



House of Commons
Transport Committee

The performance of the Department for Transport

Fourth Report of Session 2009–10

*Report, together with formal minutes, oral and
written evidence*

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Transport and its associated public bodies.

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1 Introduction

1. This report reviews key aspects of the performance of the Department for Transport, with respect to its development of policy, implementation and efficiency. It focuses mainly on performance in 2008 and 2009, placing it in the context of the Government's long-term objectives for a more integrated transport system, first set out in the Transport White Paper of 1998, *A New Deal for Transport. Better for Everyone*.¹

2. We do not attempt to cover all areas of the Department's many responsibilities and functions. Where we refer to the Department for Transport, we include, where relevant, the many agencies, non-departmental public bodies, local authorities and other partners which play a major role in delivering the Department's policies. Table 1 below gives an indication of the scale of total public sector spending on transport in the UK.

Table 1: Total UK public sector expenditure on transport, 2006–07 to 2008–09

£ millions	2006–07	2007–08	2008–09	
	outturn	outturn	estimated outturn	
National roads	3,286	3,201	3,516	16%
Local roads	4,946	5,120	5,954	27%
Local public transport	2,909	3,205	3,926	18%
Rail	7,945	8,181	7,859	35%
Other transport	886	1,035	1,012	5%
Total transport	19,972	20,742	22,267	100%

Note: Includes current and capital spending on transport by UK local and central government, including the devolved administrations. See para 63 below for Department for Transport's budget.

Source: HM Treasury, Public Expenditure Statistical Analyses (PESA) 2009, Table 5.2, July 2009

2 Leadership

3. The role of the Department for Transport is a challenging one. It is to set a framework in which the day-to-day journeys of millions of people and freight shipments can take place efficiently, safely and at a reasonable cost. At the same time, it must oversee the long-term development of the country's transport infrastructure. The Department for Transport summarises its aim as "Transport that works for everyone".

4. Early in the life of the 1997 Parliament, the Government set out an ambitious vision for transport.² At the heart of the strategy was greater integration within and between transport modes, and between transport and other policy areas, such as land-use planning, the environment and social policy. This was followed by a spending plan—*Transport*

1 Department for Transport, *A New Deal for Transport: Better for Everyone*, Cm 3950, 1998

2 *Ibid.*

2010—which set out the types and numbers of schemes to be implemented and the outcomes to be achieved over the coming decade.³

5. In recent years, broad-ranging reappraisals were undertaken of transport and environmental policy, notably the Eddington Transport Study⁴ and the Stern Review.⁵ As perhaps suggested by the title of the ensuing policy document, *Towards a Sustainable Transport System*,⁶ the Eddington and Stern reviews resulted in a period of reflection and policy review by the Department.

6. Charting a clear direction for transport policy requires capable ministers, supported by high-calibre civil servants and advisers. It also requires a degree of stability. The Department for Transport has suffered from frequent changes in the ministerial team, with five Secretaries of State for Transport in the past five years, including three in the past 18 months.⁷ There have been similarly frequent changes among the junior ministers.

7. Whilst this degree of ministerial change is not unique in Whitehall departments, it is certainly unhelpful in developing consistent and sensible policy. It leads to delay while new ministers master their briefs and review the policies of their predecessors. There is a loss of accountability as new ministers inevitably accept less responsibility for the decisions and actions of their predecessors. Briefing new ministers places an additional burden on partners, stakeholders and civil servants. Any major company that changed its senior management team as frequently as the Department for Transport would be treated with considerable suspicion by its shareholders.

8. Ministerial changes have led to a number of disruptions to policy and implementation. For example, in 2007 the newly-appointed Secretary of State for Transport⁸ introduced considerable last-minute changes to the Local Transport Bill, including proposals to change the role and status of the Traffic Commissioners. These proposals were subsequently dropped.⁹ The exploration of lane pricing on motorways, announced in July 2008,¹⁰ was abandoned less than six months later by the incoming Secretary of State for Transport.¹¹ More recently, following the appointment of the current Secretary of State for Transport, the Rt Hon Lord Adonis, the Department reversed its policy on rail electrification.¹² Whilst we support the new policy, we are concerned that time and money was wasted on the previous approach.

3 Department for Transport, *Transport 2010: The 10 Year Plan*, July 2000

4 HM Treasury and Department for Transport, *The Eddington Transport Study: The case for action: Sir Rod Eddington's advice to Government*, December 2006

5 HM Treasury, *Stern Review: The Economics of Climate Change*, 2006

6 Department for Transport, *Towards a Sustainable Transport System*, Cm 7226, 2007

7 Rt Hon Alistair Darling MP, Rt Hon Douglas Alexander MP, Rt Hon Ruth Kelly MP, Rt Hon Geoff Hoon MP and Rt Hon Lord Andrew Adonis

8 Rt Hon Ruth Kelly MP

9 Transport Committee, Ninth Report of Session 2006–07, *The draft Local Transport Bill and the Transport Innovation Fund*, HC 692

10 Department for Transport, *Roads – Delivering Choice and Reliability*, Cm 7445, July 2008, p 19

11 Department for Transport, *Britain's Transport Infrastructure: Motorways and Major Trunk Roads*, January 2009, p 19

12 Q 48

9. Governments should give careful consideration to the frequency with which they change ministers. The sensible development and implementation of transport policy requires reasonable stability in the ministerial team. The Department for Transport should not be used merely as a rung on the ministerial ladder.

10. Despite these frequent changes in ministers, the Department has, over the past year or so, developed a clear set of priorities for the short term and a vision for how transport should be developed over the coming decades. The Government's announcement in January 2009 regarding Britain's transport infrastructure has greatly clarified how the capacity and resilience of the major transport arteries will be improved.¹³ The capacity of the motorway network will be increased through a £600 million programme, with hard-shoulders converted to running lanes at peak times.¹⁴ There is to be a major programme of rail electrification, and the newly-created company, High Speed Two Ltd, has now reported to the Secretary of State on the options for a North-South high speed rail line. We await the publication of the report, along with the Government's response and the National Policy Statement for National Networks, all due to be published by the end of March 2010.¹⁵ The Government also confirmed its support for a third runway at Heathrow, to improve the resilience of this major European hub airport.

11. The fact that the Department for Transport now has a clear sense of direction is, in no small measure, due to the leadership shown by the Secretary of State, Lord Adonis. He has demonstrated a strong grasp of the issues and the need for a coherent vision and strategy for transport in the UK. Lord Adonis has made a strong start by articulating a positive and achievable vision that has won broad support, most particularly in respect of high speed rail. He has also shown his willingness to get directly involved with difficult issues. These include the termination of the National Express rail franchises and proposals for a modified rail franchise system.¹⁶ In partnership with the Mayor of London, the Secretary of State has been engaged in the final roll-out of the Oyster card to all local rail services in London¹⁷ and contractual arrangements for the tube upgrade work, following the demise of Metronet.¹⁸ Outside London, a new strategy is being pursued for smart and integrated ticketing in the major urban areas.¹⁹ His rail tour of Britain and cycle tour of London have led to initiatives to improve key rail stations²⁰ with additional funds for bike-rail integration.²¹

12. We welcome the progress made by the Department towards developing a clear vision for Britain's transport infrastructure. The Government must ensure that the

13 HC Deb 15 January 2009, col 355, Oral statement by Rt Hon Geoff Hoon MP

14 Department for Transport, *Britain's Transport Infrastructure: Motorways and Major Trunk Roads*, January 2009

15 HC Deb, 14 December 2009, col 64WS

16 Transport Committee, Eighth Report of Session 2008–09, *Rail fares and franchises*, HC 233. See also Ev 29 for the Department's initial estimate of the cost to the taxpayer of the early termination of the National Express East Coast Main Line franchise.

17 Q 102

18 Statement by Rt Hon Lord Adonis, Secretary of State for Transport, *Transport for London: new contracting and scrutiny arrangements*, 29 October 2009

19 Department for Transport, *Smart and Integrated Ticketing*, December 2010

20 HC Deb, 19 November 2009 col 18WS

21 Central Office of Information, Press notice: *Rail passengers encouraged to get to their bikes*, 29 September 2009

decisions on future transport infrastructure, including the prospective North-South high-speed rail line, are supported in future budgets. A stop-start approach to transport investment would undermine the credibility of the policy direction that has now been reached.

13. Lord Adonis has also set a personal example of sustainable transport and cost-cutting by giving up his ministerial car and driver.²² The Permanent Secretary, Mr Devereux, has also given up his allocated car which had previously cost over £18,000 per quarter.²³ **We commend the Secretary of State and the Permanent Secretary on giving up their allocated cars, each of which previously cost over £18,000 per quarter.**

3 Implementation and outcomes

14. Plans and vision are important. But without effective implementation and positive outcomes they mean very little to the 24 million people and the 5 million tonnes of freight carried on the transport network every day.²⁴

Achievements

15. On the railways, performance by train operators has improved, Network Rail has undertaken major track upgrades, and safety is again good.²⁵ Passenger numbers have increased by 40% since 2000. Despite some slowdown in the current recession, the Government will be close to achieving its long-term target of a 50% increase in passenger numbers by 2010.²⁶ The objective of a reliable seven-day a week railway is, however, some way off. The impact on passengers of work by Network Rail has not always been properly considered, notably when the East Coast and West Coast main lines were closed at the same time, and the degree of bus substitution has been excessive. We are pleased that the Department is now requiring Network rail to address these issues.²⁷

16. On the roads, congestion has decreased in 10 targeted urban areas and delays have reduced on trunk roads and motorways.²⁸ Despite real-terms increases in fuel duty and in vehicle excise duty (VED) for vehicles which emit higher levels of carbon dioxide, the overall cost of motoring has continued to decline.²⁹ Between 1997 and 2008 the real cost of motoring declined by 13%. By contrast, bus and coach fares increased by 17% and average rail fares increased by 7% in real terms.³⁰ The Driver and Vehicle Licensing Authority

22 Qq 18-23. See also Ev 28 and Ev 30

23 Department for Transport, Ev 30

24 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, p 8

25 Christian Wolmar, "Rail's improved safety record deserves much greater acclaim", *Rail*, 21 October 2009, pp 44–45

26 Department for Transport, *Transport 2010*, 2000

27 Q 98

28 Department for Transport, *Autumn Performance Report 2009*, Cm 7737

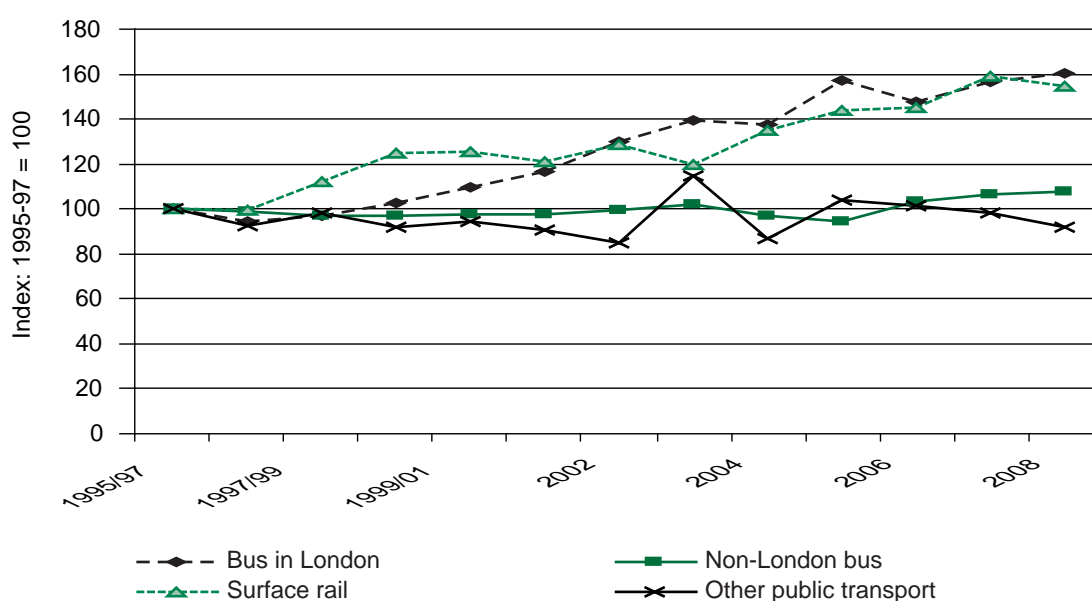
29 Transport Committee, Sixth Report of Session 2008–09, *Taxes and charges on road users*, HC 103, 2009

30 Paul Clark MP, HC Deb, 19 March 2009, c1276W

(DVLA), working with the police, the Vehicle and Operator Services Agency (VOSA) and other partners, has reduced car-tax evasion. In 2008, DVLA collected 99.1% of all VED payable, compared with 98.5% in 2007. The police have seized some 380,000 untaxed or uninsured vehicles over the past two years. These efforts have contributed to safer roads and reduced the burden on the law-abiding motorist.³¹

17. Deaths in road traffic accidents have fallen dramatically over the past two years—by 7% in 2007 and by 14% in 2008. The number of deaths among the most vulnerable road user groups has also declined, both in the past two years and over the past decade. Compared with the 1994–98 average, the number of child deaths has fallen by 52%, pedestrians by 43% and cyclists by 38%. During this time the amount of miles cycled increased by 17%. Deaths involving motorcyclists are the exception to these positive trends, although these too declined in 2008.³² These trends regarding road deaths are most welcome, notwithstanding our concerns about the robustness of the injury data, which we return to later in this report.

Figure 1: Average distance travelled by selected public transport modes: 1995/97 to 2008



Source: Department for Transport, *National Travel Survey 2008*, Chart 2.5

18. The number of bus and light rail users has increased by 20% since 2000, largely as a result of growth in London (see Figure 1).³³ The Department, with the assistance of the Mayor of London, is, therefore, well on track to meet its target of 12% passenger growth by 2010. Achieving the subsidiary target of passenger growth in all regions is, however, much less certain. The national concessionary travel scheme has provided free bus travel to 11 million older and disabled people in England, improving their access to shops, services and leisure, and their quality of life. The concessionary travel scheme has also, temporarily

31 Transport Committee, Eleventh Report of Session 2007–08, *Ending the Scandal of Complacency: Road Safety beyond 2010*, HC 460, 2008

32 Department for Transport, *Reported Road Casualties Great Britain: 2008*, September 2009, Table 1d

33 Q 4

at least, halted the decline in bus use outside London.³⁴ We welcome this outcome although we cannot endorse the Department's description of a 0.6% upturn in bus use and light rail use outside London in 2008–09, based on provisional figures, as a “significant rise”.³⁵ Table 2 shows the development in bus use since 2000–01. The funding formulae by which the concessionary travel special grant has been distributed amongst local authorities has proved contentious. We note the Department's recognition that the distribution was overly-generous to London but inadequate for some local authorities, particularly non-metropolitan regional centres such as Nottingham and Exeter. We are pleased that the Department has decided to adjust the distribution for 2010–11.³⁶ We also note its intention to transfer responsibilities and funding for concessionary travel from district councils to county councils,³⁷ as we have previously recommended.³⁸

Table 2: Local bus passengers journeys in England, 2000–01 to 2008–09

Million journeys	London	English non-metropolitan areas	English metropolitan areas	England total
2000–01	1347	1292	1203	3842
2001–02	1422	1263	1196	3881
2002–03	1527	1255	1182	3964
2003–04	1692	1233	1162	4087
2004–05	1802	1210	1128	4140
2005–06	1881	1204	1111	4196
2006–07	1993	1336	1141	4470
2007–08	2089	1328*	1104*	4522*
2008–09	2149	1335*	1111*	4594*

Note: * The methodology used for estimates outside London changed and the figures are provisional.

Source: Department for Transport, *Transport Statistics Great Britain 2009 Edition*, November 2009, p119

19. The Government has a policy to encourage more sustainable types of freight transport—more freight by rail or water and reduced impacts of freight by road—for environmental and safety reasons. A wholesale transfer of freight from road is not realistic but it is encouraging that rail freight has increased from 18 billion tonne-kilometres in 2000 to 21 billion in 2008, although this is far short of the 80% increase targeted in *Transport 2010*. Water-borne freight,³⁹ however, declined substantially over this period

34 Free local bus travel for disabled people and those over 60 was introduced nationally in April 2006. In April 2008 this was extended to free bus travel across England. In both subsequent years (2006–07 and 2008–09), bus use rose in London, the metropolitan areas and other parts of England.

35 Department for Transport, *Autumn Performance Report 2009*, Cm 7737, p 21

36 Department for Transport, *Consultation Response Document: Consultation on Local authority special grant funding in 2010/11 for the national bus concession in England*, January 2010

37 Department for Transport, *Consultation Response Document: Consultation on possible changes to the administration of concessionary travel*, December 2009

38 Transport Committee, Fifth Report of Session 2007–08, *Ticketing and Concessionary travel on Public Transport*, HC 84, para 86

39 Defined as UK coastwise and one-port freight movements by sea, and inland waterway traffic. See Department for Transport, *Transport Statistics Great Britain: 2009 Edition*, November 2009, p 63.

while road freight increased. VOSA has stepped up its targeted checks on those HGVs and drivers that may be flouting safety, working-time or cabotage regulations. These measures help the environment, road safety and the interests of legitimate road hauliers, although we remain concerned about the safety risks posed by some HGV drivers and their vehicles, particularly foreign-registered HGVs. We recommended that VOSA should be given right of access to port premises where vehicles enter the UK.⁴⁰ We look forward to hearing from the Department about progress on this matter and on the development of the Europe-wide database on the safety record of European HGV operators.

20. The Department for Transport has achieved some important and positive outcomes as a result of consistent effort and increased government spending. The reduction in congestion and road deaths, and the increased use of public transport and freight on rail, are examples. The Department needs to maintain and build on these achievements, and to address those areas where trends and performance have been less satisfactory.

Remaining transport challenges

21. Despite many achievements, there is much more that needs to be done. We focus here on two issues which we believe are of particular importance—integrated transport and managing traffic growth.

22. More than a decade after the Transport White Paper, *A New Deal for Transport: Better for Everyone*, integrated transport remains an elusive ideal.⁴¹ Asked about the performance of the Department in achieving an integrated transport network, Lord Adonis said “I believe we are making progress but we have a great deal more progress to make.”⁴² He pointed to the recent agreement on extending the Oyster card to all rail services in London. The Department has not, however, reported progress on the original objectives of *Transport 2010* in any meaningful and structured manner. The Department originally stated that it would monitor not only progress against outcomes (such as modal shares) but also the extent to which outputs (schemes) had been implemented.⁴³ We are aware that a number of schemes and outcomes have been achieved, such as the introduction of improved concessionary travel for bus passengers. It is equally clear that other targets, notably the “up to 25 rapid transit lines”, have not. **The Department for Transport should publish a comprehensive progress report against the targets and schemes set out in its spending plan, *Transport 2010*, published nearly 10 years ago. It should do so in its response to this Report.**

23. The 1998 White Paper defined integrated transport policy as integration within and between different transport types, and with the environment, land-use planning and

40 Transport Committee, Seventh Report of Session 2008–09, *The enforcement activities of the Vehicle and Operator Services Agency (VOSA)*, HC 39, para 49

41 Department for Transport, *A new deal for transport: better for everyone*, Cm 3950, 1998

42 Q 100

43 Department for Transport (Alison Davis and Phil Dykins, Transport Strategy and Finance Division, DETR), *Monitoring the 10 Year Plan for Transport, 2001* <http://webarchive.nationalarchives.gov.uk/> states “it is important to monitor delivery of these outputs, both to test the assumptions made in the Plan, and as practical manifestations of progress towards the Plan’s objectives. Examples include numbers of major road and rail improvement schemes, light rail lines, park-and-ride schemes”.

policies on education, health and wealth creation.⁴⁴ Taking integration “within and between different transport types”, it is clear that, outside London, substantial difficulties remain. The Government is able to exert considerable influence over rail operators through the franchise system and other mechanisms. The principal difficulty lies with bus services, most of which are privately planned and operated, and the problems we have pointed to in previous reports.⁴⁵ Whilst private operators have controlled operating costs and removed some of the revenue risk from local authorities, the deregulated system has made it almost impossible to achieve co-ordinated services, including routes, timetables or ticketing arrangements in most parts of the country. This is despite the considerable public expenditure on bus services by central and local government—amounting to some £2.5 billion per year.⁴⁶

24. We note with interest the lesson drawn by the Secretary of State for Transport:

“[...] as I know only too well now from my own experience, bringing about integration requires strong governmental action—that is not necessarily central government; it could be and often will much more appropriately be local government, hence integrated transport authorities and the important role that they play, but it will not happen spontaneously, nor is it likely to happen simply by specifying things in contracts. That can get you a certain length of the way but in fact there has to be a public authority which is responsible, which takes integration seriously and has the necessary powers to bring it about.”⁴⁷

25. In London a high degree of transport integration has been achieved as a result of the powers and resources available to the Mayor and Transport for London (TfL). Bus, tube and local rail services and fares are specified by the Mayor and TfL who also control the strategic road network and the congestion charge scheme. These comprehensive powers are not available to local authorities outside London. We are well aware that circumstances in London are different to the rest of the UK. The scale of London’s public transport network, its large resident and visitor populations, the higher levels of economic growth and resources, low car-ownership,⁴⁸ and other factors mean that simply conferring London-style powers on other parts of the UK would not necessarily lead to similar outcomes. Nevertheless, the gap between transport integration in London and in the rest of the UK is growing and a better way must be found, particularly in the metropolitan areas and major cities, to improve integration of local transport. The Local Transport Act 2008 is

44 Department for Transport, *A new deal for transport: better for everyone*, Cm 3950, 1998, p 8

45 See Transport Committee, *The draft Local Transport Bill and the Transport Innovation Fund*, Ninth Report of Session 2006–07 HC 692; and Transport Committee, Fifth Report of Session 2007–08, *Ticketing and Concessionary Travel on Public Transport*, HC 84, para 86.

