



# URBAN TRANSPORT GROUP

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**Submission to 2021 comprehensive  
spending review**

HM Treasury

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## 1. Introduction and summary

- 1.1. The Urban Transport Group represents the seven strategic transport bodies which between them serve more than twenty million people in Greater Manchester (Transport for Greater Manchester), Liverpool City Region (Merseytravel), London (Transport for London), South Yorkshire (South Yorkshire Passenger Transport Executive), West Yorkshire (West Yorkshire Combined Authority), Tyne and Wear (Nexus) and the West Midlands (Transport for West Midlands). The Urban Transport Group is also a wider professional network with associate members in Strathclyde, West of England, Nottingham, Tees Valley, Wales and Northern Ireland.
- 1.2. This submission to the 2021 Spending Review is on behalf of our full members.
- 1.3. The focus of this submission is that:
  - Wider Government objectives for carbon reduction and levelling up (as well as the specific objectives of the national active travel and bus strategies) cannot be met without increased spending on local transport in this spending review. Indeed, without additional funding bus patronage (and bus network size) are likely to remain at levels well below what they were pre-pandemic (when patronage and network size were already at an all-time low).
  - Recent progress on the principle of longer term and consolidated local transport funding is welcome (although to be of practical value the whole needs to be more than the sum of the parts). Similar progress on consolidation, devolution and a longer term approach is now needed on revenue funding for bus in particular.
  - To fully realise the benefits of enhanced, devolved and longer term funding for local transport we need city region transport authorities which are fully empowered to take decisions across the modes in a way which reflects local circumstances and aspirations.

## 2. Context: climate, COVID-19 and levelling up

### The climate imperative

- 2.1. Climate change is happening now and the more extreme weather conditions it brings are already impacting on our urban areas.
- 2.2. The IPCC says: *'Climate change is already affecting the health and energy demand of large numbers of people living in urban areas (high confidence). Future changes to both climate and urbanisation will enhance warming in cities and their surroundings, especially during heatwaves (high confidence).'*<sup>1</sup> Transport is the largest source of UK greenhouse gas emissions and a sector of the economy where progress on reducing emissions has been poor. As the Government's own document, 'Decarbonising Transport: A Better, Greener Britain' says: *'The need for urgent action on carbon emissions is a catalyst to accelerate these changes and deliver better transport, a cleaner local environment, and modernise our economy.'*<sup>2</sup> The Government has also said that as part of its plan for achieving this: *'Public transport and active travel will be the natural first choice for our daily activities. We will use*

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<sup>1</sup> [Chapter 2 : Land–Climate interactions — Special Report on Climate Change and Land \(ipcc.ch\)](#)

<sup>2</sup> DfT (2021) Decarbonising Transport – A Better, Greener Britain

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1009448/decarbonising-transport-a-better-greener-britain.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1009448/decarbonising-transport-a-better-greener-britain.pdf)



*our cars less and be able to rely on a convenient, cost-effective and coherent public transport network.*<sup>3</sup>

- 2.3. Investing in active travel and urban public transport can support these goals through promoting modal shift from more carbon intensive modes (particularly the private car).
- 2.4. These ambitions are welcome. However, we start from a challenging position:
- Public transport's share of trips made is low (outside of commuting into some of the larger urban centres). Bus use and bus networks were also in general year-on-year decline even before the pandemic.
  - Cycling levels remain low in general, at about 2% of trips in 2019.<sup>4</sup>
  - The car continues to dominate trip share (61% of trips in 2019) with many urban geographies and local economies (outside of the largest city centres) having been redesigned in a car dependent way in recent decades.<sup>5</sup>
  - Significant investment in all vehicle fleets (and the infrastructure for the supply of decarbonised electricity and other fuel sources) will be required if the urban vehicle fleet is to be decarbonised.
  - The fiscal and taxation framework for transport does not always favour or promote low carbon choices.
- 2.5. Given this starting point, and the scale of modal shift and investment in zero emission vehicles that will be required if the Government's decarbonisation plans are to be achieved, it is clear that incremental policy change will not be sufficient. Instead, there will need to be significant long-term capital investment and revenue support for public transport as well as for measures which support greater take up of active travel.
- 2.6. In addition, much of our transport infrastructure was not designed for the more extreme weather conditions we are now experiencing and will experience more often in coming years. Without further investment in enhancing the resilience of our transport networks, we face higher levels of disruption and higher levels of risk to those who use it and work on it.

