



House of Commons
Transport Committee

**The performance of
the Department for
Transport: Government
response to the
Committee's Fourth
Report of Session
2009–10**

**Third Special Report of Session
2010–11**

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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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Committee staff

The current staff of the Committee are Mark Egan (Clerk), Marek Kubala (Second Clerk), David Davies (Committee Specialist), Alison Mara (Senior Committee Assistant), Jacqueline Cooksey (Committee Assistant), Stewart McIlvenna (Committee Support Assistant) and Hannah Pearce (Media Officer).

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Third Special Report

On 21 October we received a response from the Government to the Transport Committee's Fourth Report of 2009–10, on 'The performance of the Department for Transport',¹ which we publish with this Special Report.

Government response

Letter from Rt Hon Philip Hammond MP, Secretary of State for Transport

Attached is the Department for Transport's response to the Transport Select Committee's report on DfT's 2008-09 annual report and resource accounts. I understand that you will be publishing the Department's response as a House of Commons paper.

You will appreciate that many of your Committee's recommendations referred to policies and objectives pursued by the previous Government and you will be aware that the Department's priorities are considered. In modifying our reporting system in light of these, we will take account of the recommendations of your Committee.

Government Memorandum

Leadership

Recommendation 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)

DfT Response. The appointment of ministers is a matter for the Prime Minister rather than the Department for Transport.

Recommendation 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).

DfT Response. The 'Coalition Agreement: our programme for Government' makes clear the Government regards a modern transport infrastructure as essential to a dynamic and entrepreneurial economy and includes a commitment to establish a high speed rail line. The Comprehensive Spending Review will determine future transport investment priorities and corresponding funding plans in more detail within the context of the Government's overarching priority to reduce the public expenditure deficit.

1 HC 76, published on 4 March 2010.

Recommendation 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)

DfT Response. The Ministerial Code for the new Government has set revised rules and expectations for the use of cars covering all Ministers which will lead to significant further savings in the cost of the Government car service.

Implementation and outcomes

Recommendation 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)

DfT Response. We welcome the Committee's positive acknowledgement of the Department's achievements. In our response to the Committee's report we address in detail the areas of Departmental performance regarded by the Committee as less satisfactory.

Recommendation 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)

DfT Response. The Committee's recommendation referred to the plans of the previous Government. As we noted in our response to Recommendation 1, the priorities of the new Government were included in the 'Coalition Agreement; our programme for Government' and will be set by the Comprehensive Spending Review.

Recommendation 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)

DfT Response. Implementation of the main bus elements of the Local Transport Act 2008 is complete. The Competition Commission is currently undertaking an inquiry into the deregulated local bus market in Great Britain outside London. Any decisions on the future of the bus regulatory framework will be made in the light of the Commission's findings and possible remedies, expected next year.

Public expenditure on buses will be reviewed as part of the Comprehensive Spending Review along with all other elements of public spending against the Government's overriding priority of reducing the deficit.

Recommendation 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)

DfT Response. As the report points out, we have been collecting data on concessionary patronage separately from fare-paying passengers since 2007-08 as part of the Department's annual statutory survey of bus operators. Publication of the results has been delayed by a methodological review but separate data will be published later in the year as part of our annual Bus and Light Rail Statistics bulletin.

Recommendation 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)

DfT Response. Responsibility for enforcing bus punctuality rests with the Traffic Commissioners as part of their statutory functions. The use of electronic data provided by operators to monitor services should gradually reduce the need for on-street punctuality monitoring.

On 25 February 2010, DfT launched a revised bus punctuality regime based on partnership working between local authorities and bus operators. This new approach has been developed by the Bus Punctuality Working Group, which brings together key partners, including the Traffic Commissioners, local authority representatives, industry representatives, Passenger Focus and the Vehicle and Operator Services Agency (VOSA). The Department continues to work with the Traffic Commissioners and VOSA to identify the changes required to ensure the approach to enforcement reflects the revised punctuality regime, and is considering the type and level of resources needed as part of this process.

The intention is that bus punctuality partnerships should become common practice, rather than a reaction to punctuality problems. This reflects a fact recognised by Traffic Commissioners that the running of punctual services is not only in the hands of the operator but that local authorities have responsibilities for traffic management issues which affect the ability of bus services to run to time. The Local Transport Act 2008 enhanced the Traffic Commissioners' enforcement powers so that local authorities can be held to account for their contribution to the performance of local bus services.

The key to the revised approach is to encourage partnerships and the sharing of data between bus operators and local authorities. Operators and authorities will use this data jointly to identify and agree actions that can be taken to secure a high standard of punctuality. The approach allows for local monitoring of services to measure progress.

Recommendation 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)

DfT Response. The Secretary of State has made it clear that the Government has ruled out a national road pricing scheme.

The Government has not ruled out the use of tolling approaches as part of the delivery of new road infrastructure, but draws a very clear distinction between the existing road network, which is publicly owned by the taxpayer, and the future extension of that network.

The Coalition Agreement also outlines plans for the introduction of a new system of HGV road user charging to ensure a fairer arrangement for UK hauliers.

The wider role of transport

Recommendation 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)

DfT Response. The Department shares the Committee's view that transport investment decisions cannot be determined solely on the basis of simple benefit-to-cost ratios, which are only one factor in our current decision-making process. The Coalition Agreement also contains a commitment to reform the way decisions are made on which transport projects to prioritise to ensure that the benefits of low carbon proposals are fully recognised and this work will also consider the wider issues raised by the Committee.

