

The Government recognises that reliable, modern and sustainable transport systems are critical to the economic prosperity and productivity of the country. This Spending Review provides average annual growth of 4.5 per cent in real terms over the three year period covered by the Review, with expenditure by the Department of Transport in 2007-08 £2.4 billion higher than in 2004-05. It provides:

- £1.6 billion cash additions over 2006-07 and 2007-08 to continue meeting the long-term profile of public expenditure set out in the 10 Year Plan for Transport;
- £0.5 billion permanent annual uplift to the 10 Year Plan from 2006-07; and
- £1.7 billion transport reform package to cover immediate pressures over 2005-06 and 2006-07.

As a result of this Spending Review, annual public expenditure on transport will, by 2007-08, be over 60 per cent higher in real terms than the equivalent level of spend a decade earlier. This Spending Review also announces reforms to ensure that increased resources for transport are matched by improved results, including:

- the forthcoming Rail White Paper, which will set out a comprehensive structural reform package to improve cost control and value for money in the rail industry, and ensure that it is capable of delivering significant performance improvements for rail passengers;
- improved value-for-money analysis in the appraisal and prioritisation of transport investments;
- maintaining support for local authority private finance, where this continues to represent the best value for money method of procurement, with the provision of £755 million more in transport Private Finance Initiative (PFI) credits by 2007-08 than in 2004-05;
- greater local and regional involvement in investment choices to create a more integrated system of transport, spatial and economic planning and implementation;
- changes to the way bus services are procured and subsidised in some circumstances, as part of a wider set of measures to deliver improved bus services;
- promoting integrated solutions to local congestion problems and taking forward the recommendations of the feasibility study into road pricing in the UK; and
- generating efficiencies worth £785 million per annum by 2007-08, which will mean additional resources for priority transport areas.

TRANSPORT PLANNING FOR THE LONG TERM

Challenging objectives

9.1 The publication of the *10 Year Plan for Transport*¹ in July 2000 marked the beginning of a more strategic approach to transport funding. This long-term approach was a move away from the stop-go funding of past decades and was designed to provide predictability of both policy and funding to deliver real improvements in the UK transport system. This summer the Department for Transport will update this in a new transport strategy document. It will set out how Government is responding to increasing and changing travel demands whilst continuing to deliver the right economic, social and environmental outcomes.

¹ The 10 Year Plan for Transport, Department for Transport, July 2000.

9.2 This Spending Review maintains the Government's commitment to annual average real increases in transport spending. The department's forthcoming strategy document will set out an enhanced long-term funding guideline. They will use this funding to continue bringing real improvements to all transport users, by making better use of the road network, expanding it where there is a strong case, and reforming rail industry structures to deliver significant performance improvements and better value for the taxpayer. The strategy document will also set out how the department will deliver effective cost control and drive value for money across all transport modes and regions, whilst also continuing to improve the accessibility, punctuality and reliability of local and regional public transport systems.

Delivering a reliable and modern transport system

Progress to date 9.3 The publication of the 10 Year Plan provided an unprecedented commitment to deliver improved transport through a programme of sustained, long-term funding. The Government has made real progress over the last few years towards meeting the objectives set out in the Plan, and is spending £260 million each week to improve transport. These increased resources, together with key reforms, have started to correct decades of under-investment in transport infrastructure. Achievements since the Plan was agreed include:

- the highest level of passenger train use in over 40 years, with an increase in passenger journeys of over 25 per cent since 1996-97; performance improving by 2 percentage points, resulting in more trains arriving on time in 2003-04 than in 2002-03; 40 per cent of all rolling stock being replaced between 2000 and 2005; and Network Rail replacing over 800 miles of track in 2003-04 compared to less than 300 a decade earlier;
- progress on tackling congestion through major investment in road capacity at the worst bottlenecks, with 97 of the 100 trunk road improvements announced in June 2000 completed and 18 key major road improvement schemes completed since March 2002. The department is also working to manage the current network more effectively – by developing active traffic management measures and through the study into the feasibility of road pricing, which will be published shortly;
- growth in the use of local public transport, which is on track to meet its Public Service Agreement (PSA) target with 4 per cent patronage growth since 2000. Under Local Transport Plans (LTP) the Government has invested over £4.5 billion in local capital projects over the last 3 years, more than double the investment available to local authorities prior to the LTP's introduction;
- a reduction in the number of people killed and seriously injured on Britain's roads of 22 per cent in 2003 compared to the average for 1994-1998. This is already over half way to achieving the 40 per cent reduction target set for 2010. Child deaths and serious injuries are also down 38 per cent, two-thirds of the way to the 50 per cent target set for 2010; and
- the provision, for the first time, of a strategic framework for the development of aviation travel over the next 30 years, balancing the economic and social benefits of air transport and its environmental impacts.