### **Recovery from the pandemic**

- 2.7. Public transport played a key role during the pandemic in getting people who couldn't work from home where they needed to be – including essential workers in the healthcare and other key sectors. Indeed, the pandemic has brought home how reliant we are on key workers, many of whom do not have access to a car and need public transport to get to work.
- 2.8. Investing in public transport and active travel can support these goals in a wide range of ways including supporting town and city centre economies.
- 2.9. The pandemic necessarily led to periods of very significant reductions in public transport patronage which has required emergency funding packages from Government to keep systems operating. At the time of writing, public transport patronage remains well below pre-pandemic levels whilst private car use has recovered far more quickly (in some cases to higher than pre-pandemic levels). Nationally, by the end of August car travel had returned to

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<sup>3</sup> Ibid

<sup>4</sup> DfT statistics TSGB0103 Average number of trips, stages, miles and time spent travelling by main mode 2019

<sup>5</sup> Ibid



95% of pre-pandemic levels, whilst bus outside London has so far reached just 59% and national rail 60% of pre-pandemic levels.<sup>6</sup>

- 2.10. It is too early to say with confidence how the remainder of the pandemic will unfold or what the medium-term ramifications will be for the ways in which people live and work (and the consequent implications for travel patterns and public transport patronage). However, none of our members are currently anticipating a return to pre-pandemic patronage levels for the foreseeable future and definitely not before April 2022.
- 2.11. The latest, and welcome, funding packages for bus and light rail systems extend to April 2022. However, they are based on patronage forecasts which, at the time of writing, appear to our members to be optimistic and based on an assumption that no further funding will be needed or available for light rail systems beyond April 22 (which also appears to our members to be very optimistic).

### Levelling up the economy

- 2.12. The government has committed to address the significant imbalances in the UK economy through a £4.8 billion programme of levelling up. The levelling up prospectus recognises that:
- “Infrastructure improves everyday life. A new bridge or a bus lane makes the journeys of local people easier...these are things that people rely on every day in communities up and down the country – the infrastructure of everyday life.”*
- (Rishi Sunak, Levelling\_Up\_prospectus.pdf (publishing.service.gov.uk))
- 2.13. Central to the success of levelling up will be the need to address regional disparities in productivity and opportunities.
- 2.14. Better local public transport networks will play a central role in achieving this. The prospectus recognises that. We also know that public transport, and in particular the bus, is intrinsically targeted at the people most in need of support to level up their access to opportunity. We know that:
- Nearly a quarter of all households have no car or van available, rising to 45% for those in the lowest real income quintile<sup>7</sup>.
  - People in households without access to a car make over four times as many local bus trips as those with car access<sup>8</sup>. Outside London, people in the lowest income quintile make three and a half times more trips on the bus each year than those in the highest quintile<sup>9</sup>.
  - Non-White adults are more likely than White adults to live in households with no car or van. Black/African/Caribbean/Black British adults are most likely to live in households with no car or van (39% of adults, compared to 17% of White adults)<sup>10</sup>.
  - 77% of jobseekers in British cities outside London do not have regular access to a car, van or motorbike<sup>11</sup>. This proportion rises to 87% for jobseekers aged 18-24.

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<sup>6</sup> DfT (2021) Transport use during the coronavirus (COVID-19) pandemic <https://www.gov.uk/government/statistics/transport-use-during-the-coronavirus-covid-19-pandemic> (data correct as of 26/08/2021)

<sup>7</sup> DfT National Travel Survey Table NTS0703 2019

<sup>8</sup> DfT Annual bus statistics: England 2019/20

<sup>9</sup> DfT National Travel Survey Table NTS0705 2019

<sup>10</sup> DfT National Travel Survey Table NTS0707 2019

<sup>11</sup> Institute for Transport Studies (2013) Buses and the Economy II: Survey of bus use amongst the unemployed



- People employed in routine and manual occupations make more bus trips, and travel further on the bus, than those in managerial/professional or intermediate occupations<sup>12</sup>.
- Women make more trips by bus than men, with the difference most marked outside of London<sup>13</sup>.
- Outside London, young people aged 17-20 make more trips on local buses than any other age group<sup>14</sup>.
- People with a disability are more likely to travel by bus than people without a disability<sup>15</sup>

2.15. Local public transport will be vital in supporting the participation of many people in the levelling up agenda. Cost benefit analysis by KPMG shows that every £1 invested in bus generates £4.48 in benefits<sup>16</sup>.

2.16. However public transport networks are becoming less available and more expensive, leaving some people isolated from opportunities and wider society. Local authority supported bus miles (socially necessary services) have fallen from 243 million miles in 2010/11 to 103 million miles in 2019/20.

2.17. Bus fares have also increased at above average inflation levels, with an increase of 39% in constant prices for the metropolitan areas between 2005 and 2021<sup>17</sup>.

### Summary of this section

2.18. Investing in local public transport and active travel provision should be a key element in building back better from the pandemic. If the right policy choices are made now, we can transition to a decarbonised urban transport network which will support the Government's wider aspirations for a levelling up of the UK economy. If a business as usual approach is taken then we face a car-led recovery from the pandemic which risks throttling urban economies through traffic congestion; transport continuing to be a drag on the UK's carbon reduction goals; and the Government's wider levelling up agenda stymied as access to opportunity is denied by a lack of available and affordable transport.

2.19. Investing in urban transport can support the Government's decarbonisation and levelling up goals through:

- Creating and supporting good jobs in the provision of enhanced public transport networks; through investment in cleaner and greener vehicle technologies; and through transport's wider role in underpinning urban economies.
- Supporting levelling up by ensuring that all our communities have access to opportunity (including to jobs and education).
- Accelerating the decarbonisation of urban transport (and thus urban areas as a whole) through encouraging modal shift to lower or zero carbon modes and through the decarbonisation of urban vehicle fleets.

