



Campaign to Protect
Rural England



working for cycling



Friends of
the Earth



COMPREHENSIVE SPENDING REVIEW 2007

SUBMISSION FROM THE NATIONAL TRANSPORT ROUNDTABLE

Campaign to Protect Rural England
CTC
Friends of the Earth
Living Streets
Railfuture
Royal Society for the Protection of Birds
Sustrans
Transport 2000

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1 EXECUTIVE SUMMARY

Climate change is the critical challenge for transport – but the sector is getting off lightly at present. Yet research suggests that carbon dioxide emissions from transport can be cut significantly without harming the economy or quality of life.

We argue that the Comprehensive Spending Review must give priority to funding measures and programmes that reduce the impact of transport on climate change. Decisions must be taken which avoid entrenching high carbon behaviour. They should involve a very wide range of measures and packages that will help change travel behaviour – how people travel, how much and the choices available to them.

Our key proposals are:

- Establish a Carbon Reduction Fund, paid for by halving the Transport Innovation Fund. This would fund packages of measures to reduce carbon emissions from transport and would invite bids from a wide range of organisations including local authorities, transport operators, the Highways Agency, Network Rail, airports, airlines and third sector groups.
- Cut back the motorway and trunk roads programme, saving around £1 billion a year. This recognises the carbon impacts of road-building, the wide range of alternative options available and the potential impact of road-user charging. Given the seemingly systemic cost over-runs on trunk road schemes, these now offer much poorer value for money.
- Reduce the cost of running the existing railway and invest the savings in programmes to make better use of what we have and to increase capacity and capability. Specifically:
 - Test structural reforms such as local management of infrastructure and a public sector–run franchise;
 - Create an ‘invest to save’ budget to fund schemes that will reduce costs over 5-10 years;
 - Create a Rail Enhancement Fund to support capacity increases;
 - Reintroduce the Rail Passenger Partnership fund;
 - Expand accessibility funding and the Freight Facilities Grants;
 - Give greater support to line and station openings and re-openings.
- Introduce a number of changes to local transport:
 - Increase the integrated transport budget;
 - Change the major schemes budget to support wider national objectives;
 - Ensure Local Transport Plans and Regional Funding Allocations contribute to tackling carbon emissions;
 - Provide revenue funding through a single revenue pot as recommended by Eddington;
 - Invest in bus networks, linked in with other transport modes and not just individual services.

- Improve delivery:
 - review appraisal methodology, notably the impact of allowing for fuel tax; lost to Treasury to count as a disbenefit on all schemes tackling congestion and pollution;
 - invest in better training for transport professionals;
 - fund not-for-profit groups to help delivery.

Action to reduce transport's contribution to climate change will bring economic and social benefits and address several of Treasury's key challenges (security, competition and technological change).

As well as being good for the environment and society, our proposals will be progressive in social terms. Greater investment in public transport, cycling and walking will benefit the lowest income groups most.

Summary of proposals

Roads:

- Cut £1bn a year for road building now
- Trial hard-shoulder running on M1, M25 and M6 and suspend proposed widening projects
- Cut £1.8bn by end of 5 years in efficiency savings

Rail:

No overall change, but

- reduced costs through savings (restructuring, lower/no leasing costs etc) of £1.7bn a year by end of 5 years
- Invest to save £150m
- Rail Passenger Partnership £500m
- Interchange fund £100m
- Accessibility fund £450m
- Freight Facilities Grant £50m/year
- Rail Enhancement Fund £500m

Transport Innovation Fund:

Half to go to Carbon Reduction Fund

Local transport:

- double integrated transport fund = £1bn (£500m in 2006-7)
- Major schemes funds (nearly all earmarked for road building) = halved in year 1, back to current levels by year 5 (£1.7bn 2006-7) but to go towards doubling the length of the National Cycle Network, public realm, trams etc; road building reduced
- Revenue funding £2.5bn paid for from roads programme cut

Delivery:

Funding for NGOs and re-skilling: £300m

2 THE CONTEXT

"There is nothing more serious, more urgent or more demanding of leadership...the Stern Review has demolished the last remaining argument for inaction in the face of climate change...We will not be able to explain ourselves to future generations if we fail." (Rt Hon Tony Blair MP) ¹.

"Dealing with climate change is a key long term challenge for transport. It is not an optional extra. It is not something we can leave to future generations to sort out." (Rt Hon Douglas Alexander MP) ²

2.1 The importance of climate change

As the Prime Minister acknowledges, climate change is the greatest problem facing the world. The primary focus of the Comprehensive Spending Review (CSR) must be to develop and support policies to reduce UK emissions of greenhouse gases (GHG).

Climate change is not simply an environmental problem, but one will have significant economic impacts. As Gordon Brown said in his speech to the United Nations last year: *"Failure to protect the environment will put at risk future economic activity and growth ... We must match growth and justice with environmental care"* ³.

The Stern Review stated that the costs of not cutting climate change emissions are much greater than the costs of cutting emissions. It has been claimed for many years that action on climate change was unaffordable, but Stern proved this is not the case. He has shown that the world does not need to choose between averting climate change and promoting growth. Mitigating climate change supports the growth strategy. There is still time to act but we must take strong action now. The high price to delaying action is that we commit to more climate change and higher mitigation costs.

Stern clearly highlights that we are living in a carbon-constrained world. The Government has accepted that we need to cut emissions by at least 60% by 2050, but recent science reveals that we will probably need to go further to avoid the worst impacts of climate change. This equates to limiting an increase in global atmospheric temperature to no more than 2 degrees Celsius above pre-industrial levels. This will require keeping atmospheric concentrations of carbon dioxide (CO₂), the main greenhouse gas, as far below 450 parts per million (ppmv) as possible. It is also essential to ensure a peaking of global carbon emissions and the start of a decline by 2015 in order to avoid dangerous climate change. Recent research for Friends of the Earth and the Co-operative Bank⁴ concludes that the UK must emit no more than 4.6 gigatonnes of carbon between 2000 and 2050 if it is to deliver its fair share of the emissions cuts needed to keep atmospheric concentrations of carbon dioxide at no more than 450 ppmv.