46 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, pp 28–38. This comprises concessionary travel (£1 bn), local authority support for local bus services (£1 bn), Bus Services Operator Grant (£0.4 bn) and Rural Bus Grant and Kickstart (£0.01 bn). In addition, the Integrated Transport Block Grant within the local transport plan expenditure will include schemes to assist buses and bus users.

47 Q 102

48 In 2008, 43% of households in London boroughs had no car compared with 32% in metropolitan areas and much lower rates in other parts of Great Britain. Department for Transport, *Transport Statistics Great Britain: 2009 Edition*, November 2009, p166.

now in place and Ministers have urged local authorities to use the new powers available to them to introduce quality partnerships and quality contracts for bus services.⁴⁹

26. More than 10 years after the integrated transport White Paper, and almost 25 years after the Transport Act 1985, which deregulated local bus services, integrated transport remains an elusive objective outside London. Although the majority of bus services are privately provided, there is still a very large amount of public expenditure involved—some £2.5 billion in 2008–09. The Government must look hard at the benefits to passengers that might be gained by more “strong government action” as suggested by Lord Adonis. We look forward to full implementation of the Local Transport Act 2008 and trust that the Government will monitor progress and legislate further if these powers prove insufficient.

27. Following years of steady decline, bus use outside London has recently increased slightly. The Department believes that this was largely due to the introduction of free bus travel—first local, then national—under the concessionary travel scheme. We raised, once again, the issue of monitoring concessionary travel passengers separately from fare-paying passengers.⁵⁰ Lord Adonis said that this was an interesting point which he would consider further.⁵¹ Lord Adonis has now told us that the Department has been collecting separate data on concessionary and non-concessionary bus trips since 2007–08, although it will not be published until later this year.⁵² **We believe it would be helpful to understand the extent to which the national concessionary travel scheme is responsible for the recent increases in bus use. We recommend that the Department monitor separately the trends in fare-paying bus passengers and concessionary bus passengers and publish the data at least annually.**

28. In our Report on the enforcement activities of VOSA, we raised the issue of the chronic inadequacy of resources available to the Traffic Commissioners to monitor bus punctuality.⁵³ The Department’s response was that “VOSA currently provide the Traffic Commissioners with support in this role and the Department believes that VOSA remains the most appropriate body to do this.”⁵⁴ We raised this again with the Secretary of State for Transport and the Permanent Secretary when they gave oral evidence on 2 December 2009.⁵⁵ The issue was clearly not at the top of the Department’s agenda. Lord Adonis has now informed us that the Department has allocated £790,000 to VOSA for bus punctuality monitoring in 2009–10.⁵⁶ However, in the absence of further information, we cannot

49 Rt Hon Sadiq Khan MP, *The Local Transport Act—a game changer*, speech to the Local Transport Act Conference, 12 January 2010. See also Ev 29 regarding the composition of Quality Contracts Scheme Boards.

50 We have now raised this with the Permanent Secretary and three successive Secretaries of State for Transport: Transport Committee, Seventh Report of Session 2007–08, *Departmental Annual Report 2007*, HC 313, Qq 177–180; Transport Committee, Department for Transport’s Annual Report 2008, Oral Evidence, Qq 63–67; and Q 81–83 in this Report.

51 Q 81–83

52 Ev 29

53 Transport Committee, Seventh Report of Session 2008–09, *The enforcement activities of the Vehicle and Operator Services Agency (VOSA)*, HC 39, para 41

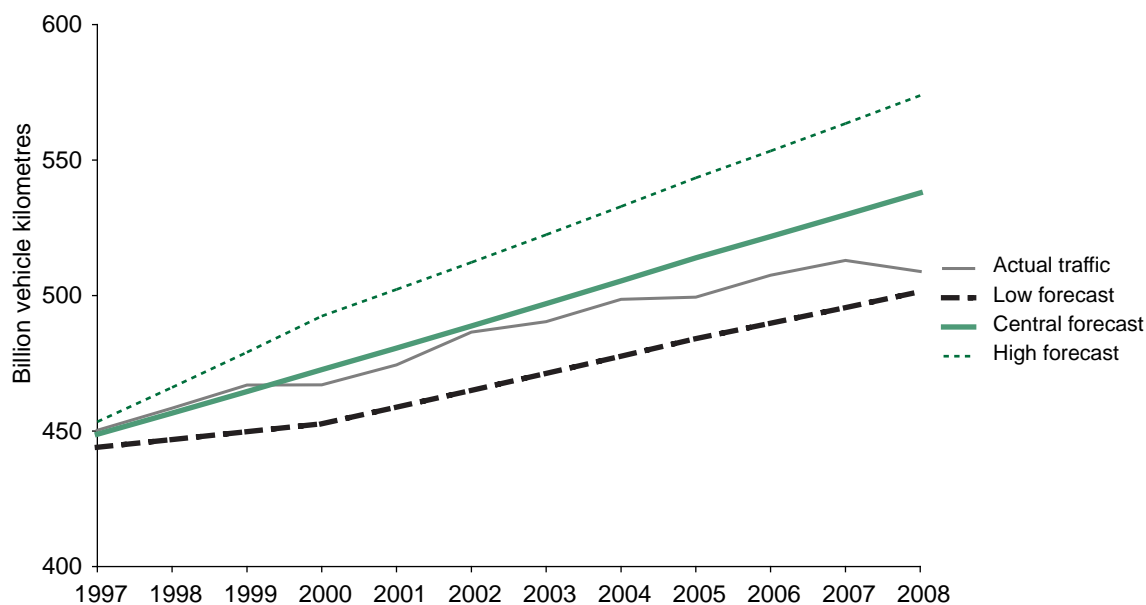
54 Transport Committee, Eighth Special Report of Session 2008–09, *The enforcement activities of the Vehicle and Operator Services Agency (VOSA): Government response to the Committee’s Seventh report of Session 2008–09*, HC 1057, p 6

55 Qq 86–87 and 115–117

56 Ev 29

determine if this meets the needs consistently identified by the Traffic Commissioners. We find it hard to understand how the Department for Transport can have ignored for so long the legitimate requests of the Traffic Commissioners for resources to undertake bus punctuality monitoring, as they are expected to do. We urge the Department to ensure that the Traffic Commissioners are given adequate resources to undertake this important role. We reiterate our past recommendation, that this role should be transferred to local bodies such as Integrated Transport Authorities where these exist.

Figure 2: National road traffic forecasts and actual traffic figures: Great Britain 1997 to 2008



Sources: DFT, *National Road Traffic Forecasts (GB) 1997*; DFT, *Road Traffic In Great Britain, Q2 2009*; Base used is 1996.

29. A second area that remains unresolved is how to manage the rising level of traffic. Numerous road schemes have been implemented over the past decade and further capacity increases are planned, including widening of the M25 and the managed motorway programme.⁵⁷ Yet the Government has long accepted that it cannot build its way out of congestion and that “predict and provide” is an inadequate and unrealistic policy.⁵⁸ The Government has now made clear that it will not introduce a national road user charging scheme in this Parliament or the next.⁵⁹

30. Its policy of encouraging local congestion charging schemes has virtually ground to a halt. Following the decisive rejection of a congestion charge scheme by voters in Manchester in December 2008, few, if any, local authorities are likely to attempt to introduce congestion charging, despite the incentive of additional investment through the Transport Innovation Fund.⁶⁰ In the absence of demand restraint measures, congestion at peak times is likely to increase and pressure will increase for more road building. Over the past decade, road traffic has grown somewhat more slowly than the Department’s central

57 Department for Transport, *Britain’s Transport Infrastructure Motorways and Major Trunk Roads*, July 2009

58 Department for Transport, *A new deal for transport: better for everyone*, Cm 3950, 1998, p 5

59 Transport Committee, *Sixth Special Report of Session 2008–09, Taxes and charges on road users: Government response to the Committee’s Sixth Report of Session 2008–09*, HC 995, p 9

60 Transport Committee, *Taxes and charges on road users*, Sixth Report of Session 2008–09, HC 103

forecast (see Figure 2 above) and the reduced traffic flows of the recession have offered a temporary respite. The managed motorway programme will provide further capacity on some strategic roads in the medium term. Long-term solutions are still required to alleviate congestion and its impacts on the economy, carbon dioxide emissions, air quality and other areas.

31. The Government must take some hard decisions about managing demand for road use. If it does not, the economy, environment and public finances will suffer. We support the Department's ongoing research into finding acceptable methods of charging for road use, perhaps involving voluntary charging schemes as we have suggested. We urge the Department not to shy away from this difficult but important issue, and to address it with renewed focus and determination early in the next Parliament.

4 The wider role of transport

32. So far we have considered the performance of the Department for Transport in terms of leadership and transport outcomes. As transport is essentially a means to an end and not something desired in its own right, the Department needs to ensure that the transport system contributes to the Government's wider objectives. For the Department these are as follows:⁶¹

Table 3: Departmental Strategic Objectives

DSO 1	To support national economic competitiveness and growth , by delivering reliable and efficient transport networks;
DSO 2	To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of tackling climate change;
DSO 3	To contribute to better safety, security, and health and longer life-expectancy by reducing the risk of death, injury or illness arising from transport and promoting travel modes that are beneficial to health;
DSO 4	To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society, and
DSO 5	To improve quality of life for transport users and non-transport users, and promote a healthy natural environment . ⁶²

Source: Department for Transport, *Autumn Performance Report, December 2009*, pp 9–10

33. The Department for Transport notes that the five objectives are not in any order of priority and that its biggest challenge is to support economic growth while reducing carbon emissions.⁶³ We have focused our analysis on these two issues here also.

61 These were introduced in January 2009 and replaced the previous 4 DSOs. The main change was the addition of a fifth objective on Quality of life and natural environment. (Department for Transport *Autumn Performance Report 2009*, p 26)

62 Department for Transport, *Annual Report and Resource Accounts 2008–09*, July 2009, pp 14–15 [bold text is as stated].

Supporting economic growth and competitiveness

34. The importance of transport to economic growth and competitiveness was underlined by the Eddington Transport Study. Business organisations such as the CBI and the British Chambers of Commerce continue to argue the case for more reliable and efficient transport networks of all modes.⁶⁴ The Government has increased transport spending substantially over the past decade and despite the current economic difficulties, investment levels have so far been maintained. A package of transport investments, including the A46 dualling, was part of the Government's fiscal stimulus in December 2008. The Department, reorganised in 2007 to focus on the priorities recommended by Eddington, has identified 14 national corridors, linking the major conurbations, ports and airports, as priorities for investment.⁶⁵ All of this should help to deliver Government's economic objectives.

35. The Department reports 'strong progress' against this objective, mainly in terms of reducing congestion on the roads and improving reliability on the railways.⁶⁶ The full extent of the Department's actions and its impact on supporting economic growth are, however, not captured in these indicators. Transport has a key role to play in supporting regional economic growth and tackling regional economic disparities and we remain concerned about the disparities in Government transport spending between London and the regions. The Department's impact on these issues also needs to be taken into account when assessing progress and when considering future spending options. To do so, we would need better data and a more holistic approach to reporting.

36. The Transport Winter Supplementary Estimates shows a transfer of £350 million to the Department for Communities and Local Government for a "housing pledge" made in June as part of the Building Britain's Future initiative.⁶⁷ It appears that £300 million was found from efficiency savings in the railways capital programme and £50 million from unallocated funds. Lord Adonis told us, choosing his words carefully, that this had not led to any change in the current commitments of the Department as it had come from "uncommitted funding".⁶⁸ It may be the case that this has not impacted on the Department's commitments but savings, made through efficiencies by the Department and its agencies, should have remained in the transport budget.

37. The recent report by the Cabinet Office and the Department for Transport, *The Future of Urban Transport*,⁶⁹ identifies the substantial costs associated with transport in urban areas, including congestion, accidents, poor air quality and ill-health. The report implies a change in policy focus away from investment in tackling congestion alone, towards spending that addresses a broader range of issues, all of which are relevant to the Department's objectives.

63 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, p 14

64 The British Chambers of Commerce, *The congestion question: a business transport survey*, November 2008

65 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, p 15

66 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, pp 245–246

67 The *Building Britain's Future* programme announced £1.5 billion for affordable housing in 2009–10 and 2010–11.

68 Qq 47–53

69 Cabinet Office and the Department for Transport, *The Future of Urban Transport*, November 2009

38. The Government has maintained a substantial programme of investment in the transport network which has supported economic growth and competitiveness. In the more difficult public expenditure environment that lies ahead, it is vital that transport spending is focused on schemes that deliver most in relation to the Department's strategic objectives. These cannot necessarily be determined by simple benefit-to-cost ratios. We have previously pointed to the importance of transport investment in assisting regional economic growth and tackling regional economic disparities. We note the recent report by the Cabinet Office and the Department for Transport, *The Future of Urban Transport*, which shows the economic need to tackle a range of transport-related problems, including congestion, accidents and poor air quality. We recommend that the Government reviews its procedures for assessing and prioritising transport spending to take account of these wider issues and the need to reduce regional economic disparities.

Climate change

39. Decarbonising transport—reducing emissions of greenhouse gases from transport—has been a major policy priority for the Department over the past few years and even more so since the Climate Change Act 2008. The Department has shown leadership and has worked to develop a wide variety of technological, regulatory, economic and behavioural measures, set out its July 2009 strategy, *Low Carbon Transport: A Greener Future*.⁷⁰ Its decision in January 2009 to support a third runway at Heathrow has been criticised by some as inconsistent with climate change policy and its target of limiting carbon dioxide emissions from aviation in 2050 to 2005 levels presents it with a major challenge.⁷¹

40. Despite good work, emissions from transport have increased by 12% since 1990 and now represent 21% of the UK's total domestic greenhouse gas emissions.⁷² Whilst we do not underestimate the challenges involved, this does not seem adequate progress given the scale of the potential global danger. As such we cannot agree with the Department's assessment of "strong progress" on its objective "to reduce transport's emissions of carbon dioxide and other greenhouse gases".

41. We also find the presentation of the Department's track record and targets to be confusing, creating an overly optimistic impression. Whereas the Secretary of State for Transport seemed quite clear that the objective was to stabilise transport emissions by 2020,⁷³ *Low Carbon Transport: A Greener Future* lacks such a clear statement. Indeed, it misleads by stating simply that "Our actions mean domestic emissions are forecast to be around 14% lower by 2020 compared to 2008."⁷⁴ This statement is repeated, without qualification, in the autumn performance report.⁷⁵ It appears that, in a number of places,

70 Department for Transport, *Low Carbon Transport: A Greener Future*, Cm 7682, July 2009

71 Committee on Climate Change, *Meeting the UK aviation target—options for reducing emissions to 2050*, December 2009

72 Department for Transport, *Low Carbon Transport: A Greener Future*, Cm 7682, July 2009, p 22

73 Q 126

74 Department for Transport *Low carbon transport: A greener future*, July 2009, p 99

75 Department for Transport, *Autumn Performance Report 2009*, Cm 7737, p 17

the Department should be saying that emissions will be lower, not in absolute terms, but “...compared to where they would otherwise be”. **The Department for Transport needs to be clearer in the way that it presents the level of carbon emission from transport, its track record and its targets for emissions reductions.**

42. Most of the Department’s effort so far appears to have been focused on *mitigating* climate change through reductions in carbon dioxide emissions. It is not clear if the Department has a comprehensive climate change *adaptation* strategy to ensure that the transport infrastructure and services have the resilience to withstand changes in the environment. Climate change adaptation is explicitly excluded from its recent carbon reduction strategy.⁷⁶

43. In mid-November 2009, sudden and extreme rainfall caused major flooding in many parts of Britain. The impacts on the transport systems were serious and some routes are likely to remain affected for years as a result of damage to bridges. Regardless of whether such floods and other extreme weather events are the result of climate change, it is clear that the transport system is vulnerable to them. More recently, in January 2010, the UK experienced a prolonged spell of ice and snow when many highway authorities came close to exhausting their stocks of salt. We note the collaboration between the Department, local authorities and others in the UK Roads Liaison Group during 2009 and the establishment of the Salt Cell which helped to prioritise supplies of salt during the recent cold period. Even so, had the extreme weather continued for even a few more days, it is likely that roads in some areas would have gone untreated as salt stocks dwindled. **The Department needs to produce a strategy evaluating the implications of climate change and extreme weather events for the transport system, and setting out what it is going to do to enhance the resilience of the networks to withstand such events.**

5 Assessing performance

Performance reporting

44. Table 4 below shows the Department’s own assessment of progress against its Departmental Strategic Objectives (DSOs). It reports that it has made “strong progress” against three of its DSOs, and “some progress” against the other two.⁷⁷

76 Department for Transport *Low carbon transport: A greener future*, July 2009, p 30

77 In the *Annual Report and Resource Accounts for 2008–09* only three were assessed.

Table 4: The Department for Transport's assessment of progress against its Departmental Strategic Objectives

Departmental Strategic Objective		Department for Transport's assessment
DSO 1	To support national economic competitiveness and growth , by delivering reliable and efficient transport networks;	Strong progress
DSO 2	To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of tackling climate change;	Strong progress
DSO 3	To contribute to better safety, security, and health and longer life-expectancy by reducing the risk of death, injury or illness arising from transport and promoting travel modes that are beneficial to health;	Some progress
DSO 4	To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society, and	Strong progress
DSO 5	To improve quality of life for transport users and non-transport users, and promote a healthy natural environment .	Some progress

Source: Department for Transport, *Autumn Performance Report, December 2009*, pp 9–10

45. The Department measures progress on its DSOs in terms of the key performance indicators which underpin each objective. (There are between three and five indicators for each DSO.) We are not convinced, however, that progress against important and complex objectives can be adequately assessed on the basis of a handful of indicators. We note above the limited measurement of support for economic growth. To take another example, DSO 4, to promote equality of opportunity, the Department reports “strong progress” on the basis of four indicators. The first indicator is the increase in the number of secure stations, yet it is hard to see why this is relevant to promoting opportunity and why it is not an indicator for DSO 3 which includes security. We can see the relevance of the second and third indicators which measure the accessibility of the bus and train fleets. The fourth indicator, however, is a complex measure of accessibility to services by public transport, walking and cycling, which the Department is currently unable to assess.⁷⁸

46. The Department's annual report fleshes out its objectives.⁷⁹ The report then gives considerable information about the Department's activities and achievements, mostly under the City and Regional, National and International network headings. The assessment of performance against the Departmental Strategic Objectives is set out merely in an Appendix to the report. We do not necessarily dispute the Department's assessments of progress. On the whole we think the Department has a good story to tell, although “strong progress” gives an overly optimistic impression of progress on reducing carbon emissions. Our concern is that the reporting system is simplistic.

47. It is quite right that the Department for Transport should have strategic objectives and we endorse the five core objectives adopted in January 2009. It is also right that the

⁷⁸ Department for Transport, *Autumn Performance Report 2009*, Cm 7737, p 33

⁷⁹ Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, pp 14–17

Department should regularly report its performance against these objectives. However, we question the reporting system used to assess performance on complex and important matters on the basis of a handful of indicators, some of which cannot be measured or are of only tangential relevance. We recommend that the Department provide a clearer, more rounded assessment of progress against its strategic objectives in its next Annual Report.

Statistics, evaluation and research

48. It has become an expectation of good public administration that, where possible, policy should be evidence-based and that implementation and outcomes should be objectively evaluated. The Department spends a considerable amount of resources on gathering data, compiling statistics and on producing other types of research. The purpose of this is partly to assemble an evidence base for the development of new policies, and partly to evaluate the performance of existing policies. We remain concerned over the aspects of the Department's road safety statistics and road safety research. We set out our concerns in our report in 2008⁸⁰ and we have sought clarification from ministers and officials several times since.⁸¹

49. Our concern relates principally to the Department's apparent reluctance to adopt a sufficiently critical approach to possible weaknesses in the reported casualty statistics. To say, as the Minister for road safety has done, that "There is no conclusive evidence that the proportion of seriously injured casualties reported to the police has changed."⁸² is very different from saying that there is clear evidence that reporting rates have *not* changed. This is compounded by the Department's unconvincing answers to questions about the diverging trends in the numbers of people killed and those seriously injured, and the explanation given for the small reduction in driver fatalities prior to 2007.⁸³ Why driver behaviour should have deteriorated during the early part of the decade and then dramatically improved in 2007 and 2008 is entirely unexplained. The issues of reporting rates, diverging trends and driver behaviour are different but may be related.

50. This is not simply a question of the degree of precision of statistics. It is about the Department's willingness to appraise policy and trends in an objective, open and rigorous manner. The Department's main indicator of road safety is the number of people killed or seriously injured. As there are approximately nine people reported seriously injured for each reported death, it is primarily an indicator of serious injuries. We believe that, on the balance of evidence, this indicator was unreliable prior to 2007 and may have given an overly-favourable impression of the progress being made with casualty reduction in the

80 Transport Committee, Eleventh Report of Session 2007–08, *Ending the Scandal of Complacency: Road safety beyond 2010*, 2008, pp 9–12

81 Transport Committee, *Transport questions with the Secretary of State for Transport*, Oral and written evidence, 4 November 2009, HC 1087 of Session 2008–09, Qq 2–13 and Ev 19

82 Letter from Paul Clark MP to Louise Ellman MP, Chairman of the Transport Select Committee, *Publication of Reported Road Casualties in Great Britain: Annual Report: 2008*, 24 September 2009

83 The Department suggests that this was due to a deterioration in driving standards and a "core of near 'unsurvivable' accidents". Yet the TRL Report 629, on which this supposition is based, was refuted by the subsequent TRL Report PPR172—as we had already pointed out in our 2008 Committee Report. The Department also cites TRL Report 671. This is a broad-ranging report, not specifically about the divergence issue and it does not refer to report PPR172. It suggests that the trends may be genuine but again raises concerns about the possibility that recording rates for non-fatal injuries may have fallen (pp 7 & 23).

UK. As such, the Department would have been unable to properly evaluate the impacts of its policies.

