

Transport in the Spending Review: An advance briefing from Campaign for Better Transport

Transport will face significant cuts in the spending review. This briefing sets out what we expect to happen to transport in the spending review, and the likely consequences.

Expected transport headlines in the spending review

- **Increased rail fares** – increases of 3% above RPI per year instead of RPI+1%
- **Crossrail and Thameslink** rail projects proceed but with reduced budgets. Other rail funding stays but with savings from value for money review / more private funding through longer franchises
- **London faces cuts of 15-20%** – tube upgrade continues, but local borough funding and maybe bus services get cut and fares go up by at least 2% above RPI
- Transport investment **outside London gets streamlined and cut**, with very few major road or public transport schemes getting funded
- New “**Local Sustainable Transport Fund**” will fund cycling and smaller local transport schemes
- **Bus funding gets cut**, though some form of national grants will stay. Free bus fares for pensioners will stay but eligibility may be changed
- **Highways Agency maintenance budget gets cut** and very few new roads will be built
- **High Speed 2** preparation costs get paid for from proceeds of the sale of High Speed 1

The politics – who wins, who loses?

Transport issues rarely appear as a priority in the polls, but as Governments have discovered they do have the capacity to rear up suddenly (think fuel protests, anti-road and anti-airport expansion campaigns). The big pitfalls from this spending review are:

- **Rail fares:** Big above-inflation fares rises for rail commuters could hurt the Government precisely in the South-East marginals where elections are won or lost. Our polling shows that among regular rail commuters in the South East, 74% would consider switching their vote if faced with big fare rises (see <http://www.bettertransport.org.uk/media/oct-5-yougov-poll-fare-increases>). All four transport Ministers have constituencies in the South East with large numbers of London commuters. If combined with cuts to investment in new trains, people will find themselves paying more for a worse service
- **London:** Fare rises and any service cuts in outer London buses could impact on the Mayoral election in 2012 – it was outer London votes that gave Boris Johnson victory last time round
- **Regional disparity:** The contrast between funding for further big transport schemes in London and limited spending on local transport in other English cities will add to concerns about the North-South divide, and the north's ability to weather wider cuts in public spending
- **Bus cuts:** Fares rises and service cuts will cause local political problems and central Government will get the blame. In further research this week, a report by us and Citizens Advice shows that the Government's welfare to work objective will be threatened by cuts in bus services
- **Road maintenance:** Cuts in road maintenance budgets and increased potholes will be blamed by motorists on local councils and on central Government, especially if there is another harsh winter.
- **Climate change:** Transport cuts could also undermine the Government's strategy for tackling climate change, depending on where the cuts fall. If rail and bus fares rise but the cost of driving and flying falls in real terms then this will tend to increase carbon emissions

General

Final decisions on transport spending depend on cross-government decisions on capital (horse-trading roads and railways against schools and aircraft carriers) and may go to the wire up to Tuesday 19 October.

Transport is expected to be squeezed more than some other departments. But Transport Secretary Philip Hammond was shadow Chief Secretary of the Treasury and has made a good case for the value of transport spending, especially capital investment. George Osborne in his Conservative conference speech specifically mentioned transport projects as an area for spending to be maintained. But there will be cuts, especially in revenue or "resource" funding, and this will have consequences on the ground.

Rail

We expect a lot of rail capital investment to continue, including the Thameslink project through London and the rebuilding of Birmingham New Street and Reading stations, but the fate of other projects such as electrifying the London-Bristol-South Wales main line, new inter-city trains and smaller electrification and passenger and freight upgrades is unclear. This spending will partly be paid for through higher rail fares, with increases of 3% above RPI per year planned, probably for the next 4 years. The policy from the last Government was for RPI+1% increases. The Lib Dems opposed this in opposition and promised RPI-1% cuts – the coalition agreement makes a commitment to "fair fares", without specifying what this means.

Rail spending will also come with a commitment to cut the costs of providing rail services. The Government is wrestling with ways to reduce rail costs and also tackle the complex rail industry structure. It has continued with and beefed up a "value for money" review set up by the last Government under Sir Roy McNulty, and an interim report on this may be published with the spending review. At the centre of this is Network Rail, which owns and runs the tracks, signalling and stations and is a hybrid non dividend company set up after the collapse of Railtrack ten years ago. Network Rail has angered Ministers by paying senior managers big bonuses. Though the departure of Chief Executive Iain Coucher has defused this a bit, radical options involving splitting up Network Rail into regions and possibly even letting contracts to run trains and tracks together have been suggested. Pilots for more integration / devolution of infrastructure include the Merseyside rail network, Scottish railways and maybe Chiltern trains. The Government is also consulting on longer and more flexible rail franchises, where private operators will do more of the funding for improvements and new trains.

Longer term, the Government is committed to building new high speed rail lines, and plans announced so far include a London-Birmingham line, with two branches to Manchester and Leeds. Though this will cost many billions, the main spending won't be until the next Parliament – in this spending review, there will be preparatory costs (blight payments, parliamentary bill costs, land purchase etc). We gather a deal has been struck so these costs will be paid from the sale of the High Speed 1 line (between London and the Channel Tunnel) and won't fall on the transport budget.