Recommendation 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)

DfT Response. “Low Carbon Transport: A Greener Future” stated that greenhouse gas emissions from domestic transport had increased by 12% between 1990 and 2007, and would be likely to continue to increase in the absence of our policies. The transport carbon reduction delivery plan, published in March 2010, said that future progress in reducing transport emissions would also be measured against the 1990 baseline. The document also forecast that the policies set out in the strategy, together with existing policies, would lead to domestic transport emissions being 14% lower by 2020, compared to the year before publication of the strategy (2008). 2008 is also the first year of the first carbon budget period.

The most recent emissions data were released by the Department of Energy and Climate Change in February 2010 for 2008, and show a 3% reduction in transport emissions between 2007 and 2008. Provisional data for 2009 show a 7% reduction between 2008 and 2009. These reductions represent movement in the right direction. Nevertheless, we are not complacent in meeting targets to 2020 and beyond.

Recommendation 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)

DfT Response.

- DfT published its Departmental Adaptation Plan (DAP) in March 2010, in conjunction with its Carbon Reduction Delivery Plan. The DAP sets out the Department’s plans for embedding the consideration of climate change risk into its decision-making processes. This will help ensure climate resilience is routinely factored into investment decisions and policy developments across all transport policy areas.
- The Department is also working closely with the Cabinet Office on civil contingency planning and contributing to the National Risk Assessment, as well as delivering the Department’s response to the recommendations in the Pitt Review. The aim is to ensure that the Department and the transport industry are effectively prepared for, able to respond to and recover from, emergencies such as those resulting from natural hazards.

Assessing performance

Recommendation 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).

DfT Response. We continually strive to improve our reporting system, which will be modified to reflect the new Government's priorities following the Comprehensive Spending Review. We will carefully consider the committee's recommendation and specific comments as part of this work.

Recommendation 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)

DfT Response. The Department is pleased that the Transport Committee approved of our plans. While the police data are still the single most useful and detailed source to identify the causes of road accidents and provide evidence to improve road safety, we continue to make use of information from a range of sources.

We set out in Annex B of the 2008 Review of Reported Road Casualty Statistics (STATS19) Summary Report, published on 4 February 2010, the work we are doing in response to the UK Statistics Authority Assessment Report 4 to improve the quality of road casualty statistics. The report can be found at: <http://www.dft.gov.uk/pgr/statistics/datatables/publications/accidents/2008reviewreport.pdf>.

Our key publication 'Reported Road Casualties Great Britain 2008', published in September 2009, included information on road safety from a range of sources, including estimates and analysis from the National Travel Survey and Hospital Episode Statistics.

Recommendation 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)

DfT Response. This recommendation is for the UK Statistics Authority.

Efficiency and resources

Recommendation 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)

DfT Response. All savings were calculated entirely accurately and in accordance with HM Treasury guidance; a point acknowledged by NAO in its report. The Red rating relates solely to the NAO's recommendation that rail baselines, which were estimated and agreed with HM Treasury three years ago as part of the 2007 Spending Review, should be revised downwards to reflect actual spend data which were not available at the time they were agreed.

The Department has set in hand a programme of work to address the NAO's recommendations and welcomes the opportunity to revisit the very real savings that have been made in the rail industry, reflecting the significant changes that have taken place since the 2007 Spending Review. All savings are already carefully reviewed before publication and the Department will endeavour to continue and strengthen this process.

Recommendation 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)

DfT Response. The costs of the Department's Shared Service operators, including set-up and migration, are as follows:

£15.6 million in 2005-06 and prior years;

£48 million in 2006-07

£45.4 million in 2007-08

£30.2 million in 2008-09

£20.1 million in 2009-10

The Department is reviewing with other Departments how best to deliver shared services across Government, looking at a range of governance and ownership models, including the possible involvement of the private sector. Future costs and savings will be updated once this work is complete.

The Shared Service Centre continues to demonstrate strong performance improvement, regularly achieving all high-level key performance indicators.

Recommendation 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 un-quantified contingent liabilities. (Paragraph 64)

DfT Response. The Department maintains, and regularly updates, a database of all its contingent liabilities. The data include a risk assessment and an approximate quantification of DfT's possible exposure. This database is populated from a survey of managers across the Department, three times a year, to identify and quantify all contingent liabilities – including those liabilities too low in value or remote in risk to be disclosed in the Resource Accounts. As a result, for internal management purposes, the Department currently holds detailed information on approximately 100 contingent liabilities, including:

A risk assessment which places each contingent liability in one of the following bands: below 1% (remote/low); between 1%-10% (medium); between 10%-50% (high); over 50% (provision);

An approximate valuation of each contingent liability. Many are valued to a single figure or within a relatively narrow range; others are classified into the following bands: below

£30m; between £30m-£500m; over £500m. We encourage those who manage contingent liabilities to provide as narrow a range as possible; however, at any given time, a small number (currently five) may not be quantified at all, either because of their inherent unpredictability or because they are of very recent origin and the managers have as yet insufficient information to perform a valuation.

This work is provided to the National Audit Office as part of its routine audit work. However, this level of detail is not presented in the Resource Accounts because some items are too low in value or remote in risk to require disclosure, and because some items are too sensitive (on commercial or security grounds) to be disclosed individually. Good accounting practice permits the limitation of disclosure in such cases.

Conclusion

Recommendation 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)

DfT Response. As noted in our Response to Recommendation 13, we continually aim to improve our performance monitoring and reporting and we will take the Committee's observations into consideration as we revise our processes to reflect the new Government's priorities.