¹ Speaking at the launch of the Stern Review on the Economics of Climate Change, 30th October 2006

² Letter to the Prime Minister July 2006

³ See http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2006/press_31_06.cfm

⁴ Friends of the Earth 'The future starts here: the route to a low-carbon economy' (2006)

This means that action to develop a low-carbon economy must start now. We cannot sit on our hands and hope for a 'miracle cure' in 30 or 40 years time. It is not just the 2050 end-point that is important, but also the trajectory we follow towards that end-point.

We believe that, to deliver the changes needed in practice, we must set an annual carbon budget aiming to reduce emissions year on year, with annual reports to Parliament and mechanisms to hold the Government of the day to account if annual targets are not reached.

2.2 Transport, climate change and the CSR

Government figures show that transport is responsible for a significant proportion of total UK CO₂ emissions. However these inventories omit the UK's share of emissions from international aviation and international shipping. In 2004 these would have increased total emissions by almost 10%⁵.

Furthermore, transport is the only sector where domestic emissions of greenhouse gases are still increasing, and transport's share of total emissions is rising. The Government's latest figures⁶ show that transport, excluding international aviation and shipping, emitted 43.1 MtC in 2004, around 28% of total UK emissions and a rise of about 10% since 1990⁷.

Transport emissions are continuing to rise because transport trends are heading in the wrong direction: trips are getting longer and transport by car and air is becoming cheaper all the time. All this is outweighing any benefits from technological advances in vehicle efficiency.

Estimates of future emissions from transport vary greatly: Department for Transport (DfT) forecasts show road transport emissions peaking in 2010 and then falling significantly to at least 2025; whereas Department for Trade & Industry (DTI) forecasts show road transport emissions continuing to rise to at least 2020⁸. Aviation emissions will continue to rise sharply if current growth rates continue and could, on their own, make it virtually impossible to meet the Government's 2050 targets⁹.

Cutting transport emissions is therefore crucial to meeting longer-term climate targets. DfT has responsibility for a share of the climate change PSA target, therefore transport should contribute at least its share of the cut. However research by consultants Steer Davies Gleave¹⁰ shows that the Department for Transport (DfT) are not currently taking the key treasury challenge of climate change and their responsibilities to deliver on the climate change PSA target seriously.

⁵ *ibid*

⁶ ref to DEFRA 2006 ccp?

⁷ Department for Environment, Food & Rural Affairs (2006) '

⁸ Steer Davies Gleave for Transport 2000 and others 'Driving up carbon dioxide emissions from road transport: an analysis of current Government projections' (July 2006) http://www.transport2000.org.uk/library/CO2_emissions_report_Final_v3.pdf

⁹ House of Commons Environmental Audit Committee 'Reducing carbon emissions from transport' para 116 (July 2006)

¹⁰ Steer Davies Gleave *op cit*

- In examining DfT's figures and other material from answers to Parliamentary and Freedom of Information Act requests, it has emerged that the Department does not appear to have a clear picture of the effects of its policies and programmes on CO2 emissions, especially approved road schemes.
- There are no data on CO2 emissions for over half of the road-building schemes in the Government's Targeted Programme of Improvements (TPI) which consists of agreed major improvements to the trunk road and motorways network. The Government's estimate of the increase in carbon emissions from its road-building programme of 0.1MtC by 2010 is a top-down estimate and no guide at all to the actual likely increase.
- The effectiveness of measures to reduce transport emissions set out in the 2006 UK Climate Change Programme is questionable: the voluntary agreement on the fuel efficiency of new cars is almost certain to miss its target; the fuel duty escalator has been withdrawn and so will generate no further savings; and the decreasing cost of motoring compared to public transport is inhibiting modal shift from car to bus and train. This means that the Government's forecasts of increases in carbon dioxide emissions from road transport may not be relied on and are likely to significantly underestimate actual increases.
- The potential environmental cost of carbon emissions from transport to 2025 is £30.9 billion. This figure could rise by up to a further £10.5 billion if Government policies are not as effective as estimated.

Latterly, the DfT has provided a full set of Appraisal Summary Tables for all road schemes in the TPI. Early analysis of the information shows that the combined increase in CO2 as a result of the programme will be substantially more than the Government's top-down estimate of a 0.1MtC by 2010. Local road schemes funded by the DfT through Local Transport Plans will further increase CO2 as a result of induced traffic.

In the light of all this, it is essential that the DfT establishes a departmental strategy for tackling climate change to address these issues. A carbon audit of all policies should be conducted, setting out how each policy area will contribute to emissions reductions.

2.3 What is possible: transport's potential contribution

The transport sector can make a major contribution to cutting carbon dioxide emissions. Research for the DfT shows that emissions can be cut to 60% below 1990 levels by 2030¹¹. Critically, this research showed that emissions cuts on this scale cannot be achieved simply through technological measures such as greener cars, but that significant behavioural change would also be needed.

¹¹ Bartlett School of Planning, University College London and Halcrow Group for Department for Transport 'Looking over the horizon' (January 2006)

Transport must play a significant role in reducing emissions. If we are to meet the targets necessary to avoid the worst impacts of climate change, then cuts not made in one sector must be made elsewhere. If transport emissions are allowed to continue to increase at predicted rates, this could put more pressure on other sectors and threaten Government overarching targets.

