



## Budget 2021

### Campaign for Better Transport representation to HM Treasury

January 2021

#### About us

Campaign for Better Transport's vision is for all communities to have access to high quality, sustainable transport that meets their needs, improves quality of life and protects the environment. We are a charity and operate in England and Wales.

#### Summary

We welcome the opportunity to comment on government policy and to contribute to the development of Budget 2021.

Transport provision is essential to economic growth creation and a key enabler of levelling up. However, the Covid-19 pandemic has severely disrupted the transport system, with public transport use severely reduced. Moving to a car-based transport system threatens to worsen health, social, economic and environmental outcomes by:

- reducing physical activity levels
- increasing air pollution
- reducing access to jobs and other opportunities for people with no access to a private car
- increasing congestion and slowing economic activity
- increasing carbon emissions and slowing the progress towards net zero targets.

The Government has set out ambitious plans for green growth and levelling up. Buses, trams and trains will have a vital role to play in a green recovery and a fair, healthy, sustainable future. HM Treasury must maintain support for public transport services in the short to medium term so that communities have public transport services to return to after the pandemic. It must also ensure that public transport provision is reformed so it is an attractive and affordable proposition for people in the longer term.

We suggest the following policies, which can help deliver against the Government's economic priorities:

- 1) Preserving and rebuilding public transport capacity post-Covid:
  - Maintain financial support for bus and rail to preserve services as much as possible in the short term.
  - Ensure the forthcoming National Bus Strategy outlines a trajectory for reforming local bus funding arrangements and moves to multi-year funding regimes.
  - Safeguard rail enhancements budget and reviewing Network Rail's investment strategy to ensure that future investments deliver taxpayer value for money.
  - Direct capital investment towards modal interchanges, segregated cycle lanes, local bus infrastructure and rail upgrades and reopenings.

- 2) Encouraging a return to public transport post-Covid:
  - Introduce targeted financial incentives to encourage people to return to public transport when safe, e.g. Head Out to Help Out 50% discount on bus and rail fares for a limited amount of time or First Ride Free so people can try bus and rail travel again and feel reassured about its safety going forward.
  - Commit to the introduction of flexible season tickets, single leg pricing and other flexible fare options that better suit people's changing travel habits, with a view to introduction before the summer.
  - Incentivising the roll-out of multi-operator and capped bus fare options, as well targeted discounts for specific demographics.
  
- 3) Facilitating a longer-term shift to sustainable transport:
  - Reintroduce the fuel duty escalator as a temporary measure to stem the move towards a car-based transport system.
  - Commit to a review of vehicle taxation with the intention of replacing Vehicle Excise Duty and fuel duty with distance-based, variable road pricing for the Strategic Roads Network.
  - Incentivise the take-up of zero-emission trains, buses, lorries, vans and cars through targeted subsidies for manufacturers and operators.

Below we expand on each of these points.

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## **1. Preserving and rebuilding public transport capacity post-Covid**

### *1.1. Financial support during the pandemic*

While the Government messaging is that people should avoid travelling and public transport use remains depressed, it will be important for HM Treasury to continue providing bridging funding for bus, light rail and metro operations. We understand the need to scale back on operations during the current lockdown to preclude a wasteful use of public funds. However, HM Treasury should ensure that these measures are as short-term as possible and restored once restrictions are eased. It is crucial not to allow train lines to close completely. If this were to happen, it is much harder to subsequently restore services, once they are lost.

### *1.2. Local bus funding arrangements*

The forthcoming National Bus Strategy must outline a vision for the renewal of local bus services provision after the pandemic, as well as a reformed funding landscape. The strategy should support local authorities to work collaboratively with commercial operators and replan bus provision, with better-integrated, multi-modal networks offering high-quality services. Funding for local transport should be ringfenced and channelled through local authorities, which should be required to produce local integrated transport plans as a condition. Revenue support should be reformed and better targeted at delivering specific benefits against desired outcomes such as increasing bus use, ensuring socially necessary services that are critical to communities are in place, and a move towards zero emissions. Funding should be combined within a single, ring-fenced, multi-year funding framework covering revenue and capital support from taxpayer funds to local authorities.

### *1.3. Rail investment*

The reduction in the rail enhancements budget to £9.4bn, following the Spending Review was regrettable. With a new, more ambitious, target for reducing carbon by 2030, electrifying rail and connecting more communities to the network would play a crucial role in achieving this ambition. HM Treasury should now safeguard this funding to ensure that essential upgrades and capacity

improvements can go ahead. In parallel to this, HM Treasury should review Network Rail's investment strategy and project delivery processes, to ensure that future investments are cost-effective and deliver the best possible taxpayer value for money.