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<sup>12</sup> DfT National Travel Survey Table NTS0707 2019

<sup>13</sup> DfT National Travel Survey Table NTS0601 2019

<sup>14</sup> DfT National Travel Survey Table NTS0601 2019

<sup>15</sup> DfT (2017) Disabled people's travel behaviour and attitudes to travel

<sup>16</sup> KPMG (2020) Maximising the benefits of local bus services <https://www.cpt-uk.org/media/oo5kczqe/greener-journeys-maximising-the-benefits-of-local-bus-services.pdf>

<sup>17</sup> DfT Bus Statistics Table BUS0405b



- Improving the resilience of our urban areas and economies by making urban transport systems better able to cope with the more extreme weather conditions that are already occurring as a result of climate change
- Making better places (where people want to live, visit and invest in) through supporting the transformation of the urban realm.

2.20. What this would look like in practice is:

- Rail, light rail and prioritised bus networks that provide rapid, reliable and high capacity access into and between urban centres.
- A big increase in the number of journeys (particularly those under five miles) made by bike or on foot through measures like more high quality cycling routes and low traffic neighbourhoods.
- Public transport fares that are simple, affordable and integrated.
- A public transport network that provides access to opportunity (including employment and education) through providing good network coverage across city regions using clean, modern and accessible vehicles.
- Green and smart logistics with more freight transported by rail and water for long haul, and by cargo bike and low impact vans for the last miles.
- Decarbonised vehicle fleets, from taxis to trains and from buses to bin lorries.
- Transport systems that are keeping pace with the application of new technologies and the introduction of new business models - from micromobility to vehicles that are better connected and more autonomous.

### 3. Future funding for urban transport

3.1. In section two of our submission we have demonstrated that we will need more extensive and more affordable public transport networks alongside far better provision for active travel if wider decarbonisation and levelling up aspirations are to be met.

3.2. This is recognised in both the national active travel and national bus strategy.

3.3. The active travel strategy says that:

*"Places will be truly walkable. A travel revolution in our streets, towns and communities will have made cycling a mass form of transit. Cycling and walking will be the natural first choice for many journeys with half of all journeys in towns and cities being cycled or walked by 2030".<sup>18</sup>*

3.4. The national bus strategy says that:

*"this strategy will make buses more frequent, more reliable, easier to understand and use, better coordinated and cheaper: in other words, more like London's, where these type of improvements dramatically increased passenger numbers, reduced congestion, carbon and pollution, helped the disadvantaged and got motorists out of their cars"<sup>19</sup>*

3.5. However, as this submission has shown we start from a situation where:

- Modal share for bike is low.

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<sup>18</sup> DfT, Gear Change, [Gear change: a bold vision for cycling and walking \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

<sup>19</sup> DfT, Bus back better, [Bus Back Better \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)



- Modal share for bus is low and patronage was in decline even pre-pandemic. All other things being equal it is likely that the aftermath of the pandemic will lead to a further contraction of bus patronage

#### **Funding for local transport not prioritised in recent spending reviews and budgets**

- 3.6. Transport has not been a protected department in recent spending rounds and has seen significant reductions in day-to-day spending which remain below pre-austerity levels.
- 3.7. Within the DfT budget local transport has also not been prioritised. In the last spending review:
- Only one element of local transport was awarded a multiyear settlement.
  - The Local Growth Fund ended and was only partly compensated for by the ramp up in the Transforming Cities Fund and new funding pots.
  - Overall, we estimate that local transport spending was reduced by around £600 million to £1 billion for 2021/22<sup>20</sup>.
- 3.8. Existing commitments to national road and rail (including the £27 billion national road programme) now dominate the DfT budget yet the case for the national roads programme is very weak:
- It will pump more traffic into urban centres causing more road congestion and worsening carbon emissions and air quality.
  - Job creation from road building is very poor compared with spending on other modes and transport interventions. A TUC analysis scored infrastructure projects based on their impact on jobs, finding that expansion of the bus network scored 18, cycle lanes and pedestrianisation 20 and expanding and upgrading the rail network 17. Road building scored just 10<sup>21</sup>.
  - It will stimulate more car-dependent sprawl around junctions.
  - Individual schemes are often very expensive for what are relatively modest interventions in scope and scale. For example, a new junction on the M20 recently cost £104 million<sup>22</sup> despite a cost benefit ratio of only 0.77:1 (later updated to 1.41:1<sup>23</sup>).

#### **Revenue funding for bus services**

- 3.9. In association with this submission we have produced a [report on the case for revenue support for bus which can be found here](#). This report shows that public support for bus services represents excellent value for money with the same pound of public subsidy achieving multiple policy goals from cutting the costs of congestion to business to getting people into employment.
- 3.10. In particular, public support for bus services aligns closely with key overarching Government policy objectives for levelling up and for carbon reduction.

