Departmental Overview 2019-20

Department for Transport

National Audit Office

01 December 2020

This overview summarises the work of the Department for Transport including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

We are the UK's independent public spending watchdog

Department for Transport

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About the Department for Transport

The Department for Transport (the Department) works with its agencies and other bodies (see page 4) to support the transport network that helps the UK's businesses and gets people and goods travelling around the country. It plans and invests in transport infrastructure to keep the UK on the move.

Objectives

The Department has six objectives which it set out in its Single Departmental Plan for 2019-20. These are:

1. Support the creation of a stronger, cleaner, more productive economy.
2. Help to connect people and places, balancing investment across the country.
3. Make journeys easier, modern and reliable.
4. Make sure transport is safe, secure and sustainable.
5. Prepare the transport system for technological progress and a prosperous future outside the EU.
6. Promote a culture of efficiency and productivity in everything it does.

Jurisdiction

The Department governs the operation of the English transport network and maintains limited powers for Scotland, Wales and Northern Ireland, where devolved powers are in place.

In most cases, the Department sets policy and investment priorities, and provides guidance. The Department's responsibilities vary for different transport modes:

Local transport

Provides policy, guidance and funding to England's local authorities to help them run and maintain their road networks and local transport services.

Roads

Invests in, maintains and operates 4,300 miles of the motorway and trunk road network in England through Highways England.

Sets policy to reduce congestion and pollution, and promotes lower-carbon transport, including cycling and walking.

Rail

Sets the strategic direction for the rail industry in England and Wales. Funds investment in infrastructure through Network Rail, manages rail franchises and regulates rail fares.

Buses

Sets the bus policy framework, provides ad hoc capital funding to local authorities and operators, and develops legislation. It provides information to support the Ministry of Housing, Communities & Local Government in determining the overall funding for local government.

Shipping

Sets the strategic direction for the maritime sector and provides planning policy for ports in England and Wales.

Aviation

Sets national aviation policy, working with airlines, airports and the Civil Aviation Authority and NATS (the UK's air traffic service).

The Department also oversees High Speed Rail projects and supports the development of other major infrastructure projects.

In response to COVID-19, the Department's role has been changing. It is providing additional funding and delivering interventions to ensure services continue for essential journeys and to support the transport sector (see pages 11 to 13).

About the Department for Transport *continued*

The Department is overseen by the Secretary of State, ministers and a Permanent Secretary. It is composed of five central groups, each led by a Director General.

Secretary of State and Ministers

Permanent Secretary

Roads, Places and Environment Group

Leads on driving and road related activities.

Manages relationships with local government.

Leads on environment and technology policy.

- Office for Low Emission Vehicles
- Centre for Connected & Autonomous Vehicles
- Disabled Persons' Transport Advisory Committee
- Cycling and Walking Investment Strategy Advisory Group
- Advisory Group on Education in Transport
- DfT Science Advisory Council
- Driver and Vehicle Licensing Agency
- Vehicle Certification Agency
- Highways England
- Driver and Vehicle Standards Agency[2]

Rail Group

Leads on overall strategy for rail, working with Network Rail on major rail projects and supports the provision of passenger rail services.

- Rail Strategy Advisory Board
- Network Rail
- DfT OLR Holdings Ltd[3]
- Train Fleet (2019) Ltd
- Directly Operated Railways Ltd
- British Transport Police Authority
- Transport Focus
- London and Continental Railways Ltd
- LNER Ltd
- Northern Trains Ltd
- Office for Rail and Road
- ITSO Ltd and ITSO Services Ltd

Aviation, Maritime, International and Security Group

Leads on aviation, maritime, safety and security, and departure from the EU.

Includes the independent investigation branches.

- Air Insolvency Review
- Independent Commission on Civil Aviation Noise
- Air Travel Trust Fund
- Maritime and Coastguard Agency
- Air Safety Support International Ltd
- Trinity House Lighthouse Service
- Northern Lighthouse Board
- Commissioners of Irish Lights
- Air Accidents Investigation Branch
- Marine Accidents Investigation Branch
- Rail Accidents Investigation Branch
- Civil Aviation Authority
- Trust Ports

High Speed Rail and Major Projects Group

Responsible for overseeing the High-Speed Rail programme.

Supports the development of major projects.

- High Speed Two (HS2) Ltd
- East West Railway Company Ltd

Resources and Strategy Group[4]

Leads on corporate activities.

Manages the corporate governance relationship with Network Rail, HS2 Ltd and Highways England.

- LCR Finance plc
- CTRL Section 1 Finance plc
- Crossrail International Ltd

Central Department and other entities accounted for with the Central Department

Consolidated Departmental group

Wider Departmental family[1]

Notes

1 The 'wider Departmental family' includes other public bodies that work with the Department but have more autonomy over their policies and are not consolidated into the Department's group financial statement.

2 In 2020, the Office for National Statistics (ONS) reclassified the Driver and Vehicle Standards Agency (DVSA) to Central Government. DVSA will be consolidated into the Departmental Group accounts from April 2021 once its Trading Fund status is formally revoked in legislation. DVSA also consolidates the Traffic Commissioners for Great Britain, which is a Tribunal Non-Departmental Public Body.

3 In March 2020, ONS reclassified DfT OLR Holdings Ltd to Public Corporation. In 2018-19, DfT OLR Holdings Ltd took over the operation of the East Coast franchise through its subsidiary, LNER Ltd, and in 2019-20 it took over the operation of the Northern franchise through its subsidiary Northern Trains Ltd.

4 From July 2020, the Resource and Strategy Group was renamed as the Corporate Delivery Group.

5 Train operating companies were reclassified by the ONS as Public Corporations from 01 April 2020.

Source: National Audit Office analysis of the Department for Transport's *Annual Report and Accounts, 2019-20*

How the Department for Transport spent its money

The Department's net spend for 2019-20 was £27.5 billion, £2.7 billion more than in 2018-19.

The Department spent £29.9 billion and received £2.4 billion in income. These figures each exclude £470 million relating to the transfer of the Welsh Valleys Line from Network Rail to Transport for Wales.

Several arm's-length bodies offset their expenditure with significant operating revenues not included in the income figure above. The three most significant were: Network Rail, which generated £2.3 billion against £9.5 billion operating costs;[a] the Driver and Vehicle Licensing Agency (DVLA), which generated £553 million[b] against £424 million of operating costs; and British Transport Police, which generated £305 million against £367 million of operating costs.

As shown in the diagram, **the largest areas of spend are on the management of national rail and road infrastructure**, in broadly the same proportions as in recent years. Capital spend increased from 2018-19 on High Speed Two (up £306 million) and Crossrail (up £374 million)[c] as these projects progressed, and Highways England continued to increase investment in road schemes (up £441 million) (see page 6).