Several sources, notably the Stern report, have claimed that cutting carbon emissions from transport will be relatively expensive compared to other sectors and thus that transport will be one of the last sectors to reduce emissions¹². We question this analysis, for the following reasons:

- The majority of the studies focus on supply side measures (improving the energy efficiency of vehicles and reducing the carbon content of fuel used) rather than on demand-side measures (securing changes in travel behaviour).
- The full potential of measures to improve public transport has not been assessed.
- At least some of the measures that will reduce carbon emissions from road transport are in fact inexpensive (for example, walking and cycling schemes) and Sustainable Travel Towns measures like TravelSmart¹³ were found by Eddington to be very good value for money and hence will score well in comparison with the cost per tonne of carbon avoided of measures affecting other sectors.
- Transport solutions often come out as more expensive because without complementary measures, some of the benefits of existing and proposed measures in the transport sector will not be realised (the rebound effect).
- There appears to be no assessment of the impact on the transport sector of measures in other sectors, for example, school choice and centralisation of some health services and the resulting impact on CO2 emissions.
- There are many differences in methodology used to assess carbon savings, such as variations in the impact on demand.
- Policies on climate change should not be considered and assessed in isolation. The measures that will reduce CO2 emissions from transport have other benefits (as well as costs) that must be considered and will, we believe, add to the case for pursuing them. For example, measures to enforce speed limits will have safety as well as carbon reduction benefits.¹⁴

¹² For example Stern states “transport is one of the more expensive sectors to cut emissions from because the low carbon technologies tend to be expensive and the welfare costs of reducing demand for travel are high. Transport is also expected to be one of the fastest growing sectors in the future. For these two reasons, studies tend to find that transport will be among the last sectors to bring its emissions down below current levels” Stern Review on the economics of climate change Annex 7c.

¹³ Programmes of Individualised Travel Marketing carried out by Socialdata on behalf of Sustrans have delivered reductions in car trips of between 9 and 14%
<http://www.sustrans.org.uk/webfiles/travelmart/TravelSmart%20info%20sheet%202006.pdf>

¹⁴ Jillian Anable/Paige Mitchell/Russell Layberry (2006): Getting the genie back in the bottle: Limiting speed to reduce carbon emissions and accelerate the shift to low carbon vehicles. In: LowCVP ‘Low Carbon Road Transport Challenge’. Proposals to reduce road transport CO2 emissions. <http://www.lowcvp.org.uk/challenge/>

For these reasons we believe that cost-effective cuts in transport emissions can and must be made sooner rather than later.

Transport 2000 will shortly be publishing further work on the relative costs of reducing CO2 emissions from the transport sector which will be sent as an appendix to this submission. However, some of these points are borne out by the Eddington Transport Study which we comment on below.

2.4 The Eddington Transport Study

The Eddington Transport Study provides further context within which the transport aspects of the CSR must be considered. The broad conclusions we draw from the study relating to the CSR are as follows:

- Moves towards road pricing, which we support in principle, will reduce the need and justification for road building as the report makes clear. However, the case against road building is stronger than the report suggests. Firstly because the programme has not been appraised against road user charging and secondly because the environmental valuations suggested in the review, notably for CO2 and landscape, are too low, especially compared with time savings and may not reflect absolute environmental limits (the need to reduce CO2 to within given limits or to protect irreplaceable habitats and landscapes). Thirdly, we think that the analysis on the benefits of road building appears to ignore or downplay the induced traffic effects of road building (identified in the report by the Standing Advisory Committee on Trunk Road Assessment in its 1994 report¹⁵ and by many since), which mean that in many cases the predicted time savings are overwhelmed by unforeseen induced traffic, including through land use changes. For this reason and others, we believe that the report's support for the current road programme is flawed.
- Small projects and schemes that promote walking and cycling are good value for money and the CSR should therefore give priority to programmes of small schemes and walking/cycling programmes.
- We strongly support the report's recognition that the split between capital and revenue funding on transport is skewed, especially at local level and that this leads to sub-optimal decisions. The case for more and more flexible transport revenue spending is clear from this.

There are also areas where we disagree with the study findings or where the findings omit issues we think are important:

- The review does not emphasise the importance of providing transport for people in low income areas to areas of economic opportunity, as ways of widening labour markets and getting people back into work. Several areas, notably Merseyside,

¹⁵ The Standing Advisory Committee on Trunk Road Assessment 'Trunk Roads And The Generation of Traffic' Department of Transport (1994)

have good practice in this respect and it is disappointing that the report failed to refer to this aspect. Funding for these schemes is worthwhile and should be expanded.

- The report does not include any clear vision or long term role for the railways. Beyond casting doubt on the case for a full high speed rail link using new technology, the review is silent on the case for new capacity, especially beyond 2015, or the role of railways for passenger and freight within wider transport policy. In particular, the report ignores the implications for rail (and public transport in general) of road pricing. This is subject to significant technical disagreement, but we believe that road pricing is in principle likely to generate extra traffic for rail. Forthcoming work for Transport 2000 by MDS Transmodal using the DfT's own national freight model confirms this with respect to freight. We therefore argue that a significant expansion in rail capacity is required and would help support the Government's objectives.
- Rural areas and rural transport are not mentioned at all, despite the importance of rural areas to the economy both in terms of interdependence with urban areas and as important places for growth of small and medium enterprises and for tourism, in their own right. Funding for transport in rural areas is important and should be increased.
- Tourism is a key industry and economic driver for many areas in the UK and also involves significant spending by UK citizens in other countries. It also generates significant travel demand, but the review does not recognise this at all – indeed tourism is hardly mentioned. This means that the analysis on international gateways is flawed. Airport expansion may benefit international trade, but the bulk of the capacity will be used for tourism and from CAA figures this is mostly people in the upper two income quintiles making more air trips (second homes in Europe, stag nights in Prague etc). These trips are of questionable value to the UK economy and indeed create a tourism deficit.
- Above all, we believe that the Eddington study misses the linkages between transport, land use planning, density and development and their role in supporting agglomeration. Current patterns of new urban development are too often spatially inefficient, resulting in urban sprawl which incurs traffic congestion and requires costly transport infrastructure. By contrast, spatial efficiency in urban development makes efficient use of land, integrating land use with transport to make essential services more easily accessible to local residents, supporting agglomeration and helping to minimise the carbon footprint of development. As CPRE research shows¹⁶, the focus of spatially efficient development is on accessibility and reducing the need to travel rather than on mobility. High density development with low levels of car parking on previously developed land in urban areas, built around high quality public transport and rail nodes with good local facilities within walking or cycling distance, increases densities and reduces car use (and even ownership) significantly, even at comparatively high income levels (cf Hampstead). There is therefore a case for investing in high quality public

¹⁶ CPRE, 'Back Together Again' (2004)

transport and good access to local facilities to support low carbon development and behaviour. This approach is compatible with economic prosperity.