Buses

Local bus services and users get various types of Government funding, including direct central Government funding (Bus Service Operator Grant or BSOG, essentially a rebate on fuel tax), funding for socially necessary services via local authorities, and concessionary fares for pensioners. We expect BSOG to survive but be reduced and possibly reformed. Free travel for pensioners will also stay (the Government has consistently denied rumours that it would be cut) but eligibility may be changed to reflect increased retirement age. Local authority bus funding will suffer from general local authority cuts. Further action on buses will await a Competition Commission report due next year.

Motorways and Trunk Roads

Despite the Government's declaration that the war on the motorist has ended, we do not expect many new roads to be included in the spending review. In fact, we believe the Highways Agency, which runs the motorways and other main routes, could see a cut in its maintenance budget, possibly as much as 30% per year.

Road building is now very expensive and we do not expect major schemes to go ahead. The most expensive road scheme, the widening of the A14 in Cambridgeshire (£1.3 billion for 22 miles of road), is expected to be cancelled; Roads Minister Mike Penning announced at the Conservative Party Conference that it will not be funded by central government. Several road schemes, including the A14, may be resubmitted as privately-funded toll roads.

Instead, priority will be given to what the Government calls "managed motorways", the pilot for which is the M42 round Birmingham, where combinations of opening up the hard shoulder to normal traffic, variable speed limits and junction controls have allowed traffic to flow more smoothly and safely.

Local transport

Local authorities outside London get direct funding from the Government for road maintenance, major projects and general "integrated transport", as well as lots of individual funds for rural transport etc. The Government has already said it will streamline all this. There will be one general funding stream for local transport, distributed by a formula (road length etc). There will also be a new "Local Sustainable Transport Fund", which councils will be able to bid for, and which will fund cycling initiatives, travel plans at schools and workplaces, innovative bus schemes and other initiatives. This was announced by the Lib Dem transport minister Norman Baker at the party conference, details will follow.

There will be little funding for major projects – local roads, bus or tram schemes, despite lobbying from cities and counties for pet schemes. Ministers may have to decide between funding big new roads in places like Norwich, Hastings, South Devon, Lancaster, Wiltshire and several other smaller towns and rural areas, and funding new public transport such as tram extensions in Birmingham, Nottingham and Manchester, trolleybuses in Leeds and improved buses in Sheffield, Tyne and Wear and smaller towns like Ipswich. Ministers may ask local authorities to submit new lower costings for roads schemes but they should also be asked to submit lower cost alternatives, as we set out in our Smarter Cuts report in June (see <http://www.bettertransport.org.uk/spending-review-2010/smarter-cuts>).

London

The Mayor's transport budget will be cut – we expect by 15-20%. This will allow the upgrade to the Underground to go ahead, along with the Crossrail scheme (which is partly financed by the Mayor), but other spending will have to be cut back. At stake are bus services and various initiatives to smooth traffic flow and redesign streets – funding for London boroughs could be cut too. Fares will rise – recent increases have been at 2% above RPI and bigger rises could be on the way (as with rail).

Walking and cycling

The Department's specific spending on walking and cycling is tiny in comparison with roads and rail spending. Much funding for cycling was through Cycling England, which is now being abolished. The Local Sustainable Transport Fund is expected to fund cycling projects via local authorities, but there is concern about the gap between Cycling England funding ending and new local projects starting and for the future of Bikeability cycle training.

In addition, central funding to support local council initiatives to encourage children to walk or cycle to school is ending and progress on this agenda may be lost, despite recognition of the role that this can play in helping tackle obesity. The Government wants the Department of Health to become the Department for Public Health. A key test of whether it will indeed have a wider public health role is how it will support initiatives to encourage walking and cycling and therefore increase physical activity.

Other issues that may come up in the CSR:

- **Tolls and road pricing:** The Government has ruled out national road pricing, but has said it is prepared to look at tolls to finance new roads. It's unclear whether this is achievable – see our report on the M6 Toll Rd (<http://www.bettertransport.org.uk/media/Aug-31-m6-toll>)
- **New finance for transport:** The Government has already said it will support “tax incremental finance” schemes, allowing councils to fund new infrastructure by borrowing against future business rate increases. The Regional Growth Fund and the Green Investment Bank may also finance transport schemes
- **Smartcards:** Ministers are very keen on developing a national smartcard – like London’s Oystercard – for transport and have already started to talk it up
- **Localism:** The Government’s drive to localism is at odds with the need for long term strategic planning of transport, and the need to link transport with planning of new development. Our car dependency scorecard (<http://www.bettertransport.org.uk/media/sept-13-car-dependency-scorecard>) showed that without such strategic planning, people are forced to use cars to get about. The Government’s proposed Local Enterprise Partnerships will not be set up to do this strategic planning and other departments are seeking to undermine it - for example, the Department for Education is trying to get its free schools exempted from all planning requirements. Such approaches will lead to extra traffic and congestion

For further information

Campaign for Better Transport can provide data on key schemes and projects at risk and also local contacts concerned about aspects of transport cuts and fares rises. For more information contact:

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