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<sup>20</sup> UTG, 2020, Urban Transport Group Initial Spending review Briefing 2020, [Urban Transport Group Initial Spending Review Briefing 2020 V3.pdf](#)

<sup>21</sup> Trade Unions Congress (2020) Can an infrastructure stimulus replace UK jobs wiped out by COVID19 crisis? [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>22</sup> [M20 Junction 10a - Kent County Council](#)

<sup>23</sup> [Microsoft Word - wsen35bb.docx \(essex.gov.uk\)](#)



- 3.11. The bus is intrinsically targeted at the people and places most in need of support to level up their access to opportunity, without resorting to complicated means-testing arrangements. This is because the people in places most in need are the same as those most likely to rely on the bus to get around, including young people, people on low incomes and jobseekers.
- 3.12. Low and zero emission buses reduce carbon emissions through modal shift from the car. The Government's Transport Decarbonisation Plan states that 'The scale of the challenge demands a step change in both the breadth and scale of ambition and we have a duty to act quickly and decisively to reduce emissions' and the National Bus Strategy adds that 'buses are vital to ensuring the economy meets Net Zero carbon emissions'.
- 3.13. However, revenue funding for bus services was in decline pre-pandemic contributing to the wider decline of buses in the city regions characterised by above inflation fares increases, network contraction and declining patronage.
- 3.14. Our Metropolitan Bus Model (the most sophisticated bus policy modelling tool currently available) shows that if revenue funding were to remain at pre-pandemic levels, then service levels and patronage would remain well-below pre-pandemic levels. The objectives of the Government's national bus strategy would not be met and the decline of the urban bus would continue.
- 3.15. The report also finds that the additional £3bn transformational funding pledged for bus over three years (whilst welcome) will not be adequate to meet the objectives of the bus strategy. Although it is not yet clear how the funding will be allocated, if it were to be divided equally between capital and revenue, between each of the three years and between each of the eligible 79 local transport authorities then the six largest city regions would each receive £6.3 million additional revenue funding per year.
- 3.16. The Metropolitan Bus Model shows that if revenue support for bus services in the six largest city regions increases by between £1.7 billion and £2.3 billion a year above pre-pandemic levels, then bus networks could be significantly expanded to serve more places and to provide better services on existing routes. Fares could also be reduced. This in turn would drive growth in patronage of between 15 and 34 per cent by 2026/27. This would meet key objectives of the national bus strategy
- 3.17. The focus of the exercise was primarily on revenue funding but the modelling also shows that combining additional revenue funding with additional capital funding can be particularly effective in driving patronage growth as bus networks become more reliable and competitive with the car.
- 3.18. The sums required to revitalise urban bus services are clearly substantial. However, it should be borne in mind that funding available for bus had been substantially reduced prior to the pandemic during the 'austerity' years. So, to some extent additional funding now would be returning fares and patronage levels to what they were relatively recently (depending on the scenario, fares would return to levels last seen between 2008 and 2014 and patronage to where it was between 1999/00 and 2008/09).

#### **Revenue funding for light rail**

- 3.19. The key benefits of light rail services are that they can:



- Serve the heart of town and city centres with permanent, visible, and high quality infrastructure.
- Provide regular, rapid, accessible and reliable journey times and service patterns as well as good ride quality.
- Offer high passenger carrying capacity.
- Serve Park and Ride facilities that are attractive to car users.
- Be integrated with new developments.
- Link major traffic generators/attractors.
- Provide a sense of permanence, image and status which gives individuals and businesses confidence in the local area when making location and investment decisions.

3.20. Throughout the pandemic, light rail has played a key role in keeping our cities moving, by getting key workers and others unable to work from home to their jobs; by supporting the opening up of more journey purposes; and by transporting people to healthcare and vaccination hubs. Our briefing note: [The role of LRT during and after the pandemic<sup>24</sup>](#) showed how light rail and modern tram systems will be equally key to building back better through:

- Providing rapid access to town and city centres, to retail and hospitality, colleges and universities, airports, visitor attractions and sporting venues. For example, the Tyne and Wear Metro allows passengers to travel between south Sunderland and north Newcastle, passing through the two city centres en-route, in around 40 minutes. It serves the region's airport, the two major football clubs, as well as the business parks and residential areas that are strung along its lines, which are dotted with stations just 1.3 miles apart.
- Levelling up and providing access to opportunity. For example, in Sheffield, 43% of employment sites are within walking distance of a Supertram stop.
- Getting motorists out of their cars and cutting congestion. For example, in Manchester, 48% of Metrolink passengers have a car available for the journeys that they made on Metrolink. When asked how they would travel if Metrolink was not available, 29% said they would travel as a car driver or passenger (22% as a driver), and 6% said they would not make the journey.
- Supporting good local jobs. For example, building NET in Nottingham resulted in 2,900 years of employment in the local economy and a further 1,600 years of employment in the regional economy, generating a boost to the local and regional economy of £108m and £61m respectively.
- Supporting town and city centre economies - and underpinning new developments. For example, Salford Quays is a former docks area, lying 5km west of Manchester City Centre. The docks closed in 1982 and the redevelopment (including the flagship 'MediaCityUK' site) was built around the extension of Manchester Metrolink. There are now around 250 businesses in MediaCityUK, employing around 7,000 people (one in seven BBC employees are now based at MediaCityUK) and a further 1,000 business in the wider Salford Quays area, employing 27,500 people.
- Supporting HS2. For example, in the West Midlands, the £27 million Eastside extension will serve the new HS2 Curzon Street Station as well as being instrumental to wider upgrades of the urban realm and inner city regeneration of Digbeth.

