

Summary:

Public Governance in the Transport Sector

Introduction

The division of responsibility between national, regional (counties) and local (municipal) levels has been discussed in several reports from government appointed committees over the last few years. Many of them propose that transport policy responsibility should be devolved from the national level to lower levels of government.

In addition, there has been an extensive public debate regarding the number of government levels in Norway. The coalition government in office from autumn 2005 has decided to keep three levels of government, wanting, however, to strengthen the regional level.

In this report our point of departure is the transport sector and *not* the need for establishing a stronger regional level of public governance. Nevertheless, also the transport sector needs to be scrutinised by asking whether the present division of responsibility is optimal.

Principles

In our analysis we have developed a set of principles for our discussion on the division of responsibility:

- *The principle of subsidiarity*: Addressing the tasks at the lowest efficient level of government facilitates popular participation and the adaptation of policy to local conditions. Hence, the principle is a question of democracy as well as efficiency.
- *Effectiveness*: If a task requires local or regional resources and policy measures, it should be the responsibility of the local or regional government. If the tasks require highly specialised knowledge, the responsibility should be placed at national level.
- *Efficiency*: Responsibility should be placed at the level where efficient allocation of the total economic resources in society is best secured. Economic incentives and disincentives might be inherent in governance structures. Distribution of responsibility should therefore take these aspects into consideration, avoiding inefficient resource allocation as a result of the governance structure itself.

- *Other considerations:* Even if responsibility might be devolved in line with the principles of subsidiarity and effectiveness, ensuring policy coordination, environmental, network and distributional effects might demand a more centralised responsibility.
- *Use of discretion:* Decision making that requires extensive use of discretion, should be carried out by politically controlled or politically appointed bodies irrespective of level of governance. If the task is heavily regulated and subject to national standardisation, the responsibility should be placed at the national level.

The above principles form our point of departure when discussing the appropriate level of governance for planning, financing and prioritising road, rail, aviation and local public transport.

Conclusions

We strongly recommend that the right to prioritise (investments, maintenance and subsidies for public transport) in general should be given to the same political and administrative level as the responsibility for financing the same measures.

Decentralised responsibility implies that society accepts and promotes local or regional differences in prioritisation and implementation in transport. If local differences are unacceptable or undesirable, the national political level is likely to impose countermeasures, among which policy guidelines and national standards. When curtailing local autonomy in this way, some of the main arguments in favour of decentralisation no longer apply. Devolution could still be preferred in cases where decentralised responsibility is clearly more cost efficient.

In line with the above, the following policy areas should remain a national responsibility irrespective of how other tasks are distributed, and regardless of a more general governance reform:

- Financing and prioritising trunk roads investments;
- Financing and prioritising rail infrastructure investments;
- Subsidising rail transport;
- Subsidising air transport;
- Aviation safety and air side operations at airports;
- Inspectorates and supervisory authorities.

Financing national roads other than trunk roads is presently a national responsibility, while the counties have major influence on *prioritising* among such investments. On the other hand, financing local public transport is the counties' responsibility. From the counties' point of view, infrastructure investments "are for free", while subsidising public transport have to be balanced against other regional priorities – as schools, health care and so on. Hence, present governance structures produce incentives undermining economic efficiency and might lead to overinvestment in road infrastructure and underinvestment in public transport.

Land use planning, road pricing, parking policy and other policy instruments influencing mobility and choice of transport modes are primarily the

responsibility of municipals. There is an obvious need to balance investments in road infrastructure and measures promoting public transport. This could be an argument in favour of giving the municipalities increased influence on road investments. On the other hand, most municipalities in Norway are small. Giving the municipalities the right to prioritise investments in national roads would produce network problems.

Balancing public transport and investments in road infrastructure is a matter of necessity mainly in the larger cities and less so in the rural areas. Most cities are smaller geographical areas than the present counties and even more so compared to the future larger regions being discussed. Decentralising the responsibility for financing and prioritising larger parts of the road network to the counties or future regions will therefore not necessarily be an optimal solution for the urban areas within these regions. Hence, there is a mismatch between the problems (urban transport) and the solutions (increased responsibility to the counties or larger regions). In addition, the transportation problems of the Oslo region are not found in any other region in Norway. The challenges facing the largest cities, and in particular the Oslo region, have to be addressed regardless of a more general governance reform.

Inevitably, national political priorities and requirements will be weakened as a consequence of devolution. We are far from sure that stronger local or regional autonomy in transport policy matters will benefit environmental concerns or transport safety.

Our conclusion is that it is possible to delegate more responsibilities in the road sector. But it is not necessarily desirable to do so. Contrary to the recommendations of some government appointed committees, we conclude that the transport sector is not very suitable for decentralisation and devolution. This implies that:

- Railway transport – both infrastructure and the subsidising of public transport by rail – should still be a national responsibility;
- Subsidising air transport should be a national responsibility, as should air safety and air side operations at airports. Other airport related tasks, such as terminals and various commercial activities could be devolved.
- The responsibility for the national roads other than trunk roads could be devolved. From the transport sectors' point of view this is, however, not to be recommended.