



‘Draft Scottish Budget 2011-12’ Scottish Parliament Transport, Infrastructure and Climate Change Committee call for views¹

Evidence paper from Transform Scotland
Tuesday 30th November 2010

1 About Transform Scotland

1.1 Transform Scotland is the national sustainable transport alliance. We campaign for a more sensible transport system, one less dependent on the car, the plane and road freight, and more reliant on sustainable modes like walking, cycling, public transport, and freight by rail or sea. We are a membership organisation bringing together rail, bus and shipping operators; local authorities; national environment and conservation organisations; local environment and transport campaign groups; and individual supporters.

2 Introduction

2.1 We welcome the opportunity to present our evidence for the Committee’s attention.

2.2 As our organisation’s interest is in the promotion of sustainable transport, our comments are primarily limited to matters relating to transport. As such, our evidence relates primarily to the Finance and Sustainable Growth portfolio plus the introductory chapters.

2.3 The first section of our evidence presents some overall comments on the Draft Budget; the second section provides responses to the Committee’s three questions highlighted in its call for evidence; while a concluding section summarises our views.

3 Our views

3.1 We welcome the protection of spending for many areas of sustainable transport

3.1.1 We are pleased to note continued commitment to delivering the Borders Railway and Edinburgh-Glasgow Improvement Programme (EGIP) rail projects, as well as new commitment to the Glasgow Fastlink project, and continued funding for the Edinburgh Tram project.

3.1.2 We welcome the increase in expenditure on the national Smartcard project, increase in spending on the Climate Challenge Fund, the £11m for broadband development (p.18), and the proposal for raising business rates for out-of-town retail sites (p.15). We also note the increase in the ferries budget and the retention of funding for the Regional Transport Partnerships. Finally, we welcome the decision not to reinstate the Air Route Development Fund, despite calls for this from other organisations.²

3.2 We are critical of the removal (or threatened removal) of funding from key areas

3.2.1 ‘Sustainable and Active Travel’ budget / absent ‘Cycling, Walking & Safer Streets’ (CWSS) budget

3.2.1.1 We note the TICC Committee’s *Report on its Inquiry into Active Travel*, published earlier this year, which concluded, *inter alia*, that “active travel has huge potential to benefit the health of the people of Scotland as well as contributing to meeting Scotland’s ambitious climate change targets” but that this won’t be achieved without “ambitious increases in resources.”³

- 3.2.1.2 We note that the Draft Budget instead reports a very modest increase in the ‘Sustainable and Active Travel’ budget (Table 7.12). However, the total budget for active travel will remain less than 1% of overall transport spend, compared to the 10% recommended by the Association of the Directors for Public Health.
- 3.2.1.3 Furthermore, it is unclear whether this will lead to an increase in spend on active travel as the increase in funds could instead go on spending on Low Carbon Vehicles (LCVs) which, whatever their merits, do not contribute to delivering higher levels of walking and cycling.
- 3.2.1.4 Finally, we note the omission from the Draft Budget of the ‘Cycling, Walking & Safer Streets’ (CWSS) budget which had been ringfenced in previous years’ Budgets. This fund has proved essential in allowing Sustrans Scotland to receive match-funding from local authorities for delivery of cycle infrastructure. Should COSLA decide to remove the ringfencing of this fund then we see no prospect of delivery of the targets contained in the Government’s *Cycling Action Plan for Scotland*.⁴

3.2.2 ‘Support for Freight Industry’ budget

- 3.2.2.1 We are deeply concerned by the decision (p.100) to close the Freight Facilities Grant (FFG) scheme.
- 3.2.2.2 This fund, which has been in operation since 1974, has been successful in delivering modal shift from road to rail and sea. The budget saving (understood to be £7 million p.a.) seems trifling in comparison with the benefits. Since 1997 alone, 37 awards of FFG, totalling £68.9 million (including funding of £10.9 million from DfT) have been made to projects in Scotland – taking over 33 million lorry miles off Scottish roads annually. The vast majority of the modal switch from road to rail in the (non-coal) market in Scotland in recent decades has been achieved with the assistance of FFG (which has also achieved significant mode switch from road to sea, e.g. for timber on the west coast).

3.2.3 ‘Concessionary Fares and Bus Services’ budget / Local public transport generally

- 3.2.3.1 We welcome the continuation of the national concessionary fares scheme and the Bus Service Operators Grant (BSOG), and the increased spend on the Smartcard project (Table 7.05).
- 3.2.3.2 However, the overall impact is of no increase in bus service support (a decrease in real terms).
- 3.2.3.3 Secondly, while we welcome the Government’s indication of support for the Glasgow Fastlink project,⁵ we see no mention of funding for the overdue Glasgow Subway modernisation. We consider this decision to be somewhat contradictory to the stated principle of “prioritising consolidation over new projects” (p.84).