In previous years the Department received net income from train operating companies (2018-19: £186 million). In 2019-20, however, the Department paid more in subsidies to these companies than it received in income, resulting in a net subsidy of £309 million (see page 14). Including the subsidy, the total cost of supporting passenger train operations was £373 million.

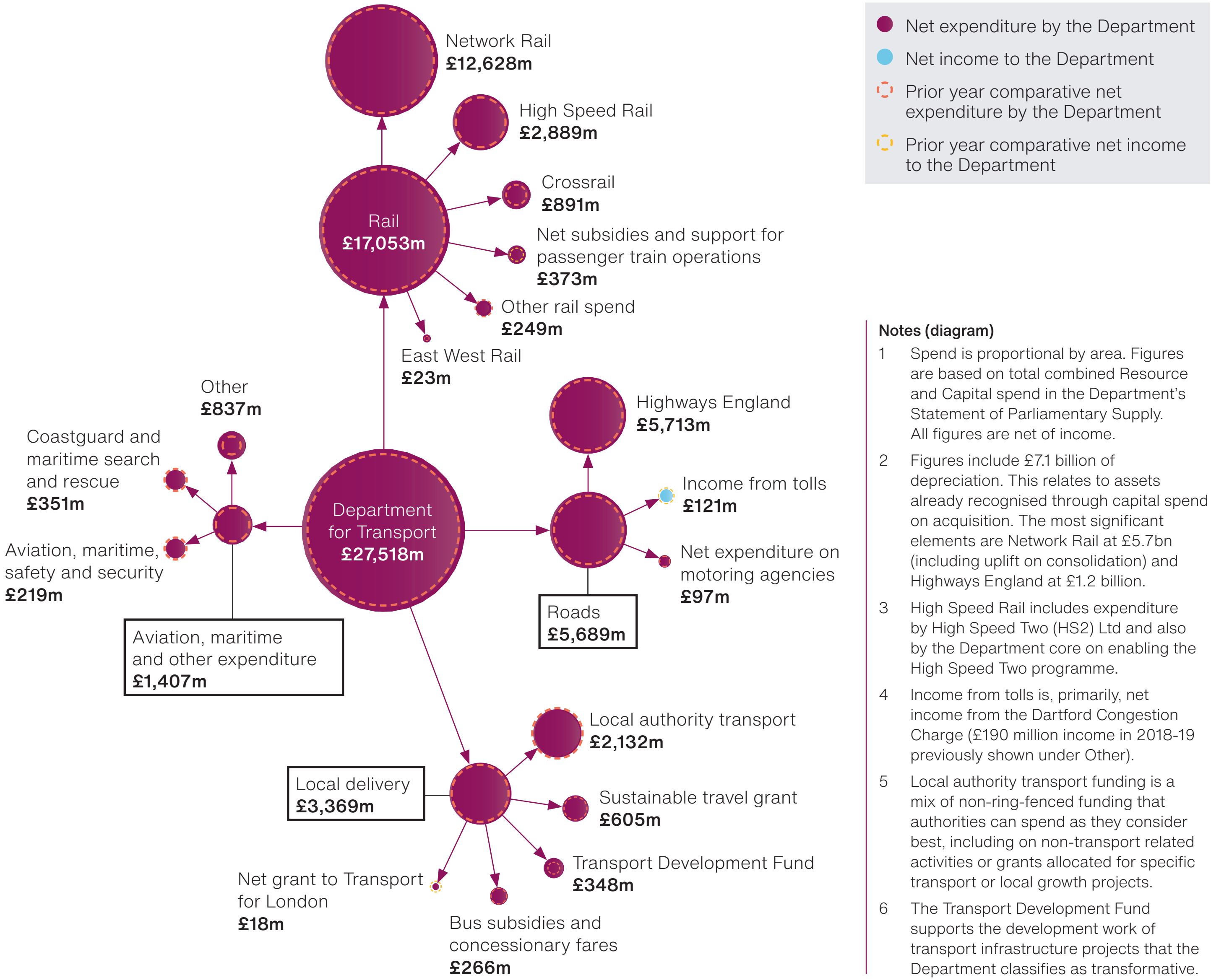
In 2019-20, within Aviation, maritime and other expenditure, 'Other' included an exceptional £585 million for the repatriation of air passengers following the Thomas Cook collapse in September.

a Network Rail costs include £3.7 billion depreciation uplift on consolidation due to differing valuation bases between component and group accounts. Revenues exclude £5.7 billion in grant income from the Department, as this is eliminated on consolidation.

b DVLA income of £553 million includes £150 million from personalised licence plates. This is non-budget income surrendered to the Consolidated Fund, and is therefore not included in the £97 million net expenditure on motoring agencies in the diagram.

c Of capital spend on Crossrail, £889 million relates to new loan advances to the Greater London Authority, which the Department expects to recover.

Department for Transport spending in 2019-20



Source: Department for Transport, *Annual Report and Accounts 2019-20*

Notes (diagram)

1 Spend is proportional by area. Figures are based on total combined Resource and Capital spend in the Department's Statement of Parliamentary Supply. All figures are net of income.

2 Figures include £7.1 billion of depreciation. This relates to assets already recognised through capital spend on acquisition. The most significant elements are Network Rail at £5.7bn (including uplift on consolidation) and Highways England at £1.2 billion.

3 High Speed Rail includes expenditure by High Speed Two (HS2) Ltd and also by the Department core on enabling the High Speed Two programme.

4 Income from tolls is, primarily, net income from the Dartford Congestion Charge (£190 million income in 2018-19 previously shown under Other).

5 Local authority transport funding is a mix of non-ring-fenced funding that authorities can spend as they consider best, including on non-transport related activities or grants allocated for specific transport or local growth projects.

6 The Transport Development Fund supports the development work of transport infrastructure projects that the Department classifies as transformative.

Financial management

Capital spend is forecast to increase by £4.3 billion in 2020-21

Network Rail – The Department has increased Network Rail's planned funding for 2020-21, following several years of reducing spend. Network Rail entered Control Period 6 in 2019-20, which commits £48 billion spend on the rail network over the next five years.

High Speed Two – The significant increase in capital investment in High Speed Two in 2020-21 reflects the commencement of Phase 1 construction works (see pages 16 and 17).

Highways England – Road Investment Strategy 2 commences in 2020-21, with a commitment to £27 billion spend on the strategic road network over the next five years, with a more even spend profile than Road Investment Strategy 1 (see pages 18 and 19).