51. As a result of our Report in 2008 on road safety, the UK Statistics Authority brought forward its statutory independent assessment of the Department for Transport's road casualty statistics.⁸⁴ We welcome the UK Statistics Authority's responsiveness in this regard. The UK Statistics Authority made seven requirements of the Department, to be implemented by November 2009. In February, the Department for Transport published a summary of the action it is taking to meet these requirements.⁸⁵ **We welcome the measures proposed by the Department for Transport to improve the accuracy of road casualty statistics. We call on the Department to implement the actions fully and to make use of the wider sources of casualty data in future statements and reports.**

52. **The UK Statistics Authority assessed the overall adequacy of the Department for Transport's casualty statistics. We invite the UK Statistics Authority to now undertake a specific investigation into the extent to which the Department for Transport has sought an explanation for the unexpected divergence between the number of people killed and those seriously injured.**

6 Efficiency and resources

Efficiency savings

53. In its *Autumn Performance Report 2009*,⁸⁶ the Department for Transport reported that the National Audit Office (NAO) had yet to audit the Department's claimed value for money savings of £892 million in 2008–09 (against a target of £1.76 billion by the end of 2010–11). The Department was awaiting the NAO's findings on the 2008–09 savings before publishing a figure for forecast 2009–10 savings.

54. The NAO published its findings on the Department for Transport's 2008–09 savings in an independent review,⁸⁷ in December, shortly after the Department for Transport's autumn performance report appeared. The NAO found that:

- a) 43% (£387 million) fairly represented realised cash savings;
- b) 22% (£198 million) may have represented realised cash savings but with some uncertainty, and
- c) 35% (£307 million) may have been overstated.

84 UK Statistics Authority, *Road Casualty Statistics— Department for Transport, Assessment Report 4*, July 2009

85 Department for Transport, *The 2008 review of reported road casualty statistics (STATS19) Summary Report*, 4 February 2010, Annex B: *Confirmation of road casualty statistics as national statistics*

86 Cm 7737

87 HC 86

55. The NAO is satisfied that, in many cases, the Department for Transport is achieving long term savings. The main reasons for the NAO's concerns are that 80% of the Department for Transport's reported savings relate to support for the rail industry, and the NAO considers the baselines against which these savings were measured should have been revised in the light of the most recent information, which would have reduced the savings reported in 2008–09. There is also the risk that large elements of the savings are not sustainable across the spending review years owing to the impact of the economic downturn on passenger revenues.

56. The Committee, like the NAO, is concerned that such a high proportion of claimed savings could possibly be overstated. We support the NAO's view that the baselines against which savings have been reported should be recalculated, and that all claimed savings should, in future, be carefully reviewed before publication to ensure that they are defensible and real.

Shared services

57. The Department has transferred various corporate functions, such as human resources, payroll, and finance support to its agencies, to a Shared Services Centre, operated by contractors. For several years, we have been critical of the Department for allowing the cost of the shared services programme to over-run.⁸⁸ We have also had concerns about the suitability of the Department for Transport to be in the vanguard of the project.⁸⁹

58. In 2008, the NAO investigated the establishment of the Shared Services Centre. It reported that, by March 2008, the project was forecast to cost £81 million to 2015, rather than save £57 million as originally forecast by the Department in April 2005.⁹⁰

59. The NAO once again draws attention to Shared Services in its briefing note of December 2009.⁹¹ The Department describes a number of measures that it has taken to improve the reliability and performance of the Shared Services Centre. It concludes that “At year end [31 March 2009], a position had been reached where the internal controls over transactions had reached acceptable levels. This level of control has been maintained.”⁹² This is hardly a statement of resounding success.

60. Our concerns are about both value for money and the impact on the Department's effectiveness, including on its agencies. For example, during 2008–09 DVLA and DSA had to employ “extra-systems controls” in order to maintain effective control of their financial services.⁹³ The Department brought in experienced civil servants and contractors to

88 Transport Committee Fourth Report of Session 2006–07, *Departmental Annual Report 2006*, HC 95, p 4

89 It is the policy of the Cabinet Office that in order for Shared Services to be desirable for an organisation, it needs to have between 20,000 and 50,000 staff. When the project was approved, the Department for Transport group had just 19,000 staff, plus 3,000 volunteers in the Coast Guard Rescue Service.

90 National Audit Office, *Shared Services in the Department for Transport and its Agencies*, HC 481, Session 2007–08, 23 May 2008, Fig 1

91 National Audit Office, *Performance of the Department for Transport 2008–09*, Briefing for the House of Commons Transport Select Committee, November 2009, p 12

92 Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009 pp 324–5 and Ev 19

93 These are not explained in the Accounts. Presumably they are additional manual procedures and ad hoc systems to supplement and validate the financial information provided by the Shared Services Centre.

transfer the Maritime and Coastguard Agency (MCA) and the central Department to shared services. Despite this, the MCA transfer to the Shared Services Centre was delayed, causing problems and additional costs for the MCA. The Capability Review of 2009, which ranked the Department joint sixth out of the 14 government departments assessed, found that

Management information is hampered by the current state of shared services, and some of those interviewed expressed the view that management information was worse now than it was previously.⁹⁴

61. We remain deeply concerned about the Department for Transport's shared services programme. It appears that it will cost the Department more money and yet provide a lower level of service than the previous arrangements. Judging from the evidence available thus far, this is not a model other government departments should seek to emulate. **We call on the Department to publish details of the costs to date, including those relating to the additional systems, staff and contractors, and to update its estimates of the eventual costs or savings of its shared services programme. The Department should also publish a clear statement on the quality of the service that is being provided. If costs and service quality are unsatisfactory, the Department must review the entire programme.**

Contingent liabilities

62. Contingent liabilities are possible future liabilities that the Department underwrites, or present liabilities which are not measurable reliably. As a result they do not appear in the Department's balance sheet. Some of the Department's measurable contingent liabilities are for very large sums. In other cases, these contingent liabilities are totally unquantified and may not become quantifiable until they become probable or unavoidable, when they would need to be recognised and could prove to be very large. Indeed, the collapse of Metronet is one such example. The Department's contingent liabilities increased by 19% in 2008–09 to £27 billion. According to the NAO, "the main reason for the 19% increase is an increase of £3.6 billion in support for the Network Rail debt programme, now underwritten up to a maximum of £26.3 billion, and new indemnities issued in respect of Crossrail funding (£730 million)".⁹⁵

63. Compared with many other government departments, the Department for Transport has an unusually high level of exposure to contingent liabilities.⁹⁶ The level is also high in relation to the size of the Department's resource budget (£10.9 billion) and capital budget (£7.9 billion).⁹⁷ In essence, if things went wrong, the Department would be dependent on the Treasury to bale it out.⁹⁸

94 Cabinet Office Capability Review 2009, p 11 [http://www.civilservice.gov.uk/Assets/296680_Capability_Department for Transport_web_tcm6-8286.pdf](http://www.civilservice.gov.uk/Assets/296680_Capability_Department%20for%20Transport_web_tcm6-8286.pdf)

95 National Audit Office, *Performance of the Department for Transport 2008–09*, Briefing for the House of Commons Transport Select Committee, November 2009, p 6

96 Central Government Supply Estimates 2009–10: Main Supply Estimates (HC 514), Notes to Main Estimate: contingent liabilities

97 Central Government Supply Estimates 2009–10: Winter Supplementary Estimates (HC24), (Department for Transport, Reconciliation of resource expenditure between Estimates, Accounts and Budgets and Reconciliation of capital expenditure between Estimates and Budgets, p 103

98 Q 15

64. Contingent liabilities are a necessary part of some of the complex contracts in which the Department is involved and, as the permanent secretary, Mr Devereux, pointed out, the NAO had accepted that the liabilities were correctly presented in the Department's accounts.⁹⁹ We accept this point of accountancy procedure entirely. However, the scale of the known liabilities, plus the possibility of further large unquantified liabilities, represents a significant financial risk that could impact upon the ability of the Department to perform its core functions. **We recommend that the Department provides a risk assessment of its contingent liabilities and attempts to give an estimate, or at least a range of possible costs, of its presently unquantified contingent liabilities.**

7 Conclusion

65. The Department has made progress in a number of important areas over the past year and indeed over the past decade. It has also established a new sense of direction in its longer-term strategy. However, much remains to be done, including supporting economic growth, integrating local transport and tackling climate change. The future financial conditions are likely to make this even more challenging. **The Department needs to ensure that it focuses on what matters most to achieving its strategic objectives, while serving the needs of the public and business. These issues cannot always be adequately captured in a simple target. It is important, therefore, that the Department reports progress realistically.**

⁹⁹ Department for Transport, *Annual Report and Resource Accounts 2008–09*, HC 454, July 2009, pp 376–380—the Department provides details of its contingent liabilities in Notes 31 and 32 to its Resource Accounts 2008–09.

Conclusions and recommendations

Leadership

1. Governments should give careful consideration to the frequency with which they change ministers. The sensible development and implementation of transport policy requires reasonable stability in the ministerial team. The Department for Transport should not be used merely as a rung on the ministerial ladder. (Paragraph 9)
2. We welcome the progress made by the Department towards developing a clear vision for Britain's transport infrastructure. The Government must ensure that the decisions on future transport infrastructure, including the prospective North-South high-speed rail line, are supported in future budgets. A stop-start approach to transport investment would undermine the credibility of the policy direction that has now been reached. (Paragraph 12)
3. We commend the Secretary of State and the Permanent Secretary on giving up their allocated cars, each of which previously cost over £18,000 per quarter. (Paragraph 13)

Implementation and outcomes

4. The Department for Transport has achieved some important and positive outcomes as a result of consistent effort and increased government spending. The reduction in congestion and road deaths, and the increased use of public transport and freight on rail, are examples. The Department needs to maintain and build on these achievements, and to address those areas where trends and performance have been less satisfactory. (Paragraph 20)
5. The Department for Transport should publish a comprehensive progress report against the targets and schemes set out in its spending plan, Transport 2010, published nearly 10 years ago. It should do so in its response to this Report. (Paragraph 22)
6. More than 10 years after the integrated transport White Paper, and almost 25 years after the Transport Act 1985, which deregulated local bus services, integrated transport remains an elusive objective outside London. Although the majority of bus services are privately provided, there is still a very large amount of public expenditure involved—some £2.5 billion in 2008–09. The Government must look hard at the benefits to passengers that might be gained by more “strong government action” as suggested by Lord Adonis. We look forward to full implementation of the Local Transport Act 2008 and trust that the Government will monitor progress and legislate further if these powers prove insufficient. (Paragraph 26)
7. We believe it would be helpful to understand the extent to which the national concessionary travel scheme is responsible for the recent increases in bus use. We recommend that the Department monitor separately the trends in fare-paying bus

passengers and concessionary bus passengers and publish the data at least annually. (Paragraph 27)

8. We find it hard to understand how the Department for Transport can have ignored for so long the legitimate requests of the Traffic Commissioners for resources to undertake bus punctuality monitoring, as they are expected to do. We urge the Department to ensure that the Traffic Commissioners are given adequate resources to undertake this important role. We reiterate our past recommendation, that this role should be transferred to local bodies such as Integrated Transport Authorities where these exist. (Paragraph 28)
9. The Government must take some hard decisions about managing demand for road use. If it does not, the economy, environment and public finances will suffer. We support the Department's ongoing research into finding acceptable methods of charging for road use, perhaps involving voluntary charging schemes as we have suggested. We urge the Department not to shy away from this difficult but important issue, and to address it with renewed focus and determination early in the next Parliament. (Paragraph 31)

The wider role of transport

10. The Government has maintained a substantial programme of investment in the transport network which has supported economic growth and competitiveness. In the more difficult public expenditure environment that lies ahead, it is vital that transport spending is focused on schemes that deliver most in relation to the Department's strategic objectives. These cannot necessarily be determined by simple benefit-to-cost ratios. We have previously pointed to the importance of transport investment in assisting regional economic growth and tackling regional economic disparities. We note the recent report by the Cabinet Office and the Department for Transport, *The Future of Urban Transport*, which shows the economic need to tackle a range of transport-related problems, including congestion, accidents and poor air quality. We recommend that the Government reviews its procedures for assessing and prioritising transport spending to take account of these wider issues and the need to reduce regional economic disparities. (Paragraph 38)
11. The Department for Transport needs to be clearer in the way that it presents the level of carbon emission from transport, its track record and its targets for emissions reductions. (Paragraph 41)
12. The Department needs to produce a strategy evaluating the implications of climate change and extreme weather events for the transport system, and setting out what it is going to do to enhance the resilience of the networks to withstand such events. (Paragraph 43)

Assessing performance

13. It is quite right that the Department for Transport should have strategic objectives and we endorse the five core objectives adopted in January 2009. It is also right that the Department should regularly report its performance against these objectives.

However, we question the reporting system used to assess performance on complex and important matters on the basis of a handful of indicators, some of which cannot be measured or are of only tangential relevance. We recommend that the Department provide a clearer, more rounded assessment of progress against its strategic objectives in its next Annual Report. (Paragraph 47)

14. We welcome the measures proposed by the Department for Transport to improve the accuracy of road casualty statistics. We call on the Department to implement the actions fully and to make use of the wider sources of casualty data in future statements and reports. (Paragraph 51)
15. The UK Statistics Authority assessed the overall adequacy of the Department for Transport's casualty statistics. We invite the UK Statistics Authority to now undertake a specific investigation into the extent to which the Department for Transport has sought an explanation for the unexpected divergence between the number of people killed and those seriously injured. (Paragraph 52)

Efficiency and resources

16. The Committee, like the NAO, is concerned that such a high proportion of claimed savings could possibly be overstated. We support the NAO's view that the baselines against which savings have been reported should be recalculated, and that all claimed savings should, in future, be carefully reviewed before publication to ensure that they are defensible and real. (Paragraph 56)
17. We call on the Department to publish details of the costs to date, including those relating to the additional systems, staff and contractors, and to update its estimates of the eventual costs or savings of its shared services programme. The Department should also publish a clear statement on the quality of the service that is being provided. If costs and service quality are unsatisfactory, the Department must review the entire programme. (Paragraph 61)
18. We recommend that the Department provides a risk assessment of its contingent liabilities and attempts to give an estimate, or at least a range of possible costs, of its presently unquantified contingent liabilities. (Paragraph 64)

Conclusion

19. The Department needs to ensure that it focuses on what matters most to achieving its strategic objectives, while serving the needs of the public and business. These issues cannot always be adequately captured in a simple target. It is important, therefore, that the Department reports progress realistically. (Paragraph 65)

Formal Minutes

Wednesday 24 February 2010

Members present

Mrs Louise Ellman, in the Chair

Mr David Clelland

Mr Philip Hollobone

Mr John Leech

Mark Pritchard

Ms Angela C. Smith

Sir Peter Soulsby

Graham Stringer

Draft Report (*The performance of the Department for Transport*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 65 read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 3 March at 2.30 pm]

Witnesses

Wednesday 2 December 2009

Page

Rt Hon Lord Adonis, Secretary of State for Transport, and **Mr Robert Devereux**, Permanent Secretary, Department for Transport

Ev 1

List of written evidence

1 Department for Transport

Ev 19, 23, 24, 25, 28, 29, 30

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2009–10

First Report	The future of aviation	HC 125 (HC 388)
Second Report	Work of the Committee in 2008–09	HC 262
Third Report	Priorities for investment in the railways	HC 38
Fourth Report	The performance of the Department for Transport	HC 76

Session 2008–09

First Report	Work of the Committee in 2007–08	HC 211
Second Report	School Travel	HC 351 (HC 561)
Third Report	Appointment of the Chair of the Office of Rail Regulation	HC 433
Fourth Report	The effects of adverse weather conditions on transport	HC 328 (HC 957)
Fifth Report	The use of airspace	HC 163 (HC 996)
Sixth Report	Taxes and charges on road users	HC 103 (HC 995)
Seventh Report	The enforcement activities of the Vehicle and Operator Services Agency (VOSA)	HC 39 (HC 1057)
Eighth Report	Rail fares and franchises	HC 233 (HC 1004)

Session 2007–08

First Report	Galileo: Recent Developments	HC 53 (HC 283)
Second Report	The London Underground and the Public-Private Partnership Agreements	HC 45 (HC 461)
Third Report	Work of the Committee in 2007	HC 248
Fourth Report	The future of BAA	HC 119 (HC 569)
Fifth Report	Ticketing and Concessionary Travel on Public Transport	HC 84 (HC 708)
Sixth Report	The Blue Badge Scheme	HC 475 (HC 1106)
Seventh Report	Department for Transport Annual Report 2007	HC 313 (HC 1102)
Eighth Report	Freight Transport	HC 249 (HC 1103)
Ninth Report	The Draft Marine Navigation Bill	HC 709 (HC 1104)
Tenth Report	Delivering a sustainable railway: a 30-year strategy for the railways?	HC 219 (HC 1105)
Eleventh Report	Ending the Scandal of Complacency: Road Safety beyond 2010	HC 460 (HC(08–09)136 & HC(08–09)422)
Twelfth Report	The opening of Heathrow Terminal 5	HC 543

Session 2006–07

First Report	Work of the Committee in 2005–06	HC 226
Second Report	The Ports Industry in England and Wales	HC 61–I & 61–II (HC 954)
Third Report	Transport for the London 2012 Olympic and Paralympic Games: The Draft Transport Plan	HC 199 (HC 484)
Fourth Report	Department for Transport Annual Report 2006	HC 95 (HC 485)
Fifth Report	The Government’s Motorcycling Strategy	HC 264 (HC 698)
Sixth Report	The new National Boatmasters’ Licence	HC 320–I & 320–II (HC 1050)
Seventh Report	Novice Drivers	HC 355–I & 355–II (HC 1051)
Eighth Report	Passengers’ Experiences of Air Travel	HC 435–I & 435–II (HC 1052)
Ninth Report	The draft Local Transport Bill and the Transport Innovation Fund	HC 692–I & 692–II (HC 1053)

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First Report	UK Transport Security – preliminary report	HC 637
Second Report	Financial Protection for Air Travellers: Second Report Abandoning Effective Protection	HC 636 (HC 996)
Third Report	Going for Gold: Transport for London’s 2012 Olympic Games	HC 588–I & 588–II (HC 1152)
Fourth Report	Departmental Annual Report 2005	HC 684 (HC 1517)
Fifth Report	Future of the British Transport Police	HC 1070–I & 1070–II (HC 1639)
Sixth Report	How fair are the fares? Train fares and ticketing	HC 700–1 & 700–II (HC 1640)
Seventh Report	Parking Policy and Enforcement	HC 748–I & 748–II (HC 1641)
Eighth Report	Piracy	HC 1026 (HC 1690)
Ninth Report	The work of the Department for Transport's Agencies – Driver and Vehicle Operator Group and the Highways Agency	HC 907 (HC 1615)
Tenth Report	Roads Policing and Technology: Getting the right balance	HC 975 (HC(06–07)290)
Eleventh Report	Bus Services across the UK	HC 1317 (HC(06–07)298)
Twelfth Report	Local Transport Planning and Funding	HC 1120 (HC(06–07)334)
Thirteenth Report	The work of the Civil Aviation Authority	HC 809 (HC(06–07)371)
Fourteenth Report	Passenger Rail Franchising	HC 1354 (HC(06–07)265)
First Special Report	The Performance of the London Underground: Government Response to the Committee’s Sixth Report of Session 2004–05	HC 431
Second Special Report	The Departmental Annual Report 2004: Government Response to the Committee’s Fourth Report of Session 2004–05	HC 432
Third Special Report	Integrated Transport: the Future of Light Rail and Modern Trams in the UK: Government Response to the Committee’s Tenth Report of session 2004–05	HC 526
Fourth Special Report	Search and Rescue: Government Response to the Committee’s Eighth Report of Session 2004–05	HC 586

Fifth Special Report	Rural Railways: Government Response to the Committee's Fifth Report of Session 2004–05	HC 587
Sixth Special Report	Tonnage Tax: Government Response to the Committee's Second Report of Session 2004–05	HC 611
Seventh Special Report	Financial Protection for Air Travellers: Government and Civil Aviation Authority Responses to the Committee's Fifteenth Report of Session 2003–04	HC 639
Eighth Special Report	European Community Competence and Transport: Government Response to the Committee's Ninth Report of Session 2004–05	HC 976

Oral evidence

Taken before the Transport Committee on Wednesday 2 December 2009

Members present

Mrs Louise Ellman, in the Chair

Mr David Clelland
Mr Jeffrey M Donaldson
Mr Philip Hollobone
Mr John Leech
Mr Eric Martlew

Mark Pritchard
Ms Angela C Smith
Sir Peter Soulsby
Graham Stringer

Witnesses: **Rt Hon Lord Adonis**, a Member of the House of Lords, Secretary of State for Transport and **Mr Robert Devereux**, Permanent Secretary, Department for Transport, gave evidence.

Chairman: Good afternoon and welcome to the Committee. I apologise for keeping you waiting but our business extended rather longer than we had anticipated. I am glad we can start the meeting now. Do Members have interests to declare?

Mr Clelland: Member of Unite.

Graham Stringer: Member of Unite.

Ms Smith: Member of Unison and GMB.

Chairman: Louise Ellman, Member of Unite.

Mark Pritchard: Nothing in addition to the Register.

Mr Leech: Chairman, since we may talk about aviation I ought to declare a non-pecuniary beneficial interest in a piece of land around Heathrow Airport.

Q1 Chairman: Could I ask our witnesses please to identify themselves for our records?

Lord Adonis: I am Andrew Adonis, the Secretary of State for Transport.

Mr Devereux: I am Robert Devereux, the Permanent Secretary at the Department for Transport.

Q2 Chairman: Secretary of State, do you want to make any initial comments?

Lord Adonis: You have heard so much from me recently, Chairman, I thought you would just want me to pitch straight into the questions!

Q3 Chairman: The National Audit Office has expressed concern about the extent of contingent liabilities to which the Department is exposed. Could you give us any reassurance on that? Could you tell us why the contingent liabilities as reported are so large?

Lord Adonis: We think our position on contingent liabilities is sound but perhaps I could ask Mr Devereux to go into the detail.

