



Spending Review 2011 and Draft Budget 2012-13

ICI Committee call for views¹

Evidence paper from Transform Scotland

Tuesday 25 October 2011

1 Introduction

- 1.1 Transform Scotland is the national alliance for sustainable transport, bringing together organisations from the private, public and voluntary sectors. 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.
- 1.2 We welcome the opportunity to present our evidence for the Committee's attention.
- 1.3 In section 2, this evidence considers the Draft Budget's impact on the two key topics of the economy and of climate change. Section 3 then comments in detail on specific transport issues contained in the Budget. Our evidence mainly concerns the first and third points in the ICI Committee's call for views: Overall budget scrutiny; and The ability of the budget to support other long term strategic aspirations.

2 Key conclusions

2.1 The expenditure proposals in the Draft Budget are not the best interventions to promote economic activity within Scotland

- 2.1.1 We welcome the evidence presented by Professors Docherty and Rye to the 5 October meeting of the ICI Committee regarding the lack of evidence linking expenditure in transport infrastructure and economic growth.² We endorse their proposal that the Committee could usefully hold an inquiry into this topic.
- 2.1.2 The connections between transport and the economy — *in both directions* — are many and complex.³ However, what has been largely agreed upon for some time is that we should be seeking to decouple economic growth from traffic growth.⁴ That is, we should pursue economic growth from the transport sector only if it can be seen that the planned interventions do not increase traffic levels.
- 2.1.3 However, we see no evidence from the Draft Budget that this advice is being pursued. Instead, the Budget presents a large increase in expenditure on new trunk road construction and a significant reduction in expenditure on sustainable transport. We would expect that the net impact of this budget will be to worsen the already long-term negative trends in Scottish transport.
- 2.1.4 We are not convinced by the case the Government presents regarding the benefit to the construction industry — or, rather, the benefit to the *Scottish* construction industry — of the focus on infrastructure 'mega-projects'. We note that three of the four companies that comprise the consortium for construction of the Second Forth Road Bridge are foreign (Dragados (Spanish), Hochtief (German), American Bridge International (US)) whilst the fourth (Morrison Construction) is a division of an English company (Galliford Try). And while we have been a long-term advocate of the benefits of the reinstatement of tram systems in Scottish cities, it is a disappointment that the main benefactors of the contracts for the Edinburgh Tram scheme have also been from overseas: Bilfinger Berger (German), CAF (Spanish) and Siemens (German).
- 2.1.5 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 by companies headquartered outside of Scotland.

- 2.1.6 To support local jobs, improve health and boost the economy, the Government would do better to increase investment in paths for cyclists and walkers. Active travel infrastructure is typically built by small civil engineering contractors and local authorities, with the materials used sourced locally. We endorse the detailed evidence presented on this topic by Sustrans Scotland.⁵
- 2.1.7 It is acknowledged as good business practice to maintain one's existing asset base as the utmost priority before expanding that asset base. We have therefore for some time been puzzled by the insistence that funds be made available for major new transport infrastructure projects when it is 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."*⁶

- 2.1.8 We see no evidence that the Government is making a serious effort at tackling the widely-acknowledged road maintenance backlog. If the Government wants to stimulate the economy and bring benefit to all of Scotland, it would invest in local infrastructure. Instead, it runs the risk of forcing councils to rack up huge debts to bring local roads up to an acceptable standard. We would be unsurprised to see cuts to local road maintenance budgets being implemented by local authorities in response to their own budget cuts. Again, improvements to local roads maintenance — which would benefit pedestrians, cyclists, bus users as well as private vehicle users — would be implemented by local suppliers.

2.2 The Draft Budget puts into doubt the Government's legal obligations under the *Climate Change (Scotland) Act 2009*

- 2.2.1 Transport is the second largest emissions sector and, crucially, the one where recent trends have continued to see increases in emissions. So it is critical that urgent action is taken to reverse trends in the transport sector. Unfortunately, the draft budget for 2012-13 provides, at most, 6% of the funding for transport measures required by the Government's own climate change plan (the RPP). This represents a dismal failure on the Government's behalf to act upon its rhetoric on climate change. Transport is the basket case of climate policy — and yet the Government has decided to cut funding for areas which would deliver emissions reduction.
- 2.2.2 We do not accept that funding is unavailable to meet the Scottish Government's RPP plans for transport. The Spending Review sets out large increases for spending on new, polluting road-building at the expense of the most sustainable modes. While the large trunk roads budget sees a further increase of 25%, the already modest budget for sustainable and active travel has been cut by 25%.⁷
- 2.2.3 We are a member of Stop Climate Chaos Scotland (SCCS), assisted in the preparation of its evidence to the RACCE Committee, and as such are fully in accordance with, and endorse, the commentary presented by SCCS to that Committee:⁸

The draft budget for 2012-13 provides at most 6% of the funding for transport measures required by the RPP. This 6% figure is probably generous. We have looked at all the budget lines which could fund items in the transport section of the RPP: Vessels and Piers; Support for Freight Industry; Support for Sustainable and Active Travel; Travel Strategy and Innovation; Warm Homes and Future Transport Funds.⁹ We have, in an attempt to analyse the budget as positively as possible from a climate change perspective, assumed that the entirety of these budget lines will be spent on RPP measures. Together, these budget lines add up to just £30.65m, as compared with a required spend of £487.5m as set out in the RPP. This is a reduction of more than 25% compared with the £41.2m in the current 2011-12 budget.