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<sup>24</sup> [The role of LRT during and after the pandemic | URBAN TRANSPORT GROUP](#)



- Reducing carbon emissions and improving air quality. For example, both Manchester Metrolink and Nottingham NET are powered by renewable energy.
- Getting good value for money for public support and investment. The Tyne and Wear Metro and local rail contributes around £165.6 million of GVA to the North East economy. In a wider measure of GDP and welfare benefits, the overall contribution increases to £367.6 million per annum, which equates to an economic value of around £8.50 per passenger.

3.21. We believe there is therefore a strong case for extending the benefits of light rail and modern tram systems to more people and places where a transport authority considers light rail or modern trams the most appropriate option. As set out in para 2.11 it is also our view that the assumption that no more additional revenue funding will be required for existing light rail systems beyond April 2022 unrealistic.

### Revenue funding for local transport more widely

3.22. Alongside specific bus revenue funding, wider local transport revenue funding has been one of the main victims of the pre-pandemic 'austerity' period - including via wider cuts in local government funding by Ministry of Housing, Communities and Local Government (also an unprotected department). Indeed, DfT core resource budget is still 10% below 2010 levels<sup>25</sup>. Revenue funding pays for the planners and staff that develop and implement capital projects. Our 2015 report '[Revenue-Capital mismatch](#)' analysed the impact of revenue funding cuts on the capacity of Local Transport Authorities to deliver capital schemes and found that: *'revenue budget cuts and the ad hoc nature of major capital funds made it difficult to develop a long-term strategic approach to the delivery of capital funding. This impacts on the value that can be gained from funding as authorities are constantly responding to the pots of funding available rather than setting out local priorities to deliver on.'*<sup>26</sup>

### Funding for public transport in comparator European cities

- 3.23. It is also worth noting that revenue support for public transport is generally lower in UK cities than in counterpart European cities which in turn can have higher modal share, levels of public transport provision and lower fares.
- 3.24. A survey by the European Metropolitan Transport Association found that London has the highest proportion of operating costs covered by fare revenue<sup>27</sup>. Other than Paris (which has a different model of funding local transport), TfL had the lowest proportion of its operating costs covered by public subsidy at 35%. Typically the cities in the survey had 45-60% of public transport operating costs covered by public subsidy.

### Pricing and charging

3.25. As the chart below shows, the cost of using public transport has been rising far faster in real terms than the cost of motoring<sup>28</sup>.

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<sup>25</sup> [Urban Transport Group Initial Spending Review Briefing 2020 V3.pdf](#)

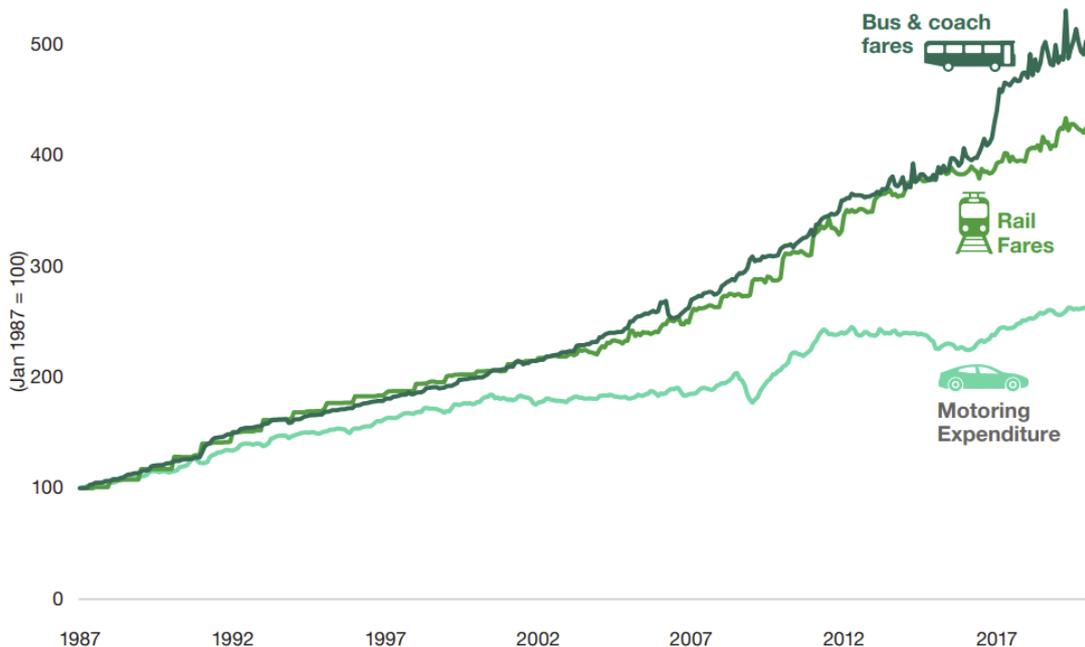
<sup>26</sup> <https://www.urbantransportgroup.org/resources/types/reports/revenue-vs-capital-mismatch>

<sup>27</sup> [EMTA 2014 BAROMETER](#)

<sup>28</sup> [Bus Back Better \(publishing.service.gov.uk\)](#)



## Retail Prices Index (RPI): Bus and coach fares, rail fares and motoring expenditure, 1987–2019



- 3.26. This risks a situation whereby increasing amounts of subsidy for public transport are required just to maintain often low market shares or to slow the rate of decline.
- 3.27. The spending review therefore needs to examine the relative cost of private car use versus public transport use and the role of the road vehicle taxation regime within this.
- 3.28. National government also needs to ensure there is a supportive environment for transport authorities that seek to introduce new local charging mechanisms.