Mr Devereux: You will have seen in the accounts that there have been some changes to the accounting treatments of contingent liabilities in the course of the current year right across government, the result of which is that we are now scoring three quite large contingent liabilities. In one sense nothing has changed from the past but they are being scored in a different way. If I could just run through what they are. There is a contingent liability in respect of the

guarantees we have given to Network Rail's borrowing. There is a separate contingent liability in respect of the borrowings of London & Continental Railways, which is the company that built the first high-speed train. There are now also some contingent liabilities for Crossrail as well. I do not recognise the comment that says the NAO are concerned about them. They are large, they are large in relation to our annual spend, but they strike me as being entirely proper.

Q4 Chairman: We are told that they have increased by 19% from the last time that you reported.

Mr Devereux: 19% or 90%?

Q5 Chairman: 19%.

Mr Devereux: I suspect that is to do with the reclassification.

Q6 Chairman: It says that was leading to some concern. The exposure of Metronet to the taxpayer turned out to be, we are told, between £170 million and £410 million. Can you tell us what the actual cost to the taxpayer was?

Mr Devereux: You are quoting a number which the National Audit Office estimated in a report to the parliamentary Public Accounts Committee. What they tried to do was to assess the total amount of money spent through Metronet with the sum of money which the arbiter assessed as being economically and efficiently spent, and he concluded that £4,500 million was economically and efficiently spent as a consequence of the PPP, but they estimated that in the region of £170 million to £410 million had actually been incurred as a loss to the taxpayer.

Q7 Chairman: What was the actual figure?

Mr Devereux: That was their best estimate. It is slightly difficult to be entirely precise because it depends on estimates which the arbiter himself made as to what was economic and efficient, which itself had ranges in it.

Q8 Chairman: If a contingent liability cannot be quantified, is there a way that its scale could be notified to the Parliament so that there was some knowledge about the Department's exposure?

Mr Devereux: The number you are now talking about of course is not a contingent liability because it is a cost that has been incurred and so it is not in the books as a contingent liability. You will find in the accounts the continuing comfort letter that we have issued to the company and the lenders for Tube Lines which is the remaining PPP infraco. It would take me a while to find it but I can point you to it if you wish.

Q9 Chairman: Yes, I think we would like to know about that.

Mr Devereux: Let me see if I can find it for you. Do you want to ask another one while I just find it for you because these are very long bits of paper.

Q10 Chairman: Following what happened with Metronet, there is an on-going concern about the implications of the PPPs and I think we do need to know what has happened. Has the Department set a maximum level of exposure to contingent liabilities?

Mr Devereux: No, Chairman. Perhaps I can explain. Basically for each sort of liability, governed by the accounting rules which the Treasury set, we score them according to whether they are remote possibilities or things that we believe there is a good chance of them maybe occurring and we treat them differently. In some cases it is impossible to put a maximum number for them simply because the circumstances in which they will arise are quite difficult to predict.

Q11 Chairman: What does all that mean? Does it mean the Department really does not know the extent of its exposure?

Mr Devereux: It knows the extent of its exposure. What is the best way to express this? I can tell you what the maxima are in some cases but where, for example, we have made promises—and let us take the International Maritime Organization—in the event that the building was partially or completely destroyed, we would be obliged to reconstruct it, we have made an estimate of that but I cannot promise you that I know exactly what that would be.

Q12 Chairman: This is a serious matter, is it not, and surely something that you should be a bit clearer about? The extent of the contingencies has increased quite significantly and you have explained some of the reasons for that and there is clearly an on-going concern about what the Department exposure might be.

Mr Devereux: Let me point you to pages 377 and 378 since I have now found the relevant page. In all of the tables there you will see individual estimates of what we believe to be the guarantees issued in each case. We have put down in the accounts the ones that we think we can quantify.

Q13 Chairman: But what about the ones you cannot quantify; those are the ones that are concerning us?

Mr Devereux: We have set out in section 32.2, pages 379 and 380, what each of those is and our explanation of why it is they do not come with quantification.

Q14 Chairman: Is this a matter of concern to you?

Mr Devereux: I fear you are asking the question in the sense that somehow this means that I do not understand what we might be getting into. This is to do with the accounting treatment. We have declared explicitly what some of these are. We have explained explicitly all the guarantees we have given and indeed we come to Parliament and ask for them, that is the way contingent liabilities are organised. I believe these are all well within our gift to manage properly. Your starting premise, which is they have all gone up, is almost wholly to do with a classification change, and therefore in one sense that is not different from what it was in the year before.

Q15 Chairman: So you can assure us then there is no cause for concern? You are saying the items that give us concern are solely a consequence of accounting changes and do not reflect real risk?

Mr Devereux: Let me give you an example. We had a letter of comfort in respect of the PPP for Metronet which was last year unquantified. That has been called and was paid by the taxpayer without detriment to the budget. I think you can assume therefore that was a real example and a large sum was paid out and between us and the Treasury that was paid properly, so we have not, in my view, been embarrassed by managing these; quite the contrary.

Q16 Chairman: Are there any other potential large liabilities?

Mr Devereux: We have listed every single one that is a liability in the accounts as we are obliged to do by the NAO.

Q17 Chairman: Are you satisfied with the situation? You seem very hesitant in answering this and it gives rise to some concern.

Mr Devereux: I am just trying to check the question but I am comfortable that these guarantees and indemnities have been properly listed and are properly under control. If they were not the NAO would have qualified my accounts and they have not qualified my accounts.

Q18 Mr Hollobone: May I congratulate the Secretary of State for giving up his ministerial car. Would the Secretary of State confirm that he has in fact done that and the reasons behind that decision?

Lord Adonis: I am happy to confirm that I have. I think I can get around perfectly well for most of the journeys I make to and from home without needing a ministerial car, from a combination of using the tube and cycling. I do have access to what is called the Green Car Service, which is the government taxi service which is part of Government Cars for journeys as and when I need them. I do use that. I am not entirely without ministerial transport for official engagements or engagements where I need to take official papers with me. I do make use of that service

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but I thought that that was a more appropriate mix of transport to meet my own needs and of course it also provides good value for money to the taxpayer.

Q19 Mr Hollobone: I think it is an absolutely splendid example for a senior politician, a Cabinet member, to give up their ministerial car. Personally I feel that it is an example that other Cabinet members and other ministers should follow. Do you know what the extent of the saving to the Department for Transport is from you having given up your use of your ministerial car?

Lord Adonis: I cannot say at the moment because it depends upon what use I make over the year of the Green Cars service, the government taxi service, so you would need to net the one off against the other. Of course, having a ministerial car costs many tens of thousands of pounds so I would expect there to be a saving. Could I also stress, because I can see where this question might be leading, that this was a judgment about my own circumstances. I happen to live right next to a Victoria Line station so it is very convenient for me to come in on the tube. In fact it is often faster coming in on the tube than coming in by car. However, I would not wish to offer advice to my colleagues for many of whom this would not be suitable.

Q20 Mr Hollobone: The Secretary of State is being extremely modest because I think he has set a very good example and there will be lots of other ministers, Cabinet members and below, who actually live in London and who could easily commute to their places of work. I can understand the reason for the Secretary of State's modesty but I think it is an extremely good example. There was some speculation in the *Evening Standard* yesterday that there may be costs incurred from the Secretary of State having given up his car. Are you aware of that?

Lord Adonis: No, there are no costs incurred because we do not need to retain the ministerial car and driver that I previously had, so there will be a substantial saving from my new arrangements.

Q21 Mr Hollobone: One of the reasons often given for ministers having their own ministerial car, many of which are waiting outside the Palace of Westminster all day with their engines on, is that they need to have a car to get home in the evening with their red boxes and there is a security implication. How has the Secretary of State got round that?

Lord Adonis: Again, it is to do with my own personal working habits. I tend to come into the office early in the morning and I tend not to work late at night, so obviously I never take official papers on public transport but when I do take papers home in the evenings they are not classified papers. I can therefore read classified papers in the office when I get in in the morning. Let me stress again that for many ministers that would not be a suitable arrangement and indeed it would be seriously detrimental to their working practices and therefore to the efficiency with which they conduct their office

if they did not have a car that was able to take official papers with them home in the evening and back again in the morning.

Q22 Mr Hollobone: I am sure that would be true for some of them but most of them would benefit from the example that you have set. In transferring this example to the Civil Service, are there senior civil servants in the Department who come to work through cars paid for by the Department?

Lord Adonis: Mr Devereux will speak for himself in a moment but not only does Mr Devereux not have a car as Permanent Secretary but he and I met on the Victoria Line this morning coming into the office, both of us coming in extremely early in order to prepare for our appearance before your Committee! In hushed tones we were able to consult on what questions you might ask and what preparation we needed to conduct, but I can assure you, Chairman, that we do not believe this conversation was overheard and therefore we do not believe any confidences were divulged to the wider public.

Q23 Ms Smith: Can I assume therefore, Lord Adonis, that you do not send your papers on to work by separate cover by car?

Lord Adonis: I can certainly give you that assurance.

Q24 Ms Smith: The briefing that we received from the National Audit Office on page 8 refers under paragraph 22 to "the need for the Department to maintain its contribution and that of the private sector to an ambitious programme of infrastructure investment during a period of public expenditure restraint and investor caution". I would like to hear any comments you may wish to make in relation to how we may fund High Speed 2?

Lord Adonis: We have been maintaining very significant contributions. To take a recent example, the DBFO¹ for the M25 is one of the biggest infrastructure projects proceeding at the moment where there is a private contribution to it too. There is a very substantial up-front public contribution as part of this as well, so we have been maintaining that. In respect of a potential high speed line, our view—though of course we are awaiting advice from the High Speed 2 company at the end of the month—is that this would need to be a state-led project which would include the state taking the lead in the funding. However, we would expect to be able to forge effective public/private partnerships for part of the costs of any such programme and we would obviously seek to get the best possible value for money for the taxpayer.

Q25 Ms Smith: The other question I would like to ask in relation to budget is the need to look again at the Comprehensive Spending Review 2007. In that review there was a 2.25% annual real increase in the Department's programme budget. Is there any risk to that long-term spending plan because of the impact of the recession and possible public spending restraints?

¹ Design, Build, Finance and Operate

Lord Adonis: The current Comprehensive Spending Review stands. That is the basis on which my Department is working, and indeed other departments are working too. It is of course true that we are seeking constantly to get the best value we can for public money and, as you would expect, we scrutinise constantly our programmes, both internally and in partnership with the Treasury, to see how we can get best value for the taxpayer. As you are aware, there is a programme of work across Whitehall called the Public Value programme which is seeking to maximise value from current spending programmes, but the next Spending Review has not begun yet and therefore I am not in a position to make any comments or judgments as to what is likely to happen then.

Q26 Ms Smith: In terms of the commitment made by the Department to procure new rolling stock, I think the initial promise was 1,300 carriages and, as far as I know, only 543 have been ordered so far. Of course those of us in the north are very, very concerned that the 186 promised are not going to materialise or at least that number is going to be scaled down dramatically. Could you comment on that?

Lord Adonis: I think actually we have been making very good progress. As you say, that is more than 500 out of the 1,300 and we have only just begun the five-year period to which that commitment applies. That was between 2009 and 2014. Much more than a third is already in the pipeline or actually procured of that 1,300 commitment. As I said when I last appeared before the Committee when this was raised, in recent months we have made very significant electrification announcements which have had a significant bearing on the rolling stock plan. One of the major lines for which we were going to be procuring new diesel rolling stock, the Great Western Main Line, we are now going to electrify; therefore it is not good value for a very short period of time to be buying large numbers of new diesel trains for the Thames Valley commuter services, and we have made a commitment instead that we will move high quality (and not particularly old in railway terms) electric trains from the Thameslink Line on to the Great Western commuter services when the electrification is complete. In the light of those electrification announcements, which also of course include Liverpool to Manchester, we need to revise the rolling stock plan. I gave a commitment at the time that we would do so by the end of the year and I will come forward with a revised proposal as to how we intend to take that forward.

Q27 Ms Smith: One of the indicators in terms of the Department's performance is of course reductions in overcrowding on trains. It appears that the Department is not doing too well on this indicator as compared for instance with reducing time taken to travel by those using the national road network. What is the Department going to do to relieve overcrowding and to improve its performance on that indicator?

Lord Adonis: The procuring of additional capacity is vital to the relieving of overcrowding so the two are clearly intimately linked—the rolling stock plan and the reduction in overcrowding. The commitment to the additional railway carriages was very much linked to our desire to see overcrowding reduced.

Q28 Ms Smith: There is going to be no scaling back of any commitment to try to achieve that indicator because of the current recession and the impact of the recession on passenger numbers overall?

Lord Adonis: To be very clear—and I have been entirely frank about this—the issue which we are having to wrestle with at the moment is the impact of electrification and how that affects rolling stock procurements. We are also, as you know, in the process of contracting for new Thameslink trains because of the significant upgrade that is taking place in the Thameslink Line. Since one of the major sources of new rolling stock will be for the Thameslink service, that is a factor too, but these are factors on which we are currently engaged and I hope I can update the Committee and the House on where we stand fairly soon.

Mr Devereux: If I might add, there is also expenditure that we have agreed as part of the regulated settlement for Network Rail which will improve the carrying capacity of the network as well. That is already part of a five-year settlement which has been agreed by the Regulator. For example, all the work that is happening at Thameslink.

Lord Adonis: Including longer platforms and so on which actually make it possible to put more capacity on.

Q29 Ms Smith: And the Manchester Hub or the Northern Hub as we prefer to call it in Yorkshire?

Lord Adonis: The Manchester/Northern Hub proposal will, I understand, come to me by the end of January and I have given a commitment to those who have been leading the work that I will meet them as soon as possible thereafter to discuss it. That will be a very important piece of work which will feed into the planning for Control Period Five, the period from 2014 to 2019, when we establish priorities for the next five-year period in rail investment.

Q30 Chairman: So you are giving us an assurance then there will not be any rephasing or reduction on dealing with the overcrowding problems?

Lord Adonis: I cannot give an assurance that there will not be changes in the rolling stock plan. I need to be very clear about that. Because of the decisions that we have made in respect of electrification there will need to be changes because the destination of a significant number of new carriages—

Q31 Chairman: This is going to be changes required because of the electrification programme; it will not be an excuse to reduce effort in dealing with the problem?

Lord Adonis: As I said, electrification is one issue. Thameslink, about which we are in the final stages of contract negotiations, is another. I need to take full

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account of these factors in the revised plan that we have put forward but we do remain committed to the 1,300 target.

Chairman: Mr Pritchard?

Q32 Mark Pritchard: Welcome, Secretary of State. You mentioned your experience on the Victoria Line on the tubes. What is your Department doing to work with the Mayor of London to reduce overcrowding? There is a really serious issue of overcrowding on some tube lines and do you think that is likely to increase or decrease in the London Olympics?

Lord Adonis: It is the Mayor's responsibility to manage his budget and his programme. We have given him a £40 billion 10-year settlement. He then has the responsibility. There will be very significant additional capacity brought into play in the Underground as part of that £40 billion investment with the major upgrades that are taking place in the tube lines. However, the commitments that you seek are commitments you need properly to seek from him because I do not have responsibility for the direct management of the tube.

Q33 Mark Pritchard: But you will have a view as Secretary of State.

Lord Adonis: With the very significant additional capacity which is going to be brought into play, with the major line upgrades, I would expect overcrowding levels to reduce, but the management of that upgrade programme and seeing that it actually meets the real needs of passengers is a matter for the Mayor and TfL.

Q34 Mark Pritchard: Going to rail franchises and National Express and the nationalisation of National Express on the East Coast Line, is it likely we are going to see other rail companies being bailed out by the government in 2010?

Lord Adonis: Very unlikely I can say to the Committee. No other train operating company has indicated to me any intention to default on their franchise obligations. I cannot say for certain that it will not happen because of course who knows what might happen in the future, but we are now a good part of the way through the recession and no other train operating company has indicated any intention to default. On the contrary, the others have all told me that they intend to stick by their obligations. As I say, given the stage that we are in through the recession the fact that they have made that commitment I take to be an extremely positive sign. Obviously I cannot give a categorical assurance but on the basis of the information that is available to me it looks to me very unlikely that any other train operating company will default. If I could also say that in my whole handling of the difficulties surrounding National Express—and this has been a very difficult period managing it because of course our expectation was that National Express would stand by the franchise and continue to meet their commitments—I have sought at every stage to act in a manner that would not give any incentives whatsoever to other train operating companies to

walk away from their obligations. If you look and see what has happened since 1 July when National Express indicated that they were likely to default on their franchise, the fact that we have now had that franchise moved without disruption into the public sector, and that of the other two franchises that National Express hold, one is to be terminated in 2011, the other was to be terminated in 2011 anyway, so National Express will not be operating a rail franchise by mid-2011, I think that has given a very strong signal to other train operating companies that if they do not stand by their obligations to the travelling public then there will be very serious consequences.

Q35 Mark Pritchard: The second half of your reply, Minister, is very revealing because in the earlier part of your reply you suggested that the recession might be the primary factor in the decision by National Express and the circumstances that followed thereon. In the latter part of your answer are you suggesting that the recession was not entirely the reason for the demise of that franchise and therefore the recession point that you made in your earlier remarks may not also apply to any existing other operator?

Lord Adonis: I was simply giving the explanation which is the one that National Express itself gave as to why they were not able to continue, as they saw it. My view was that they could and should have stayed by their franchise. The explanation that they gave was the impact on their revenue from the East Coast Main Line of the recession.

Q36 Mark Pritchard: What new early warning systems has your Department put in place to ensure that it does not happen again? You say that you were not aware at an early stage so what lessons have been learned and how can we ensure that if there are some problems with operators that your Department is able to go in early and discuss these issues rather than they knock on your door and say, "I am sorry, this is the franchise" and they hand it back?

Lord Adonis: We do monitor—and in previous sessions you have gone into the way that we monitor—franchises closely. There is a whole team in my Department of franchise managers.

Q37 Mark Pritchard: So was there a failure on the National Express franchise?

Lord Adonis: No, I do not believe so. There was not an absence of monitoring. It was a decision by National Express East Coast they were going to withdraw from the franchise. We had been aware that they regarded themselves as in a vulnerable state on the franchise before they made the announcement. They had made that very clear. The Chief Executive of National Express made it clear to me personally that they regarded their position as difficult to sustain. It was not an absence of information, and indeed if you look back on the events of the last few months I believe that we acted absolutely appropriately, both in the monitoring that we undertook and in the action we took when they announced that they were withdrawing.

However, it is not the absence of monitoring of the franchise that led National Express to take the decision that they did. It was the judgment that they made that they believed that their best commercial interests were served by leaving the franchise.

Q38 Mark Pritchard: So do you think the original protocols of that franchise agreement, which no doubt have been replicated in part with other franchise agreements, are robust enough to sustain existing franchises?

Lord Adonis: I do believe it is and I take the fact that no other train operating company has indicated to the Government any intention to default to support that view.

Q39 Mark Pritchard: At what point did National Express indicate the fact that they were going to default? Did they give you a month or several months' notice, a week?

Lord Adonis: They did not indicate that they were going to default until the publication of their financial results on 1 July, which was the reason why I took the steps I did on 1 July. What they indicated before was that they regarded themselves as in a position of very great commercial difficulty in maintaining the East Coast franchise.

Q40 Mark Pritchard: So are you saying we would not necessarily know about any franchise in trouble until they published their own financial accounts?

Lord Adonis: I can tell you that no other train operating company has indicated a similar state of affairs.

Q41 Mark Pritchard: But they, on the best or worst practice of National Express, would not have done that until they published their financial results.

Lord Adonis: No other train operating company has either indicated any intention to default, and of course as soon as they do that, proper procedures follow, nor have they indicated to us that they believe themselves to be in a position of great difficulty in sustaining their franchise, so neither of those eventualities has arisen. In the case of National Express East Coast, as I explained a moment ago, first of all they explained to me and to my officials that they regarded themselves in very great commercial difficulty in sustaining the franchise and then of course came the formal notification of a likelihood of default. Neither of those has happened. If I can also say, because it is very important we reflect on this experience, I do believe that there are issues to do with the nature of the penalties which train operating companies face if they do default. It is very important that we learn constantly the lessons from experience, and my officials are looking very carefully at this issue and whether there should for example be more immediate financial penalties that apply and whether or not a more significant acceptance of risk should take place on the part of the train operating company. I would not wish the Committee to think that the regime at the moment gives any encouragement to other train operating companies to default. On the contrary, looking at the

experience of National Express over the last six months, all of the signals that have gone to the other private sector companies have been very robust that they will pay an extremely high penalty in terms of their dealings with the government on behalf of the taxpayer if they walk away from their franchise agreements.

Q42 Mark Pritchard: I have got that. I am conscious of the time and I just want to ask you about the point of principle of nationalisation. Is that something philosophically you are relaxed about or perhaps uneasy about?

Lord Adonis: I have a duty to see that the train service is properly provided to the public and therefore after National Express walked away from their East Coast franchise I had a duty to exercise my powers to provide the service. However, my view is that the best deal for the taxpayer and the travelling public does come from having a competitive regime amongst private sector operators, but of course with a proper public specification of the franchise in the first place. The issue which I need to reflect on in respect of the experience of the East Coast is how we improve the public specification of the franchise so that we minimise the prospect of any recurrence.

Q43 Mark Pritchard: I am grateful. A final point and I am glad you mentioned that element because coming to public service agreements I note that reliability and punctuality have been excluded from the new PSAs and they were previously in the PSAs and I would be interested to know why that is the case.

Lord Adonis: We are under constant pressure to reduce and to streamline our targets, but we actually had targets in the Rail White Paper of 2007 for increasing the public performance measure (PPM) of railways. I am glad to say it is at the highest level of over 90% of trains running punctually that there has been since the measure was devised. I am not complacent about it. I do wish to see improvements. Either myself or one of my junior ministers chairs a performance review meeting every month where we go through train operating company by train operating company their performance in the previous month, and where there are not improvements we probe very hard as to why they are not taking place. I do not believe the train operators could be getting any stronger messages than they are from the government as to the importance of continuing to improve their performance in respect of punctuality.

Q44 Chairman: The Supplementary Winter Estimates show an additional £588 million from rail premia. How has that come about? This seems a little strange in the current circumstances.