The picture is not much better when considering the entire three year spending review period. Of the £1,226m required by the RPP to be spent on transport measures, only £120.35m is allocated by the Government's spending plans, a mere 10%. The £69m¹⁰ for low carbon transport stated in the spending review is even lower than we calculated above, so despite our attempts to analyse as

positively as possible, evidently not all spending from the relevant budget lines will go to RPP measures.

The RPP includes both the public and private funding required for relevant activities, so clearly not all funding is expected to come from the Government. However, in the case of transport, it is totally unrealistic to expect the over 90% funding shortfall to come from the private sector, especially in the absence of any regulatory polices designed to secure private investment.

In addition to the above concerns, the few specific RPP transport measures in the previous year's budget have been vastly reduced or cancelled in the draft 2012-13 budget:

- The 'Sustainable and Active Travel' fund is slashed by more than a third, and with new demands made on it leaves only £5m to fund Sustrans, Cycling Scotland, Energy Savings Trust and other sustainable transport initiatives;*
- There is no commitment to fund the 'Cycling, Walking, and Safer Routes' fund;*
- The Freight Facilities Grant is cancelled – for decades this has been critical in moving freight from road to rail.*

[...]

The focus on road-building undermines the Scottish Government's own ambition to get people across Scotland to reduce their own carbon footprints, as set out in its Public Engagement Strategy. It is unreasonable for the Government to focus investment of public funds in carbon-intensive areas while asking people to do the opposite and make changes in their own lives to help reduce emissions.

It is irresponsible for the Government to significantly cut funding for sustainable and active transport, instead of increasing these budget lines at least in line with the requirements of the RPP. To have any chance of meeting Scotland's climate targets, the budget and spending review must see a major increase funding for low carbon transport, including a significant proportion of the £487.5m required by the transport proposals in the RPP for 2012-13.

3 Detailed views

3.1 We welcome the continued investment in certain key public transport projects but note some omissions which concern us

- 3.1.1 We are pleased to note continued commitment to delivering the Borders Railway and Edinburgh-Glasgow Improvement Programme (EGIP) rail projects, and the Glasgow Fastlink bus project. We also welcome the overdue recognition from the Scottish Government of the value of completing the Edinburgh Tram scheme.
- 3.1.2 However, the funding provided for ferry ports and vessels appears to be wholly inadequate given the Government's own Ferries Review recommendation of an investment of £784m by 2022. Slightly more than £5m per year will hardly make a dent in the backlog identified. The Government should be looking to provide the necessary investment to procure a fleet of small hybrid ferries, building on the existing work being undertaken by Caledonian Maritime Assets Ltd. This would "provide a fantastic commercial opportunity for Scotland" and improve the operational efficiency of Scotland's lifeline fleet, moving us towards lower-carbon transport.¹¹
- 3.1.3 Furthermore, we could find no mention, across the period of the Spending Review, of key projects such as the Glasgow Subway modernisation and Aberdeen-Inverness and Highland Main Line line speed and capacity improvements.

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

3.2.1 We are disappointed to see the continuing trend towards increasing spending on roads at the expense of other, more sustainable investments. The overall spend on 'Motorways and Trunk Roads' increases from £557.6m to £700.2m over the course of the Spending Review period, while the spending for 'Sustainable and Active Travel' decreases from £25.1m to an average of £18.7m over the three-year period of the Spending Review.

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

3.3.1 'Sustainable and Active Travel' (SAT) budget / 'Cycling, Walking & Safer Streets' (CWSS) budget

3.3.1.1 We note the report of the Scottish Parliament's then Transport, Infrastructure and Climate Change Committee's *Report on its Inquiry into Active Travel (2009)*, 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."¹²

3.3.1.2 We note that the Draft Budget instead reports a significant reduction in the 'Sustainable and Active Travel' (SAT) budget, while the 'Cycling, Walking & Safer Streets' (CWSS) budget is indicated as being "tbc". This latter fund has proved essential in allowing Sustrans Scotland to receive match-funding from local authorities for delivery of cycle infrastructure. Should ringfencing be removed from fund, or its scale reduced, then we would see no prospect of delivery of the targets contained in the Government's *Cycling Action Plan for Scotland*.¹³

3.3.1.3 Instead, it appears that active travel investment falls from £17.5m to £14m – a decrease from 0.97% to 0.74% of the transport budget, though the opacity of the Government's budget makes it impossible to pin down precise figures.¹⁴ This is a pathetic level of funding for the transport modes which have by far the highest benefit-to-cost ratio.