## 4. The case for reform of local transport funding and powers

### Moving away from short term competition funding for local transport

- 4.1. As this submission has demonstrated, there is a compelling case for increased funding for local transport. There is also a need to reform local transport funding around longer term consolidated funding deals similar to those that national rail and roads enjoy. At the same time, transport authorities need the powers necessary to ensure that this funding is best directed on the ground given local circumstances and aspirations.
- 4.2. Proliferation of competition funding on local transport in recent years has created additional pressures on declining resource funding because of uncertainty around when such funding competitions will emerge, what they will cover, and whether or not a local authority's bid will be successful. Bidding for grant funding has a non-negligible cost and creates unpredictable peaks and troughs in workloads which are difficult to resource and plan for efficiently. We explore this in our 2020 report on [‘The Local Transport Lottery – the costs and inefficiencies of excessive reliance on competition funding.’](#)



4.3. The main findings of the report are that:

- The costs of competition funding are high in absolute terms (the costs of bidding for the Transforming Cities Fund, for example, was in the region of £1 million for some authorities).
- The costs of preparing a bid for a small scheme is disproportionately high when compared with the costs of preparing a bid for a large scheme (the cost of bidding for a £5 million project is typically only three to five times less than bidding for a £100 million project, despite the reward of the latter being twenty times greater).
- Bidding for short-term projects is a major drain on limited available staffing which could be far better deployed as part of a longer-term strategic approach to urban transport planning and delivery.

4.4. The report also found that:

- The unpredictability and short-term nature of excessive reliance on competition funding can distort priorities, with sub-optimal projects being brought forward on the basis that they meet competition criteria rather than that they would be the best scheme overall.
- The constant and unpredictable churn of competition funding disrupts and distracts from the task of developing and implementing longer-term integrated planning and delivery and from building up a pipeline of schemes.
- The number of small competitive pots has increased dramatically over recent years, increasing the burden on local authorities for relatively small gains.
- The need to respond quickly to ad-hoc competitions leads to higher consultancy spend and takes funding away from supporting, developing and maintaining in-house staff and expertise.

4.5. Long-term funding certainty allows a considered approach to ranking and delivering priorities; it means that business and investors in city regions can plan ahead with more confidence; it allows expertise and capability in the planning and delivery of schemes to be built up and retained; and it reduces the inefficiencies inherent in oscillating between 'feast and famine' for contractors and suppliers.

4.6. The need for longer term and more stable funding settlements for local transport in cities is a key recommendation of the National Infrastructure Commission's National Infrastructure Assessment<sup>29</sup>.

4.7. We therefore welcome the moves to consolidated funding on a longer timescale that the City Region Sustainable Transport Fund represents in principle. We also welcome the commitment in the Transport Decarbonisation Plan to move towards further consolidation linked to Local Transport Plans and transport decarbonisation priorities.

4.8. However, this is with the caveat that the sum of the consolidated funds needs to be more (not less) than the sum of the parts and commensurate with the scale of funding needs for local transport outlined in the rest of this submission. We would also have concerns if this funding is linked to unrealistic expectations around matching local contributions or excessive second guessing by Whitehall of what projects and policies the funding should be used for.

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<sup>29</sup> National Infrastructure Commission (2018) National Infrastructure Assessment  
<https://www.nic.org.uk/assessment/national-infrastructure-assessment/>



4.9. Revised guidance on Local Transport Plans would also be welcome.

#### **Bus revenue funding reform**

- 4.10. In our associated [report on the case for additional revenue support for bus](#) we also set out the case for bus funding reform.
- 4.11. The report shows that prior to the pandemic there were six main ways in which bus services were funded, overseen by different Government departments, with poor coordination between them and no consistent or coherent overall objectives. All of these funding formats had also been in decline pre-pandemic and the net result was the ongoing decline of the urban bus.
- 4.12. During the pandemic DfT took a patch and mend approach by adapting these existing funding streams and adding an additional COVID19-specific funding stream to create an overall funding system which is now even more complicated and opaque.
- 4.13. By routing the majority of the additional COVID19 funding directly to commercial operators, transport authorities were left unable to provide the best overall and integrated public transport networks for the places they serve during the crisis and at best value to the taxpayer.
- 4.14. Since the start of the pandemic, we have argued that the opportunity should be taken to reform what was a failed system for funding the bus and move to consolidated and devolved funding which reflects the costs of achieving the objectives of the national bus strategy but allows city region transport authorities to target funding in the most effective way, consistent with local circumstances and aspirations.
- 4.15. The national bus strategy has transformed the context for bus funding by significantly raising aspirations for the sector and by giving Local Transport Authorities a key role in its local