We urge the Treasury to seek consistency in applying the conclusions of the different reports it has commissioned which have implications for land use planning. For example, the Stern report favours the use of spatially efficient development. By contrast, Barker's Review of Land Use Planning supports an increase in parking spaces to encourage commercial development, as well as the abolition of statements of need for retail development. The removal of statements of need would result in an increase in out-of-town development which would increase car journeys while reducing the viability of town centres.

2.5 What this means for the CSR

The CSR has a critical role to play in reducing transport emissions. The Government must ensure that it does not lock us into carbon-intensive patterns of development which will make cutting emissions extremely difficult.

Instead transport policy and spending must focus on reducing CO2 emissions by:

- changing how much people travel while still maintaining their quality of life
- changing how people travel by making lower carbon alternatives to the car and the plane more attractive – more efficient, reliable and affordable.

The conclusions of Eddington's review must be considered extremely carefully in this respect. Eddington recognises that large-scale road building will not solve congestion and that road pricing is essential to the economy. A clear package of measures is required to bring in a national scheme while investing in alternatives. We do not believe that there is a strong economic case for most road building, with the economic benefits exaggerated, environmental impacts inadequately costed and outcomes that include patterns of unsustainable development and induced traffic. We also believe that current appraisal neither reflects impacts accurately nor provides a reliable method of making investment decisions.

The report also supports the case for investment in small schemes such as walking and cycling and in upgrading rail lines through longer platforms and longer trains. Government must act on this: it is important that we see programmes of spending on such initiatives as safe routes to schools and improved bus and cycle routes.

The DfT must make reducing transport CO2 emissions its primary aim and the focus of its involvement in the CSR process. This has clear implications for the DfT's approach to climate change:

- At the minimum, it must have a clear strategy, updated regularly, to reduce emissions from transport. We remain convinced that as well as this there should be a sectoral target, at least as an aspiration, to reduce transport emissions. A sectoral target is opposed by those who argue that it is economically inefficient, and that through emissions trading the best value reductions can be achieved. But the case for a sectoral target is different – it is about providing a focus for Government planning and action and an indicator to others in the sector.

- Carbon reduction must be a thread running through all the DfT's processes. In particular, guidance to local authorities for Local Transport Plans, on TIF and for the regions on the next RFA round must have tackling climate change the central objective of proposals and bids for funding, and carbon reduction should become one of the shared priorities between central and local government on transport. Road user charging should focus on reducing CO2 emissions from road transport rather than congestion.
- Appraisal must take full account of the need to reduce carbon emissions and to contribute to meeting the 60% reduction target.
- There must be transparent assessment and reporting of the carbon impacts of all policies, measures and schemes.

2.6 Treasury's other key challenges

Action to reduce transport's contribution to climate change will also address some of the Treasury's other key challenges:

- Key Treasury challenge: global uncertainty
"Continued global uncertainty and poverty, with ongoing threats of international terrorism and global conflict"

Increased global insecurity adds another dimension to the challenges of carbon constraints. Much of the UK's oil supply comes from politically unstable areas. We need to reduce reliance on these supplies to avoid supply shocks and fluctuating prices which cause big problems for UK plc, such as were seen with the fuel protests of 2000 or the recent increases in oil prices arising from troubles in the Middle East.

Energy supply for transport is almost entirely oil-based (more than 90% of transport energy demand is fulfilled by oil) so a failure to control demand in this sector will leave the sector increasingly vulnerable to supply shocks and fluctuating prices which will impact directly on the consumer.

In addition, pipe lines and other fossil fuel infrastructure are vulnerable to terrorist attack.

- Key Treasury challenge: shift in international economic markets
"The intensification of cross-border economic competition as the balance of economic activity shifts towards rapidly growing emerging markets such as China and India"

Oil supply problems will be aggravated by rising demand from countries such as China and India pushing up prices. As competition increases, this increases concerns over security of supply and the ability to fill the energy gap, which again will push up prices.

- Key Treasury challenge: technology
“The acceleration in the pace of innovation and technological diffusion and a continued increase in the knowledge-intensity of goods and services”

Technology provides a challenge and opportunity and changes in technology are leading to more efficient vehicles but we can't rely on it as a magic bullet to fix transport emissions in the time period in which we need to act. The Voluntary Agreement between car manufacturers is a start but has not delivered sufficient efficiency savings and is not on course to meet its targets. It is over-relied on as an economic mechanism to deliver cuts in greenhouse gases from the transport sector and other routes need to be sought. As research for the Department for Transport concluded *“major change is required that combines behavioural change with technological innovation”*¹⁷.

¹⁷ 'Looking over the horizon' (*op cit*)

3 OUR PROPOSALS

From this analysis, we would like to see the following changes in spending programmes:

3.1 Carbon Reduction Fund

The current DfT budget and 10 year horizon allow for considerable growth in funding, with the growth being allocated to the Transport Innovation Fund (TIF). This is due to grow until by 2015 it will amount to a substantial sum of around £2.5bn a year.

Currently, TIF funding is allocated to “congestion TIF”, to support local road user charging schemes, and “productivity TIF”, supporting schemes that improve national productivity. Productivity schemes, following the methodology and analysis developed for the DfT and endorsed by Eddington, focus on supporting agglomeration in urban areas and improved links to international gateways. An initial productivity TIF round has resulted in priority being given to various railfreight schemes. Neither Congestion nor Productivity TIF guidance has the reduction of carbon as a key objective of projects.