3.3 We are critical of the continued increase in spending on road-building ahead of investment in sustainable transport

- 3.3.1 We are disappointed to see the continuing trend in 2011-12 towards increasing spending on roads at the expense of other projects. Capital spending on roads is set to increase by £32m while rail is set to decrease by £41m. Overall, roads spend will increase by £13m while rail spending will decrease by £63m.
- 3.3.2 In simple ‘road vs. rail’ capital spend terms, the Government could have chosen to fund the Borders Railway, for example, from its available capital budgets. Instead it has chosen to prioritise building the Second Forth Road Bridge.
- 3.3.3 We note also that much future capital spending is to be transferred to the ‘Non-Profit Distributing’ (NPD) model. This includes projects such as the Borders Railway (which we support) and the Aberdeen western bypass (which we oppose). For us, this is clearly a mixed bag: it may secure funding for these projects, but given the lack of any projects to be financed on this basis until now, it may also jeopardise their completion.

3.4 We would like to see the impact of the committed spend on transport infrastructure projects on future years' transport budgets

- 3.4.1 We note that the Second Forth Road Bridge project ('Forth Crossing' budget) cost £30 million in 2010-11 and is budgeted to cost £200 million in 2011-12 (Table 7.11).
- 3.4.2 Furthermore, as the Government has estimated that the project will cost £613 million in the period 2010-11 to 2012-13,⁶ we would expect a spend on the project in 2012-13 of £383 million. This same source states a spend of £1,179 million in the period 2013-14 to 2015-16: that is, an average of £393 million per annum.
- 3.4.3 The Draft Budget also lists a series of projects, estimated to cost around £1,000 million, to henceforth be delivered through its 'NPD' model (p.42).
- 3.4.4 Given the magnitude of these projects, we would welcome clarity from the Government on their impact on future transport budgets, especially in the context of the transport spending associated with the 'Proposals' set out in the RPP document (without which we are not confident that the Government can meet its legal obligations under the *Climate Change (Scotland) Act 2009*).

3.5 We do not agree that the Government has taken the opportunities available to it to raise funds rather than implement cuts

- 3.5.1 The Draft Budget argues that the Government is restricted in terms of its fiscal powers. However, the Government is not restricted in terms of implementing charging mechanisms, provided that it is prepared to legislate for such measures through the Scottish Parliament.
- 3.5.2 We note the recommendation from the Independent Budget Review that:

*"[T]he Scottish Government should consider the feasibility of adopting road user charging as a means to both better managing the use of existing transport networks and financing improvements to those networks."*⁷

- 3.5.3 The Government could have decided to adopt the recommendation of the Independent Budget Review – *as it has done on many other occasions in the Draft Budget* – but instead it has decided to ignore this recommendation.
- 3.5.4 Road user charging has clear benefits as a policy as, firstly, it is based on the polluter pays principle, and secondly, it is a revenue-raising measure.⁸ As such, it acts not only to deliver sustainable transport but also as a revenue-raising measure focused on the 'user pays' principle.
- 3.5.5 Local authorities have had the opportunity to use the powers provided to them under the Transport (Scotland) Act 2001 to implement local road user charging schemes. The Scottish Government could decide to legislate to give itself powers to implement a national road user charging scheme, or provide further incentive to local/regional governments to implement local/regionally-based schemes.
- 3.5.6 It is known from the preparation of the RPP that the Government has actively studied not only road user charging, but also other road traffic demand management mechanisms, including: (i) Parking management; (ii) Workplace parking levy; (iii) Low Emission Zones. Again, the Draft Budget fails to bring forward proposals on these topics.⁹

4 The Committee's questions

4.1 "How will the Draft Budget impact on local government and Scottish Government transport budgets?"

- 4.1.1 Proposed expenditure on the Second Forth Road Bridge is already vast at £200m – but in each the following four years (after 2011-12) this amount will be approximately doubled (see §3.4.2, above). This will seriously

constrain future options for delivering sustainable transport: proposed spending on the Bridge is so large that it will, on its own, dwarf capital spending on education over the succeeding four years and rival the entire annual capital budgets for health and for local authorities. The focus should, as articulated by the ForthRight Alliance, be on fixing the existing Forth Road Bridge rather than building a duplicate one.