#### **Responding to transformative change.**

Local transport authorities are also having to respond to new, complex and far-reaching challenges which include:

- The short, medium and long-term implications of the COVID-19 crisis.
- Delivering on the Government's highly ambitious objectives for increasing active travel trip share and turning round the decline in bus travel.
- Reducing carbon emissions from urban transport systems as well as improving their resilience to more extreme weather events.
- Responding to the opportunities that arise from technological change which includes making the best use of the exponential growth in data; preparing the road network for connected and autonomous vehicles; facilitating greater electrification of road vehicles; and moving forward on Mobility as a Service. There are also challenges in responding to waves of new business models which capitalise on wider social and technological change such as new formats for PHV provision, dockless bike schemes and e-scooters and personal mobility devices.

All of these challenges have implications for staffing, hiring in expertise and resources.



delivery. The approach to bus funding has not kept pace with the transformation on national bus policy that has occurred.

- 4.16. The report makes the case that now is the time for DfT to seriously address wider bus funding reform given recovery funding has been secured for the short term, giving DfT the opportunity to prepare for the introduction of wider bus funding reform in April 22. This is also the point at which the majority of the £3bn of transformational funding begins to be allocated; when Bus Service Improvement Plans are implemented; and when Enhanced Partnerships begin in most Local Transport Authority areas.

#### **Empowered to route funding effectively**

- 4.17. Transport authorities outside London need to have the flexibilities and powers necessary to move rapidly, at scale and in a coordinated way to underpin a wider green and just recovery from COVID-19 in the city regions.
- 4.18. Fully empowered transport authorities can:
- Target investment where it will have the biggest local economic impact.
  - Organise road space in a way which facilitates and encourages active travel and public transport and discourages more carbon intensive modes.
  - Support, promote and invest in public transport so that it provides an effective alternative to car use.
  - Work with District Councils and the power sector to ensure that electricity, hydrogen and biogas is available to power low or zero emission vehicle fleets.
  - Coordinate with wider economic and housing plans to ensure that existing and new developments are easily accessible on foot, by bike and by public transport.
  - Collaborate with the wider local public sector - including education, local government, health and social care - on the transport implications of their policies and decisions.
  - Make wider connections between the decarbonisation of transport, energy and the built environment at the local level. For example, through a coordinated approach to investment in vehicle fleets, local renewable power generation, public buildings, housing and local grid infrastructure.
  - Support place-based solutions by taking a view across conurbations of the different types of policies which will be most effective across the very different local economies and geographies that city regions contain (from the central business districts of core cities through to post-industrial towns, suburbs and edge lands).
  - Coordinate decarbonisation policies with those designed to improve air quality.
  - Take a view on the trade-offs between measures which reduce carbon and those which will improve the resilience of transport infrastructure to the more extreme weather conditions that are already occurring (such as through blue-green infrastructure to deal with higher temperatures and more intense rainfall).
  - Adopt a coordinated approach to national and local emergencies.



- Ensure better coordination of the planning of transport with the provision of faster and more reliable broadband connections and respond to the travel patterns associated with more home working.

4.19. In practice, fully empowered transport authorities would mean:

- Existing bus subsidy funding flows being routed via transport authorities as set out above.
- On rail ensuring that the follow on from the Williams-Shapps rail plan extends the benefits that devolution of responsibilities for the contracting of rail services has already brought to London, Merseyside and Scotland where, by and large, investment has increased, passenger satisfaction has risen and performance has improved<sup>30</sup>.
- In London, Transport for London has responsibility for key roads, the provision of a fully integrated public transport network as well as taxi and Private Hire Vehicle licencing. This is not the case for England's other city regions but is an option which should be available to every city region to draw on as may be locally determined<sup>31</sup>.
- Transport Authorities have some powers in areas like road user charging and parking, however there are other potential new funding streams that could be better realised depending on local circumstances and aspirations - including in relation to land value capture and workplace parking levies. We further explore some of the issues around this in our 2019 report on '[The Place to Be: How Transit Orientated Development can support good growth in the city regions](#)' which looks at the key role that local transport investment can play in opening up sites which will help meet the UK's significant housing need.

## 5. Conclusion

- 5.1. This submission shows that if the Government's general and wider aspirations for carbon reduction and levelling up are to be met, as well as the specific objectives of the Transport Decarbonisation Plan and national bus and active travel strategies, then this Spending Review needs to prioritise spending on local urban transport. Indeed, it will not be possible to be meet these objectives without doing so.
- 5.2. To make the most efficient use of additional funding we also need to:
- Make further progress on consolidated, long term and enhanced funding for local transport.
  - Reform the way in which bus services are supported along the same lines.
  - Fully empower metropolitan transport authorities so they can direct funding where it will be most effective given local circumstances and aspirations.