Total resource spend is forecast to increase by £2.7 billion in 2020-21

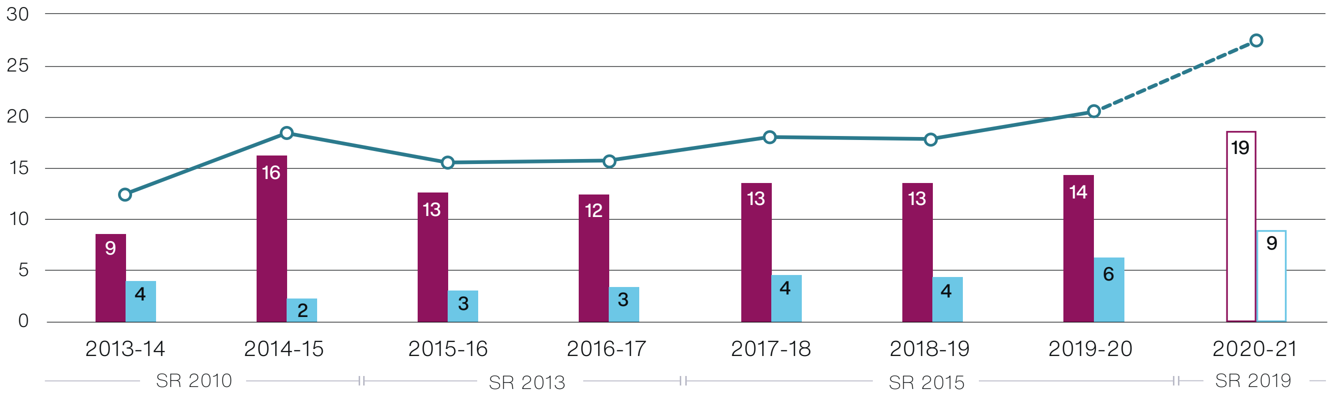
This was due to COVID-19 pressures on rail. Emerging pandemic response costs mean outturn will be higher still (pages 11 to 15).

Other points of interest for 2019-20

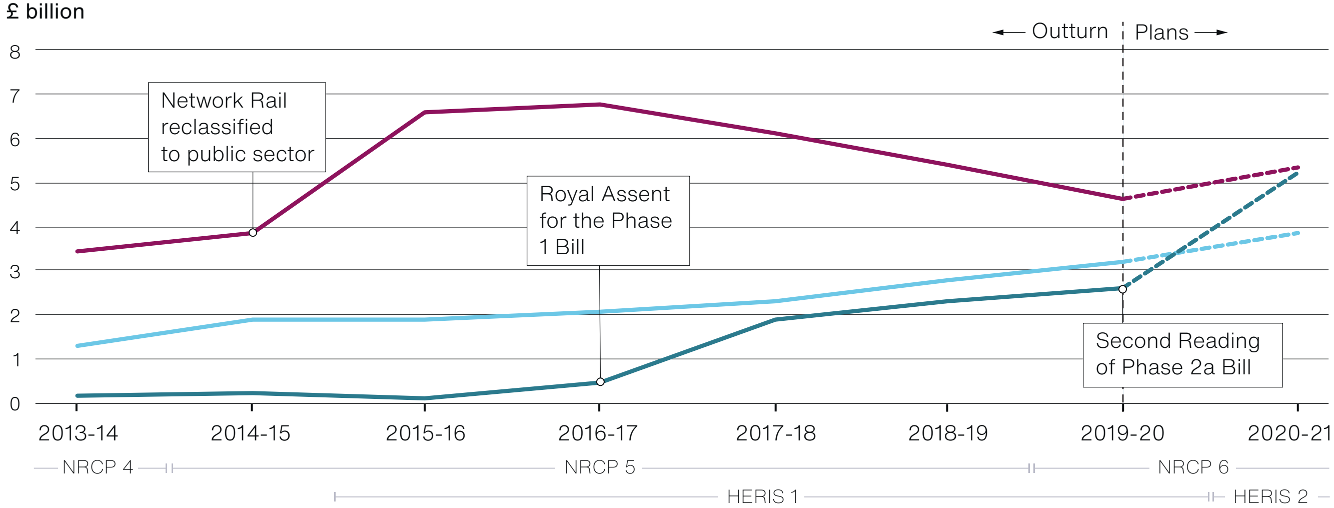
Divestment of the Welsh Valley Lines: The Department transferred track assets accounting for around 56% of Wales and Borders passenger services to Transport for Wales as part of the South Wales Metro project.

Brexit preparations: The Department incurred losses and special payments of £27 million (see page 9).

Department for Transport's total spend (capital vs resource)



Department for Transport's net capital investment, by main delivery body



Notes

1 SR = Spending Review; NRCP = Network Rail Control Period; HERIS = Highways England Road Investment Strategy.

2 Total spend is a presentational aggregate which includes total capital DEL and AME, and resource DEL and AME less depreciation or impairment costs. This is to avoid double-counting the capital investment in depreciating or impaired assets.

3 Planned figures for 2020-21 reflect the Main Estimate published in June 2020. While the main estimate did not reflect the full expected impact of COVID-19, it took an initial account of the pandemic by including £2.9 billion of forecast support for passenger rail services.

4 Figures are rounded.

Source: Department for Transport, *Annual Report and Accounts 2018-19, 2019-20*

Staff and pay

Gender pay gap

In 2018, the Department's mean and median gender pay gap were 15.6%. This was **the widest mean and second widest median gap among main government departments.** In 2019 the Department's mean and median gender pay gap were 13.8%, a 1.8% improvement on 2018.

The Department's Gender Pay Gap report identified that a key driver of the overall gender pay gap was different gender representation across grades and roles in executive agencies. DVLA (the largest employer in the Department) has disproportionately greater numbers of women at junior grades, which lowered the average hourly rate for women across the Department; whereas the Maritime and Coastguard Agency and the Vehicle Certification Agency had low female representation in specialist/technical roles.

Source: Department for Transport, *Gender pay gap report and data 2019*

The Department's median salary of

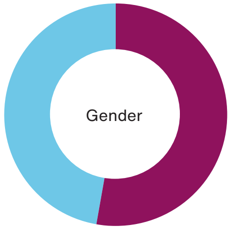
£26,830

is lower than the civil service median of

£28,180

Workforce in the Department for Transport, 2019-20

Gender split for the Department and executive agencies presented as at 31 March 2020



Women	53%
Men	47%

	2020	2019
Number of senior civil servants (women)	62	68
Number of senior civil servants (men)	97	112
of which:		
Number of Director Generals and Permanent Secretary (women)	3	4
Number of Director Generals (men)	3	3

Data on staff breakdown by ethnicity and declared disability are available for the Central Department and four executive agencies

Ethnic minority	2018-19	2017-18
Central Department	16.1%	15.2%
Four executive agencies combined	3.3%	3.1%
Civil service average	12.7%	

Disabled	2018-19	2017-18
Central Department	5.2%	4.8%
Four executive agencies combined	10.3%	10.0%
Civil service average	11.7%	

Notes

1 The Department collects binary data on gender only.

2 The four executive agencies are the Driver and Vehicle Licensing Agency, the Driver and Vehicle Standards Agency, the Maritime and Coastguard Agency and the Vehicle Certification Agency.

3 Not all staff in the Central Department or the four executive agencies chose to declare their ethnicity or disability status.