3.3.1.4 Furthermore, there is a lack of clarity as to the likely division of the available funds in the SAT budget between active travel and other expenditures. For example, if a greater proportion of available funds go to Low Carbon Vehicles (LCVs) then, whatever their merits, this will not contribute to delivering higher levels of walking and cycling.

3.3.1.5 At a minimum, the budget must ensure that CWSS is funded to its previous level of £7.5m and that SAT is funded to its previous level of £25m. Detailed evidence on this area has been submitted by a number of our member groups. We would flag to Committee members the evidence submitted by Living Streets Scotland, Spokes, and Sustrans Scotland. In particular, we are very concerned about the convincing evidence from Sustrans Scotland that the draft budget would lead to the effective termination of further development of the National Cycle Network in Scotland and of the *Cycling Action Plan for Scotland*.¹⁵

3.3.2 'Support for Freight Industry' budget

3.3.2.1 We are deeply concerned by the decision to close the Freight Facilities Grant (FFG) scheme. 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 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.

3.3.2.2 We agree with the Rail Freight Group's recommendation that a capital budget of at least £5m in 2012-13 should be devoted to freight modal shift, then building up quickly to achieve the £15m annual average required by the Scottish Government's RPP.

3.3.2.3 We understand that detailed evidence on this area has been submitted by a number of our member groups. We would flag to Committee members the evidence submitted by the Rail Freight Group, amongst others.

3.3.3 Funding for bus services

3.3.3.1 The Spending Review proposes significant cuts to funding for the Bus Service Operators Grant (BSOG). This fund is essential to maintaining bus services across Scotland. Evidence collated by our sister organisation in England, the Campaign for Better Transport, has indicated that cuts to this same grant in England led to a wave of cutbacks in services. If the Scottish Government's decision is not reversed then we can expect bus services across Scotland to also face cuts as a result of the Spending Review. The impacts of cuts to bus services would be most severe for vulnerable groups such as the elderly, young people and for those in rural areas. It's deeply unjust that the Scottish Government should aim to repeat the same errors made by the UK's Coalition Government in its spending review.

3.3.3.2 Furthermore, we could find no reference in the Draft Budget to the *Scottish Greener Bus Fund*. For public health reasons, the legal requirements to meet EU air quality directives, and the significant existing Scottish manufacturing base for buses (in the form of Alexander Dennis Limited), we would have thought that investment in low-emission buses should be a focus for investment.

3.4 The Government has failed to take opportunities available to it to raise funds rather than implement cuts

3.4.1 We are disappointed — *if entirely unsurprised* — to see the continued, and utter, failure to bring forward demand management measures in the transport sector.

3.4.2 The Draft Budget argues, correctly, 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.

3.4.3 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."*¹⁶

3.4.4 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.¹⁷ As such, it acts not only to deliver sustainable transport but also as a revenue-raising measure focused on the 'user pays' principle.

3.4.5 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.

3.4.6 It is known from the preparation of the RPP that the Government had 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.¹⁸

3.4.7 While the Government proposes to introduce a 'public health levy' on large retailers, this will do nothing to address the decline of town centre economies due to out-of-town developments. The Government had previously indicated that it would consider revising the 'Large Retailer Levy' proposed in last year's Draft Budget in order to more clearly assist local retailers. In subsequent correspondence with the Government, we suggested that the way to do this would be to link it to the number of car parking spaces provided by retailers. While we accept that the proposed 'public health levy' may well bring about positive social and

economic outcomes, we consider it a wasted opportunity for the Government not to have done anything to address other negative (transport & land use planning) impacts of large retailers.

4 We are disappointed that the Scottish Government has made no progress in implementing a meaningful carbon assessment mechanism to the Budget process

4.1 We see absolutely no progress in the *Carbon Assessment of the 2012-13 Draft Budget*.¹⁹ Its methodology is essentially useless as it tells us nothing about 'second-round' emissions (see p.3, paragraph 4). As such, sustainable transport spending is calculated as being emissions-generating (see the tables on p. 17) 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 (albeit a ludicrous one) for closing down bus and rail services – *ignoring their wider role of reducing journeys by private car* – on the basis that they generate emissions.

4.2 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, does at least also present figures on the expected emissions impacts of a series of transport projects.

