail network, including freight customers and operators, and how might these implications be addressed? Local authorities have a good record of balancing the needs of different constituencies. The local government sector would like to work with DfT, rail freight operators and other stakeholders to develop an appropriate approach. However, we would not expect this to be embedded in a regulatory framework.

6. Models for decentralisation: Consultees are invited to comment on the models for decentralisation and how they might apply or be appropriate to particular parts of the country or service groups in a particular area.

6.1. Councils should be free to choose the form of devolution that works for them (this choice should include the option of non-involvement). All of the models set out in the consultation should be available where councils wish to adopt them.

6.2. In order to make this choice, councils must have full access to all the relevant costing information regarding existing and planned services. The franchising process needs to be transparent.

6.3. Local authorities are good at partnership working and there is a recognition that devolution comes with the responsibility to engage broadly with local authorities and other affected stakeholders. It will be the responsibility of local authorities to make this work.

6.4. Councils need the freedom to maximise the benefits of devolution for example by innovative approaches to funding and the removal of barriers to innovative transport solutions.

7. Long franchises must have break points. Government has never before awarded franchises of such length and in the past franchises have been made more specific because their flexibility was misused by some operators to run services which triggered subsidy payments without providing benefits to passengers.

7.1. Rail devolution must dovetail with devolution of other transport functions (e.g. major schemes).

7.2. The consultation asked three specific questions in relation to this section:

7.2.1. Can governance structures be developed that would ensure timely and balance decision-making throughout the franchise term?

7.2.2. How would the interests of authorities choosing not to participate be safeguarded and how would the interests of passengers residing in those areas be protected?

7.2.3. What criteria should be used to define networks to be devolved in this way? What part should railway operational and economic considerations play in such definition?

7.3. We think these can only be fully answered on a case by case basis. It is important to engage all relevant councils and in this respect particular attention needs to be devoted to those councils outside ITAs so that they are able to play a full role in discussions.

8. Views on governance - Comments are invited on issues related to the size of the area that needs to be covered by a devolved body and the governance issues that this may give rise to.

8.1. The answer depends to an extent on the model adopted in particular cases.

8.2. The consultation identifies what we see as the major issues, but these should be addressed through discussions with the relevant transport authorities. While these authorities will doubtless wish to consider the views of other councils and LEPs, it will be impossible to accommodate them in formal structures and devolution should be on the basis of counties, unitaries and ITAs working together as is appropriate in relation to the specific franchise in question.

8.3. We agree with the implication of the paragraph on timing that the timetable of franchising must not be allowed to deny opportunities for devolution if the details cannot be worked out in time.

9. Views on funding Consultees are invited to comment on the basis on which the level of funding to be devolved might be established.

9.1. Devolution needs to be fully funded. Even if the McNulty savings emerge, they will not do so on day one of a new franchise.

9.2. We agree with the points listed in relation to the level of funding to be devolved except (b): 'the funds transferred should fully reflect the improvement in efficiency that the railway industry is expected to achieve'.

Paragraph 3.5 of the consultation states that the Government ‘would expect that the level of funding devolved would fully reflect the efficiency improvements that can be reasonably expected, as well as any extra cost required to respond to growth where this represents value for money’. The effect of this intention will depend almost entirely on what the phrase ‘that can reasonably be expected’ means in practice.

9.3. LGA is concerned that the Government intends to devolve funding in a manner that assumes the savings set out in the McNulty report will be made; and that if these savings subsequently fail to appear, councils will be left with inadequate funds to maintain an acceptable level of service. We believe this will act as a significant deterrent to local authorities in taking on franchising responsibilities, in particular if it is combined with long-term franchises devoid of break-points.

9.4. There needs to be a flexible approach to funding including a flexible approach to the criteria used to assess VFM so that local priorities can be fully reflected.

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