There is currently no specific mainstream funding in DfT to support packages of transport measures that reduce CO₂ and other greenhouse gas emissions from road transport. As noted above, policy is focused on improving road vehicle engine/fuel technology, with a belief that other measures that reduce transport emissions, for example through behaviour change and modal shift, are expensive in comparison with other measures and spending to reduce GHG emissions from other sources.

We believe this analysis is erroneous for the reasons outlined in 2.3.

We propose that carbon reduction should become a central focus of the Transport Innovation Fund. Congestion TIF and Productivity TIF funding should continue, although at a lower level than envisaged, on condition that all bids to these funds can demonstrate carbon savings in addition to congestion and productivity gains.

However, we propose that half the funds currently set aside for Transport Innovation (i.e. £138m 2008-9 rising to £1.25bn by 2014-5) should be devoted to a Carbon Reduction Fund.

This will fund packages of measures designed to reduce carbon emissions from transport. Bids should be invited from a wide range of organisations: local authorities, transport operators, the Highways Agency, Network Rail, airports and airlines, as well as Third Sector groups. Within the Fund, separate funding might be set aside to invite bids from travel generators: employers, schools, hospitals, tourist destinations, sport venues, retailers, commercial property owners/managers, freight users etc.

Only absolute reductions, not reductions against past trends, should be accepted, and transparent and independently validated processes for monitoring and demonstrating reductions should be included.

The Fund might therefore be able to test out a wide range of measures to tackle and reduce carbon emissions from road transport. These might include demand management packages, but also packages that promote a shift from cars to other modes, from single-occupancy to multi-occupancy cars and from planes to rail or indeed reduced travel through communications technology.

Existing programmes that promote adoption of new vehicle technologies and fuels should be integrated into the Fund.

The early rounds of funding can show the measures/schemes that work best in terms of reducing carbon emissions per £ spent and these can be made the focus of later rounds, and where appropriate mainstreamed into other Government funding (for example local transport funding).

3.2 Roads

We believe a significant reduction in spending on new trunk roads is justified, for three reasons:

- If the Government is moving in the direction of a national road charging scheme in the next ten years, this will change the demand for road transport.
- There are short term options for expanding road capacity that do not require full widening. For example the hard shoulder running currently being tested on the M42 in Birmingham could be rolled out onto the M1, the M25 and the M6, saving some £8.2 billion – £10 billion¹⁸. These widening schemes emerged out of Multi-Modal Studies which have now been superseded by emerging scientific and economic evidence on the importance of tackling climate change.
- There are significant direct and indirect environmental and social impacts from road building, many of which are not fully taken into account in DfT appraisal analysis. In particular, the interaction between road building and land use, especially new development, is poorly understood and modelled, yet as various studies have shown this can result in significant extra traffic beyond that predicted¹⁹.

We have also noted cost overruns on trunk road schemes, which seem to be systemic. In particular we note the recent National Audit Office report which predicted further increases in the costs of the roads programme. We were also concerned that the Nichols report identified further estimated cost increases for the M1 widening, from a total of £3.7 billion for ministerially-approved costs, to £5.1 billion for the most recent Highways Agency final out turn estimates.

¹⁸ The combined costs of the M1, M25 and proposed M6 widening schemes. Ministerially approved costs for the M1 and M25 are £3.7 billion and £1.6 billion respectively, whilst the M6 is estimated to cost £2.9 billion. However the Nichols report of March 2007 showed that actually the latest estimates for the M1 and the M25 are £5.125 and £2.020 billion respectively.

¹⁹ Beyond Transport Infrastructure by Lilli Matson, Ian Taylor, Lynn Sloman and John Elliott, published by CPRE and the Countryside Agency (CA), July 2006. This showed that traffic growth on three roads studied demonstrated significantly higher traffic growth than predicted at the time of appraisal

We would therefore look for significant reductions in the Highways Agency's spending. For 2006-7, this is budgeted at £6446m, made up of £5322m resource spending and £1124m capital. We want to see the Agency become a network manager as its core role, and would expect resources to be moved in that direction, as recommended by the NAO in its report of November 2004²⁰. We therefore look to removing much of the trunk road improvement programme, in particular the large and expensive motorway widening programmes – totalling around **£1bn a year of savings**. We would also expect to see economies in the rest of the Agency's work, consequent on reductions in construction of new roads and also in terms of efficiency savings in management of maintenance and small schemes. Without information on this we are reluctant to put figures on these economies, but it would be reasonable to look for savings equivalent to those being achieved by Network Rail of 30% reductions in costs over 5 years. By the end of 5 years, therefore, the rest of the Agency's spending would fall from £5322m to £3548m in real terms.

3.3 Rail

Current public spending on rail is running at about £5bn a year. This sum is not at present buying enhancements or upgrades to the railway and the reductions in subsidy/increased premium payments for franchises and some of the conditions imposed in them, are creating significant overcrowding problems. At the same time, real fares increase, especially in unregulated fares, are making the railway unaffordable. Meanwhile, the Government expects growth in rail travel of 30% in ten years, but the franchises do not in general allow for or reflect this growth. Given the current level of public support, **we do not seek extra public funding for the railway**. Instead we seek reductions in running costs, with savings made being invested in a number of programmes to make better use of the existing railway and expand capacity and capability. Our proposals involve:

i) Reducing costs

Network Rail (NR) is on course to reduce costs by 30% in the current control period. The target for the High Level Output Specification and next control period should be to bring unit running costs down to independently benchmarked international averages and best value. We suggest two further mechanisms. Firstly, to test out further structural reforms in the way the railway is run. For example, giving control of the rail infrastructure on Merseyrail to the local Passenger Transport Authority would allow some benchmarking of NR costs against an alternative regime. More local management of infrastructure or purchase rather than leasing of trains would be another option. Secondly, to trial run a franchise by the public sector to give a value for money test of franchise bids. Further savings could be achieved by closer financial links between NR and train operating companies to produce incentives for closer cooperation.