#### *1.4. Capital funding*

HM Treasury should prioritise a programme of investment in physical and digital infrastructure to support local bus and rail transport. This should include adequate funding for local authorities to invest in a new generation of modal interchanges, bus priority measures, urban traffic control, bus waiting facilities and bus stations. Progress on restoring railway connectivity has been very slow. The Department for Transport's Acceleration Unit should examine how investment in new rail capacity and connections (including reinstating passenger services on closed sections of the railway and developing new stations to serve communities not currently connected to the railway) can be expedited.

### **2. Encouraging a return to public transport post-Covid**

#### *2.1. Incentives to return to public transport*

The government's messaging during the pandemic to avoid public transport has instilled a fear of using bus and rail in many people, which has persisted, despite research indicating that public transport is relatively safer than many other social settings. When the worst of the pandemic is behind us and the current restrictions begin to ease, government and operators will need to make a concerted effort to attract passengers back to public transport. As part of this, HM Treasury should introduce targeted financial incentives for passengers. This could take the shape of a Head Out to Help Out scheme, similar to the Eat Out to Help Out scheme and as suggested by Transport Focus, offering people a 50% discount on bus and rail fares for a limited amount of time. Alternatively, a First Ride Free scheme as considered by Transport for London or the discounts offered to Transdev last summer would encourage people to try bus and rail travel again and hopefully feel reassured about its safety going forward.

#### *2.2. Flexible ticketing*

The pandemic has changed people's personal travel and consumer habits significantly. The move towards flexible and remote working is expected to continue, and this is a good thing, reducing pressures on the transport system at peak times and vehicle miles overall – contributing towards air quality and emission gains. However, the bus and rail fares system is currently not suitable for these future commuting patterns. HM Treasury should commit to the introduction of flexible season tickets, single leg pricing and other flexible rail fare options that better suit people's changing travel habits, with a view to their introduction before the summer, when many are expected to return to their workplaces. Fares that work for different bus operators, capped bus fares, targeted concessions and multi-modal ticketing options are also needed to offer passengers good value option and encourage them to travel by bus and rail rather than private car.

### **3. Facilitating a longer-term shift to sustainable transport**

#### *3.1. Fuel duty*

While rail and bus fares have continued rising, the fuel duty freeze has made car journeys progressively cheaper, meaning that government has been subsidising the real cost of car ownership. It is estimated that the freeze has led to five per cent more traffic, 250 million fewer bus journeys, 75 million fewer rail journeys, an extra five million tonnes of CO<sub>2</sub> and an extra 15,000 tonnes of NO<sub>x</sub> emissions.<sup>1</sup> The freeze in fuel duty since 2011 has also cost the Treasury more than £50 billion in foregone revenue, which could have been invested in sustainable transport options and other carbon reduction measures. To break this cycle and send the right price signals to

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<sup>1</sup> Greener Journeys (10th March 2020), Ending fuel duty freeze could treble NHS budget for doctors and nurses, Press release, <https://greenerjourneys.com/press/ending-fuel-duty-freeze-could-treble-nhs-budget-for-doctors-and-nurses/>

promote modal shift, the Government should end the freeze on fuel duty at the earliest opportunity, as a temporary measure, until long-term reforms of vehicle taxation are implemented.

### 3.2. *Road pricing*

With revenue from vehicle taxation (Vehicle Excise Duty and fuel duty) declining due to fuel efficiency and cleaner vehicles, HM Treasury should be looking to move towards a system of distance-based road pricing that vary by time of day, location, and vehicle size and emission levels. Such an approach would be fairer to the consumer and to society, reflecting more closely the impacts of individual journeys (including road danger, congestion, air pollution and carbon emissions), while supporting the transition to cleaner vehicles. A national road user charging scheme should apply to the Strategic Road Network, with revenue retained by Highways England, and be in operation from 2025 at the latest. In the Budget, HM Treasury should announce a review of vehicle taxation and its intention to move to a road pricing scheme, with the intention to consult on the details later this year.

### 3.3. *Cleaner vehicles*

HM Treasury should consider targeted incentives for public transport operators, businesses and commercial fleet operators to shift to cleaner vehicles renewal. To further incentivise the adoption of zero emission vehicles by commercial and private users, HM Treasury should:

- Introduce incentives for businesses, such as lower upfront cost of electric vehicles, while the second-hand market develops
- Introduce a zero-emission bus fleet and depot overhaul programme that requires all new buses be zero emission from 2025 and aim to replace all fossil fuelled buses on the road by 2035 at the latest.
- Support the growth of zero-emission buses (both battery electric and hydrogen fuelled) at the scale to meet these needed through sector-specific manufacturing deals, to ensure the future viability and growth of UK bus manufacturing of zero emission fleet at the scale needed.
- Expedite a rolling programme of rail electrification, with the intensively used passenger and freight fleets and network electrified first.

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