Autumn Statement 2023

Campaign for Better Transport representation to HM Treasury

13 October 2023

About us

Campaign for Better Transport is the national charity working across England and Wales to make transport better, greener and fairer. Our vision is for all communities to have high quality, sustainable transport that meets their needs, improves quality of life and helps protect the environment.

Our recommendations

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

1. **Prioritising public transport investment**

- It is well established that expanding road capacity only serves to induce demand and therefore increase traffic. This results in more congestion and greater emissions. Congestion in urban areas has been estimated to cost the UK economy around £11 billion per annum. The road building initiatives under the current Road Investment Strategy (RIS2) and those proposed by its successor (RIS3) have congestion and journey time reduction as their main objectives. However, according to the National Road Traffic Projections, traffic is expected to continue increasing to 2035 and beyond. So increasing road capacity will be of no long-term practical benefit to drivers.

- Increasing road capacity and traffic levels will also drive an increase in carbon emissions to unsustainable levels. While we welcome the emphasis in National Highways' strategic plan on road upgrades rather than expansion, planning for RIS3 should be paused and reviewed against Net Zero and wider environmental goals, with a commitment to only build new roads if stringent emission requirements are met.

- Instead, investment should be focused on sustainable transport and road maintenance. Investment in public transport, including bus and rail improvements, provides much better value for money than roads and more significant wider economic and social benefits. Every extra £100 million per annum spent on rail infrastructure in the mid-2020s would support an additional 2,100 jobs. And if we all took the bus instead of the car twice a month, by 2050 this would create reductions in congestion valued at £29.4 billion. Significant amounts of capital expenditure should therefore be redirected from roads to public transport infrastructure.

Network North

- The Government's recent decision to cancel the second phase of HS2 and the reallocation of funds to other transport projects is a step in the wrong direction. Firstly, cancelling the second phase severely undermines plans for increasing rail transport capacity north of Birmingham and, with that, it undermines the Government's levelling up objectives. More clarity is needed on what the cost

impacts of expanding the West Coast Mainline instead would be – and what the implications would be for the future of rail freight.

- Secondly, our analysis of the Network North paper shows £12.3 billion, more than a third of the £36 billion saved, is being redirected away from public transport and to road schemes. This is the opposite of what is needed to tackle climate change and transport poverty. If, as stated, Network North is truly to benefit more people in more places more quickly, the focus of the re-allocation of funding should be on bus and rail schemes – not new roads.

- Further clarity is also needed on how the funding reallocated from HS2 will be spent, specifically the £700 million announced for buses and how rail reopening projects will be funded.

2. Buses

- We welcome the extension of the £2 cap on bus fares outside of London. Analysis by the Department for Transport suggests the cap is helping people with living costs and that it is playing a role in the recovery of bus passenger numbers. Despite this, the cap remains temporary. Given its success to date, the cap on single bus fares should be extended indefinitely.

- The BSIP+ allocations for 2024-25 provide a degree of continuity by investing the same sums as last year. However, an increased funding package for local transport authorities moving forward is necessary to support services and fully deliver the Government's National Bus Strategy commitments.

- To-date the stop-gap way of funding buses has proved insufficient at preventing continued cuts to services. Rather than the current system of competitive funding allocations for local authorities, long-term funding is required. All bus-related funding for Local authorities should be transferred from the Department of Levelling Up, Housing and Communities to the Department for Transport. Allocated funding must also be ringfenced to prevent a diversion of funds.

3. Rail

- HS2 is a vital once-in-a-generation project that was intended to deliver expanded rail capacity across the west and potentially east coast of England. With decades and billons already spent on the project, the Government should take no actions that prevent the completion of HS2 Phases 2a,2b and HS East by future governments being carried out. This includes selling off land already purchased for the completion of the project in full.

- If the Government is going ahead with delivering Network North, it should ensure that schemes to improve rail across the North and Midlands are fully completed, including rail re-openings promised but subsequently removed such as the Leamside line.

- Campaign for Better Transport's recent *Fare Future* report laid out a clear blueprint for creating better value rail fares, simpler ticketing, easier booking and a fairer system. Legislation is required to establish an arm's length body such as Great British Railways to reunite responsibility for revenue and expenditure on the railways and to act as a driver of fares and ticketing reform. With the long-awaited Rail Reform Bill only at draft stage, HM Treasury should work pro-actively with the Department for Transport and the rail industry to expedite a root-and-branch reform of fares and ticketing so as to simplify the system and even out the inconsistencies between operators, and introduce at the earliest opportunity passenger service contracts that encourage operators to grow passenger revenue.

4. Taxation reform

Taxing aviation fuel

- Air travel is the most polluting form of travel, producing on average eight times more carbon emissions per passenger kilometre than travelling by train. Yet at present air travel is subsidised as, unlike petrol and diesel, aircraft fuel is exempt from tax. To rebalance the pricing signals to passengers and account for flying's disproportionate contribution to emissions, duty on kerosene used for domestic flights should be introduced at 33p a litre (in line with what is being considered by the European Union). This would raise £594 million per annum. The revenue raised should be invested in upgrading the railways to improve infrastructure and reliability to increase competitiveness with domestic and near-Europe aviation.

Air Passenger Duty

- The rate of Air Passenger Duty (APD) for domestic flights has been cut. This is expected to result in an additional 410,000 flights annually and lose the Treasury £275 million in revenue over the next four years. To prevent further growth in domestic flights, HM Treasury should reverse the cut in APD for domestic flights.

Private Jets

- The use of private jets has increased since the pandemic. Yet, despite being between five and 14 times more polluting than commercial flights, private jet passengers are charged the same rate of APD as first-class passengers on scheduled flights. HM Treasury should introduce a new 'super' rate of APD – set at ten times the current higher rate – for all private jet passengers. This would raise £1.4 billion per annum.

- Currently VAT is not applied to the vast majority of private jet flights. Closing this VAT loophole would raise between £79 million - £623 million per annum (depending on the aircraft).

Fuel duty

- Fuel duty currently raises £28 billion a year to the Treasury and Vehicle Excise Duty (VED) a further £7 billion a year. Yet, this revenue is projected to fast decline in the coming years, as electric vehicle (EV) drivers currently pay neither of these taxes. HM Treasury has remedied the issue with VED, having announced that VED will start to be charged on EVs from 2025. However, fuel duty is projected to leave a much bigger gap. Our *Pay-as-you-drive* report demonstrated that the public is concerned about the impact this revenue loss will have on the funding of vital public services. People also believe it is only fair that EV drivers should start paying tax like all other drivers as a way of making a contribution to road maintenance. HM Treasury should gradually introduce a per-mile tax on EVs on the basis of vehicle mileage checked at the annual MOT. The per-mile rate should be lower than the equivalent in fuel duty to continue incentivising the uptake of cleaner vehicles.

- All planned increases to fuel duty in line with RPI have been cancelled since 2011, with an additional 5p cut in place since Spring 2022. This was meant to help people with rising fuel prices but since its introduction, there have been significant reductions in fuel costs. HM Treasury should end the additional 5p cut to fuel duty saving £2.4 billion a year.

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