

# Autumn Budget and Spending Review 2021

## Campaign for Better Transport representation to HM Treasury

September 2021

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.

We welcome the opportunity to comment on government policy and to contribute to the development of the Autumn Budget and Spending Review.

Transport provision is essential to economic growth creation and a key enabler of levelling up. It provides access to employment and training opportunities, and to essential services, leisure facilities, and seeing family and friends. Ensuring communities across the country have access to reliable, convenient, affordable and sustainable transport is vital. Modal shift away from private car journeys to public transport, walking and cycling, as well as moving to cleaner vehicles for unavoidable journeys, are also essential for reaching net zero carbon targets. The Government has set out ambitious plans for green growth and levelling up, and it would be complementary to take this opportunity to rebalance spending, tax and pricing signals in favour of public transport.

### Investment in public transport

Access to public transport is vital for communities throughout the country. HM Treasury has rightly provided emergency revenue support for operators to continue providing services throughout the pandemic. As we transition out of it, it is important that this funding tapers off gradually rather than ending in a cliff edge

The National Bus Strategy commits a total of £3 billion for the duration of the current Parliament to improve buses outside London and to get more people travelling by bus. We look forward to more clarity in this Spending Review on how much would be allocated to each local transport authority and what shape the funding would take. But additional revenue support for local bus services will also be needed to achieve the ambitions of the strategy. Research by Urban Transport Group suggests that increasing revenue support for bus services in the six largest city regions by £1.7-2.3 billion a year above pre-pandemic levels would allow improvements to existing routes, network expansion and fare reductions. This is expected to drive a growth in patronage of between 15 and 34 per cent by 2026/27.<sup>i</sup>

We strongly support the strategy's proposal to reform the Bus Service Operator Grant so it reflects environmental objectives. However, more fundamental reform to revenue support for local bus services will be needed as it is currently fragmented and complicated. There is a reliance on short-term settlements, which creates a high degree of uncertainty for local authorities. Funding from the Department for Transport is usually in the shape of competitive pots inviting authorities to bid for a limited amount of funding. This benefits a small number of winners and disadvantages smaller authorities for whom the construction of bids represents a significant allocation of scarce financial and personnel resources, and which may have less experience of putting together competitive funding bids. As part of a research project we conducted for the Department for Transport,<sup>ii</sup> local



transport authorities told us that this is one area where they lack staff capacity and expertise.

Having a single, multi-year funding pot for local buses instead would improve certainty and allow for better planning and delivery. Notwithstanding the government's reluctance to ring-fence, there is a case for such an approach to local authority bus funding. At the moment, council resources are stretched and frequently directed to statutory services, leaving little for non-statutory services like bus provision.

Capital funding is also important. Buses are already one of the greenest forms of transport – contributing only three per cent of the UK's domestic transport emissions – so we welcome the National Bus Strategy's commitment to accelerating the adoption of zero emission buses (ZEBs). Yet, at a summit we held recently at London City Hall with manufacturers, operators, mayors and local transport authority representatives from across the country, we heard that funding is the most significant barrier to progress. The £120 million available through the Zero Emission Bus Regional Area (ZEBRA) will only support a handful of pilot areas to purchase ZEBs. More clarity is needed on what amount and shape of funding will follow the ZEBRA scheme to reach the government's target of 4,000 ZEBs on our streets.

Moreover, there are over 38,000 buses on the road so even if steps can be taken to meet the government's 4,000 ZEB target within this parliament, that still leaves the vast bulk of the fleet untouched. Ideally, private operators will have the confidence to add to the 4,000 total but that may require a rather more pro-bus approach locally, to rebuild passenger numbers and revenues, if this is to be realised. This requires both carrot and stick to prioritise the bus and discourage the private car and the government should encourage local authorities to implement appropriate measures (such as bus priority lanes and workplace parking levies). Cities like Nottingham and Brighton that have done so have not only seen an uptake in public transport usage but also a benefit to their local economy.

In a similar vein, HM Treasury should rebalance infrastructure spending away from large road building projects and towards cleaner, greener alternatives. We are concerned that a large proportion of the £27.4 billion allocated for the second Road Investment Strategy (RIS2) is dedicated to new roads, as opposed to enhancements of existing ones. Research shows that investment in cycling and walking infrastructure, rail and bus upgrades and network expansion brings much higher economic and social benefits than new road building.<sup>iii</sup> The latter is also proven to induce more traffic,<sup>iv</sup> in turn generating more congestion, air pollution and greenhouse gas emissions, which is inconsistent with the Government's transport decarbonisation objectives. While we welcome the review of the National Policy Statement for National Networks, until this takes place, more public money will be invested in infrastructure projects which are poor value for money and which do not reflect the government's green recovery and decarbonisation agenda.