²⁰ Tackling congestion by making better use of England's motorways and trunk roads, report by NAO, November 2004
<http://www.nao.org.uk/pn/04-05/040515.htm>

ii) “Invest to save” budget

There are many examples around the rail network where sometimes small projects could result in lower unit costs. This fund aimed at reducing overall costs over 5 – 10 years follows a similar approach used with local government and could also be a mechanism for capital-subsidy swaps, where capital investment could reduce future subsidy requirements. **We propose an initial £250m for this fund for 3 years**, available to train operators as well as NR. The Government should also seek to compare prices of one-off projects with rolling programmes, to identify economies of scale from long term planning.

iii) Investment

We propose funding and other mechanisms which will integrate the railway more closely into transport networks and transport policy.

• Rail Enhancement Fund

This would buy a rolling programme of capacity and capability enhancement. It should take a holistic view: if funding large numbers of employers in London to introduce flexible/remote working can reduce/delay the need for major train lengthening or station redevelopment, the fund should be used for that.

• Reintroduction of Rail Passenger Partnership (RPP) Funding

The RPP fund for schemes which do not have national priority was abolished in 2002 in the wake of rail funding problems. Some schemes have proved very successful and have become commercially integrated into franchises. RPP will allow local authorities to link rail development more closely with transport and other planning. If RPP funding were allocated regionally as part of the Regional Funding Allocations, regions could decide to transfer additional funding to it from other budgets. **We propose £1bn for RPP over 3 years initially**, with a guarantee of support beyond. Alongside, we believe that councils should be free to spend Local Transport Plan funding on good value rail projects and schemes.

• Rail freight

We want to see extra funding for railfreight, **specifically through expansion of the Freight Facilities Grant which should be increased to £50m a year initially**. We also want to see the regulation of access charges for railfreight recognise wider benefits particularly related to environment and climate change. At international gateways, rail freight schemes should be considered above road schemes to encourage a swing away from road freight, and save more CO2.

• Improving stations and links to them

We propose investment and support **totalling £100 m a year** to include:

- Reform of the regulatory framework for stations to give incentives for operators as well as NR to invest in improvements.

- Templates for partnerships between the rail industry and other players, so as to lever in extra funding and reduce complexity for outside bodies. The Government should also ensure that Planning Gain Supplement is available for rail (and other public transport).
- Development of “Station Travel Plans”, benchmarking ways people access stations and setting targets and measures for reducing lone car use and improving alternatives. This approach which will need to involve local authorities as well as operators and NR, follows the concept of travel plans.
- An “interchange” fund to improve station access, especially by non-car modes. The station travel plans could provide a framework within which bids for this fund could be developed, but there should also be national targets to improve bus, cycle and pedestrian access to stations. Some of this funding should be given to Cycling England to promote and fund better cycle routes to and parking at stations.
- National door-to-door travel offers should be developed at stations. Plus-Bus already exists and should be supplemented by national cycle-hire schemes and ‘train-taxi’ services with an add-on fare.
- A large expansion of accessibility funding, with a view to making the 90% most used stations fully accessible by 2020.
- **Line and station openings / re-openings**

We want to see lines and stations opened/reopened for serving areas of new development or to relieve significant road congestion, supported by Rail Passenger Partnership and Rail Enhancement Funds, as well as our proposed Carbon Reduction Fund. The planning framework requires strengthening to protect sites and alignments and simplify procedures for new passenger and rail freight development.

iv) Fares

The current fares system may have reached its limits. Walk-on fares at peak hour are significantly more expensive for inter-city and some commuter journeys in the UK than elsewhere, while Passenger Focus surveys show that passengers feel they are not getting value for money.

The roll-out of smartcards should be used to reduce and price fares more sensitively. We continue to argue the case for some kind of national railcard.

v) Appraisal

We do not believe that current appraisal of rail schemes reflects either real costs or real benefits.

- On the costs side, inappropriate optimism bias is added to schemes that have already been through a Network Rail GRIP process designed to control costs.

- On the benefits side, the full environmental and social benefits of rail, including the potential for reduced land take and denser development, need to be factored in and a range of elasticities on different journeys used.

Recent work by Napier University has shown that the productive use of time on business trips by rail is greater than for road (and air) and this research should be used to review relative values of working time used in appraisal.

It is also unclear whether franchise specifications or fares policies are even being assessed through the New Approach to Appraisal – there is certainly no publicly available assessment on the environmental consequences of franchise or fares policies, for example. Part of this may be for internal DfT reasons – we understand that a rail model has only recently been developed by the Department and has yet to be linked to the wider National Transport Model. However, models are not the only tools for policy-making.

3.4 Local and regional transport

As the Eddington report shows, there is good evidence that small scale projects can have very good value for money. The report specifically looks at walking and cycling projects and finds that these have large positive cost-benefit ratios: it also suggests the same could be true for measures such as travel plans that aim to change travel behaviour. More generally, Eddington underlines the case for funding measures that make better use of existing infrastructure, such as better bus services, traffic management and longer trains (as well as road pricing), before funding new fixed infrastructure. However, the report shows in volume 4 chapter 2 that current funding regimes for local government tend to push priorities in the reverse direction, and that shortages of transport revenue funding compared with capital funding lead to sub-optimal decision-making where new infrastructure is built when better value might have been obtained from measures that improve the use of existing infrastructure.

This evidence suggests a substantial change in local government transport funding. But as well as the funding, the context needs to change: transport suffers from being a relatively small budget and service in local authorities when set alongside departments and budgets such as education or social services. Integration of transport planning with local area agreements might provide a better context for transport, in which accessibility to key services becomes a stronger determinant of policy and budgets than mobility and roads and might make other micromanagement less necessary – and DfT's oversight of local transport could shift to outcomes rather than outputs.