Staff breakdown 2019-20

	Permanently employed staff	Others	Ministers	Special advisors	Total (2019-20)	Total (2018-19)
Average number of persons employed	63,185	1,382	5	2	64,574	61,889
Employed in:						
Central Department	2,784	29	5	2	2,820	2,618
Agencies	6,649	144	–	–	6,793	6,575
Other delivery bodies	53,752	1,209	–	–	54,961	52,696

Pay multiples 2019-20

Ratio	6.2	
Band of highest paid director's total remuneration (£000)	165–170	
Median total remuneration (£)	26,830	Details on how pay multiples were calculated is provided in the Department's 2019-20 Annual Report and Accounts.

Notes

4 Figures are presented for the consolidated Departmental group, including delivery bodies. See page 4 for the Department's organisational structure.

5 Figures exclude the Driver and Vehicle Standards Agency (DVSA) which is outside the accounting boundary. DVSA employs around 4,600 permanent staff in various roles.

6 Between July and September 2019, responsibility for the salaries and other costs of special advisors was passed to the Cabinet Office. Special advisors are no longer employed by the Department.

Source: Department for Transport, *Annual Report and Accounts 2019-20*; Department for Transport, Equality Monitoring Data 2017-18 and 2018-19

Self-declared ethnic minority and disabled staff

Representation of ethnic minorities in the Central Department remains above the civil service average. In 2019-20, the Central Department launched a Race Action Plan which sets out measures to increase representation at higher grades and support progression of BAME talent. Implementation of this plan is overseen by the new Race Board. However, outside the Central Department, representation of ethnic minorities is substantially lower than the civil service average.

Representation of disabled staff in the Central Department is much lower than in the four executive agencies, and than the civil service average.

Annual Civil Service People Survey

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. The most recent survey was carried out during October and November 2019.

Department for Transport results in the 2018 and 2019 People Survey

Theme	Result in 2019 (%)	Result in 2018 (%)	Change (Percentage points)	Civil service median in 2019 (%)
Employee engagement index	64 *	64	No change 0	63
My work	79 *	80	Decrease -1	77
Organisational objective and purpose	79	83	Decrease -3	83
My manager	73 *	72	No change 0	71
My team	82 *	82	No change 0	82
Learning and development	63 *	64	Decrease -1	55
Inclusion and fair treatment	82 *	81	No change 0	79
Resources and workload	75 *	74	Increase 1	74
Pay and benefits	34 *	31	Increase 3	34
Leadership and managing change	58 *	56	Increase 2	49
Response rate	92	94		

Increase Decrease No change

There was very little movement in the Department's People Survey results between 2018 and 2019.

In 2019, the Department was in the upper quartile of departments for the themes of: My work; Learning and development; Inclusion and fair treatment; and Leading and managing change.

The Department was at or above the civil service median in 8 of the 9 themes.

Notes

1 Data are provided for central Department employees only. See page 4 for the Department's organisational structure.

2 * denotes where the Department is at or above the civil service median. Figures may not sum due to rounding.

Source: Department for Transport (excluding agencies), *Civil Service People Survey 2018 and 2019*

The UK's exit from the European Union

On 31 January 2020 the United Kingdom left the European Union and, under the terms of the Withdrawal Agreement between the UK and the EU, entered a transition period during which existing rules continue to apply. New rules on trade, travel and business between the UK and the EU will come into place on 1 January 2021.

During the transition period, the Department has responsibility for:

- supporting negotiations on transport-related issues being carried out by the government's Chief Negotiator;
- laying statutory instruments (90 laid, as at 31 October 2020) required to ensure that UK law continues to function correctly at the end of the transition period without any regulatory gaps;
- support development of the UK's trade policy to ensure the needs of transport users are met in future Free Trade Agreements; and
- preparing the UK border and putting in place arrangements to minimise disruption to transport networks and the flow of critical goods across the border.

Impact of EU exit on the Department's balance sheet

In 2019-20, the Department incurred £27 million of losses and special payments related to EU Exit contingency planning (£83 million in 2018-19):

- **£15 million**
  for lorry parking facilities in Kent.

- **£11 million**
  paid to ferry companies, when the departure date was postponed from 31 October 2019 to 31 January 2020.

- **£1 million**
  to stand down public information activities that would have been required had the UK left the EU without a deal.

What to look out for

- Delivery of the traffic management infrastructure, required for 1 January 2021 to mitigate potential disruption as a result of delays. This includes the M20 barrier and other holding sites (see page 10).
- Progress on deliverables required for 1 January 2021, such as the 'Check an HGV is ready to cross the border' webservice and app (see page 10).
- Progress on the delivery of the additional freight capacity for medicines and medical supplies in the event of disruption, as per the four awarded contracts (see page 10).
- Further impacts of COVID-19 on: preparations at the border before 31 December 2020; and management of disruption at the border after 1 January 2021.

The UK's exit from the European Union *continued*

Our work

Since we last reported in October 2019, the Department has been working with other departments, public bodies and third parties to put in place arrangements for the end of the transition period, including new infrastructure, traffic management plans and contingency planning. Our November 2020 report examined the government's preparedness at the border for the end of the transition period and beyond. We found:

On infrastructure

The Department was:

- working with other government departments on putting in place 11 sites away from the border needed to support customs compliance checks, checks on agri-foods and for holding lorries in the event of disruption. Some of these sites are required for 1 January 2021 and some for 1 July 2021. However, there was **a high risk that not all sites would be ready when needed**; and
- putting in place support and advice to help hauliers prepare for the EU border, with an online web portal and at 45 information and advice sites in Great Britain, including at service stations and truck stops.[d] We found that **it would be challenging for the Department to have these ready in time**.

d Since our report, on 16 November 2020, the Department announced that it had opened 44 information and advice sites at motorway service stations and truck stops in the UK with a further site planned to open on 23 November.

On contingency planning

The Department had:

- worked with other government departments to **develop contingency plans** for how to prioritise shipments of day-old chicks and fresh and live seafood destined for human consumption through traffic management arrangements in the event of delays; and
- **announced the winning contracts with four ferry operators**, **worth £77.6 million combined,** to provide additional freight capacity away from the short Channel crossings to ensure the flow of priority goods (such as medicines) across the border in the event of disruption.