Resources matched with reform

9.4 Reliable and modern transport systems are critical to the economic prosperity and productivity of the country. Along with providing the resources to maintain the sustained

investment profile set out in the plan, the 2004 Spending Review provides for much needed reforms to maximise value for money supported by targets to continue driving delivery.

Box 9.1: Key PSA Targets for Transport

The Department for Transport's new PSA set includes targets to:

- reduce urban and inter-urban congestion (new targets to be developed by July 2005);
- improve the punctuality and reliability of rail services;
- increase the use of local public transport across the country;
- reduce the number of adults and children killed or seriously injured in road accidents; and
- improve air quality and help tackle climate change.

Rail Review 9.5 Despite the progress being made on rail, the Government has recognised that to take rail performance to the next level, and deliver a rail industry and network fit for the next 30 years, deep-rooted structural problems in the industry need to be addressed. Therefore, in January 2004 the Secretary of State for Transport announced a fundamental review of the rail industry. The review, which will be published later this month, will announce a comprehensive structural reform package to improve cost control and value for money in the rail industry, and ensure it is capable of delivering significant performance improvements for rail passengers. The funding provided in the Spending Review will enable these reforms to be taken forward without delay.

Value for money 9.6 As part of a continued effort to maximise the effectiveness of investment in transport, the Department for Transport is developing and sharing its analysis of relative value-for-money in transport appraisal and decision-making. The objective is give stakeholders and decision-makers a shared understanding of the opportunity cost of different investment choices and the considerations that will influence ministerial decisions where public spending is being sought.

Local and regional devolution 9.7 The Government believes that choices on regional and local transport investment are best taken when informed by local stakeholders. The Devolving Decision Making Review published in March 2004 announced two pilot studies for Regional Transport Boards with indicative regional budgets. This is an important step towards greater devolution of choice. It is also becoming increasingly clear that regional choices on transport, housing, planning, and economic development cannot be taken in isolation. The Government is examining new ways to integrate regional transport, economic and spatial development strategies, within a framework of indicative regional budgets. The Government will also consider whether regional devolution could be accelerated in regions with Elected Regional Assemblies. It will consult on these proposals later in the year, with a view to publishing indicative regional budgets alongside the Budget in 2005.

Growth areas and sustainable communities 9.8 The first step towards taking forward the recommendations of the Barker Review of housing supply on the integration of transport and housing agendas, will be the establishment of a new Community Infrastructure Fund of £150 million by 2007-08 for local infrastructure needs. This will be held as part of the Department for Transport's budget, but will be jointly administered with the Office of the Deputy Prime Minister.

**Social exclusion
and accessibility
planning**

9.9 The Department for Transport will continue to lead on taking forward the cross-Government policies emerging from the Social Exclusion Unit's report, *Making the Connections: The Final Report on Transport and Social Exclusion*². A key aspect of this was developing guidance for Local Authorities on accessibility planning to help them identify and address local accessibility needs for the next Local Transport Plans due in July 2005. This will be issued shortly and will give local authorities a practical toolkit to work with partners across the local area and determine how transport provision, particularly that of buses, and the location of services can benefit all members of the community.

Box 9.2: Bus Subsidy Review

Buses provide a vital public service, relied upon by millions of people, and the Government believes that they have a critical role to play in facilitating modal shift, reducing urban congestion, increasing social inclusion, reducing environmental impacts and enabling economic growth.

Budget 2002 announced a review of bus subsidies to assess whether the existing support mechanisms for allocating the more than £1 billion per year subsidy are the most effective way of achieving Government objectives. The Transport Act 2000 contained provision for Local Authorities to adopt Quality Contracts whereby all bus services in an area are specified and procured through tendered contracts, if this was the only practicable way of implementing their bus strategy.

The review concluded that, although there are many examples of successful bus networks, the current system has not delivered the full potential of the bus in all parts of the country, and that the implementation of Quality Contracts might offer significant gains and greater value for money from public subsidy in some circumstances.

The Government is therefore encouraging local authorities to look closely at Quality Contracts in order to deliver their local bus strategy. For areas that choose to procure bus services through this route, the Bus Service Operator Grant will no longer be paid. Instead a parallel sum will be transferred directly to the local authority for procurement of bus services.