National government should insist on local and regional transport policy and budgets contributing to key national objectives, notably tackling climate change, improving air quality and the public realm, cutting road casualties and reducing social exclusion, and local area agreements and local transport plans should focus on accessibility planning, which will then become central to transport plans.

We also support the comments in Eddington about reforming local government, with stronger transport authorities, especially in the cities, with control over a full range of

transport powers. Partnerships should be developed to bring in other tiers of government, other interests and neighbouring areas, but as Eddington points out, some kinds of partnerships can slow down decision-making if there are no shared objectives and establishing these is critical.

In funding terms, the analysis in Eddington suggests a number of moves:

- The integrated transport budget should be increased. This budget funds the smaller (mainly capital) projects including safety, cycling, bus improvements etc that Eddington noted give high value for money. Increasing this would help increase provision of the small-scale measures.
- Change the major schemes budget so that it funds schemes that support wider objectives. Most of the budget currently goes on road schemes, and the criticism made on national roads above applies here too: some of the most controversial schemes will add to dispersed and car-based development. Significant bus-based schemes should be funded (see below), as well as large packages of smaller schemes. For example changing the streetscape on all residential roads and imposing 20 mph limits would have significant safety and public realm benefits, as Hull has found (casualties are half the national average)

However, we believe that **trams** have a larger role to play than current DfT policy and the Eddington Review suggest. The argument is that buses can do most things that trams can do, at much lower costs – but this is not the case. Trams can be used to create more London-like development patterns with high density development around them. They have a record of attracting development and patronage that buses (except in certain cases like Curitiba in Brazil) have not been able to. They have other benefits in terms of local air quality and time savings for users.

Costs of trams can be brought down: ultra-light rail proponents and a number of industry representatives argue that costs can be reduced significantly on vehicles and track. If there was a rolling programme of tram schemes, costs could fall still further through economies of scale (as noted with rail above).

Tram schemes should be linked to planning policies promoting dense land uses with lower parking provision, and should certainly form part of some of the packages to be funded by the carbon reduction fund proposed above. DfT should actively promote research on cost-reducing technologies and also re-examine the construction and operating standards for tramways to see if these can be changed without affecting safety

Provide significant revenue funding, as recommended by the Eddington review, bringing together revenue support grant, concessionary fares funding, reformed bus grants and other funding streams to create a single pot available to transport authorities. This might seem to run against our earlier suggestion for enhancing transport within local area agreements, but without such revenue funding pots transport will not be able to play its part in those agreements.

This revenue funding will, with enhanced integrated transport funding, enable programmes of “smarter choice” promotion such as workplace and school travel

plans, high quality and well-maintained streetscape, safe routes programmes, cycle training etc; it will also help fund strategic bus networks. The Government could also run national programmes to roll out good practice – for example creating large numbers of sustainable travel towns following the initial three, or a national TravelSmart programme.

This has implications for the **Regional Funding Allocations**. They could be **expanded to include revenue as well as capital funding and all transport modes**. Funding a network of bus links might be a cost-effective way of tackling social exclusion and enlarging labour markets (as Merseytravel has shown), yet RFAs could not at present fund them. Freer transfers between different transport pots, and between transport and other pots, should also be permitted.

The CSR also offers an opportunity to improve the RFA process and guidance. The guidance to regions in 2005 was very lacking in detail on objectives. We consider that it is essential that tackling climate change should be made a central objective of the RFA and regions must demonstrate how schemes will contribute to the shared PSA target to reduce CO2 emissions

Buses are a core part of local transport networks. We support Government changes to bus policy, but feel the proposals have to go further to ensure the development of reliable, integrated and high quality public transport networks for tackling climate change. The Swiss approach (which has produced very high levels of public transport use and comparatively low car use per capita) is to use minimum service standards for public transport services and strong network planning and integration, between public transport and other modes as well as within public transport. This should become the focus for investment and funding, in building up the spread of networks in time (evenings and weekends) and places.

Bus Service Operator Grant should in principle be reformed and extended, though we note possible administrative problems and increased risk of fraud within any shift from rebating fuel duty to rewarding extra passengers. The national concessionary fares scheme should be funded appropriately and extended to local rail services to ensure that it does not undermine them.

Most important is to link buses with other modes of transport. There is often loose talk in Government about replacing buses with taxis. However, in practice local transport authorities have no powers to do this. Often the transport authorities are not the taxi-licensing authorities and there is no legislation that allows taxi franchising or integrating taxis into transport networks through shared tickets. Cycle parking at bus stops and bus stations and access plans to stops would be helpful innovations.

3.5 Delivery

We have already noted and supported some of the comments made by the Eddington report on barriers to delivery of sustainable transport options. We support also the review's identification of skills as a barrier; however, the skills most in short supply are those involved in planning and implementing small scale schemes and smarter choices: traditional engineering skills are less useful than planning (or in

some cases psychology) degrees. Diversifying the training of transport professionals, and recruiting other disciplines such as marketing, will be important in implementation.

We also suggest that not-for-profit groups could be much more involved in delivery of transport. Groups like Sustrans, CTC, Living Streets, the Association of Community Rail Partnerships, CarPlus and Transport 2000 are involved in delivery of transport schemes and planning, and the Department could fund national programmes of schemes through these bodies. In particular, we would like to see a doubling in the national cycle network, and funding Sustrans to do this would make sense.

3.6 Appraisal

We think that aspects of DfT appraisal need reform. We have already noted concern about the treatment of induced traffic and land use/density and parking, and about the monetary values attached to environmental impacts. We have further concerns:

- the inclusion in appraisal of the impact of projects on fuel tax revenues has the potential to distort spending programmes and to run against Government policy. This is because the impact of this is to add disbenefits to schemes that address congestion and pollution. For a guided bus scheme in Coventry, inclusion of fuel tax lost by mode switch from car to bus added 15% extra disbenefits. Even schemes such “green wave” traffic management (linking traffic lights to ensure traffic flows more smoothly) or lorry crawler lanes on motorways have large disbenefits (25% in the case of one green wave scheme, according to a practitioner).
- Social impacts: distributional impact is not included in NATA but is significant. Sub-impacts – on disability, gender etc – are also important. Accessibility is not considered in core NATA/AST, except in narrow disability sense, as against the broad accessibility planning sense (links to land use).
- Health: as Sustrans work showed, this is potentially important but not included (even air quality does not really cover this properly).
- Journey ambience: important for public transport, walking and cycling, but not formally included in NATA/ webtag. This relates also to the point about working in the course of journeys on trains, raised earlier.