5 Summary

5.1 The Draft Budget:

- Does not prioritise the best interventions for promoting economic activity within Scotland.
- Puts into doubt the Government's legal obligations under the *Climate Change (Scotland) Act 2009*.
- Does continue investment in certain key public transport projects.
- However, continues to prioritise spending on road-building ahead of investment in sustainable transport.
- Removes (or threatens to remove) funding from key sustainable transport budgets, in particular: (i) Active Travel; (ii) Rail Freight; (iii) Bus investment.
- Fails to take the opportunities available to it to raise funds rather than implement cuts.
- Makes no progress in implementing a meaningful carbon assessment mechanism of the Budget process.

5.2 In terms of the Committee's views on the extent to which the Draft Budget matches the Government's long term strategic aspirations:

- The Draft Budget does take forward one key STPR project which we support: the Edinburgh-Glasgow Improvement Programme (EGIP). However, the decision to continue with the Second Forth Road Bridge can already be seen to be denuding budgets for transport and other policy areas.
- As set out in section 2.2, above, the Draft Budget is a dismal failure in terms of the investment required to meet the targets in Low Carbon Scotland.
- As described in detail in the Sustrans Scotland evidence paper, the Draft Budget would effectively kill the Cycling Action Plan for Scotland. Given the potential for active travel to deliver on the preventative spend agenda, we think this a deeply regrettable development.

- Given the transfer of funds from sustainable transport to new, destructive road-building, we would expect this Draft Budget to adversely affect the prospects for meeting the National Performance Framework ‘National Indicators’ for transport of “Reducing the proportion of driver journeys delayed due to traffic congestion” and “Increasing the proportion of journeys to work made by public or active travel.”

6 Recommendations

6.1 The Draft Budget should be amended:

- To ensure that funding is retained for Active Travel, Rail Freight, and Bus Investment at least at the levels set out above, but preferably higher.
- To ensure it fully funds all of the measures set out in the Government’s own plans to meet the Government’s climate change targets (as set out in *Low Carbon Scotland: The Report on Proposals and Policies*).

6.2 That the Scottish Government should:

- Implement a meaningful carbon assessment mechanism.
- Take advantage of the suite of demand management measures set out above — as these not only deliver the joint benefits of reducing congestion and emissions, but would also raise funds for investment in sustainable transport.

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¹ <<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/42831.aspx>>

² See Official Report at <<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6449&mode=pdf>>.

³ As well as the evidence cited by the Professors, we would flag the Standing Advisory Committee on Trunk Road Assessment (SACTRA) ‘Transport and the Economy’ report of 2000. Available at <http://webarchive.nationalarchives.gov.uk/20050301192906/http://dft.gov.uk/stellent/groups/dft_econappr/documents/pdf/dft_econappr_pdf_022512.pdf>.

⁴ We would cite the conclusions of the Gothenburg EU Presidency Summit from as far back as 2001. See <http://ec.europa.eu/governance/impact/background/docs/goteborg_concl_en.pdf>.

⁵ Available at <http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/General%20Documents/Written_evidence_from_Sustrans.pdf>.

⁶ See p.128 of <<http://www.scotland.gov.uk/Resource/Doc/919/0102410.pdf>>.

⁷ The overall spend on ‘Motorways and Trunk Roads’ increases from £557.6m to £700.2m over the course of the Spending Review period, while the spending for ‘Sustainable and Active Travel’ decreases from £25.1m to an average of £18.7m over the three-year period of the Spending Review.

⁸ Available at <<http://www.stopclimatechaos.org/11/oct/scs-evidence-draft-budget-and-spending-review-parliamentary-committees>>.

⁹ We’ve assumed 50% is for transport in any given year

¹⁰ Scottish Spending Review 2011 and Draft Budget 2012-13, p23 under “Prioritising low carbon spend”

¹¹ <<http://www.cmassets.co.uk/en/our-work/projects/current-projects/hybrid-ferries-project.html>>

¹² <<http://archive.scottish.parliament.uk/s3/committees/ticc/reports-10/trr10-04.htm>>.

¹³ We further note that the RPP, by contrast, suggests a significant increase in spending on ‘Cycling and walking infrastructure investment’.

¹⁴ The evidence from Spokes, the Lothian Cycle Campaign, presents a more detailed commentary. <http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/General%20Documents/Written_evidence_from_SPOKES.pdf>

¹⁵ Available at <http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/General%20Documents/Written_evidence_from_Sustrans.pdf>.

¹⁶ See p.135 of <<http://www.scotland.gov.uk/Resource/Doc/919/0102410.pdf>>.

¹⁷ We would be happy to supply the Committee with further evidence on road user charging upon request.

¹⁸ 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.

¹⁹ Scottish Government (2011) Carbon Assessment of the 2012-13 Draft Budget. Available at <http://www.scotland.gov.uk/Resource/Doc/358384/0121134.pdf>