On traffic management

The Department had:

- focused its efforts in Kent where it assessed that any delays at the border will cause significant disruption. Government has estimated that **up to a maximum of 7,000 lorries may need to queue** at the approach to the short Channel crossings in the event of disruption at the border;
- developed traffic management proposals for Kent, working with the Kent Resilience Forum, which has responsibility for managing disruption. These include holding lorries at some of the inland sites and on the M20 contraflow. The Department has **replaced the temporary barrier on the M20** with a moveable barrier that can more quickly be deployed and retracted. Overall, the Department expects that **there will be capacity to hold 10,150 lorries** if needed;
- worked with the Border Protocol and Delivery Group within the Cabinet Office to develop a new GOV.UK web service called **'Check an HGV is ready to cross the border'**. Hauliers planning to use the short Channel crossings in Kent must use the service before travelling to check and self-declare that they have all the correct documentation to get through EU import controls;
- **not yet finalised plans to ensure that 'Check an HGV' is integrated with wider traffic management and enforcement plans**, including: determining the level of enforcement possible without disrupting the flow of traffic; where the enforcement and compliance checking will take place; and the resources needed; and
- **provided funding to the four Local Resilience Forums** (LRFs) supported as part of previous no-deal preparations, as well as potentially providing funding to a further four LRFs subject to further agreement from HM Treasury.

The Department for Transport's response to COVID-19

Most transport services are not delivered directly by the Department – it provides oversight, sets investment priorities and provides standards, policy and legislation for industry. Arm's-length bodies or private operators then deliver the services.

The COVID-19 pandemic led to significant reductions in travel as government issued guidance to close workplaces, schools and recreational venues, as well as asking people to reduce their use of public transport to support social distancing and reduce potential transmission among remaining passengers (likely to be key workers).

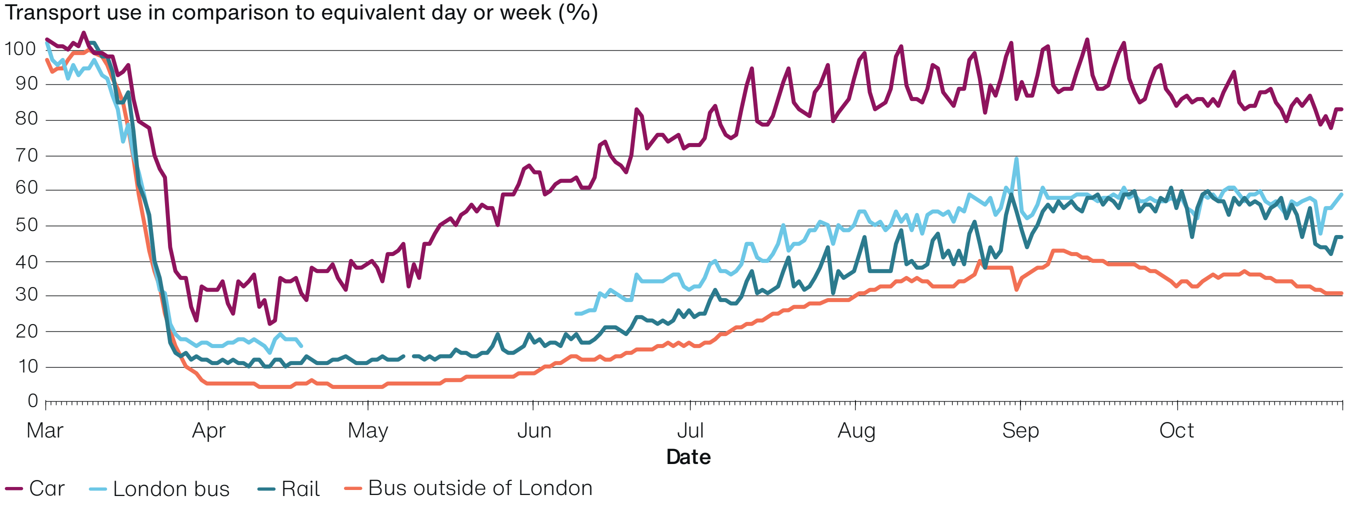
During this time, operators lost significant revenue and the Department stepped in with financial support and took on associated risk (see pages 14, 15 and 21). The Department is working through the next steps in recovery, although there is significant uncertainty and there are likely many further costs to be faced and risks that may remain with government.

Wider support to the government's response

To help support development of policy and give an indication of compliance with government rules, the Department developed an approach for producing statistics on 'change in transport use' during the COVID-19 pandemic.

These were developed rapidly, and combine existing National Statistics data sources and operational data, to deliver near to real-time statistics about a fast-changing situation. They were used in the government's daily media briefings to inform the general public.

Government restrictions due to COVID-19 led to substantial falls in use across principal modes of public transport and car (which has now largely recovered) in Great Britain between March and October 2020



Notes

1 Comparisons are made to the equivalent day, or in some cases week, in 2019.

2 Data on London buses were not available from 19 April to 8 June 2020 due to a change in boarding policy.

3 For full notes and limitations on the data see: www.gov.uk/government/publications/transport-use-during-the-coronavirus-covid-19-pandemic/covid-19-transport-data-methodology-note

Source: National Audit Office analysis of Department for Transport statistics on transport use during the COVID-19 pandemic

Impact of COVID-19 on use of transport

These statistics clearly show the unprecedented fall in the use of transport as a result of national and local lockdowns and wider behavioural change caused by the pandemic.

During the national lockdown:

- car use reduced to a low of 22% in comparison to last year;
- bus use (excluding London) reduced to 10%; and
- National Rail patronage reduced to 4%.

Use of all modes of transport is yet to recover. However, whilst public transport use declined and continued to be a fraction of pre-lockdown use, car use rose more rapidly as the initial lockdown phase was lifted and to levels comparable with pre-COVID use.

In October 2020, car use averaged 85% compared to pre-COVID levels, whereas national rail use averaged 35% and bus use outside of London averaged 53%. The firebreak lockdown in Wales in October 2020, and the second national lockdown introduced in England in November 2020 are expected to cause a reduction in these figures.

The Department for Transport's response to COVID-19 *continued*

In responding to COVID-19, the Department's key priorities have been:

Supporting the repatriation of British nationals

This included working with other departments to facilitate the return to the UK of 1.3 million people on commercial routes, over 38,000 people on chartered flights, and helping over 19,000 return from cruise ships.

Keeping the national transport system operating for key workers and critical goods

The Department aimed to ensure continued public transport for key workers and continued flow of critical freight, so supported services through funding and published safer travel guidance documents for operators, the public and local authorities.

To ensure goods could be transported into and across the country during lockdown, the Department set up a Critical Freight Taskforce. With its arm's-length bodies (the Driver and Vehicle Standards Agency and the Driver and Vehicle Licensing Agency), it implemented a number of relaxations for hauliers and delivery drivers, introduced a six-month exemption from MOT testing for vehicle owners, and extended driving licence validity. It also extended licences and training qualifications for seafarers to help transport goods.

Financially supporting the transport sector including through providing funding (see figure on page 13)

Network Rail also cancelled all first quarter (25 March to 23 June 2020) rent payments due from tenants in their commercial estate and cancelled base rent payments for retailers in their managed stations, collecting only turnover-based rent.

The Department's internal response

In mid-March 2020, the Department deployed its Departmental Operations Centre which produced daily reports and coordinated the policy response. Hundreds of staff were redeployed to support COVID-19 response work and the majority of staff moved to remote-working. The Department also launched a Transport Support Unit which deployed staff and assets, such as aircraft, distribution centres and vehicles for mobile testing centres, to support the wider COVID-19 response.