Mr Devereux: I am afraid again this is more apparent than real. We have shown separately for the first time the income from those franchises paying premiums and those actually receiving subsidies. Previously there was a net number; we are now showing the two numbers separately. That does not mean that the change from the previous regime

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to the new regime is that we now have half a billion pounds more than we previously had. It is a transparency point so we are now showing you something you previously did not see on the face of the estimate.

Q45 Chairman: We thought you might have had a windfall and we were looking at ways of spending it!
Lord Adonis: We would love to have a windfall or two so if that were going we would certainly welcome it but, alas, that is not the case.

Q46 Mr Clelland: Secretary of State, when you were last before the Committee on 4 November you were asked by Mrs Ellman if you had been consulted on proposals for reductions in the transport budget and your reply was: "We are not at the moment looking at reductions in the budget ." Does that remain the case?

Lord Adonis: It does remain the case, yes.

Q47 Mr Clelland: It is interesting that the Winter Supplementary Estimate includes a transfer of £350 million to the Department for Communities and Local Government for affordable housing under the government Building Britain's Future programme. £300 million has been taken from the railways capital programme which was previously provided as part of the fiscal stimulus and £50 million from unallocated funds. What impact is this going to have on planning capital funding?

Lord Adonis: That was from uncommitted funding.

Q48 Mr Clelland: £350 million?

Lord Adonis: We made a contribution from uncommitted funding. When I say "uncommitted funding" it was uncommitted at the point at which we made it, but this was in the context of a decision we made including a decision not to proceed with the order for diesel trains which was part of the decision on electrification, so there was a whole set of interlocking decisions that took place but the decision on electrification, which is what made it possible for us not to proceed on the order for diesel trains, of course involves very significant new investments in the railways. This was not, as we saw it, a reduction in the committed budget.

Q49 Mr Clelland: You do not regard that as a cut?

Lord Adonis: It was not a reduction in the committed budget.

Q50 Mr Clelland: So we can be assured that there will not be any impact on capital programmes, particularly in the northern region, as Angela Smith said earlier, there is going to be no danger of the additional rolling stock or anything being threatened by this?

Lord Adonis: I can give you an assurance that that transfer of funds in respect of social housing has not led to any change to the commitments of the Department after taking account of the decisions that have been made on diesel trains and electrification.

Q51 Mr Clelland: It seems a huge amount of money to have been able to save quite simply from the way you are describing it.

Lord Adonis: Well, it was a very important priority for the Government as a whole to be able to proceed with additional social housing.

Q52 Mr Clelland: Yes of course.

Lord Adonis: And a number of departments made contributions to make that possible.

Q53 Mr Clelland: I appreciate that. What we are concerned about, as the Transport Select Committee, is whether this is going to have an impact on the capital programme for the Department for Transport and you can assure us that it will not?

Lord Adonis: It does not have an impact on any of the commitments that we currently have.

Q54 Mr Leech: Briefly on the East Coast Main Line again, has the Department made an assessment of how much it is going to cost the Department because of the renationalisation?

Lord Adonis: We are in the process of making that assessment. The reason we cannot make the full assessment yet is that now that the government is responsible for the franchise we need to set our own detailed budgets and our estimates of likely revenue and passenger numbers, and we are in the process of making that. What we know of course is that we are foregoing large premium payments which we would have received over the next year. What the levels of operating costs will be and what revenue we are able to project for the franchise over the next year we are not yet in a position to finally determine. Let me be clear there will be a significant loss as a result of the franchise not proceeding as against what we would have received had National Express stayed and made the previously agreed premium payments.

Q55 Mr Leech: If you have not made an assessment of the overall cost and the cost of sending it back to the private sector, why has a decision already been made not to keep it in public ownership?

Lord Adonis: We do not believe that it would offer value for money.

Q56 Mr Leech: How can you know whether it offers value for money if you have not made the assessment of the costs?

Lord Adonis: As I have just said, we are certain that there will be a significant loss. I could not be clearer than that. What I do not want to do is to put a precise number on it yet because these are calculations which are still being finally determined, but many tens of millions of additional costs will fall to the taxpayer as a result of this. We are starting from a position where we know that as against the franchise that was previously operating the cost to the taxpayer will be significantly higher by us being obliged to manage it in the public sector. We do not have a precise figure for the calculation you are seeking but I will give the Committee the figure when we have determined the precise figure.

Q57 Chairman: Have you an estimate of it?

Lord Adonis: It is in the many tens of millions of pounds. It is in that ball-park. If I said it will be in excess of £50 million that is how we calculate it at the moment. Given that in two years' time we will be seeking to have a competitive franchise, and of course we only let franchises where we are confident that they deliver value for money, our judgment is that the right thing to do in terms of value for money is to have another competition for the franchise to start in two years' time.

Q58 Mr Leech: Do you think given the action that has been taken against National Express in relation to their other two franchises, they would have still taken the decision to hand the franchise back if they had known what action you were going to take against them?

Lord Adonis: It is impossible for me to answer that question because of course I am not one of those who was taking the decision, but I think that we have sent the clearest possible signal to other train operators that the consequences will be very serious if they were to behave in the same way.

Q59 Chairman: Do you think they were surprised by your actions?

Lord Adonis: I do not know. I hope not because I hope that they would expect that the Government would be absolutely robust in defending the taxpayer, but if there was any doubt in their mind that the Government might have been robust in defending the taxpayer, I hope (and I believe I have) I have dispelled any such doubt over the last few months.

Q60 Mr Leech: Has the Department made any assessment on the potential loss of revenue from a reduction in the growth of passengers on the railways?

Lord Adonis: At the moment given that the recession is still in play, and we are still dealing with numbers which are very hard to predict, we do not have a settled view on the long-term passenger growth rate in the industry. However, what I can report to you is the judgment that train operators themselves have made recently, of which the best indication is the South Central franchise, which began only two months ago, where the operator, Govia, projects passenger traffic growth of 5% a year from next year for the following three years under that franchise. Thus they are still projecting significant growth, which I take to be a positive sign. On the basis of that 5%, they are also making premium payments for that franchise of over £500 million over the nearly six years that the franchise operates. This comes back to your previous question, Mr Leech. The judgment that we have made on why it is right to re-franchise is that our most recent experience of franchising, which was South Central, which was let right in the middle of the recession, produced a very hotly fought competition with a large number of train operating companies bidding for the franchise and it produced a very healthy premium payment, which is of course vital for meeting the on-going costs of

operating the railway and, as I say, it was based on what are still healthy passenger growth numbers for the period coming out of the recession.

Q61 Mr Leech: Some franchises are doing considerably better than others. Northern Rail for instance, their franchise that they have had since 2003 was based on a no-growth estimate and as a result of very significant growth, including I think 258% growth at one of the stations in my constituency, it has led to a significant amount of money coming back to the Department. Is there a case for putting the money that comes back to the Department back into the region that it has come from to improve transport and add an additional incentive to increase passenger growth?

Lord Adonis: That is a very kind invitation but, as we were saying just a moment ago, alas, because of the recession and because of National Express's default, I also face very significant additional pressures on other parts of my budget. I wish I were in a position to be able to give you some benefit from the higher passenger numbers.

Q62 Mr Clelland: Would this not be an incentive though for the regions, which we have all argued do very badly out of the transport budget in comparison to London and the South East? Would this not be a good incentive for franchisees within the regions to increase growth?

Lord Adonis: There is a strong incentive on them to do so anyway because of course the train operating companies, because they receive a share of the additional income, have a very strong incentive to maximise revenue and to grow passenger numbers. The regions have a strong incentive too, partly because of course the local authorities support modal shift. Virtually all local authorities have as an avowed policy aim moving passengers from road and, where appropriate, air on to train to reach the policy objective and of course because more people use the trains when it comes to respecifying the franchises the case for an improved service level in new franchises increases too. So I think there is a win/win but, unfortunately, I cannot offer to give you back the regional gains because I need them to meet big pressures we have got in other parts of the rail budget.

Q63 Chairman: You will continue to include services required by passengers in the franchises in the way that you did in the Southern franchise?

Lord Adonis: Sorry, we will continue?

Q64 Chairman: You will continue to include services required by passengers in the franchise conditions as you did in the Southern franchise. Is that your policy? So you will look at passengers' overall requirements?

Lord Adonis: Yes and we set detailed—the industry thinks too detailed but I think it is absolutely appropriate detail—service level obligations in the franchises. In the case of the South Central franchise to which I referred to a moment ago, there is a significant increase in the capacity required in the

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new franchise that has just started as against the last one, so much better services to passengers are resulting from the new franchise as well as more than £500 million in premium payments coming to the government.

Q65 Graham Stringer: In the section in the Annual Report on the Underground, you use a real Sir Humphrey word about Tube Lines, you say “their biggest test is coming up” when you are talking about resignalling the Jubilee Line, I think it is. Does “biggest test” mean that you are worried about them? Are they going to go to the same way as Metronet?

Lord Adonis: Since you said that these are Sir Humphrey words I think I must ask Mr Devereux to answer!

Q66 Graham Stringer: Your own Sir Humphrey!

Lord Adonis: I think he may well have written it.

Mr Devereux: I would be grateful if you could tell me where you are because I do not recall that.

Q67 Graham Stringer: It is on the London Underground part of it, the city and regional part, page 42.

Mr Devereux: I made perfectly clear to the PAC when we had a long afternoon talking about Metronet and the merits or otherwise of PPP that there are some very good things you can point to about what Tube Lines has achieved under the PPP but it is the case that a very substantial task, which is the Jubilee Line upgrade, which is a really important thing for them to deliver, is clearly having some difficulty. It is a subject which both the Mayor and Tube Lines are engaged in seeking to resolve at the moment. That is a question which the Mayor is very clearly exercised about and engaged with the company about. The company is engaged in trying to sort it out, too. I think that is a subject to do with when the Jubilee Line will be delivered. I am not sitting here thinking that of itself has an implication for the health of the company.

Q68 Graham Stringer: To go back to the question, you do not see Tube Lines going the same way as Metronet? Do you see that there will be an extra call on the public purse if Tube Lines run into difficulties, because I think you are acknowledging there are difficulties in the next seven and a half year part of the contract?

Mr Devereux: Let us go back to what the Secretary of State said earlier. We have reached a £40 billion 10-year deal with the Mayor of London which includes the financing for the tube. There are choices to be made depending on what the arbiter says the price of the second review period will be, but those are choices which the Mayor will have to make. I am not saying that because I think he will make choices different from what he has previously talked about but that is the nature of the devolution arrangement.

Q69 Graham Stringer: Are you saying there will be no extra call on Exchequer funds or, if there is a call from the Mayor, you will not be paying any extra over and above the agreement?

Mr Devereux: We have reached an agreement with him as to the funding for the next 10 years.

Q70 Graham Stringer: There were press reports that, after a Treasury value for taxpayers’ money look at Thameslink, three-quarters of a million was going to be taken out of the contract.

Mr Devereux: Three quarters of a billion, I think it was.

Q71 Graham Stringer: A lot of money, £750 million. That is right. Is that report accurate?

Mr Devereux: What the report was saying was that, somehow or other, we were seeking to reduce the budget for this programme by £750 million. That is not correct. We are aiming to deliver this project for the budget we set.

Lord Adonis: We are in detailed contractual negotiations at the moment over the Thameslink programme and we are seeking to deliver the outputs that were specified at the outset.

Q72 Graham Stringer: Is that a way of saying the opposite then, that the Thameslink programme is over-spending and you are trying to get its spend back on target?

Lord Adonis: We are in detailed contractual negotiations. It is our policy to seek to bring this programme in on the budget that was indicated before.

Q73 Graham Stringer: That is not quite answering the question I asked. Are you worried that it is over-spending at the moment?

Lord Adonis: We are seeking to ensure that it does not over-spend.

Q74 Graham Stringer: I am pleased to hear that. I shall take it that you are worried about the spend on that matter. Are there any implications in your worrying for the cascading of train sets around the country—it is an odd phrase, is it not? Some of the train sets will come from Thameslink and be used in other parts of the country. If you are worried about the expenditure, does that have any implication for increasing the capacity in other parts of the country?

Lord Adonis: As I say, we are in the detailed stages of negotiating the contract. Our policy remains unchanged. It is to secure the contract on the lines that we previously announced which would make it possible to cascade the stock as you have described. That remains absolutely our policy and we are working to that end.

Q75 Graham Stringer: If I can turn to the questions John Leech was asking previously, in phase one of the extra stock for the Northern rail franchise, will the contracts be signed within the next three months?

Lord Adonis: For obvious reasons, because these are very sensitive commercial matters, I cannot give you a precise time frame. As I say, we are seeking to secure those contracts, and I have a team that is in day-by-day negotiation on these very issues.

Q76 Graham Stringer: I understand you cannot tell us the details of the contracts and I am not asking that, but I am asking, because it is important to a lot of people who use the Northern franchise, that those contracts are signed as soon as possible, and I would not have thought an indication of three weeks, three months, six months was terribly commercially sensitive.

Lord Adonis: I share all of the concerns which you share as to the importance of the project and seeing that the cascades do follow from the signing of the contracts. All of the concerns that you have are absolutely four-square at the heart of government policy but, because these are commercial issues, I cannot make any comment on precise time frames. Indeed, in my experience now of doing these jobs, the indication of definite time frames does not help your negotiating position, because it simply leads those with whom you are negotiating to think that they can now play it a bit longer if they think you are going to come under political pressure because you cannot meet a time frame you have already announced. I do not think it would be in the public interest for me to specify the time frame we are working to. However, let me reiterate, because I know it is very important to you and to colleagues who depend upon the follow-on consequences of Thameslink, that our policy remains unchanged; we are seeking to secure the outputs that we specified when we published the Thameslink contract, and that is the basis on which we are negotiating.

Q77 Graham Stringer: Can I ask you a couple of questions about things that are absolutely in your control in terms of targets: why do you not have a target for transferring freight on to trains as opposed to lorries at ports? There is no target to increase the percentage of freight arriving in ports going by train as opposed to road.

Lord Adonis: It is our policy to increase the proportion of freight going onto trains, and indeed, the Strategic Rail Freight network has a large budget attached to it which is—

Q78 Graham Stringer: I understand that this is a government that has not been shy of targets over the last 10 or 12 years and it is very important, because a large amount of freight comes into ports in the South of England and goes on to the roads all over the country. I would have thought it would have been worthy of a target.

Lord Adonis: I was not, I am afraid, around when the targets were negotiated so the historical reason why there is not one I cannot explain, though Mr Devereux may be able to. However, I can say that the transfer of freight onto rail is an important government priority, which is why we are spending hundreds of millions of pounds on the Strategic Rail Freight Network, including, as we speak, gauge

clearance enhancement on the lines going north from Southampton and west from Felixstowe, so it is possible to get much larger container trains to the big logistic centres to which they go from the ports.

Mr Devereux: Just to be clear on the numbers, there was a target originally put out in the 10-year plan to increase share and also to increase the amount of freight kilometres on rail. The total amount of freight kilometres since 1997 has risen by—

Q79 Graham Stringer: Can I be specific, because our briefing note said that was not the case? There is a target for transferring freight at the port from road to rail as opposed to generally?

Mr Devereux: I am sorry, no. The target that was in the 10-year plan was a generic rail freight one, not a freight at ports one. The point I wanted to make is that the total amount of freight being carried by the railway has gone up by 40% since 1997.

Q80 Graham Stringer: Would you consider looking at a target for transferring freight onto rail at ports?

Lord Adonis: I would certainly consider it for the next Spending Review. It is an important government priority.

Q81 Graham Stringer: One of the Government's successes which I am pleased about is the concessionary bus fare scheme. Passenger numbers on buses outside London have been falling since the Second World War effectively. The concessionary fare means that numbers are increasing. Do you have any plans to separate out those targets so that we can compare fare-paying passengers over the last 40 years with fare-paying passengers now? Otherwise those figures will get lost in concessionary fare figures overall.

Lord Adonis: That is a very interesting question, on which I think I need to reflect further. Our targets, as you rightly say, refer to bus passenger use, full stop. They do not break it down into concessionary fares.

Q82 Graham Stringer: It is such a success that it is going to obscure what is happening in the fare paying side of the business.

Lord Adonis: That is a very interesting issue, as to whether or not we should have targets which relate to those who are paying fares as opposed to those who are on concessionary fares. I am certainly prepared to look at it further.

Q83 Chairman: Bus ridership has increased, has it not, significantly?

Lord Adonis: Yes.

Q84 Chairman: But that is mainly within London. It has not increased outside London.

Lord Adonis: It has outside London as well.

Mr Devereux: No, that is not true. These are still additional passengers. I agree it is another question about who is paying for these passengers but if you hypothesise that otherwise they might have been in a car or not travelled, this is still consistent with wanting . . . It is a case for buses. I understand the question. Let us go away and ask.

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Q85 Graham Stringer: They are additional passengers and it is a good thing. It gets a lot of elderly people out of the house who otherwise would not have been but it does obscure the sort of private commercial side of the business. You have said you will reflect on that. Last time we talked about buses you said you would consider using the Bus Service Operator Grant for greater incentives. There is already an environmental incentive within that. I understand the PTE Groups are asking for the BSOG to be transferred in their areas so that they can deal with through-ticketing more easily. Would it not be a good idea to transfer that money to them so that they could direct the money to incentivise the buses in their areas?

Lord Adonis: Yes. We are, as you say, reforming BSOG to make it much more effective at driving worthwhile improvements such as fuel efficiency. There is a significant element now in the reformed BSOG for fuel efficiency, and also smart ticketing, which is another important priority we have too. We are looking at further changes beyond that and I am happy to consider any suggestions that the Committee might wish to make in terms of further changes that we might make in due course, but I cannot make any commitments at the moment.

Q86 Graham Stringer: This, I suppose, is a question to Mr Devereux. During the passage of the 2008 Local Transport Bill, now an Act, we had a lot of discussion about bus monitoring. How many resources does the Department expect VOSA to use for monitoring buses at the present time?

Mr Devereux: That is a question which I would like to reply to in writing. I know what the VOSA budget is; I am not sure I know exactly how much of that is being spent on looking at buses. It is a smaller part of the operation than looking after HGVs and overseeing the whole of the MOT element for cars. It is not at the top of my head. I am sorry.

Q87 Graham Stringer: Maybe you will write to the Committee.

Mr Devereux: I will.

Q88 Graham Stringer: Thank you. My final point is the section about the London congestion charge in the Report. You point out that there is less traffic coming into the centre of London since the congestion charge was introduced. You do not point out that congestion is almost at exactly the same level as it was when the congestion charge was introduced, but I just want to add that—unless you want to disagree with that?

Lord Adonis: I think our best response to that is, that is a matter for the Mayor.

Q89 Graham Stringer: I was leading into a question. What I was going to ask was, what have you learned from both the London congestion charge within the responsibility of the Mayor and the debate about the Greater Manchester congestion charge? What is your response to those, one scheme up and running and one completely rejected by the population?

Lord Adonis: Perhaps if I could deal with London first, because, as a Londoner, I lived through the whole experience. It is not clear to me that, if you had had a referendum before you introduced the congestion charge in London, it would necessarily have been won. There were acute concerns about a whole range of issues: whether the technology would work right through to the principle of having a congestion charge at all, which would have been very hotly debated and it might not have proceeded. However, I think once the political leader, Ken Livingstone, had taken the decision and introduced it, a consensus was quite quickly developed that this was the right thing for London, so much so that at the last mayoral election both of the principal candidates supported the congestion charge; the issue was whether it should be extended, and of course, the new Mayor has decided not to extend it. In explaining why that is the case, I think it is because the benefits quite quickly became apparent to Londoners. As you say, there is a debate about what has actually happened to congestion itself but there was a significant decrease in numbers of cars coming in, and certainly most realistic observers think the congestion would have got a lot worse had the congestion charge not come in. It also, of course, released funds for the improvement of public transport and was part and parcel of a very significant new investment in London public transport. So it was seen as part of a wider package. My reflection on Greater Manchester and the referendum there is that clearly, the residents of Greater Manchester were not persuaded that the benefits would outweigh the costs as they saw it. Part of the reason for that is that the benefits were clearly prospective whereas the costs which they faced were going to be immediate. The issue which then needs to be faced is whether or not, first of all, the trade-off of benefits and costs was an appropriate one for that particular scheme, but also there is a commentary on political leadership, whether it is appropriate to hold referenda in such circumstances, where it is difficult to project the benefits. That is something on which I think councils will wish to ponder in future cases.

Q90 Chairman: You have a target of increasing bus passengers by 10%. It has been achieved but it has been achieved because of increases in London, not elsewhere. What action is going to be taken to change that? Does that give you concern?

Lord Adonis: That is correct; it has been achieved because of the huge increase that we have had in bus passenger numbers in London, and we are keen to see bus passenger use increase outside of London. That is part of the reason, for example, why we passed the Local Transport Act, which gives local authorities enhanced powers to be able to give priority to buses, to forge partnerships with bus companies, and we hope that that will lead to a significant increase in bus passenger numbers.

Q91 Chairman: Have you any other proposals to help that?

Lord Adonis: We are looking, as I say, at reforms to BSOG which might also encourage more passengers to use buses. I believe that could have a role to play, and smart ticketing, which we are also rolling out, so that it is much easier for people to use buses using electronic tickets. We want to give further big incentives to authorities besides London to use smart ticketing. Of course, the Oyster card has been a phenomenal success in London. If we could introduce similar integrated ticketing arrangements in other cities, that would be likely to increase patronage too. So there are a number of areas where we believe policy can further increase bus passenger numbers.

Q92 Chairman: What are the barriers to achieving similar systems in other cities?

Lord Adonis: In terms of the application of technology, I do not believe that there are barriers. It is simply a case of local and national government giving strong encouragement, and the bus companies themselves, when they engage in fleet replacements, making the necessary changes. In terms though of promoting stronger partnership between bus companies and local authorities, the Local Transport Act makes it easier to set up new integrated transport authorities and, of course, it gives a number of other powers for local authorities to forge partnerships with bus companies with the intention of promoting bus use.

Q93 Chairman: When are you going to assess how far the integrated transport authorities have been successful in achieving this?