- 4.1.2 The proposed expenditure on the Bridge will constrain the ability of government to meet expenditure required by the 'Proposals' highlighted in the RPP. (We will address this item further in the next section.)
- 4.1.3 We are also not convinced by the case presented by the Government regarding the benefit to the construction industry – or, rather, the benefit to the *Scottish* construction industry. We note that seven of the eight companies that comprise the two consortia bidding for the Second Forth Road Bridge contracts are foreign:¹⁰
- **American:** American Bridge Company
 - **Danish:** MT Højgaard
 - **German:** Hochtief
 - **Spanish:** Dragados
 - **Anglo-Dutch:** BAM Nuttall, an English subsidiary of the Dutch 'Royal BAM Group'
 - **English:** Balfour Beatty
 - **English:** Morgan Sindall.
- 4.1.4 Should the Scottish construction industry require financial stimulus from the Scottish Government, we would contend that this would be better served by the prioritisation of capital expenditure more likely to be recouped by Scottish companies rather than a list of companies of which none are headquartered in Scotland.
- 4.1.5 Amongst other things, the expenditure on the Bridge will also negatively impact on spending on road maintenance. This can already be seen in the cut to the trunk road budget for road maintenance (Table 7.11), and we would be unsurprised to see cuts to local road maintenance budgets being implemented by local authorities in response to their own budget cuts. As we have been led to believe that it is good business practice to maintain one's existing asset base as the utmost priority before expanding that asset base, we have for some time been puzzled by the apparent insistence that funds be available for major new transport infrastructure projects when it is very often the case that funds are not available for maintaining the *existing* asset base. We note that the Independent Budget Review broadly accepted this recommendation:
- "[P]rioritisation of the key strands of capital expenditure, including essential maintenance, should be guided by national priorities and coordinated to ensure that maximum strategic coherence and public value is derived."*¹¹
- 4.1.6 We have repeatedly given evidence arguing that priority should be given to road maintenance over new road-building. Again, the Government could have decided to adopt the recommendation of the Independent Budget Review – *but once more it has decided to ignore this recommendation.*

4.2 "How will be Draft Budget impact on the measures taken by public sector bodies to tackle climate change, in terms of both mitigation and adaptation?"

- 4.2.1 There is a serious mismatch between the Draft Budget and the RPP 'Proposals' highlighted for 2011.
- 4.2.2 Firstly, the RPP sets out 'Proposals' which have emissions savings estimated for 2011, and yet do not obviously have spending committed to them in the Draft Budget:¹²
- Freight - HGV efficiency improvements
 - Buses and Taxis.

- 4.2.3 Secondly, the Draft Budget does not appear to provide budget for a further ten transport RPP 'Proposals' which, on the other hand, have costs allocated against them in the RPP (RPP p.143):
- Eco-driving (£3m)
 - Speed limit enforcement (£25m)
 - LCV infrastructure etc. (£7m)
 - ITS (£29m)
 - Travel planning (£7m)
 - Car clubs (£2m)
 - Cycling & walking (£207m)
 - Freight - HGV modal shift (£15m)
 - Community hubs (£2m)
 - Maritime transport (£2m).
- 4.2.4 The RPP is not transparent in as much as it provides no methodology for the calculation of these figures.¹³ The Draft Budget is, however, also lacking in detail and so we are unable to provide a definitive judgement on this credibility of these figures. However, it is difficult to see how the 'Cycling & walking' figure, for example, can be reached (the best estimates suggests a spend of £21.8 million p.a.¹⁴) while the 'Freight - HGV modal shift' looks very dubious given that the Budget cancels the Freight Facilities Grants (£7 million p.a.).
- 4.2.5 There is no mention of car clubs or other Smarter Choices measures such as school and workplace travel plans. This is disappointing, especially given the excellent GHG-saving potential of Smarter Choices measures highlighted in the RPP. It is possible that some spend on these measures may come from the 'Sustainable and Active Travel' (and perhaps other) budgets, but again this remains unclear.

4.3 “What progress has been made by the Scottish Government in applying the carbon assessment mechanism to the Budget process?”

- 4.3.1 None.
- 4.3.2 We can see absolutely no progress on this front: the carbon assessment of the Draft Budget is essentially useless as it tells us nothing about 'second-round' emissions (see §1.1, paragraph 4). As such, sustainable transport spending is calculated as being emissions-generating (see the tables on pp.15-16) rather than, as would be expected for (most of) this type of intervention, emissions-saving. The analysis presented is so limited in scope that the document could be used to make a case for closing down bus and rail services – *ignoring their wider role of reducing journeys by private car* – on the basis that they generate emissions!
- 4.3.3 We do not understand why there has been no progress on applying the carbon assessment mechanism. In the RPP, the Government presents more rounded calculations of the impact of applying various policy interventions. The Government has also published the *Carbon Account for Transport* which, whilst itself somewhat crude and open to criticism, at least does also present figures on the expected emissions impacts of a series of transport projects.