What to look out for

The COVID-19 pandemic remains one of the most pressing challenges for the Department, impacting programmes and other deliverables:

- **Project delays:** work on the HS2 and Crossrail programmes were temporarily paused as social distancing reviews were undertaken. This has further exacerbated delays for completion of Crossrail as only essential and business critical work could initially continue as part of a 'safe stop' during the pause. This affected ongoing work to test signalling systems and operations. The Department also reported delays to Midland Main Line upgrades and East Coast Main Line enhancement projects, due to COVID-19 restrictions and social distancing.
- **The publication of the Williams Rail Review** has been further delayed.
- **Customer services were impacted**, for example suspension of driving tests, extension to MOTs and delays in DVLA paper applications.

Challenges remain for the Department as a result of COVID-19; both internally, in responding to Safer Workplace guidance and resourcing of priority workstreams, and for transport services as a whole. COVID-19 has made it much more difficult to forecast demand for public transport. The Department has produced 'safer travel' guidance for the pandemic aimed at building confidence in properly adapted public transport, but in the longer term questions remain on how to operate future services.

The Department has said it is now focused on ensuring green and safe recovery for transport, and has announced a multi-year £2 billion investment to boost cycling and walking, including a £250 million emergency active travel fund allocated to English local authorities in May 2020. The overall impact of that Covid-19 will have on carbon emissions remains though largely unknown.

The Department for Transport's response to COVID-19 *continued*

Since April 2020, the Department has announced multiple funding packages and financial support measures across the different transport sectors

Rail

Total funding: £7,000 to £9,000 million

The Department announced Emergency Measures Agreements (EMAs) which were an overlay to existing rail franchising agreements. This transferred all revenue and cost risk to the Department. EMA support ran from 1 March to 20 September 2020. The Department now estimates the cost of EMAs is likely to be approximately £4,000 million (including £300 million in March 2020).

The Department replaced EMAs with Emergency Recovery Measures Agreements (ERMAs) in September 2020. Outturn on these is highly dependent on uncertain future fare demand, but is likely to be between £3,000 million and £5,000 million (for more on rail franchising, see page 14 and 15).

Services in London

Total funding: at least £2,005 million

The Department announced a funding package for Transport for London (TfL) for the period 1 April to 17 October 2020 to safeguard services. This included a grant of £1,100 million* from the Department and an additional loan of £505 million* from the Public Works Loan Board. Support could also be increased by £300 million* of grant and loan if revenue loss was higher that forecast. Conditions of this funding included re-establishment of bus fares and the Congestion Charge, a 2021 increase in fares and temporary suspension of free travel for over-60s in the morning peak. The Department also instigated a review of TfL.

Since then, the Department has announced additional support for TfL to continue essential services, covering the period 18 October 2020 to 31 March 2021. This included £905 million as a grant from the Department, and an additional loan of £95 million from the Public Works Loan Board.

Active travel

Total funding: £250 million

The Department brought forward a £250 million package of measures (the emergency active travel fund) to improve cycling and walking infrastructure, £217 million of which has been allocated to local authorities to fund both temporary pandemic interventions and longer-term projects.

Aviation

Total funding: £47 million

The Department announced funding to safeguard air links between Great Britain and Northern Ireland between April and July 2020, at a cost of £2 million* for this period.

The Department allocated £45 million* of funding to support the statutory functions of the Civil Aviation Authority, running to 31 March 2021.

Maritime

Total funding: up to £46 million

The Department announced £11 million* of emergency funding, up to July 2020, to support transport links to the Isle of Wight and Isles of Scilly.

Funding up to £35 million* was also announced for freight routes including Channel, Short Strait, North Sea and routes to Northern Ireland.

Local services

Total funding: at least £799 million

The Department announced £480 million* of funding through grants to maintain commercially unviable levels of service for local bus, tram and light rail services. This grant support ran from March to October 2020.

Since then, the Department has made further announcements including:

- Additional support of up to £218 million for bus services for eight weeks beginning 8 August 2020, and rolling support of £27.3 million per week afterwards until the funding is no longer needed.
- Additional support for tram services of up to £37.4 million for 12 weeks from 8 August 2020. When this ended, support was extended with up to £67.8 million made available to support tram services in the North and Midlands for a minimum of 12 weeks from 22 October 2020.

What to look out for

In October 2020, the Secretary of State for Transport said that the Department expects to spend, in total, up to £12.6 billion on supporting the transport sector in response to COVID-19. However, this figure is highly uncertain. The impact of the second national lockdown in England is yet to be fully quantified but will likely increase costs, which the Department is securing in the Supplementary Estimate.

Notes

1 This may not be a complete summary of all support and funding announced by the Department.
2 Total cost figures are based on announcements of direct Departmental support or in the case of aviation and rail, more recent estimates which have become available. Figures cover the period up to 31 March 2021, based on information available at 12 November 2020. Figures are provisional, may not be complete and are subject to change as further announcements are made. Audited information will be available in the 2020-21 DfT accounts.
3 * denotes estimated figures included in the NAO's COVID-19 cost tracker.
4 Total cost for service in London include Extraordinary Support Grants from the Department only. They do not include loans given to TfL by the Public Works Loan Board or unquantified additional top up funding announced by the Department.

Source: National Audit Office COVID-19 cost tracker and the Department for Transport's *Annual Report and Accounts 2019-20*

Part One

Rail passenger services

Finances

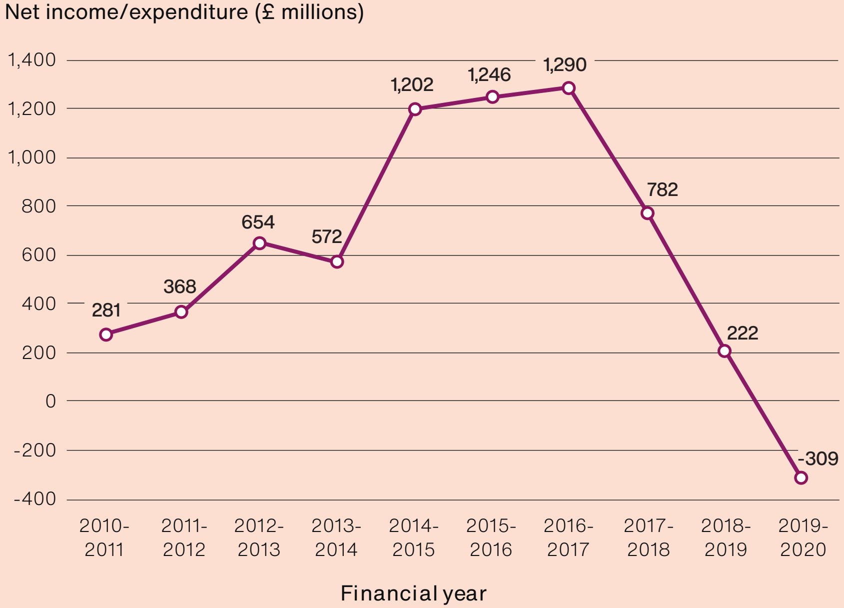
The Department contracts out the operation of rail passenger services in England to train operating companies (TOCs) through 14 franchise agreements.

