

2007 Pre-Budget Report and Comprehensive Spending Review

The Department for Transport

Funding for Crossrail announced

The 2007 Comprehensive Spending Review underlines the Government's continued commitment to reliable and efficient transport networks by confirming the 2¼ per cent annual real increase in the Department's programme budget set out in the Long Term Funding Guideline for transport announced in the 2004 Spending Review.

The 2¼ per cent real growth Long Term Funding Guideline will be extended to 2018-19 allowing the Department to continue to plan on a 10 year horizon, meaning that in the 20 years from 1997-98 UK transport spending will have more than doubled in real terms.

These increases allow the Department to contribute over £5 billion to Crossrail, the Government's share of the overall cost of up to £16 billion. Subject to Royal Assent of the Crossrail Bill, construction will be taken forward as a single programme, with first services planned to come into operation during 2017. Services to all stations on the route are expected to build up incrementally over twelve months.

The Department has committed over £15 billion to the railways to enhance capacity and improve safety and reliability on trains between 2009 and 2014. This includes a programme to modernise the Thameslink line, the addition of 1,300 carriages to increase capacity on key routes, an extensive programme of station improvements and £200 million of investment in a strategic rail freight network.

The Review will also allow for the creation of an enhanced national concessionary travel scheme so that residents of England aged 60 and over and eligible disabled people will be entitled to free off-peak local bus travel anywhere in England from 1 April 2008.

The Secretary of State for Transport, Ruth Kelly, said,

“This settlement confirms that investment in public transport will continue to grow in real terms bringing sustained improvements for the travelling public. The historic commitment to deliver Crossrail will support Britain’s economic growth and relieve the pressure on the tube by carrying around 200 million passengers a year. The extension of concessionary fares, the focus on local and regional transport as well as the increased capacity on the rail network will bring tangible improvements to passengers’ journeys.”

NOTES FOR EDITORS

1. DfT’s programme budget will grow by 2¼ per cent per year on average in real terms over the CSR period. Average annual real growth for the Department as a whole will be 2.1 per cent due to savings in DfT’s administration budget, which will fall by 5 per cent a year in real terms.
2. The additional funding provided by the 2007 CSR settlement will be accompanied by value for money reforms realising annual net cash-releasing savings of £1.8 billion by 2010-11.
3. Crossrail’s expected cost of up to £16bn will be met by Government, businesses and farepayers, each contributing around one third:
 - Government will contribute by means of a grant from the Department for Transport of over £5 billion during Crossrail’s construction;
 - Crossrail farepayers will ultimately contribute around another third of the cost, with projected operating surpluses used to service debt raised during construction by Transport for London, and by Network Rail in respect of the works on the national rail network;

London businesses will contribute broadly another third through a variety of mechanisms:

- direct contributions have been agreed with some of the project’s key beneficiaries along the route. Canary Wharf Group has agreed to make a significant contribution to the Project, and will in addition be responsible for delivering the Isle of Dogs station on advantageous terms. The City of London Corporation will make a significant contribution from their own funds, and will assist in delivering additional voluntary contributions from the largest London businesses. The Government will offer the

Corporation its support, where necessary, to deliver these additional contributions. BAA have also agreed in principle to make a financial contribution

- the Government is separately publishing a White Paper setting out its proposal to introduce a power for local authorities to raise supplementary business rates to fund economic development. Following discussions with Government, the Mayor has indicated that, subject to appropriate consultation, he envisages using these powers to levy a supplement of 2 pence per pound of Rateable Value across London from April 2010, with relief for businesses with a Rateable Value below £50,000, which will be used to service £3.5bn debt raised by the Mayor during construction.
- the Mayor has further indicated that he envisages securing contributions from property developers, particularly those who develop in the vicinity of Crossrail stations, and that subject to any appropriate obligations such as Examination in Public, he expects to bring forward London Plan alterations to this effect.

4. The 2007 CSR settlement also provides for:

- significant investment in roads, supporting Sir Rod Eddington's three recommended strategic economic priorities for transport policy of congested and growing city catchments, key inter-urban corridors and key international gateways; and
- support for local road pricing schemes to tackle congestion, combined with public transport investment, subject to appropriate proposals coming forward. Greater Manchester has already submitted a proposal and other areas considering them include the West Midlands, Tyne & Wear, Cambridgeshire, Shropshire, Durham, East Midlands, Reading, Norfolk and Bristol.

Table

Department for Transport baseline and additions				
	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	6,274	169	219	399
of which near-cash	5,678	479	472	380
of which administration	290	-8	-15	-21
Capital DEL	6,660	633	954	1,452
Total DEL¹	12,556	842	1,219	1,909
	£ billion			
	Estimate	Projections		
	2007-08	2008-09	2009-10	2010-11
Total UK transport ²	20.0	21.9	22.5	23.7

¹ Full resource budgeting basis, net of depreciation.

² UK transport measured consistently with international definitions from the UN classifications of the functions of government (COFOG). Actual outcomes are subject to spending decisions by local authorities and devolved administrations. These figures reflect HM Treasury's latest indicative assumptions on the expenditure of local authorities and devolved administrations.

For further details of DfT's settlement and Departmental Strategic Objectives over the CSR07 period, please see *The 2007 Pre-Budget Report and Comprehensive Spending Review: Meeting the aspirations of the British people* www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

The Government today announced 30 cross-departmental Public Service Agreements, setting out the top priorities for the CSR07 period. For further details on these please see: www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

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