5 Summary

- 5.1 Despite the welcome elements of the Budget, the overall thrust does not deliver the step change in spending priorities needed to meet the climate change targets set out in the RPP. The RPP contains many excellent 'Proposals' for the transport sector, with a welcome emphasis on 'Smarter Choices' (behaviour change) measures. However, the problem is that they remain “proposals” – unfunded, and with the Second Forth Road Bridge scheduled to gobble up increasing shares of the Scottish capital budget over the next five years, arguably unfundable.

5.2 In summary:

- We welcome the protection of spending for many areas of sustainable transport
- We are critical of the removal (or threatened removal) of funding from key areas: in particular, the cancellation of the Freight Facilities Grants and the omission of the Cycling, Walking and Safer Streets fund
- We are critical of the continued increase in spending on road-building ahead of investment in sustainable transport
- The proposed expenditure on the Second Forth Road Bridge will seriously constrain future options for delivering sustainable transport: the first priority should instead be to fix the existing Forth Road Bridge
- We would like to see the impact of the committed spend on transport infrastructure projects on future years' transport budgets
- We do not agree that the Government has taken the opportunities available to it to raise funds rather than implement cuts
- There is a serious mismatch between the Draft Budget and the RPP 'Proposals' highlighted for 2011
- The Draft Budget should bring forward spending on the 'Smarter Choices' measures highlighted in the RPP
- There has been no progress on the meaningful application of carbon assessment to the Budget.

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1 <<http://www.scottish.parliament.uk/s3/committees/ticc/inquiries/DraftBudget2011-12callforviews.htm>>

2 Amongst other things, we regard the proposal for a renewed ARDF to have dubious legal status, to lead to the generation of additional GHG emissions from the most polluting form of transport at a time when focus should be on reducing emissions, and of poor economic value (given that aviation is associated with a large tourism deficit).

3 <<http://www.scottish.parliament.uk/s3/committees/ticc/reports-10/trr10-04.htm>>.

4 We further note that the RPP, by contrast, suggests a significant increase in spending on 'Cycling and walking infrastructure investment' (RPP §§6.30-6.31). Amongst other things, the RPP makes specific reference to the CWSS in §6.31.

5 Although Table 7.12 does not make it clear what level of support for the Glasgow Fastlink project is intended in 2011-12.

6 See p.11 of <<http://www.scottish.parliament.uk/business/research/briefings-10/SB10-05.pdf>>.

7 See p.135 of <<http://www.scotland.gov.uk/Resource/Doc/919/0102410.pdf>>.

8 We would be happy to supply the Committee with further evidence on road user charging upon request.

9 We note that the last of these three measures (Low Emission Zones), whilst a successful demand management policy instrument, would be unlikely to be revenue-raising. In general, we favour demand management mechanisms which are economic instruments.

10 Only one of the consortia bidders, Morrison Construction, has Scottish roots – but it is a Scottish division of a company headquartered in England, Galliford Try.

11 See p.128 of <<http://www.scotland.gov.uk/Resource/Doc/919/0102410.pdf>>.

12 The RPP estimates (p.140) GHG reductions in 2011 from: (i) 'Freight - HGV efficiency improvements', and (ii) 'Buses and Taxis'. However, neither is funded in the Draft Budget: (i) the total budget for freight is £2.9m (see Budget Table 7.12)), while (ii) the most the Government could reasonably claim was being spent on buses was the £61m in Budget Table 7.05 (and these payments are only in part about reducing emissions). These figures could only be explained should others (e.g. HGV, bus & taxi operators) be assumed to be responsible for the remainder of the spending (£4m and £110m, respectively) (RPP p.143).

13 It is possible, for example, that the RPP assumes that most/all of these costs should be borne by local authorities and/or the private sector.

14 See p.7 of Spokes Bulletin 108 – <http://www.spokes.org.uk/wordpress/wp-content/uploads/2009/09/p_all_.pdf>.

Transform Scotland is the national sustainable transport alliance, campaigning for a more sustainable and socially-just transport system. Our membership includes bus, rail and shipping operators; local authorities; national environment and conservation groups; consultancies; and local transport campaigns. Transform Scotland Limited is a registered Scottish charity (SC041516).

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