Lord Adonis: We are still at a very early stage at the moment because, of course, the Local Transport Act only became law a year ago and a lot of the regulations flowing from it are still being framed. It would be too soon to do so now but we would wish to do so fairly soon. I would have thought within another year or two we would want to start looking at what the concrete results have been from the implementation of the Local Transport Act.

Q94 Ms Smith: Following on from that, it is reassuring to hear that West Yorkshire voted unanimously to pursue the quality contract route, which means all three main parties have voted in West Yorkshire to support quality contracts. It is all contingent on how quickly the Government can establish the Quality Contract Board, as well as putting together the regulations that will guide the development of contracts. When will this process be started?

Lord Adonis: We are well advanced on the regulations at the moment, so I would hope that all these changes can be brought into being fairly soon. I cannot give a definite time frame.

Q95 Ms Smith: On the Quality Contract Board, the establishment of—

Lord Adonis: It is the regulations which are the first stage and we then proceed afterwards but, like you, I take great comfort from the fact that all political parties in local government are seeing virtue in

having integrated transport authorities and we, of course, wanted to make that option available to them precisely so that they can promote greater bus use, more public transport, and more effective co-ordination between different forms of public transport.

Q96 Ms Smith: Could I ask your view on the make-up of the Quality Contracts Boards? Traditionally, it has been a mix of bus industry experts that have taken up places on these panels. I think there is a view out there that there ought to be more variety, a more diverse mix of people sitting on the Quality Contract Boards. What is your view on that?

Lord Adonis: I do not have a view at the moment. I am happy to reflect on this further. My colleague, Sadiq Khan, has been leading on the quality contract work but I am happy to reflect further and give you our emerging thinking on it.

Q97 Ms Smith: I am happy to receive submissions on that.

Lord Adonis: I would be happy to provide them.

Q98 Ms Smith: Just moving back to rail, the Department said some time ago that it wanted to move towards a seven day a week railway. How does the Department intend to do that? I think the media reports are that progress is rather slow.

Lord Adonis: A key issue in providing a seven day a week railway is how the rail industry plans possessions and the engineering work which of course takes place while possessions are taken. I personally, as Secretary of State, and previously as Minister of State, brought the industry partners together to say that I thought the previous possessions planning regime was not adequate. There was a celebrated incident earlier in the year when the East Coast and West Coast main lines were both closed over two successive weekends, meaning there were no inter-city connections between Scotland and London. One of those weekends England and Scotland were playing rugby at Twickenham. This was a totally unacceptable situation. I made it very clear to Network Rail and the train operating companies that this was unacceptable. I have myself chaired a succession of meetings with the industry partners to hammer out a new set of arrangements in respect of possessions, which were in fact, fortuitously, published today. There is an article about them in the *Guardian* today. Part of that is an undertaking that, save in exceptional circumstances, they would seek to keep all principal inter-city routes open, and this goes hand in hand with the target which the Office of Rail Regulation has imposed on Network Rail to reduce by 37% the disruption caused by possessions and engineering work over a five-year period, which is also concentrating minds in Network Rail very seriously. Those two together, the new planning regime in respect of possessions which has been announced today plus the 37% target, I hope will mean that there is less disruption to passengers. However, the situation at the moment—I will be quite frank—does need significant improvement. I

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do not think it is acceptable that as much disruption is being caused to passengers as is the case, and I think the rail industry has not been sufficiently focused on passenger requirements, for example, on whether or not to put buses in as substitutes for trains when alternative train services could be offered at less inconvenience to the passenger. To ensure that the passenger voice is much louder in this process, one of the elements that has been agreed in the new possessions planning regime announced today is that Passenger Focus, which is the passenger watchdog, will have a direct right of appeal to the Office of Rail Regulation where they wish to dispute the taking of a possession, and not only will they have the right of appeal but we are providing them with the expertise—because this is a very technical area, possessions planning—we are providing them with resources to secure the expertise so that they, Passenger Focus, can themselves engage with the train operating companies and with Network Rail at an early stage in the planning of possessions so that they can see that the passenger voice comes through loud and clear, and so that, if necessary, they can appeal to the ORR when they believe decisions have been made on line closures which are unnecessary and unnecessarily disruptive to passengers.

Q99 Ms Smith: I am very glad to hear all of that. I wonder whether you would accept that the broader context of that very welcome statement is that in fact, passengers not only resent disruption on Sundays and at weekends but also, actually, many passengers would appreciate seeing a better Sunday network all round. They would like to see a much better service on a Sunday, never mind disruptions to timetabled services.

Lord Adonis: I completely agree. I think moving to a seven day a week railway is both about reducing the impact of disruption on weekend services but also about improving weekend services. However, if we could reduce the impact of disruption, I think that would be a very significant step forward, because at the moment, of course, it is very largely weekend services that are affected by engineering works. When I looked at the issue of possessions planning after the debacle on the London-Scotland services, a senior rail manager sent me a copy of the British Rail alternative timetable in respect of engineering works for the Easter of 1978. That did not involve one single bus substitution of a rail service. There was a lot of engineering work taking place but all of the substitutions were by rail. Now, it may be that in this day and age, with new safety requirements and it being more difficult to do single-line working, you cannot eliminate the need for bus substitution. Nonetheless, I think the industry could do a great deal better than it has been doing in recent years.

Q100 Ms Smith: Finally, the Transport White Paper in 1997 made a big commitment to progressing towards an integrated transport network. What is your assessment of the performance of the Department in achieving that ambition, which for me is the most worthwhile ambition?

Lord Adonis: I believe we are making progress but we have a great deal more progress to make. Just to give you a few recent examples, last week with the Mayor of London I announced what I think is actually a milestone in national transport policy, which is the Oyster card being used across underground and overground services in London, so a single, integrated ticketing system, the dream of transport planners in London for a generation.

Q101 Ms Smith: And everywhere.

Lord Adonis: I would like to see it spread elsewhere too but it is the first time in the history of transport in London that one single ticket can be used on tubes, buses and overground within the Metro zone. Indeed, I agreed with the Mayor a new map—I should stress, a map with the Thames back in—which is called the World of Oyster. I hope it will replace the existing Tube map and the overground map in London. It is a single map of all the stations covered by Oyster card from 2 January. I have also, as you know, placed great store on making stations much more accessible. In the Stations Report by Chris Green and Sir Peter Hall which was published two weeks ago one of the big themes is the need to promote station accessibility. That included, for example, recommendations to double the amount of car parking at stations over the next 15 years, 10,000 extra car parking spaces a year; to double the number of cycle parking spaces at stations over the next five years so that we get to a target of 5% of journeys by rail being completed to their ultimate destination by bike; and also to promote bus interchange at stations, including initiatives which I applaud, such as for example in Leeds, where I was recently, but this has been done elsewhere too, of having free city buses which link the station with the city centre and in that case also the university. Those sorts of initiatives I believe can and will make a transformational difference but we need to see them pushed forward across the country.

Q102 Ms Smith: Progress has been made. Clearly, there is a lot more to do before we can even think about achieving anything close to the standard we see in some of the European countries. There are all sorts of other issues involved, such as the timetabling of bus services as compared with the timetabling of train services and so on. What lessons would you say have been drawn so far by Ministers in terms of the experience so far in developing an integrated system and what we may do in the future to get there?

Lord Adonis: The lesson that I draw from my own experience as a Minister dealing with this over the course of the last year is that it needs very strong central direction. It does not happen spontaneously. If you look at those countries which have made a success of integrated transport policies—and Denmark, the Netherlands and Switzerland come to mind as three countries which have made a great success of integrating different modes of transport—it has been as a result of sustained planning and a strong exertion of government authority to oblige the parties to work together. I am only too well aware, to take, for example, the issue of the Oyster

card, which was a fairly straightforward issue in many ways, because the technology was not a problem in terms of making it possible to use the Oyster card across underground and overground—there were very fraught and difficult negotiations, because money was at stake, simply to get the train operating companies to accept the use of the Oyster card on their networks. If I and my officials had not been engaged in this in a sustained way, including a lot of banging heads together over a period of quite some months, this would not have happened. It was first announced, I was told, by Douglas Alexander years ago, I think in 2007, so it has taken us two years for what is in fact a fairly straightforward reform to be brought about. Elsewhere, as I know only too well now from my own experience, bringing about integration requires strong governmental action—that is not necessarily central government; it could be and often will much more appropriately be local government, hence integrated transport authorities and the important role that they play, but it will not happen spontaneously, nor is it likely to happen simply by specifying things in contracts. That can get you a certain length of the way but in fact there has to be a public authority which is responsible, which takes integration seriously and has the necessary powers to bring it about.

Q103 Ms Smith: In other words, central government must acknowledge the role, perhaps an increased role, for integrated transport authorities in terms of the knowledge and expertise they have at their level to deliver that very crucial integrated network within city regions, for instance?

Lord Adonis: Yes, I would agree with that but it has to be done over time, and of course, one should aim to bring all the partners in the private and public sector with us as that happens.

Q104 Mr Clelland: Are there any plans to extend the strategic road network?

Lord Adonis: No, on the contrary. Through the process which goes under this wonderful word “de-trunking”—I did not know what de-trunking was until I entered this Department; I thought it was a rather horrible operation but in fact de-trunking is the process of transferring roads from the strategic road network and responsibilities of the Highway Agency through to local authorities—a substantial part of the road network has been transferred to local authorities, largely with an enthusiastic response from them because they believe that they can manage it with more local sensitivity than we do nationally, but I know that there are differing views on this.

Q105 Mr Clelland: Yes. Much of that enthusiasm will depend on the state of the road when it becomes de-trunked, obviously, because that can have cost implications for the local authorities concerned. People express surprise to me when I tell them that the A1, which is the only road which directly links the great cities of London and Edinburgh, is in fact not a trunk road for the whole of its length and once you get north of Newcastle it has been, as you say,

de-trunked, which has led to a situation where, of course, because local authorities do not have resources, the road is not kept up to the same standard as the rest of the 300 miles or whatever it is. Is that not something which concerns you?

Lord Adonis: I have answered more Parliamentary Questions on the issue of the status of the A1 north of Newcastle than probably any other stretch of road in the country, and I do understand the very strongly held views on this by many parliamentarians in both Houses, which of course is directly related to the issue of upgrading it. It is not its status; it is whether its status could lead to it being upgraded. The issue though for my Department is that the A1 north of Newcastle—it is not that it does not meet the requirements in terms of traffic flows for being part of the strategic the road network; it does not come close to meeting them so the judgement we had to make was, given that it does not, would it be appropriate to go against the policy that applies everywhere else in the country?

Q106 Mr Clelland: One of your objectives as a Department is to contribute to better safety by reducing the risk of death and injury. This stretch of road is notorious for serious injury and deaths. Surely that must be taken into account?

Lord Adonis: That is an issue but, of course, that is an issue for the local authorities that are responsible for the road.

Q107 Mr Clelland: But they do not have the resources.

Lord Adonis: The issue for them, of course, is how they prioritise projects within their region and again, I know that that is a fraught issue too because there are more projects that people want to fund than there is funding available. To make the point that I have made in our previous exchanges on this, we are investing a large sum of money on upgrading the A1 south of Newcastle, £327 million on the current work on upgrading the A1 from Dishforth to Leeming, and then the Leeming to Barton extension south of Newcastle will be a further £342 million, so there is a significant investment coming from the government directly into the upgrading of the A1.

Q108 Mr Clelland: I accept and acknowledge that, and that is gratefully received in the North. It is not before time that we were linked up to the rest of the motorway system? But coming back to the road north of Newcastle, are you aware that the North Northumberland Coroner, presiding over yet another inquest when two drivers were killed because of the nature of the road north of Newcastle, has described the A1 north of Berwick as the weakest link in the road between London and Edinburgh and has predicted there will be more preventable deaths in future unless the road is given a higher priority for upgrading and duelling. It is all very well to point out to us that this is the responsibility of local authorities, but the point is that local authorities, as you have just outlined yourself, do not have the resources to spend on this road alone, in isolation from the rest of the regional demands for transport

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spending. What can be done to overcome that? People are going to die as a result of the state of this road unless something is done about it.

Lord Adonis: I simply have to say that this is an important issue which the region needs to way as it makes its own priorities on spending.

Q109 Mr Clelland: Yes, but the point is it has not got the resources. The local authorities cannot do it on their own.

Lord Adonis: There is an issue whether the road should be part of a strategic road network or the local authority network. For the reasons I have given, it is part of the local authority network, not the strategic road to work. However, I have to say that if it did become part of the strategic road network, it would also go into a very intense competition for resources and it would be unlikely, given competing pressures, to receive early investment in any event, even if it did move, so I would not want people in the North East, for whom this is an important issue, to believe that the pot of gold lies in transferring the road from the local authority network to the strategic road network. It would be facing very stiff competition and, of course, the fact that we are spending such a large sum of money on upgrading the A1 south of Newcastle means that there are already very big public commitments to this road in any event.

Q110 Mr Clelland: Perhaps you can find another £350 million worth of savings that could contribute towards doing something about the A1 north of Newcastle.

Lord Adonis: We will look hard.

Chairman: We will have to see if that can be achieved.

Q111 Sir Peter Soulsby: The Department has adopted a number of measures to deal with traffic congestion, including a programme of managed motorways, but it has actually turned its face against a national road user charging scheme. How do you see the increased growth in the use of roads being dealt with in the future if no road user charging schemes are introduced?

Lord Adonis: There is, as you said, Sir Peter, very additional capacity going into the most congested parts of the strategic road network. On pages 11, 12 and 13 of the programme for the £6 billion strategic road network investment programme for 2009, which was published in January, it sets out all of those projects. They will provide a lot of additional capacity which will ease congestion and that will make a contribution to that goal but, of course, there will continue to be congestion pressure.

Q112 Sir Peter Soulsby: To what extent do you perceive there to be scope for the additional use of technology to enable users of the roads to have better information about the conditions that are ahead of them, and thereby to be able to make informed decisions about how to avoid congestion?

Lord Adonis: A great deal of scope. Indeed, the Highways Agency is already doing a good deal in this area. There is the Highways Agency's own radio

station, which gives real-time traffic information; the National Control Centre in Birmingham of the strategic road network gives information to all broadcasting outlets; and real-time congestion information on the Highways Agency's own website; and of course, there is increasing use of visual display units on motorways which give messages to motorists about congestion ahead. So there is significant scope for improving the quality of information which is given to motorists and, in doing so, to help ease congestion because it enables motorists to take better informed decisions about how they plan their journeys before they start off and how they conduct their journeys if they know that congestion is going to be coming ahead. I can give you a real example of this myself, because it is an experience very closely on my own mind. It took me six hours to do a journey that normally takes one hour on Sunday involving the Blackwall Tunnel. The Blackpool Tunnel was closed, unavoidably, because there was a fire on a vehicle but proper information was not given to motorists before. There is the means available to give that information and, had that information been given, many hours would have been saved by many thousands of motorists on their journeys. It is important that the Highways Agency does raise its game in the provision of information.

Q113 Sir Peter Soulsby: How significant do you think it will be for the development of technologies that can cope with this sort of information in the UK being inter-operable with other European countries?

Lord Adonis: I think it is significant because there will be an international market for these technologies. So it is a significant factor that we seek to have standards which are common. How far the schemes and different solutions countries adopt will be inter-operable I am not sure but, of course, the more uniform the standards, the greater the likelihood that the actual solutions that they adopt will be inter-operable.

Q114 Sir Peter Soulsby: With your permission, Chairman, I would like to return to a couple of questions about buses, provoked by the questions from Angela Smith about the seven-day railway. People certainly do not have a seven-day bus service. To what extent do you think the Department is doing enough to promote off-peak buses and to get the local transport bodies, integrated transport authorities and others, to focus on the need to provide services for people in many parts, not just in the rural areas but in towns and cities, who have very little outside the peak period, in the evenings and on Sundays.

Lord Adonis: This is, of course, the proper role of local authorities to promote a wide range of services meeting passenger needs in their localities and the additional powers they have under the Local Transport Act will, I hope, give them a stronger position to promote such services.

Q115 Sir Peter Soulsby: What about bus punctuality? We have heard complaints from the Traffic Commissioners that they do not have the funds to monitor punctuality and the quality of services provided. First of all, are they right in their complaint that they do not have those resources? Is it indeed their role to do it and, if not, who should be monitoring punctuality?

Lord Adonis: I think it is important that there is an improvement in service on the buses. I think is hard to generalise because, of course, in London TfL does play a significant role in monitoring buses and bus services directly. Elsewhere local authorities in some cases do so and have the means to do so. The provision of much more information to passengers on bus punctuality is of course enabling passengers themselves to exercise a much louder voice in this too. On the specific question as to whether the Traffic Commissioners should play a role, I would need to think further about that. I am not sure how far the Traffic Commissioners are directly engaged in monitoring quality.

Q116 Sir Peter Soulsby: If I could just quote to you, while it is being looked at, the words of one Traffic Commissioner who said to us that “the funds and resources allocated to bus monitoring are woefully inadequate and there is a complete failure on the part of the Government to address this.”

Lord Adonis: Actually, Mr Devereux has just pointed out to me paragraph 365 on page 36 of the Annual Report, which says that “the Local Transport Act gave Traffic Commissioners enhanced powers so that local authorities can be held to account for their contribution to poor bus performance and bus operators can be required to invest in specific improvements or provide compensation to passengers rather than or in addition to a penalty being imposed.” So there clearly are stronger powers here. I have not myself spoken to the Traffic Commissioners so I am not aware at first hand of their view as to whether their powers are adequate.

Sir Peter Soulsby: I think the point that was being made to us was not so much the lack of powers but the lack of any resources to do anything with those powers.

Q117 Chairman: They made those points very strongly. I think it is a matter of resources.

Lord Adonis: I am perfectly happy to look at that issue further but it appears that the powers are there. As to how they exercise them, that is largely a matter for them but if there is a resource issue, we should look at it.

Q118 Sir Peter Soulsby: I understood that the Department had set up a bus punctuality working group. I do not know whether that is indeed the case and, if so, do you know anything of its progress?

Lord Adonis: I certainly am not a member of it. I do not know whether my Permanent Secretary can help us.

Q119 Chairman: Mr Devereux, are you a member of the working group?

Mr Devereux: We have a lot of working groups. It is quite possible I am not a member of it either. I can well understand what it is, but there is a concept which has been used for a long time on the railways of joint performance improvement plans, which have worked very well between Network Rail and the train operating companies. The essence of the punctuality stuff is that increasingly now, as I understand it, that sort of arrangement is being worked so that the local authority and the bus operator can identify what it is that may or may not be causing problems with punctuality and both sides can record what it is they are going to do about it. Coming back to the Act, my memory is—and we can check this for you—that previously it was the case that the Traffic Commissioners could only do something on unreliability if a member of the public said something about it. We sought to frame the Act, I believe, in such a way that it was an obligation on the part of the bus companies to make sure that consistent data is available. We will go and check what the Traffic Commissioners have said but we sought to put this into a position where actually routine information is available for people to scrutinise and act on in the context of those scrutiny powers.

Sir Peter Soulsby: I think it would be helpful to know what powers they have but also whether they are satisfied with the resources that they have to use those powers.

Q120 Chairman: Lord Adonis, you wrote to us recently in answer to questions we put you about road safety issues, and in your answer you said that there had been a deterioration in the behaviour of drivers and riders in the period between the late Nineties and 2004 but that this had all improved after 2004. Can you enlighten us on why things deteriorated and why they have now improved?

Lord Adonis: I actually went on to give what further views we could on this issue later in that paragraph. I said, “It may be that there remain a core of near unsurvivable accidents less affected by the general factors which are reducing casualties, so that where, for example, cars leave the road at high speed and collide with static objects, the change in velocity is more than the human body can withstand regardless of the safety features of the car. The most recent research based on 2007 data has however concluded that this decline in driving standards has ceased, which is consistent with the death and serious injury trends coming together once more as they appeared to be doing in 2007 and 2008.” That is the view of my expert advisers.

Q121 Chairman: It was just trying to work out why everything went so much worse in those years and then suddenly improved.

Lord Adonis: It was for the reasons, in the view of my expert advisers . . . the best enlightenment they could offer is set out in my letter but the reassuring point is that in the past two years we do seem to see an improvement again.

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Mr Devereux: If you look at the picture on page 269, you can see there is something happening in 2004 but in the grand scheme of things, it is fairly substantially still on the dotted line. You can see the small adjustment which Lord Adonis is talking about. It is not a very substantial one, particularly in the light of the later years' data.

Q122 Chairman: What lessons has Department learned from recent events in Cumbria in dealing with extreme weather conditions?

Lord Adonis: Obviously, the extremity of the conditions was hard to prepare for, because they were so extreme that it would not have been possible for local authorities to have been able to make contingency plans for the rapid building of new bridges and so on that has proved to be necessary. I am reassured by the fact though that the relevant agencies have worked well. They have worked well together and they have worked very fast indeed. Network Rail within a matter of days had got the second station built on the north side of the River Derwent. I am very pleasantly reassured that Network Rail can move this fast and I hope that this can be repeated elsewhere as needed. The MoD has provided sterling assistance to the local authority in the construction of the new crossing of the River Derwent, and they started that process only days after the serious floods. The inspection of the bridges: the county council moved as fast as they reasonably could to conduct those inspections. There was a high level of co-operation between the Highways Agency and Cumbria County Council in taking forward that work, as there was between Network Rail and the relevant authorities, as there was also between the other agencies and the MoD and the county council. So though, of course, none of us would wish to see any repetition of these events, the emergency services and the public authorities concerned appear to have dealt with the situation as well as they reasonably could in the circumstances.

Q123 Chairman: Do we have a national strategy for dealing with extreme weather conditions?

Lord Adonis: Of course, every year at some point we face very serious conditions on the road because of snow and ice. Your Committee looked at this issue after the events of last January, and again, there was a more mixed picture. The Highways Agency in fact kept almost the entirety of the strategic road network open during extreme conditions. My reflection on that is that their contingency planning had been effective. What the experience of last January in those extreme weather conditions also brought out though was a high degree of variability in the performance of local authorities, and one of the lessons that we in the Department drew from that was the need for us to provide stronger co-ordination and the capacity to help local authorities much more rapidly in terms of the Highways Agency being able to help them where extreme conditions apply, and we have put in place processes that would bring that about.