To support public transport service provision and rebalance funding towards greener transport modes, HM Treasury should:

- Clarify the shape and amount of local bus funding allocations to each local transport authority
- Reform how local bus funding is structured into a single, multi-year funding pot, with an increased amount of revenue funding to support services
- Scale up investment in zero emission buses
- Suspend work on new road building projects while the National Policy Statement for National Networks is being reviewed

### **Rebalance taxation and pricing signals in favour of public transport**

The pandemic has affected public transport use significantly. To attract passenger back to buses and trains, we need to ensure that services are attractive and affordable. Yet in the last 10 years (May 2011 - April 2021), bus and coach fares have increased by 77% and rail fares by 36%, while average motoring costs such as fuel, tax, insurance and maintenance costs have risen by just 9%.<sup>v</sup>

Commuting and other travel patterns have changed irrevocably during the pandemic. Many employers and their employees are embracing hybrid and flexible working models, choosing to maintain significant levels of working from home and commuting into the office only a small proportion of the time. This means that commuters can no longer be regarded as a “cash cow” who will stump up whatever is demanded of them, as might have been the case even ten years ago. Rather than bringing more revenue to HM Treasury, raising train fares simply discourages people from choosing rail for their journeys, while better value fares would have the opposite effect. In a survey we conducted in March 2021, 29% of adults in England said cheaper single or day tickets would encourage them to use public transport more. We were therefore dismayed that rail fares increased by 2.6% in March this year and could rise again by 4.8% next year - the largest increase in a decade.

Changing travel patterns during the pandemic also made the introduction of flexible season tickets more urgent. We were encouraged to see new flexible tickets introduced in June. However, our calculations showed that the level of discount provided by the new tickets – effectively a carnet of eight tickets to be used within 28 days – was insignificant on many routes and certainly not on a comparable level to traditional season tickets.

To improve affordability of public transport, a root-and-branch reform of fares and ticketing is needed. The forthcoming reforms as part of the Williams-Shapps Plan for Rail and the National Bus Strategy should bring about the necessary changes in this area. We ask HM Treasury to enable:

- A rail fares freeze for 2022
- Introduction of single leg pricing for rail journeys
- Action to lessen the difference between peak and off-peak rail fares
- A much-improved flexible season rail ticket offer
- Multi-operator ticketing across buses
- Significant expansion of areas where Pay-As-You-Go ticketing applies and price capping across modes

In light of the government’s net zero ambitions, we are concerned that some Treasury fiscal policies are directly undermining other policies adopted by government, including those on decarbonisation. For example, the fuel duty freeze over the last ten years is estimated to have 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>vi</sup>

The government is also considering proposals to reduce or scrap Air Passenger Duty (APD) on domestic flights, further incentivising the use of budget flights within the UK. Using Department for Business, Energy & Industrial Strategy tools, we calculated domestic flights emit seven times more carbon per passenger km than travelling by rail and nine times more than travelling by coach.<sup>vii</sup> The cost of flying is already cheaper per mile than the equivalent trip by rail on many routes and it is senseless to reduce the cost of flights further. Aviation of course also pays no duty on the kerosene it uses.

To help rebalance pricing towards greener alternatives, HM Treasury should:

- End the fuel duty freeze in the short term
- Commit to undertaking a review of vehicle taxation with a trajectory for replacing Vehicle Excise Duty and fuel duty with distance-based, variable road charges for the Strategic Roads Network
- End all domestic flights where the equivalent train journey is under five hours
- Make no cut to APD and introduce a ‘frequent flyer levy’ for international flights
- Require mandatory labelling of air tickets to show the carbon emissions of each flight and the equivalent train and car emissions
- Introduce an immediate moratorium on any new runway capacity until net zero flights are a reality

Thank you for considering Campaign for Better Transport's policy proposals.

For further information, please contact:

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<sup>i</sup> Urban Transport Group (September 2021), Back the Bus to Level Up: The case for bus revenue funding and reform of how it is provided, <https://www.urbantransportgroup.org/system/files/general-docs/Bus%20revenue%20funding%20case%202021%20FINAL.pdf>

<sup>ii</sup> As yet unpublished

<sup>iii</sup> TUC, Transition Economics (June 2020), Can an infrastructure stimulus replace UK jobs wiped out by COVID19 crisis? An analysis of infrastructure investment options to build back better, [https://www.tuc.org.uk/sites/default/files/TUC%20Jobs%20Recovery%20Plan\\_2020-06-17\\_proofed.pdf](https://www.tuc.org.uk/sites/default/files/TUC%20Jobs%20Recovery%20Plan_2020-06-17_proofed.pdf)

<sup>iv</sup> The correlation between increased road space and increased traffic volumes was established as far back as 1992 in the then Department of Transport's report from the Strategic Advisory Committee on Trunk Road Assessment (SACTRA).

<sup>v</sup> <https://www.racfoundation.org/data/cost-of-transport-index>

<sup>vi</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/>

<sup>vii</sup> Calculation includes direct and indirect emissions calculated by multiplying journey kms by the conversion factor for CO<sub>2</sub>e per passenger km. Source: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>