In other areas, the Government have concluded that for the moment, without changes to the way bus services are procured, greater gains could be achieved through bus operators and local authorities focusing their energies on working in partnership to improve services for passengers within the current framework. But the Government will keep this question under review.

The Bus Subsidy Review also noted room for improvement in other aspects of the current bus framework, including:

- enabling more efficient tendering through the development and roll-out of procurement best practice;
- ensuring local authorities have the right framework and tools to deliver their side of the bus offering, particularly through bus priority and traffic management measures; and
- streamlining the administration of concessionary fares.

The Department for Transport will take forward these ideas and set out new initiatives and measures to further improve bus services in their forthcoming strategy document.

² *Making the Connections: the Final Report on Transport and Social Exclusion*, Social Exclusion Unit, February 2003.

Road charging 9.10 A key challenge for the Department for Transport in tackling congestion is to manage demand more effectively. The department has been leading a feasibility study into the practical options for tackling congestion through road-user charging, which will be published shortly. The experience of the London Congestion Charge shows that a successful charging scheme can be implemented in urban centres, with reductions in traffic levels and congestion, and increased use of alternative modes of transport, furthering our economic, social and environmental objectives. The department will outline how it intends to take forward recommendations from the study as part of its forthcoming strategy document.

Box 9.3: Efficiency

Agreed Target

The Department for Transport will realise total annual efficiency gains of at least £785 million by 2007-08, of which at least half will be cashable, releasing resources to front-line activities.

Implementation plan

As part of this programme the Department for Transport plans, by 2007-08, to:

- achieve a total reduction in departmental civil service posts of at least 200 and in the Driver and Vehicle Licensing Agency (DVLA) by at least 500;
- be on course to have relocated 60 or more posts out of London and the South East by 2007-08 and consider further relocations as the department develops its future strategy;
- lead a project to improve roads procurement in local authorities through the application of Highways Agency expertise to deliver annual efficiencies of £190 million, and more in later years;
- increase tax collection by the Driver and Vehicle Operator (DVO) Group by £75 million per annum, and achieve another £70 million of efficiencies per annum through transactional services and other areas within the DVO group;
- put in place its comprehensive and far-reaching agenda to restructure and reform the department, which will deliver efficiencies of over £25 million from reforming both the central department and its support services; and
- deliver £125 million of efficiencies as a result of Transport for London's own efficiency plans and a further £122 million from other areas of local authority spending.

SPENDING PLANS

9.11 Spending by the Department for Transport will grow by 4.5 per cent a year on average in real terms over the three year period covered by the Spending Review. This not only provides additions of £1.6 billion to meet the long-term profile of public expenditure set out in the 10 Year Plan for Transport, but also provides a £0.5 billion annual uplift to the 10 Year Plan from 2006-07 onwards and a £1.7 billion transport reform package to cover immediate pressures over 2005-06 and 2006-07. The Spending Review also provides £755 million more in PFI credits for Local Authorities by 2007-08 than in 2004-05, where this continues to represent the best value-for-money method of procurement. These include a one-off addition of £200 million for the Thames Gateway Bridge. These increases mean that Department for Transport expenditure in 2007-08 will be £2.4 billion higher in 2007-08 than in 2004-05.

Table 9.1: Key figures

	£ million			
	2004-05	2005-06 ³	2006-07	2007-08
Department for Transport				
Resource Budget	7,051	8,555	10,766	9,867
<i>of which Administration Budget</i>	217	248	243	238
Capital Budget	3,717	3,358	4,083	4,160
Total Departmental Expenditure Limit ¹	10,415	11,527	13,608	12,857
<i>Dept. Expenditure excluding one-off reform package</i>	10,415	11,027	12,408	12,857
UK transport spending (estimated) ²	16,548	17,312	20,086	19,287

¹ Full resource budgeting basis, net of depreciation.

² UK transport measured consistent with international definitions from the UN classifications of functions of government (COFOG). Actual outturns are subject to spending decisions by local authorities.

³ Includes £500 million in 2005-06 allocated from the reserve.

Investment

9.12 A proportion of the public investment provided in this Spending Review is delivered through capital grants to the private sector, mainly in the rail industry. These are shown as resource in the department's budget but are investments, as they create assets of long-term value to the economy. Total public transport investment as defined in national accounts is therefore set out in Table 9.2 for clarity.

Table 9.2: Transport Investment

	£ million			
	2004-05	2005-06	2006-07	2007-08
Total Transport Investment	5,884	6,164	7,697	7,017
<i>Of which:</i>				
Central government own investment	3,717	3,358	4,083	4,160
Investment Grants	2,167	2,806	3,614	2,857