Each franchise contract provides for the operator to either pay a premium to, or receive a subsidy from, the Department, depending on how profitable their routes are expected to be. In recent years, the rail industry has faced financial pressures from franchise operator revenues growing unexpectedly slower than anticipated, which has impacted the ability of operators to pay premia to the Department.

The Department's net income from franchises fell significantly from 2016-17 and in 2019-20 became a net cost.

Prior to COVID-19, the Department had anticipated paying net subsidies of £85 million for 2019-20. However, due to the impact of COVID-19 in March 2020, it actually paid a net subsidy of £309 million, made up of £1 billion in premia and £1.3 billion in subsidies.

The Department's net income and expenditure from rail franchises, 2010-11 to 2019-20



Source: Department for Transport Annual Accounts, 2010-11 to 2019-20

Impact of COVID-19

Financial pressures on rail franchises were further exacerbated as a result of COVID-19. Rail passenger numbers declined from 97% of their normal levels in the first week of March 2020, to 5% by 31 March 2020, threatening the financial viability of rail operators. In response, the Department announced Emergency Measures Agreements (EMAs) in March 2020 which were an overlay to existing train operating company franchise agreements.

These agreements transferred all revenue and cost risks to the Department. Operators were paid a fixed management fee for operating services, with a potential performance payment based on reliability, punctuality and other targets. The Department spent £289 million through these agreements in March 2020, and an average of £557 million in each of the first three rail periods of 2020-21, totalling £1.7 billion up to 27 June 2020.

Since March 2020:

Passenger rail usage has remained low, with average usage around 37% of the prior year across August and September 2020. Until passenger numbers return to pre-pandemic levels, the government anticipates that significant taxpayer support will be needed to continue railway services.

Emergency Recovery Measures Agreements (ERMAs) replaced Emergency Measures Agreements (EMAs) in September 2020. The ERMAs ended the previous model of rail franchising, requiring operators to agree the financial terms of dissolving the previous franchise agreements. The ERMAs are on a similar financial basis to the EMAs, but with lower management fees that are more heavily weighted towards performance targets. The length and type of agreements vary slightly between operators. For example, Great Western Railway is continuing on an EMA until June 2021, and Arriva Cross Country is on a phased Transition Operating Contract to October 2023.

National passenger rail usage, March to October 2020

Transport use in comparison to equivalent day or week (%)

Notes

1 Comparisons are made to the equivalent day, or in some cases week, in 2019.

2 For full notes and limitations on the data see: www.gov.uk/government/publications/transport-use- uring-the-coronavirus-covid-19-pandemic/covid-19-transport-data-methodology-note

Source: National Audit Office analysis of Department for Transport statistics on transport use during the COVID-19 pandemic

What to look out for

- The intention is for ERMAs to be used to begin implementing reforms from the Williams Rail Review, established in September 2018, before a new form of contract is brought in at the end of the ERMA period. The Department intends to publish a White Paper on railway reform during the ERMA period.
- One area of intended reform is driving down the costs of the railway. The rail industry as a whole experiences high costs (see text section below), many of which are fixed, and the Department is now directly exposed to these through the ERMAs.

High costs in the rail industry

The high fixed costs comprise items such as staff costs (including the costs of the railway pension scheme), and the leasing of train carriages and locomotives. Private railway operators achieved generally low profit margins prior to the pandemic.

In the financial year prior to COVID-19:

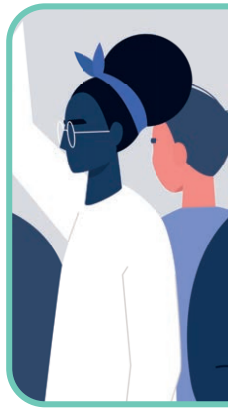
- Operators incurred **expenditures of around £10.3 billion with revenues of £10.4 billion** (including Department subsidy), generating **operating profits of around £100 million**.
- Operators **paid around £300 million in pension costs, against net employer shares of pension deficits of more than £3.5 billion**.

Notes

1 Operator expenditures and revenues include payments to the Department and income from the Department respectively.

2 All costs are based on reporting of franchisee financial information in the Department for Transport Annual Report and Accounts (see Note 28: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/918650/DfT-Annual-Report-and-Accounts-2019-20-web.pdf).

3 Operator accounts are available for different time periods, and so figures are quoted to give an indication of scale.



Part Two

High Speed Two

High Speed Two (HS2) is the government's major programme to create a new, high-speed, high-capacity rail service between London, Leeds and Manchester via the West Midlands. The programme is the largest in the government's Major Projects Portfolio and many of its component parts, such as the development of Euston, construction of the railway, and purchase of land and property for the route of the railway, are large and complex projects in their own right.

The Department funds and sponsors the programme. High Speed Two Limited (HS2) Ltd, an arm's-length body of the Department, is responsible for developing, building and maintaining the railway.

The government expects **Phase 1** to cost between

£35 billion and £45 billion

(2019 prices).

