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Funding and a finely balanced future

The Comprehensive Spending Review heralded good news and not-so-good news for public transport. Tough decisions are needed

Now that the dust has settled from Comprehensive Spending Review, it's becoming easier to see through the smoke and mirrors and work out what actually happened. The question people often ask is 'is it new money?'. And 'is it more money?'. All depends on what you are comparing it with. Which previous year's actual spend are you looking at and which projections of which spending review are your starting point? It is especially tough to come to a firm conclusion when old funding streams are replaced by new ones (who can say how much would have been in the old funding stream if it had been continued)?

What we can say is that DfT did better as an 'unprotected' department than it has at recent blockbuster fiscal events. Like other unprotected departments the better than expected economic forecasts have fed through into spending. But it still depends on what your comparison point is. For example, revenue spend is still projected to be lower than it was in 2010/11 in real terms. However, capital spend is much higher than it was back then. But a high DfT capital budget has been the case for a while given pre-existing commitments to HS2, investment in the rest of the rail network and a bloated national road programme.

What we can say for sure though is there was good news for mayoral combined authorities which benefitted from capital spending packages (City Region Sustainable Transport Settlements) which were at the upper end of expectations, at the upper end of what those city regions were asked to bid for, and more than they were getting under previous comparable funding streams. By bundling up what were formerly separate funding streams into a single longer term funding stream there is also now greater certainty which allows transport authorities to plan and deliver schemes more efficiently and effectively than with fragmented, stop-start funding. It will also mean significant capital investment in active travel, in light rail systems and in buses (bus priority and greener buses in particular).

We asked for longer term, consolidated funding for local transport (to bring it more into line with the longer term funding deals that national roads and rail already enjoy) so that's a tick in the box. It also provides a base to go further through revitalised Local Transport Plans which we are told will be refocussed around carbon reduction. This would also be a positive step forward. It makes sense for transport authorities to have single transport plans - and they were only sidelined in the first place due to the constant quest for policy novelty that comes with a constant churn of ministers and advisors in a country as centralised as this one.

> "The funding for transforming bus services in England is a lot less than was expected"

Now for the not-so-good news. The funding for transforming bus services in England is a lot less than was expected and indeed as was pledged by the prime minister. We were expecting £3bn of transformational bus funding to deliver on the bus strategy's aspirations. To increase service levels where there are bus services. To provide new services where there aren't. To make buses greener and to cut fares. Our members were asked to submit ambitious Bus Service Improvements Plans to government by October 31 in order to achieve those objectives. However, instead of the £3bn, we have £1.2bn for transforming bus services (plus over half a billion for zero emission buses).

This is still a lot of money - and an increase in dedicated bus funding from what was available before. Plus, there is more dedicated funding for bus for the mayoral combined authorities in the City Region Sustainable Transport Settlements. The problem is that given bus networks and bus use were declining pre-pandemic, and that the pandemic delivered a further hammer blow to a struggling sector, even £3bn wouldn't have been enough. Not enough for every part of the country to make their bus networks cheaper, denser and greener - given it would be split by capital and revenue, by 79 English local transport authorities and over three years. To give a sense of the level of spend that would have been needed Bus Service Improvement Plans submitted by larger urban areas were often of the order of £1bn. If it was a big ask of the promised £3bn to meet the objectives of the bus strategy in full, then the reduced levels of transformational funding now available for bus (particularly revenue funding) definitely won't be enough to achieve those aspirations.

On top of this, the cost of keeping public transport running every week is higher than it was before the pandemic - because patronage is lower than it was before the pandemic. These costs are likely to rise further due to inflation and rising labour costs (as bus operators raise wages and conditions to attract and retain drivers). The government is providing welcome recovery funding for both bus and light rail to the end of the financial year. But it is uncertain whether this recovery funding will be enough (it's based on projections on patronage which may prove to be optimistic) and it is uncertain what will happen after April 22 when

"Overall the future for public transport is finely balanced"

Boris Johnson at the launch of the National Bus Strategy for England in March

patronage is still likely to be less than it was pre-pandemic. All of which could mean that money meant for improving services could be eaten into in order to either maintain the status quo or control the rate of decline. In short, the prospects for the bus remain fragile.

What else did we learn from the spending review? The 'save the Union' project is a significant driver of transport policy. A big enough priority to outrank decarbonisation where necessary (as we saw in the Air Passenger Duty reduction for domestic flights). The 'save the Union' project overlaps with the prime minister's enthusiasm for big transport infrastructure and probably also contributed to keeping a zombie national road building programme lumbering on - though with some limited scaling back.

The spending review showed that the government also continues to rely primarily on tech fixes for the decarbonisation of transport and certainly doesn't want to be seen to raise the cost of motoring. So, the fuel duty escalator is suspended again - whilst there is substantial investment in zero emission cars. The tougher decisions necessary for modal shift and decarbonisation are deferred; in particular a fundamental realignment of the relative cost of private and public transport.

However, away from the Comprehensive Spending Review and other big government policy documents, it's a fact on the ground that environment focussed charging schemes are now becoming a more common feature in urban areas as more and larger charging air quality zones come on line. Meanwhile various think tanks (including the Tony Blair Institute for Global Change) are on manoeuvres, rolling out the pitch for road user charging for when the Treasury is ready to make its move on this (which it will have to at some point as more of the car fleet goes electric).

And outside of the game changer of road user charging, Number 10 is very clear that they see City Region Sustainable Transport Settlements and Bus Service Improvement Plans as a way of accelerating the transition of more road space from private cars to space for people on foot, on bikes and in buses. The vote of confidence for further light rail investment and expansion in the City Region Sustainable Transport Settlements is also encouraging.

Overall, the future for public transport is finely balanced, with perilous balance sheets thanks to Covid and the relative costs of using private and public transport skewed the wrong way. At the same time there is a capital funding base to build on, road space allocation slowly gaining favour, and the climate crisis contributing to unparalleled political support for the idea of modal shift. We are also starting to see more of the tough decisions being taken (like charging zones). Perhaps it's the extent of that boldness on those tough decisions - both nationally and locally - that will swing it one way or the other. ■

ABOUT THE AUTHOR

Jonathan Bray is the director of the Urban Transport Group. Throughout his career in policy and lobbying roles he has been at the frontline in bringing about more effective, sustainable and equitable transport policies.