We would like to see these concerns addressed by DfT through open discussion.

4 EQUITY IMPACTS OF OUR PROPOSALS

This section assesses the equity impacts of our proposals, using data from the National Travel Survey 2005.

Table 4.1 shows the mode of travel by income quintile. The poorest households in the country rely more on walking (35.9% of all journeys made) and buses (12.1% of all journeys made) than the richest households (19.3% and 4.3% respectively). Car use is much more important for the richest households (72.8% of all journeys made) than for the poorest (48.8%).

Table 4.1 Use of mode by quintile: percentage of total trips by person

	Income quintile				
	Lowest	Second	Third	Fourth	Highest
Walk	35.9	24.8	23.2	19.3	18.4
Cycle	1.5	1.4	1.4	1.3	1.4
Car	48.8	64.8	68.5	73.1	72.8
Bus / coach	12.1	7.8	5.2	4.3	3.0
Rail	1.8	1.2	1.7	2.0	4.5
Total	100	100	100	100	100

Table 4.2 emphasises these points, showing the percentage of all journeys by a given mode, according to income quintile. It shows that people from the poorest households account for roughly a quarter of all journeys on foot and a third of all journeys by bus, whereas people from the richest households account for approximately a sixth and a tenth respectively.

Table 4.2 Use of mode by quintile: percentage of total trips by mode

	Income quintile					Total
	Lowest	Second	Third	Fourth	Highest	
Walk	24.7	21.4	20.0	17.4	16.6	100
Cycle	18.1	20.8	20.8	19.4	20.8	100
Car	12.0	20.0	21.1	23.5	23.4	100
Bus / coach	32.0	25.7	17.2	14.7	10.3	100
Rail	12.7	11.0	15.3	18.6	42.4	100

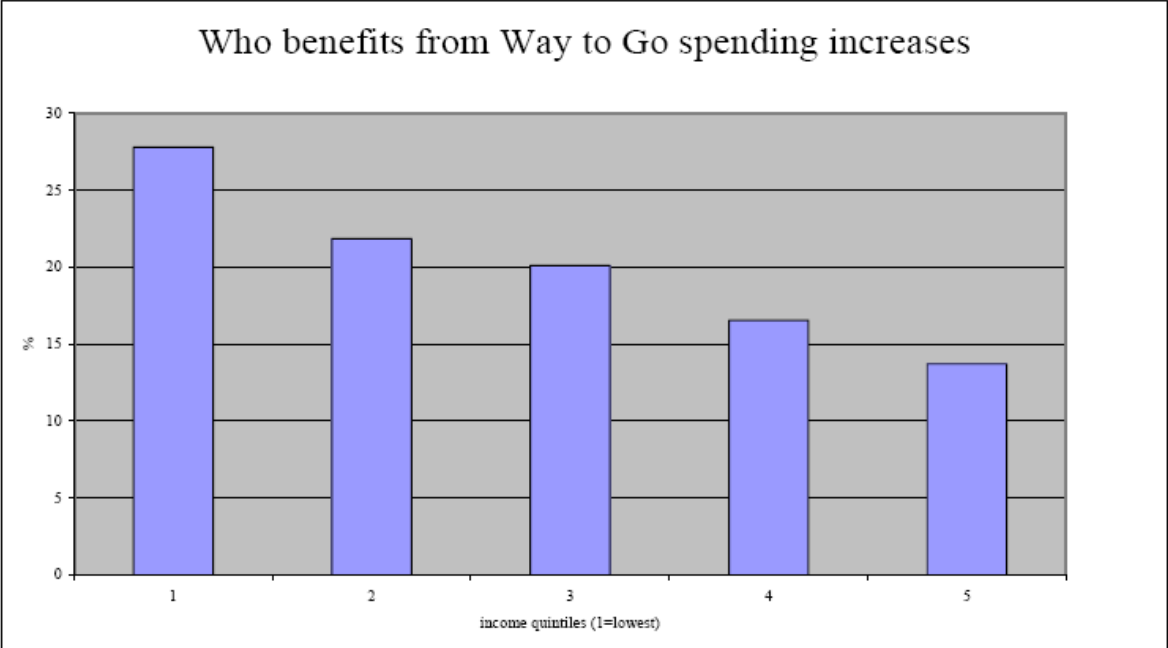
Thus because walking and buses are used more by people in poorer households, improving these modes would be progressive, helping poorer households most. Cycling is used by all income groups roughly equally.

In our submission to the 2004 Spending Review ²¹, we analysed the detailed distributional impacts of our spending proposals. The nature of the proposals we are making to CSR 2007 makes this impossible: we do not know what percentage of the

²¹ 'Way to Go campaign 'Paying for better transport' http://www.foe.co.uk/resource/reports/paying_for_better_transport.pdf

Carbon Reduction Fund or of the increased Integrated Transport Fund would be spent on what modes. However we believe that the distributional impact could be broadly similar, and so reproduce here the charts from the 2004 report. Figure 4.1 shows that increasing spending on public transport, cycling and walking provides the greatest benefit to the poorest households.

Figure 4.1 Who benefits from spending increases



Furthermore, we believe that the impact of our proposed rail spending, much of which is aimed at increasing capacity and patronage within urban areas, would lead to a greater benefit for poorer households than increasing capacity and patronage on inter-urban services.

By contrast, spending on road building benefits the richest households most as they travel most by car.

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