Mr Devereux: There is a strategy, in the sense that the government has got us to ensure that at local level and regional level there are arrangements in place for people to know who to talk to. Take the Maritime and Coastguard Agency, which perhaps surprisingly was also involved in the Cumbria floods, are a so-called category one responder to these sorts of events and are called upon at such point at which local government and regional government bring them in for whatever the crisis is, whether it is Boscastle or Cumbria. So there is essentially a devolved arrangement for managing these sorts of crises based on drawing together the sort of people you would expect to see there, whether it is through the police or transport agencies.

Lord Adonis: I should note that in fact the strategic road network and its bridges remained intact during the floods in Cumbria. The Highways Agency bridges which were inspected were open and the A66, the major strategic road in the region, was after a short period of delay brought back into operation again. So in terms of the agencies for which we are directly responsible, they in fact, by the nature of the investments that had been made in their network, bore up fairly well.

Q124 Mr Clelland: There I might make the point that where these bridges and roads are in the control of local authorities, they are less able to keep them up to standard than the Highways Agency is.

Lord Adonis: I note that point.

Q125 Chairman: We may well return to this issue on another occasion. Are you satisfied with the Department's performance in relation to its contribution to CO₂ emissions? Emissions have actually increased in the transport sector, have they not, while they have decreased generally?

Lord Adonis: They have increased in the context in which the Government has met its overall targets on carbon reduction over 1990 levels but it is a fair point that transport emissions have increased, and we have put in a whole series of measures which we hope will reverse that trend, including, in the case of one of the fastest-growing areas of emissions, which is cars and vans, intensive work with our European partners on new emission standards for cars, which we confidently expect will start to bring down emissions in air transport, including the promotion of biofuels, including negotiation for an equivalent standard for vans as currently applies for cars at a European level, including the setting of a new target when we made the decisions in respect of Heathrow in January that aviation emissions should be no higher in 2050 than they were in 2005, and including significant investment to incentivise technological developments and also the take-up of electric and plug-in hybrid cars. Geoff Hoon announced earlier in the year £250 million worth of investment both to provide a re-charging infrastructure for urban areas, and there is a competition taking place at the moment between urban areas to set up such infrastructure, but also to provide direct consumer incentives from 2011 for the take-up of the first mass-market plug-in hybrids and electric models, because

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the advice that we received was that if there were not significant incentives given the high cost of cars powered by batteries, you would not get early take-up. That was a very significant new investment in our low carbon strategy and we hope it will lead to a significant decline in road transport carbon emissions.

Q126 Chairman: How significant will that decline be? What do you expect to achieve by 2020?

Lord Adonis: Our overall objective is to stabilise emissions by 2020 and for them to reduce thereafter, so to stop the growth in transport emissions that has taken place over recent years, to stabilise them and then thereafter to be able to reduce them but, of course, this does depend upon us being able robustly to take forward the sorts of measures that I have described.

Chairman: Thank you very much for coming and answering our questions.

Written evidence

Memorandum from the Department for Transport (POD 01)

In response to your letter of 17 September, please find below the answers to the Committee's initial questions and initial comments on the DfT Annual Report and Resource Accounts 2008–09. The Committee's questions are in italics, with the DfT responses in roman.

EXPENDITURE, RESOURCES AND GENERAL

1. *Footnotes to the core tables A1–A9 (pp 214–232) provide some explanation of certain specific factors affecting spending, but there is no general overview or explanation of other fluctuations in spending. The Committee would welcome the introduction next year of a commentary to explain trends and major changes-upwards or downwards in the figures contained in these tables.*

The Department intends to review the content of the annual report more generally for 2009–10 and agrees that a commentary on major trends would be useful.

2. *Previous concerns relating to the Shared Services Centre for financial and HR services have been, or are being addressed, according to the statement of Internal Control (pp 324–5). What lessons have been learned so far, and what changes have been made?*

There are a number of key lessons, particularly regarding governance and management of shared services and the shared service centre, that the Department has taken on board since the centre's inception in 2007. These high-level lessons learned can be summarised as follows:

- (i) Governance and Structure—the Department has recognised the importance of ensuring that strong governance and communications are maintained on an ongoing basis. In particular, ensuring that when there are new services or units that go on to shared services there is clarity about who is doing what. We have subsequently strengthened our governance structure so that the Accounting Officer and constituent organisations have a more active role in setting direction and overseeing the performance of the shared service centre. We have also put more emphasis on communications in order to address this issue.
- (ii) Expertise and Knowledge—the Department recognised from the outset that appropriate expertise and knowledge at all levels would be critical to the success of the shared service centre, but sometimes it proved difficult to apply sufficient resource to a problem to resolve it successfully. We continue to work to ensure that there is appropriate resource to deliver, and that if appropriate resource is not available then the risks and consequences are understood and action taken.
- (iii) Change Control—in these complex delivery mechanisms, change control is crucial to the ongoing delivery of service. We have learnt to have a more systematic approach to managing changes, with clear reference back to the agreed design or “Blueprint” of services to maintain their integrity, and a more comprehensive control over the “end to end” impacts to ensure all associated materials, training and knowledge sites are updated accurately.
- (iv) Ownership and Business Engagement—critical to the success of any such project is ownership by the relevant part of the business. We did not have sufficient engagement in the early design stages, and that created a major risk that the resulting services would not meet business requirements. We have tackled this through our work on strengthening governance, so that professionals from business units have a direct role in overseeing the operation of services and prioritising changes.

Following go-live in April 2007, and continually since, the internal controls and management processes operating within the Shared Service Centre have been subject to a comprehensive level of scrutiny and review by internal audit. In 2008–09, none of the audits returned an “unacceptable” opinion. They did, however, recommend a number of detailed areas where internal management controls should be improved. Shared Services has put in place a series of action plans to address all of these audit recommendations and consequently strengthen controls. At year end, a position had been reached where the internal controls over transactions had reached acceptable levels. This level of control has been maintained.

3. *We could find no specific reporting of numbers of staff relocated under the Lyons review against targets within the Report. Could the department either direct the Committee to the relevant section of the report, or provide information on staff numbers relocated against targets?*

The Department's Lyons Relocation target was achieved in mid-2008, more than 18 months ahead of schedule. 62 staff were relocated away from London, compared to the target of relocating 60 posts by 31 March 2010.

Of this total, 10 Vehicle and Operator Services Agency posts moved to various locations outside London and 25 Rail Accident Investigation Branch posts moved to Derby. From DfT(c) 12 payroll posts, two Freedom of Information posts and 13 Bus Service Operator Grant posts were relocated to Hastings. Although Hastings is in the south-east, exceptional approval was given to relocating these posts, since Hastings has been classified as a regeneration area.

The Department announced that it had achieved its Lyons Relocation target in the Autumn Performance Report 2008 and it was not considered necessary to repeat this in the Department's Annual Report 2009.

ROADS

4. *What evidence has the Department that minor improvements in congestion in urban areas (DSO1, p 245) are due to factors other than the reduction in traffic volumes referred to (p 59 and 245)? Does the Department, for instance, have any evidence that efforts to reduce disruption caused to local authority roads by roadworks, whether by utilities or for maintenance, on local authority roads have yet had any major impact?*

The Department's indicator on urban congestion recognises the direct relationship between traffic volumes and journey times, and seeks to manage a predicted increase in the level of travel with proportionately lower increases in person journey times across the ten largest urban areas in England.

The first two years of the indicator (2006–07 and 2007–08) have seen declining levels of both travel and journey times against the baseline of 2004–05 and 2005–06. Understanding the reasons for this performance requires an analysis of a complicated urban environment, as there are many factors that can influence both the level of travel and journey times on an urban road. The impact of these factors will vary from area to area and from route to route, but they include:

- Economic conditions, both nationally and locally, such as growth or decline, fuel prices, employment and car ownership levels.
- Network interventions. Within the indicator the ten participating areas have developed Delivery Plans involving a wide range of interventions to improve journey times on the target routes. These interventions include bus performance measures, traffic management schemes (junction and traffic light improvements) and sustainable travel options.
- Other external factors, such as roadworks and development changes (ie a new retail or business park) must also be considered.

The Department is always seeking to improve its understanding of the influence that all these factors can have on journey times and the level of travel. At the moment it is difficult to isolate the impact that each of these will have on the level of congestion—whether nationally, regionally or on a single urban route. We are currently undertaking a study of the urban congestion programme to help determine whether the current reduction in person journey times is specifically the result of interventions put in place by the participating areas or other external factors, such as the economic conditions. The report is expected by the end of the year.

In relation to works in the highway by utility companies and other undertakers, the Department has commissioned a report on how authorities are using the new powers provided under the Traffic Management Act 2004 that came into force in April and May 2008. This is due to be completed by the end of the year. The consultants have also reviewed the impact of the network management duty that came into force in January 2005, and early indications are that it is improving management of the local network, as processes are changed or introduced that facilitate the expeditious movement of traffic and greater dialogue between local highway authorities and utility companies.

5. *The Department is on target to reduce the overall number of deaths and serious injuries on the roads (p 249 and 267). A particular concern of the Committee has been high traffic accident casualties involving certain groups, such as children from deprived neighbourhoods, and motorcyclists. While we recognise research is underway in both these areas, as outlined in responses to the Committee's report, what tangible improvements have so far been achieved, for instance from the June 2008 motorcycle action plan, or when would the Department expect that any measures implemented start to bear fruit?*

The latest road casualty statistics show a further fall in both child and motorcycle casualties. Final figures for 2008 (published in June 2009) show that the number of children aged 0–15 killed or seriously injured in 2008 was 2,807 (of which 124 were killed), 9% lower than the number killed or seriously injured in 2007 and 59% below the 1994–98 average, exceeding the 50% target for 2010. The number of children injured in deprived areas in 2008 was 47% below the 1999–2001 average, compared with a 45% decline for England as a whole, so the position in deprived areas is continuing to improve faster than the national average.

Actions on child safety include:

- launch of the new Think campaign for younger children “Tales of the Road” in November 2008, with continuing campaigns in 2009;
- launch of Think Education in April 2009, providing new road safety resources for use in schools, with further resources being developed for 2010; and

- joint work with the Department for Children, Schools and Families and other departments on broader child safety issues to take forward PSA 13, including the priority review of local area accident prevention published in February 2009 and subsequent action to improve the co-ordination and delivery of child safety by front-line practitioners.

When taking forward these initiatives, we take account of the need to prioritise disadvantaged areas, which raise similar concerns for other aspects of child safety as well as for road safety.

The number of motorcyclists killed fell by 16% in 2008, to 493, whilst the number seriously injured fell by 10% to 5,555. Whilst the number killed was still above the 1994–98 average, it is the lowest number of deaths since 1996. Serious injuries were 8% below the 1994–98 average. Motorcycle traffic is now significantly higher than in the 1990s, so casualty rates per km travelled have fallen. Provisional estimates for the first quarter of 2009 show a further decline in child and motorcycle casualties.

Recent actions to take forward the motorcycle action plan include:

- the SHARP helmet assessment rating programme, with further assessments being added periodically;
- continued sponsorship of British Superbikes (BSB) in 2009 through the Think Academy;
- development of a new motorcycle safety publicity campaign for 2010;
- introduction of a new two-part motorcycle test in March 2009;
- four local motorcycle safety schemes supported by the 2009 round of the road safety partnership grant;
- taking forward research on drivers' perception of motorcyclists, rider training and motorcyclist attitudes; and
- motorcycle access to TfL bus lanes from January 2009.

RAILWAYS

6. *The likely termination of the current East Coast rail franchise to National Express was announced on 1 July, presumably too late for reference to be made within the Report. Has the Department yet made any assessment of the cost implications of this over the SR period? How will any additional costs be borne, and how will these impact against VFM targets (bearing in mind the comments made on p192 about the impact of franchising upon achievement of VFM targets)?*

The Department is monitoring the position closely and reflecting our views in commercial negotiations which are not yet complete. We will inform the committee once the details have been concluded.

7. *There is a target date of 2020 for all heavy rail vehicles to be accessible (p 80). Funding is also being provided to improve accessibility at railway stations. What proportion of national rail stations are currently considered accessible to the disabled? How much higher is this expected to be at the end of the SR period than at the beginning; and is there a target date by which time all or most stations should be accessible?*

There is no end date by which all or most railway stations should meet specified standards for accessibility, as there is for rail vehicles. This is because there are approximately 2,600 stations on the network in Great Britain and much of the infrastructure that remains in use today dates from a time when the needs of people with reduced mobility were considered differently.

However, improving this situation remains an ongoing objective of the Department through initiatives such as the Access for All Programme, major infrastructure projects and commitments in rail franchises. In the 2005 Consultation Strategy for the Access for All Programme, the Strategic Rail Authority (SRA) targeted an increase in "step free" levels to 55% of stations, thus achieving an increase to 81% of journeys made. As such, approximately 125 stations would be the target, which will be exceeded.

From the Access for All budget £35 million per year (at 2004–05 prices) has been allocated to achieve this by 2015. Network Rail currently forecasts completion by 2014, leaving some contingency.

The table below shows the benefits of the Programme, as forecast by the SRA in its 2005 Consultation document:

SRA PROPOSALS: £370 MILLION ACCESS FOR ALL INVESTMENT

	% of Journeys		% of Stations	
	2005	2015	2005	2015
Passenger announcement systems	95	97	65	68
Customer information systems	88	93	39	43
Fully step free	57	81	50	55

We should also note that there is no universally accepted definition of “accessible”; however, the Department does publish a Code of Practice which sets the standards that rail station infrastructure should meet when facilities are renewed or upgraded. The Association of Train Operating Company (ATOC)’s Key Performance Indicator measure for level access of “access from the street to platform”, which drives the classification in the National Rail Enquiry Service (NRES) as well as the table above, is widely seen to be out-of-step with current customer expectations. Visibility of station facilities in the National Rail Enquiries database overall also needs improvement. ATOC has just completed carrying out a programme of access audits to address this, and is in the process of creating a new “station journey planner” which should be available on the NRES website by the end of the year.

8. *The Resource Accounts include (Note 32.1, p 379) reference to indemnities relating to Crossrail entered into during 2008–09 (£730 million). Some of this relates to “voluntary” funding from businesses and from BAA. At what point are the contributions expected and where they are voluntary is there anything the Department can do if they are not forthcoming?*

The City of London Corporation has committed to make a contribution towards the Crossrail project of £200 million. The payment shall become payable on or after 31 March 2016 when a number of relevant milestones relating to completion of civil construction at the Crossrail Farringdon and Liverpool Street stations and the Stockley Viaduct works have been met.

The City of London Corporation has also agreed to seek voluntary contributions towards the Crossrail construction costs from very large businesses across Greater London with the aim of raising £150 million. The Government has agreed to support the City in its efforts to raise these voluntary contributions, and the City has agreed to guarantee the first £50 million of this amount. The detailed arrangements for raising voluntary contributions, including timescales, have not yet been finalised.

The contribution from BAA towards Crossrail is subject to a letter agreement entered into by Heathrow Airport Ltd (HAL), a wholly-owned subsidiary of BAA which owns and operates Heathrow, and the Department for Transport on 10 November 2008. Under the terms of the agreement HAL agrees to pay a contribution of £180 million (£230 million in outturn prices) to DfT in two instalments linked to progress on construction of the Stockley Viaduct works, which will deliver greater capacity and reliability for rail services into Heathrow. The first instalment will be paid on or after 1 April 2013 at the point that 50 per cent of the value of the Stockley Viaduct works has been carried out. The second instalment will be paid when the Stockley Viaduct works have been completed to allow trial running of trains, and is expected to be made in 2016.

BUSES/LOCAL TRANSPORT

9. *Previous SR periods included objectives to increase bus and light rail patronage. While this has been achieved overall, largely as a result of increased usage in London and the impact of the national concessionary fare scheme (para 3.68, p 37), the suggestion is that, otherwise, increases are patchy. The Report suggests that “effective partnerships between bus operators and local authorities are the key to successful bus operations. There are many such examples, but not enough” (para 3.58, p 35) and para 3.62 talks about the new quality contract schemes under last year’s Local Transport Act. Are any of these quality contracts now up and running, and if so what impact are they having on services and levels of usage? How else can bus patronage be increased?*

The Government continues to believe that effective partnerships have been key to providing successful bus services. In parts of the country where bus patronage is rising and passengers are experiencing a higher quality of service, it is because local authorities and bus operators have worked together to deliver packages of improvements designed around the needs of local passengers. Generally the operator will offer a good value service with attractive ticket options, that is reliable and punctual, with modern vehicles and backed up with effective marketing. For their part, the local authorities will support the operation of the bus services by providing bus priority infrastructure, better transport information and a supportive parking policy. It is this package approach which enables buses to meet their full potential and attract additional patronage. This is why the Local Transport Act 2008 included provisions to help enable successful partnerships to flourish in more of our communities.

The Department has been greatly encouraged by the progress that is being made as a result of the Act. It is clear that the Act has been a catalyst for many local authorities to review what improvement their local communities most want from their bus services, and how the new statutory arrangements can help them to deliver those improvements. The Department has been working with a number of local authorities and bus operators who are considering implementing partnership arrangements that make use of the new statutory powers, and we expect new partnerships to come to fruition in a number of towns and cities in the months ahead.

The Government has also recognised that, because partnerships depend on both local authorities and bus operators being willing partners, they cannot always be relied upon to deliver the necessary improvements. The Act therefore also included provisions to make Quality Contracts Schemes (QCSs) a much more realistic option where they are in the public interest. The Department has recently consulted on the draft regulations and guidance that are needed to support the provisions in the Act. Subject to the outcome of the

consultation, the package of legislative reforms for QCSs should be finalised by the end of the year. Accordingly, no QCSs have yet been put in place by local authorities, but the Government would urge local authorities to consider seriously the full range of options that are open to them following the Act.

10. *Special funding for the concessionary fare scheme is costing £217 million per annum in 2009–10 (and overall funding more than a £1 billion a year) (para 3.70, p 37), but despite this, and the scheme's undoubted success, there are indications that some local authorities appear still to be unhappy about the level of funding and the distribution of the funding. What is the Department doing to address these concerns, and will it make more money available if it can be shown that the losses to local authorities (impacting on other services as a result) exceed the funding provided?*

There is no evidence that the special grant funding is insufficient in total and the Department remains confident that the £217 million allocated in 2009–10 more than adequately covers the aggregate extra costs imposed by the new concession. We are, however, aware of around 30 authorities (out of a total of around 260) who are concerned that their individual allocations may be insufficient to meet the extra costs imposed upon them. Ministers are therefore considering whether to reopen the special grant distribution for its final year (2010–11) in order to address these concerns.

Such a reopening would be consulted on in detail and any new grant distribution would require the approval of Parliament. For clarity, any revised new distribution would not be based on additional funds but on changes to how the current funding is distributed between authorities. There would therefore inevitably be winners and losers under any new distribution. A decision on whether to reopen the grant is expected in October.

In the longer term, the Department recently consulted on possible changes to who administers concessionary travel. Any such changes would be introduced from April 2011 and would be an opportunity to look at the distribution of concessionary travel funding in total (ie including Formula Grant, rather than just the special grant element).

October 2009

Supplementary memorandum from the Department for Transport (POD 01a)

Thank you for sending over the transcript of the Transport Select Committee held on 2 December 2009. There are few factual inaccuracies in the transcript which I would like to correct. I understand that the corrections will either be appended to the evidence as a foot note or as a free standing memorandum.

Q3 (*Contingent Liabilities*)—Chairman and Mr Devereux

London and Continental Railways is the company that built the UK's first high-speed railway, not the first high-speed train.

Q4 and Q5 (*Contingent Liabilities*)—Chairman and Mr Devereux

You asked about the increase in the contingent liabilities which the Department reported in its Resource Accounts. The increase is the net of the changes shown in Note 32 (page 377) to the Resource Accounts, and includes an increase in the amounts covered by the Network Rail Debt Issuance Programme guarantee of £7.5 billion and new Crossrail guarantees of £0.73 billion, offset by a reduction in the Network Rail Medium Term Notes programme guarantee of £3.9 billion. These cause the Note 32 total to rise from £22.86 billion (1 April 2008) to £27.19 billion (31 March 2009).

Q102 (*Oyster pay-as-you-go*)—Mr Smith and Lord Adonis

The roll out of Oyster pay-as-you-go across rail services in London was announced in 2006 (not 2007).

Q104 to Q110 (*A1 north of Newcastle*)—Mr Clelland and Lord Adonis

The A1 north of Newcastle is an All Purpose Trunk Road maintained by the Highways Agency on behalf of the Secretary of State for Transport. The Department for Transport operates, maintains and improves the A1 north of Newcastle in exactly the same way as all other trunk roads. Where there is a difference is that the A1 north of Newcastle is regarded as a regional route for the purposes of prioritising major investment. Any major improvement north of Newcastle would be funded from the Regional Funding Allocation rather than as part of the national roads programme.

Q119 (*Traffic Commissioners*)—Chairman and Mr Devereux

The Traffic Commissioners have the power to investigate any operator that fails to run punctual bus services. Whilst the Local Transport Act 2008 strengthened the powers Traffic Commissioners have when investigating an operator's poor performance, the Secretary of State already had powers to make regulations

prescribing the information which a Traffic Commissioner could require operators of registered local services to keep and provide (these are set out in sections 6(9) (i) and (j) of the Transport Act 1985) and therefore it was not necessary to take any further primary powers in the 2008 Act.

I will write again in early 2010 with a full response to the questions on which I promised you further information.

December 2009

Supplementary memorandum from the Department for Transport (POD 01b)

Thank you for your letter of 15 December 2009 regarding my exchange of views with Mr Clelland MP about the future of the East Coast Main Line franchise.

As you are aware, following the termination of the NXEC Trains Franchise Agreement, Directly Operated Railways and its subsidiary, East Coast have been established as “arms length” companies to fulfil my duties as the operator of last resort, as required under Section 30 of the Railways Act (the “Act”).