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<sup>30</sup> UTG (2017) 'Rail Devolution Works' <https://www.urbantransportgroup.org/resources/types/reports/rail-devolution-works>

<sup>31</sup> For more, see UTG (2017) 'Taxi! Issues and Options for City Region Taxi and Private Hire Vehicle Policy' available here: <https://www.urbantransportgroup.org/resources/types/reports/taxi-issues-and-options-city-region-taxi-and-private-hire-vehicle-policy>



## Annex One

### SUPPORTING UTG EVIDENCE BASE FOR INVESTMENT IN URBAN PUBLIC TRANSPORT AND ACTIVE TRAVEL

There is a strong consensus that city regions are key to improving the UK's wider economic competitiveness. Transport is a key enabler of city region growth and a way of ensuring that the benefits of that growth are shared by increasing access to opportunity - be it jobs, education, leisure or healthcare. Innovations in the transport sector can also help showcase UK tech talent and know-how, attract inward investment and help create new export markets.

To deliver on their potential, city regions need efficient and effective local transport networks, as well as good connectivity with each other and the wider world. Efficient and effective local transport networks support city centres with their clusters of high value jobs, retail and cultural offerings. They also support secondary centres, high streets and suburbs by providing them with the access they need. Connectivity with other cities, and beyond, attracts investment and skills and enables access to domestic and international markets.

The overarching economic case for investment in urban transport networks is summarised in our ['Transport works for growth and jobs'](#) report.

The 'Transport works' report highlights that: '...there is a strong empirical relationship between transport spending and national economic growth, greater than for most other sectors of government activity.' Our analysis suggests that 'lower levels of transport spending between 1990 and 2004 can explain a 2% difference in GDP between the UK and Germany over the period. Schemes in congested urban areas are a particularly effective form of transport spending, offering an average economic and social return of £4 for every £1 spent'.

Our other reports on the overarching case for investment in urban transport include:

- ['Banks, bytes and bikes'](#) report on the transport priorities of the 'new economy' (finance, legal, technology, media and creative sectors) which sets out how these sectors increasingly favour urban locations with good quality of place, as well as good access on foot, by bike and by public transport.
- ['About towns - how transport can help towns thrive'](#) where we demonstrated how transport improvements can make a key contribution to reviving the economies of post-industrial towns.

We have also demonstrated the benefits of investing in the different aspects and forms of urban transport in the following reports set out below.

#### Regional and urban rail

Our 2015 ['Destination Growth'](#) report sets out the success of regional rail over the past decade and then goes on to develop two hypothetical scenarios to demonstrate how investment in regional rail could deliver even greater benefits, significantly reducing subsidy and growing the benefits delivered to our city region economies. One scenario involved investment in a modern fleet of diesel trains and the other investment in a modern fleet of electric trains. It found economic benefits of between 3.9 and 4.4 pounds for every pound invested when compared with a business as usual scenario. Lower operating costs and high



passenger numbers would lead to subsidy requirements being slashed, with the possibility of the network being self-supporting.

In 2017 we published: ['The Transformational Benefits of Investing in Regional Rail: four case studies'](#) which homes in on the benefits that derive from investing in four different types of regional rail services. The benefits that the report identifies through the case studies include the potential to generate over 2,000 jobs and up to £70m of additional GVA per annum (the rail reopening case study), the delivery of land for housing to support over 3,000 new residents (the total route modernisation case study) and a total value to the economy of around £35m of additional GVA each year (the developing inter urban links case study).

In 2018 we published ['Rail Cities - our vision for their future'](#) which makes the case that if cities are to densify and grow economically (whilst at the same time ensure housing need is met, air quality is improved, carbon is cut and road congestion is reduced) then only significant investment in expanded urban rail networks can facilitate this. The report sets out a five-point vision for 21st century rail cities based on:

- Higher density and more reliable rail services, with a greater market share of city centre commuting and more cross city routes.
- The use of technologies, such as tram-trains, which are able to switch from rail lines onto streets when they reach city centres.
- Rail networks which are integrated with wider public transport, and which support housing needs and local economic development.
- Stations which act as hubs for business, housing and community purposes.
- Interconnected rail networks which emulate those of comparative city regions in countries such as Germany.

### **Active travel**

In our November 2016 report, ['The Case for Active Travel'](#), we set out the fivefold economic benefits of investing in active travel highlighting cost savings to the health sector, the economic value of active travel trips, the economic benefits of an improved urban realm, the benefits to inclusive growth and direct employment benefits in related industries.

### **Buses**

There is a particularly strong case for increasing revenue support for bus services given the very wide cross-sector benefits that accrue from public support for bus, meeting the stated priorities of many Government departments.

The bus is the main form of public transport. It gives people access to employment and opportunity and is a relatively low cost and rapid way to enhance transport provision, for example, to serve new development areas.

Our 2019 report ['The cross-sector benefits of backing the bus'](#) reveals that investing in bus services contributes to the policy goals of 12 out of 25 Ministerial Departments, covering 29 policy priorities in total.

Whilst showing the exceptional value for public money that supporting bus services provides the report also shows how complex and inefficient current funding arrangements are with three Government departments involved but with no effective overall coordination, or cumulative understanding, of the impacts on bus services of their respective decisions on



relevant funding flows. The report also shows that all these funding flows have been in decline, contributing to continuing overall reductions in service levels and patronage and in turn undermining the ability of Departments across Whitehall to achieve their wider policy goals.

These arguments have been updated in a report we have published in association with this submission on [the case for revenue support for bus](#).