

Quarmby Assesses whether the UK's Institutional Structure for Public Transport is Fit for Purpose

The institutional structure for national railways is reasonably fit for purpose, concluded David Quarmby addressing the Transport Planning Society at Edinburgh's Napier University. Quarmby, Chairman of the RAC Foundation and Napier's Transport Research Institute, was seeking to determine whether 25 years of institutional change in Britain had delivered a better deal for transport, building on his experience in senior management roles in buses and rail. He was assessing fitness for purpose against three criteria, economic (or productive) efficiency, meeting market needs, and the ability to satisfy public policy objectives, including whether both the quantity of services and fares are in the "right" balance.

Rail privatisation had assumed an industry in decline, and the structures originally put in place were not well suited to the resurgence in demand driven by revenue-hungry TOCs that followed. There was no guiding mind directing the development of the railways, and Railtrack had pursued priorities that led to a deterioration in the condition of the actual railway. Although the Strategic Rail Authority, in its brief existence, had left a legacy of key tools and concepts, the overall structure of which it was part had too many ambiguities and overlaps. The SRA had a statutory responsibility for developing a strategy but it was not provided with an indication of the funds government would provide and the ORR appeared to be completely free to determine the level of funding for Network Rail. The abolition of the SRA and the introduction, in England, of the High Level Output Statement (HLOS) and Statement of Funds Available (SOFA) was working reasonably well, forcing the government not to will something without providing the means to deliver. However, the arrangements are far from perfect, with the DfT thought to be too prescriptive in specifying both franchises and rolling stock, and Quarmby questioned whether the fact that for every 12p paid in fares by passengers, the taxpayer pays another 10p represents value for money for the nation.

He concluded that while the regime for railways is fit for purpose when measured against his three criteria, they are a relatively high cost to the taxpayer for what they are delivering, and for that reason (and at these prices) there remains a question whether the nation is buying too much railway.

He drew similar conclusions about the regime for buses in London which, with competitive tendering for services specified by TfL, also generally perform well against all three criteria of efficiency, meeting market demand and public policy objectives. However, the key public policy question is whether – at a subsidy last year of some £600m - the service specification leads to the purchase of too much, or too high a quality, bus service and at too low fares.

Quarmby refuted arguments that adoption of the London model elsewhere in the UK would be unaffordably expensive, explaining that the decision on the level of subsidy is entirely a policy decision by the London Mayor. While lower subsidy levels would involve higher fares and a smaller network, all the other qualitative features that make London buses attractive and well used would remain.

He thought the regime for bus services outside London – while achieving a similar degree of productive efficiency and (in more recent years) being effective at meeting market demand -

did not score well against the ability to satisfy public policy objectives. He was doubtful whether voluntary partnerships in the conurbations could ever achieve the marketing, ticketing and network coordination and performance features of London and cities in continental Europe, made even more challenging by fragmented governance in the conurbations and the difficulty of delivering practical policies to support buses. He thought that quality contracts needed to be given a chance to show what was possible with a network planned against clear public policy objectives, with fully integrated smartcard ticketing, marketing, realtime information and service coordination.

There are however successful partnerships outside the metropolitan areas, He concluded that the successful development and integration of bus services into local transport plans tends to be found in freestanding towns, such as Brighton, Oxford, Reading, and Nottingham, that have clear governance and long term stable policies to support buses, with both formal partnership agreements and practical collaborations based on trust and good personal relationships; the existence of a municipally owned bus operator also can be helpful. He was also interested in the effects of entry into the UK bus market of state owned companies from elsewhere in Europe who seem more willing to take a longer term view, coupling commercial objectives with a more strategic view about partnering with local authorities, and he thought they are already beginning to change the dynamics of local authority/bus industry interaction.

Turning to Docklands Light Rail, which he had chaired, he thought the current, vertically integrated gross cost franchise was successful with consistently good performance. He also thought the design-build-finance-maintain PFI concessions for DLR extensions had worked well in delivering projects to time and to budget, although he questioned the affordability of the PFI model. He considered that the design-build-finance-operate model adopted for many UK tram schemes held too much risk, and that a correct pricing of the risk would make them unaffordable. A better model might be public investment in providing the infrastructure with a net cost operating franchise. However, speaking in Edinburgh, he was very conscious of the delivery risks associated with tram schemes, and the importance of choosing the right method of procurement.

Quarmby considers the London Underground PPP to have been an unreasonably expensive and cumbersome experiment; its only virtue was that it managed to commit large sums of money to renewing the Underground assets in a way that conventional funding would never have done. Although there has, in general, been an increase in maintenance standards, successful renewal programmes and better system availability and performance, the price has been very substantial. He thought that it would be interesting to devise a model that retained the long term funding commitment to asset maintenance and renewal, without the tortuous commercial and contractual arrangements which combined inflexibility with a lack of market discipline and some perverse incentives. Another feature of the institutional changes for the Underground was the decision to retain operation of the Underground in the public sector. In his view, sustaining a high degree of excellence over a long period of time in the public sector without the pressures of the market place and the requirement to re-bid every 7 or 10 years is challenging. His overall assessment against his three criteria is that the regime for the Underground has nevertheless delivered a good quality of Underground service but at a much higher cost than it need have done, it is well able to satisfy the necessary public policy objectives. Meanwhile TfL is still picking up the pieces from the PPP debacle.

He concluded by noting that, while public transport has been subjected to fundamental institutional change over the last 25 years, there has been little serious debate about institutional options for roads, particularly strategic roads; this may be moving onto the political agenda.

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