In accordance with the provisions of Section 23 of the Act, those services previously operated by NXEC and which are currently being operated by East Coast, are designated as services that are to be provided under a franchise agreement.

Section 25 of the Act precludes public sector operators, including any Minister of the Crown, Government Department or other emanation of the Crown from being a franchisee and operating services designated under Section 23. The utilisation by the Secretary of State of his powers under Section 30 where he is obliged to secure the provision of services in the absence of a franchise agreement is an exception to this provision.

In order to dis-apply the provisions of Section 23, it would be necessary to change the law by making an Order, under Section 24, exempting such services for the carriage of passengers by railway from the provisions of that Section. This would also require the processes set out in Paragraphs 3 and 4 of Section 24 to be observed.

The process for re-letting the East Coast Franchise has already commenced and it is expected that the successor operator will be announced in late summer of 2010 with a view of commencing in November 2010.

My overriding aim is to secure value for money for both the fare payer and the tax payer. I am very keen that the state operator does a good job and provides a good service. I would expect any bids from potential franchisees to build on the high standards I hope East Coast will achieve, and any bids for the new franchise will have to demonstrate better value for money than the state operator. If they do not, then the new franchise will not be awarded and the franchise will continue to be run by East Coast.

I hope this clarifies the position.

January 2010

Further supplementary memorandum from the Department for Transport (POD 01c)

BUSINESS EXPENSES OF DEPARTMENT FOR TRANSPORT SENIOR OFFICIALS

In June 2009, the Cabinet Secretary announced that business expenses incurred by the most senior Civil Servants would be published. The move reflected the Civil Service’s commitment to maximum transparency. All departments are publishing, on a quarterly basis, details of expenses incurred by their most senior officials (Directors General and above) and non-executive directors of the management board.

As a result, the Department has today published on its website details of business costs, together with a hospitality register, of Department for Transport senior officials. The initial return covers the periods from 1 April to 30 June 2009 and 1 July to 30 September 2009, and the Department will in future be publishing business expenses on a quarterly basis.

The return is available on the Department for Transport website (<http://www.dft.gov.uk>).

January 2010

Further supplementary memorandum from the Department for Transport (POD 01d)

DfT AUTUMN PERFORMANCE REPORT 2009 AND WINTER SUPPLEMENTARY ESTIMATE

Thank you for your letter of 18 January with queries arising from the Transport Committee's review of the Department's Autumn Performance Report and Winter Supplementary Estimate.

Our response to the points raised is as follows:

QUESTIONS ARISING FROM THE WINTER SUPPLEMENTARY ESTIMATE

1. *Some £23 million is being made available to Transport for London to make the Oyster machines compatible with the National Rail ITSO smart card standard (RFRI, section X3). Could this problem not have been foreseen and these costs avoided? Will any further money be required in due course? Is any funding being provided by the Mayor's office?*

Response:

ITSO and Oyster are separate schemes that began at different times, as Transport for London assessed their own favoured approach to smartcard ticketing independently of Government. Time has revealed the firm benefits and great popularity of smartcard ticketing, and there is now clearly a benefit in the two schemes being interoperable. As it is a national open specification, the scope of ITSO is significantly more complex than Oyster (which serves London only), so the integration of the two schemes would always have generated some additional incremental costs. The DfT will be funding this project up to £60 million which is bringing additional benefits over the original specification principally in the standard of the hardware. Operational costs will be funded by TfL. We do not anticipate any further cost but future changes in scope or upgrades would be considered on their merits.

2. *There is a large increase of £50 million, in support for London and Continental Railways "restructuring" (Non voted) (page 7, explanatory memorandum). Why is this additional funding required and what benefit will the expenditure bring?*

Response:

The £50 million increase in support for London and Continental railways was a payment to HS1 in respect of the "domestic share" of track access charges between the introduction of the new track access charging regime (in August) and the actual introduction of domestic services in December. This payment, to a company wholly owned by DfT, enabled an earlier completion of the financial restructuring of HS1, with a correspondingly earlier cancellation of the associated Government loans and guarantees.

3. *There are also large "non budget" sums of grant in aid being payable to new NDPBs in relation to London and Continental Railways (RFRI, Section AC). Why are these large cash payments required and do they result in any additional public expenditure (DEL or AME) either now or in the future?*

Response:

The increase in non budget represents grant in aid for a) the £50 million track access charge referred to above and b) a £177 million prepayment of the finance leases for seven Eurostar trainsets, entered into by EUKL in 1993 and 1994. This crystallises the state guarantees already given by the Government and approved by the EC in 1994 and removes the liability from EUKL. These payments do not result in any additional public expenditure (DEL or AME) either now or in the future

4. *Why is an increase of £19 million in grants to bus service operators (RFRI, Section G) required? Are increased levels of services being supported?*

Response:

The £19 million increase in grants reflects changes in the rate of Bus Service Operators Grant (BSOG) which were introduced because of changes to the rate of fuel duty. These funds provide support to bus services.

5. *What extra funding is to be made available to support the rebuilding or repair of Cumbria's bridges, in the wake of recent floods, and if so where will the funding come from?*

Response:

Local Authority funding to support the rebuilding or repair of Cumbria's bridges will be met from the Department's existing programme resources for this year and next year as the repairs are carried out. The Department will not be seeking additional resource cover to meet these costs.

6. *The Winter Supplementary Estimates show a total Resource AME of £4,521,204,000 (Notes to the estimate, page 103, Reconciliation of resource expenditure between Estimates, Accounts and Budgets), compared to Main Estimates Resource AME figure of £4,264,652,000, an increase of £256,552,000. Voted Resource AME is rising by £52,160,000 (RFR1 Section AA). What does the non voted Resource AME increase of £204,392,000 relate to?*

Response:

As part of the restructuring of London and Continental Railways the Government took direct ownership of its two finance subsidiaries, LCR Finance Company and CTRL Finance Company, which together hold £5.169 billion of bonds.

The non voted Resource AME increase of £204,392,000 relates to interest payments for LCR Finance Company (£177,850,000) and CTRL Finance Company (£26,542,000) on the government backed loans taken out to fund the construction of HS1. The Government assumed this debt as part of the restructuring.

QUESTIONS ARISING FROM THE AUTUMN PERFORMANCE REPORT

Efficient transport networks, congestion etc

7. *Journey times on the main roads in urban areas and on the strategic road network have fallen, in part due to falling traffic volumes. To what extent are these improvements due to lower traffic volumes, as opposed to Government actions? Has the Department conducted any research into whether this modest success is likely to lead to increased traffic volumes in the future, and hence wipe out the benefits gained? How can further improvements be achieved?*

Response:

The Department's indicator on urban congestion recognises the direct relationship between traffic volumes and journey times, and seeks to manage a predicted increase in the level of travel with proportionately lower increases in person journey times across the ten largest urban areas in England.

The first three years of the indicator (2006–07, 2007–08 and 2008–09 (provisional)) have in general seen declining levels of both travel and journey times against the baseline of 2004–05 and 2005–06. Understanding the reasons for this performance requires an analysis of a complicated urban environment, as there are many factors that can influence both the level of travel and journey times on an urban road. The impact of these factors will vary from area to area and from route to route, but they include:

- Economic conditions, both nationally and locally, such as growth or decline, fuel prices, employment and car ownership levels;
- Network interventions. Within the indicator the ten participating areas have developed Delivery Plans involving a wide range of interventions to improve journey times on the target routes; and
- Other external factors, such as roadworks and development changes (ie a new retail or business park).

The Department is always seeking to improve its understanding of the influence that all these factors can have on both journey times and the level of travel, and the direct relationship between these two measures. We are currently undertaking a study of the urban congestion programme which will help determine whether the current reduction in person journey times is specifically the result of lower levels of travel, the interventions put in place by the participating areas or other external factors, such as economic conditions. This research will also provide insights into which interventions are most effective. The work concludes in the Spring and the final report will be shared with the urban areas who will be able to use this information to improve their effectiveness in identifying and tackling the causes of congestion.

On the strategic road network, the 3.46 minutes per 10 vehicle miles measured level of delays to the slowest 10% of journeys at September 2009 compared with the 3.90 minutes at March 2008 will reflect the reduction in traffic of around 2.4% over that period. However, the delivery target of 1.7 million vehicle hours savings for March 2011 is an estimate of savings that is largely independent of changes in traffic levels. As we reported, we are on track to achieve that target.

Highways Agency interventions to improve journey time reliability are targeted on making better use of the network. Interventions focus on improving the reliability of the slowest, most disrupted journeys and improvements are incremental in nature and spread across the network. They are designed to help road users reach destinations on time and reduce disruption rather than offer dramatic reductions in average journey times that may encourage more travel. However, any improvement to transport networks will support economic growth which will, in turn, place additional demand on the transport network. Whilst there is no specific research to examine traffic induced through improved reliability, we are not aware of evidence to suggest there is a particular issue here.

On the strategic road network, the reliability interventions to be delivered by March 2011 are being followed up with a programme of managed motorways improvement schemes to 2014 and beyond through investment of up to £6 billion.

On traffic growth generally, the Department's analysis indicates that even with the return of economic growth, traffic levels at the end of the PSA period are unlikely to be significantly higher than they were at the start of the period. However, this will vary between different regions and routes, depending on local circumstances and the factors mentioned above. But over the long-term, with increased population, prosperity and car ownership, travel levels are expected to grow which will continue to put pressure on the road network.

EMISSIONS

8. *The Government is applying to the EU for extensions to deadlines for meeting targets for levels of particulate matter and nitrogen dioxide. Why has this been necessary and what impact is it expected to have?*

Response:

The new ambient air quality directive consolidates and simplifies most of the existing EU legislation on ambient air quality, setting legally binding limits for key pollutants to protect public health and ecosystems; and introduces a new control framework for fine particulate matter based on exposure reduction. It also provides for additional time to meet the limit values for PM10 and NO₂, subject to Commission approval of detailed plans setting out how this would be achieved. This is in recognition of the difficulties nearly all Member States have had in meeting the original deadlines.

Since 2005 the UK has reported exceedences of the PM10 limit value in eight UK zones (including London) and in April 2009 the UK submitted an application to seek exemption from the obligation to comply with this until 2011. National projections based on a 2005 baseline year suggested that on the basis of current measures compliance would be achieved across all zones by 2011. This reflects the fact that air quality in the UK is generally good and PM10 limits have been met across 99% of the UK. Since this submission, the national 2008 assessment reported compliance in all zones except London and updated national projections show a more favourable picture in 2010 than previously envisaged.

The Commission published its decision on the UK notification on 11 December 2009, as it has also done for several other Member States. Whilst this was disappointing in relation to London, Government is confident that it can respond to the questions raised by the Commission and will resubmit its application with further information as necessary, working closely with the GLA. The Mayor of London published his draft air quality strategy in October 2009; and this increases our confidence that air quality in London will continue to improve.

Meeting EU limits for NO₂ in the remaining areas of exceedences presents a much more significant challenge, requiring additional action in particular to limit emissions from the transport sector in urban areas. The limits for NO₂ came into force in January 2010 and there is a risk that the UK, in common with nearly all other major Member States, may face infraction proceedings if it is unable to satisfy the European Commission that the limit value will be met by 2015. DfT is working with Defra and other stakeholders to identify measures to reduce NO₂ pollution and prepare an application for time extension to meet the EU limit value for this pollutant by 2015.

BUS AND LIGHT RAIL PATRONAGE

9. *Bus and light rail patronage is up, but as the report acknowledges, this appears to be largely due to increases in London, together with the extension of concessionary fare schemes. Does the Department expect this progress to be maintained, and what impact, if any, is increased patronage estimated to have on modal shift, and consequently on levels of congestion and emissions? Are the regional figures for 2008–09 yet available, and is the target to achieve growth in every region being met?*

Response:

The Department welcomes the continuing rise in bus and light rail patronage. While it is true that the increase in London has been significantly higher than the average for the country as a whole, some other local authorities have also seen similar rises in patronage.

Through continuing to provide consistently high levels of funding for public transport, together with new investment in innovative areas such as smart and integrated ticketing, the Department expects a rise in bus and light rail patronage as the UK emerges from recession. For any 1% increase in bus trips there will be a 0.1% reduction in demand for car trips as a result of mode shift. This will result in a decrease in carbon emissions.

Regional figures for 2008–09 will be published later in the year, and we are not able to say with confidence whether the target to achieve growth in every region has been met. Provisional figures show, however, that the total patronage in England outside London has risen over this period.

RAILWAYS FOR ALL

10. *By 2020 (when the target for all rail vehicles to meet accessibility requirements is reached) what proportion of railway stations and/or rail journeys does the department expect to be fully accessible? Over the spending review period, what proportion of stations have so far been made fully accessible, which previously were not?*

The Railways for All Programme, launched in 2006, identified that in 2005 57% of journeys started or ended at stations providing step-free access. The Programme aims to increase this to 80% of journeys by 2015, and is on target to achieve this. Of the 145 stations included in the programme so far Network Rail had completed 35 by 31 December 2009 with an additional five due for completion by 31 March 2010. A further 15–20 are due for completion by 31 March 2011. Whilst the Department was disappointed with the early delivery of completed stations we are now confident that Network Rail will deliver 145 accessible stations by 2015.

The Access for All Programme aims to have 80% of passenger journeys starting or ending at a fully accessible station by 2015 when the programme is currently due to end. No decision has been taken yet on how accessibility improvements will be delivered after 2015 but the Stations Champions' report recommended that the programme be extended until 2020 to ensure that at least all of the 668 category A–D stations are fully accessible. We will take this recommendation into account and we are also running a research project to assess the full impact of the current programme.

So far, the programme has identified 145 key stations, which are targeted to receive step-free, accessible routes to and between all platforms. 35 of these are now complete, with work in progress at a number of others. We expect work to start at a further 40 locations within the next year. Of the 145 stations included in the programme so far Network Rail had completed 35 by 31 December 2009 with an additional five due for completion by 31 March 2010. A further 15–20 are due for completion by 31 March 2011.

In addition, over 1,000 stations have been allocated funding from the Access for All Small Schemes Programme for smaller scale enhancements such as help points, ramps, variable height ticket counters and customer information systems. The Programme is in addition to commitments in rail franchises, and major programmes of investment such as Crossrail, Thameslink, and the redevelopment of Birmingham New Street Station.

February 2010

Further supplementary memorandum from the Department for Transport (POD 01e)

ALLOCATED CAR SERVICE—APPENDIX PRICE SCHEDULE 2009–10

1. CURRENT SERVICE DETAILS

- Agreement: LT049.
- Department: Department for Transport.
- Principal User: Permanent Secretary.
- Vehicle: Toyota Prius T3 Hybrid 1.5 litre petrol/electric, LM56 CXA.
- Service Option: 12 hours, Monday to Friday.

2. MONTHLY CHARGE FOR 2009–10

The new monthly charge for providing the above allocated car service, effective from Wednesday 1 April 2009 is £6,091.45 excluding VAT and Transport for London's (TfL) congestion charge, which is shown separately on your invoice. Unless your vehicle is exempt, the congestion charge will remain at £7.00 per day until we receive notice of any change from TfL.

3. THE TEMPORARY REDUCED OPTION

Offers you the flexibility to reduce the service to the minimum core hours when the principal user does not require the full service. Ordered in the previous calendar month to which the request relates, this option will rebate £190.76 for each week it is used.

4. OUTSIDE OPTION RATES FOR 2009–10

Applicable from 1 April 2009, for the continued use of your allocated service outside the option core hours are as follows:

<i>Times</i>	<i>5 Day option rates p/h</i>	<i>4 Day option rates p/h</i>
Monday to Friday (outside of core hours until end of driver duty time or 0200 hours)	£15.50	£15.50*
Monday to Friday (0200 hours until end of driver duty time)	£23.95	£23.95*
Saturday**	£20.45	£20.45
Sunday**	£23.95	£23.95
Public/Privilege Holidays**	£23.95	£23.95

* Friday use on a 4 Day option—minimum 4 hours chargeable; thereafter until end of driver duty time.

** Weekends and Public/Privilege days—minimum 4 hours chargeable; thereafter until end of driver duty time. A supplement of £50.00 is added for any use on Christmas Day.

If the allocated car and driver is not used, the Executive Car Service rates shown below will become applicable. All other terms of your SLA remain as per the original agreement.

5. EXECUTIVE CAR SERVICE: 2009–10 PRICES FOR OUR EXECUTIVE CAR SERVICE ARE AS FOLLOWS:

<i>Period</i>	<i>New Rates as at 1 April 2009</i>
Day Rate (0830 hours to 1700 hours)	£28.70 per hour
Day Rate (1700 hours to 0830 hours)	£31.00 per hour
Weekend/Public/Privilege Holiday Rate	£33.30 per hour
<i>NB: A supplement of £50.00 is added for any use on Christmas Day</i>	
Mileage rate for journeys outside the M25	55 ppm
Minimum charge	£28.70

Details of other services, ie MPV hire, Green Cars, VIP and Event Management etc including their rates, are available on request.

Further supplementary memorandum from Department for Transport (POD 01f)

I write further to my letter to you of 18 December 2009, in which I provided corrections to factual inaccuracies in the transcript of the 2 December Transport Select Committee hearing into DfT's 2008–09 Annual Report and Resource Accounts.

During the 2 December hearing, I promised additional information whilst responding to a number of the Committee's questions and this letter contains this information below.

Q56: EAST COAST MAIN LINE

It is too early to say how much the eventual loss to taxpayers, following the termination of the National Express East Coast Franchise agreement, will be. The termination of this Agreement was given in-depth consideration both in terms of materiality of the contractual breach and the subsequent method of running those services previously operated by National Express. Initial data suggest that, over the period that East Coast will remain the operator of services, the Department can expect to lose about £250 million in foregone premium payments. Whilst this figure is an initial figure, it represents the base financial position. With a recovering economy and the revenue generative initiatives East Coast will initiate, I am confident the final cost to the Department will be lower than this.

Q82: SEPARATING FARE-PAYING PASSENGER NUMBERS FROM OVERALL NUMBERS INCLUDING THOSE ON CONCESSIONARY FARES

Data distinguishing concessionary and non-concessionary bus trips have been collected by the Department since 2007–08. Statistics for the years 2007–08 and 2008–09 will be published later this year, once a methodological review has been completed. This means it is not currently possible to analyse trends in concessionary and non-concessionary trips with any certainty. However, as we discussed, the Department will continue to consider whether any future targets for bus patronage should separate out total and concessionary trips.

Qs85 AND 91: CHANGES TO THE BUS SERVICE OPERATORS' GRANT AND SMART TICKETING

The Committee raised a number of points about smart ticketing and bus subsidy in our discussions. I'm sure Committee members will have subsequently become aware of the Department's announcements on 15 December about changes to the Bus Service Operators' Grant (BSOG) and the launch of our strategy on smart and integrated ticketing.

The announcement signalled our intention to move away from the current system of BSOG payments (which are largely based on the amount of fuel used) towards a new regime based on an incentive for every passenger carried. This will provide bus operators with greater incentives to attract more passengers and will help to deliver environmental benefits through reduced congestion and improved air quality.

The ticketing strategy sets out nearly 30 firm Government commitments to speed up the roll-out of ITSO smart ticketing across England and includes £20 million of new funding for England's nine largest urban areas outside London. The strategy sets out our clear aim to see widespread smart ticketing in England's biggest cities by 2015 and sets out a roadmap for delivery across the country by 2020.

Q86: VOSA EXPENDITURE ON BUS PUNCTUALITY MONITORING

The Department has allocated £790,000 to the Vehicle and Operator Services Agency (VOSA) for bus punctuality monitoring during 2009–10.

Q96: COMPOSITION OF QUALITY CONTRACTS SCHEME (QCS) BOARDS

Quality Contracts Scheme (QCS) Regulations and guidance were published on 10 December 2009 and regulations came into force on 11 January 2010.

The recruitment process for appointing a QCS Board Panel was also launched on 10 December with a closing date for applicants of 29 January. The Department is seeking applicants from a wide range of backgrounds; transport planning and economics are considered key skills for QCS Board members.

QCS Boards have a very specific remit; the key judgement being around whether the local authority has made a proper and reasonable assessment of the 'public interest' criteria. Each QCS Board will be chaired by a traffic commissioner and would comprise two other members drawn from the QCS Board Panel.

February 2010

Further supplementary memorandum from Department for Transport (POD 01g)

Is the government car service used by Mr Devereux the same as the Green Car service referred to by Lord Adonis?

The allocated car service is part of the Government Car and Despatch Agency (GCDA) and is a permanent, contractual service—Mr Devereux used this service until he gave up his allocated car on 12 October 2009.

Green Cars is not an allocated car service but it is also part of GCDA and operates like a normal taxi service (ie cars are booked as and when, according to demand). Mr Devereux uses the Green Car service very occasionally (once every couple of months).

If so, is the cost of a car for Lord Adonis also in excess of £18,000 per quarter?

The Secretary of State for Transport also gave up his allocated car in October 2009. The service received until that time cost a similar amount to Mr Devereux's. He now uses the Green Car service when necessary because of diary or workload commitments.

If not, why is the arrangement different for Mr Devereux?

Not applicable.

Do these costs include VAT?

Prices are quoted exclusive of VAT. VAT is charged at the time of invoicing.

It appears from the contract that the basic provision is for a Toyota Prius and driver, available 12 hours per day, Monday to Friday. Is this vehicle for the exclusive use of the Permanent Secretary or is it used by other Departmental officials, independently of Mr Devereux?

Mr Devereux no longer has a car.

How much use does Mr Devereux make of the car? How much of the time is the car idle?

Mr Devereux no longer has a car.

Has the Department assessed if this arrangement provides value for money for the taxpayer?

The termination of the allocated car service for both the Secretary of State and the Permanent Secretary and the move to ordering Green Cars as and when they are needed has clearly reduced travel expenditure.

Has the Department evaluated other travel options and contracts?

The Department carried out a price comparison between a former taxi provider and Green Cars. The latter was better value for money and was therefore awarded the contract for taxi provision to the Department's Private Office. Beyond this, Ministers and officials are strongly encouraged to use the most cost-effective form of transport wherever possible.