The **current estimated cost of the full railway** is between

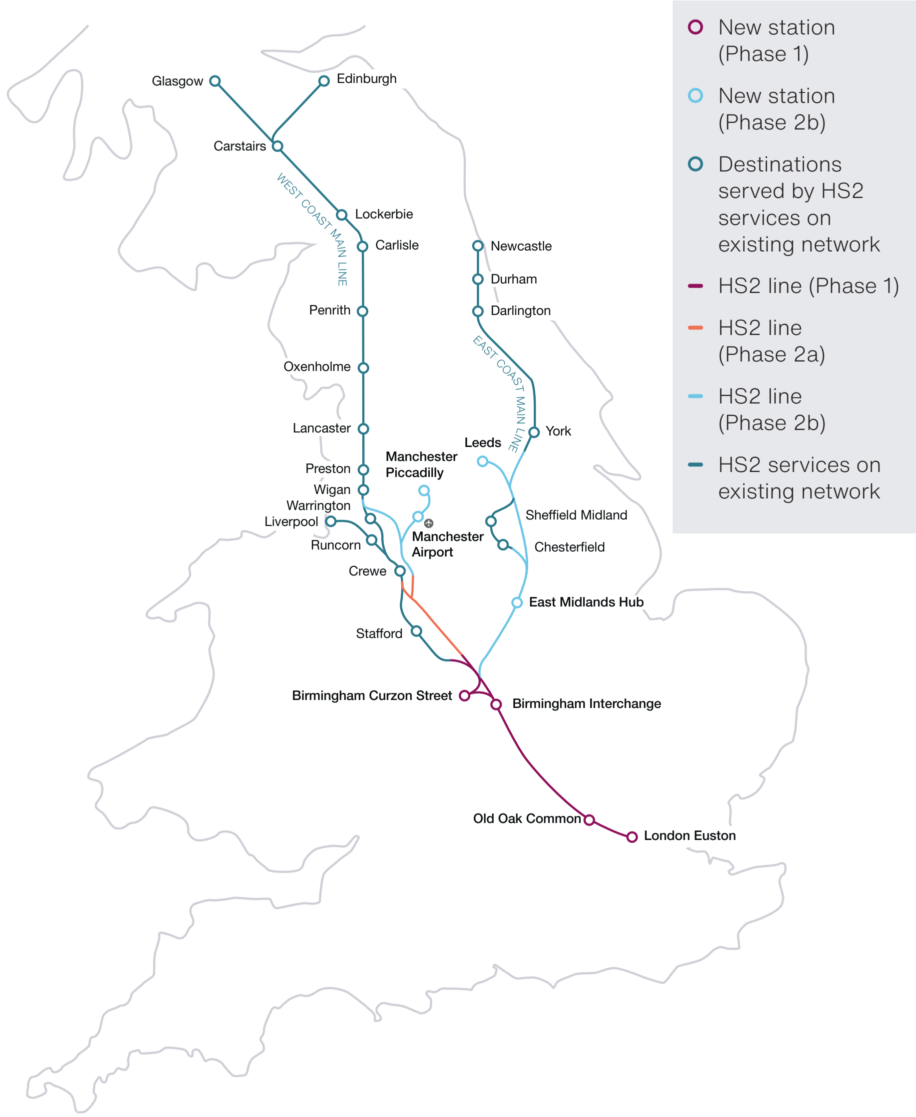
£72 billion and £98 billion.

In 2019-20, HS2 Ltd and the Department spent **£3 billion**, including **£0.5 billion on land and property**, bringing **total spent on the programme across all phases** to

£11 billion

(at March 2020).

Route of HS2 and the planned staged completion, as at January 2020



Source: Comptroller and Auditor General, *High Speed Two: A progress update*, Session 2019-20, HC 40, National Audit Office, January 2020

Our work

We have reported four times on the HS2 programme, most recently in January 2020.

We found that the Department and HS2 Ltd **underestimated the complexity of the programmes and HS2 Ltd's earlier cost estimates did not account for the level of uncertainty and risk** in the programme.

Risks to value for money **were not adequately and openly managed** and significant work has been required to try to understand and contain cost increases.

We found that significant risks remain:

- The challenge of getting Phase 1 into construction, and managing the programme as it progresses is considerable.
- Phase 2 is at a far earlier stage of development with many important decisions to be made before HS2 Ltd and the Department can improve cost and schedule estimates.

What to look out for

- Award of the contract for the purchase of trains for the railway.
- Enhanced reporting on how HS2 Ltd is meeting government's environmental priorities.
- Further details on the design, cost and governance arrangements for Euston Station.
- The Integrated Rail Plan for the Midlands and North, which will set out how government plans to integrate Phases 2a and 2b with wider rail improvements, including plans for Northern Powerhouse Rail.
- Updated ranges for the cost and start of train services for Phases 2a and 2b.
- Completion of parliamentary scrutiny of the Phase 2a Hybrid Bill and its entry into law.

Impact of COVID-19

The government's advice during the pandemic has been that construction work can continue where it is possible to comply with COVID-19 measures. Work on Phase 1 is underway at over 250 sites between London and Birmingham. Much of the initial work remains off-site, developing further designs and logistics plans.

HS2 Ltd has suspended all face-to-face community engagement events and meetings indefinitely, with alternative means of communication in place.

The Full Business Case for Phase 1 was prepared prior to the COVID-19 pandemic and the Department has not yet fully assessed the impact of this on the value for money of the programme.

The Department has committed to assessing the impact of COVID-19 on long-term rail demand and other modelling assumptions towards the end of 2020. HS2 Ltd is also expected to provide an updated estimate of the impact of COVID-19 in the next six months.

2020

J F M A M J J A S O N

Since we reported in **January 2020**:

F: The independent Oakervee review, by a panel of experts, was published and recommended that the government should proceed with the HS2 project. The review also made recommendations covering the route, delivery and governance of the programme.

F: The Prime Minister announced the government's decision to proceed, along with reforms including a dedicated HS2 Minister and regular reporting to Parliament.

A: The government gave the go-ahead for construction to start on Phase 1, the formal approval to start the main civil construction work. This work is now underway.

O: The Hybrid Bill for Phase 2a, which secures the legal powers necessary to construct and operate infrastructure, was introduced to the House of Lords following completion of the House of Commons stages.

O: The HS2 Minister gave the first six-monthly progress report to Parliament. This stated that costs remain within the set funding envelope, however, HS2 Ltd was reporting current cost pressures of £0.8 billion, which if not remediated, would be drawn against the company's contingency of £5.3 billion. The potential cost increases related to higher than forecast costs of preparatory construction work and Euston station.

N: The HS2 Minister published a review of land and property acquisition which made 36 recommendations to change the way in which people and businesses impacted by HS2 are treated.

Part Three

Road investment strategies

The strategic road network (SRN) in England comprises around 4,400 miles of motorways and major A-roads. It covers 2% of the total road network, yet carries around 32% of total traffic.

In 2014, the government reformed how England's SRN was funded and managed. It established Road Investment Strategies (RIS), with approved five-year funding periods, called 'road periods'. It created Highways England, a government-owned company, to deliver the Road Investment Strategies.

Roles and responsibilities

The Department

Sets strategic goals for the road network, approves the five-yearly RIS, and holds Highways England to account for its delivery of the strategy.

Highways England

Responsible for the enhancement, renewal, maintenance and operation of the road network.

Office of Rail and Road

Monitors Highways England's performance and provides advice to the Secretary of State on the draft RIS.

Transport Focus

Carries out research on the needs of road users on the strategic road network and represents their interests.

To develop the RIS

Highways England undertakes research on the road network to identify and prioritise safety and congestion issues. Transport Focus also provides evidence based on road user priorities.

The Department uses this research, as well as policy considerations and previous commitments, to develop the RIS.

Highways England develops plans and then delivers the projects committed to within the RIS.

The Office of Rail and Road reviews and comments on both the draft RIS document and Highways England's plans for delivery.

The first Road Investment Strategy

The first Road Investment Strategy (RIS 1) covered the road period 2015 to 2020 and had £17.7 billion of capital and resource funding.

Our work

In 2017, we reported on RIS 1. We reported that, while the RIS process was a significant improvement on how the Department had previously planned road investments, we had a number of concerns.

We found the process to create RIS 1 was **rushed** and **the portfolio was back-loaded** with almost half of the projects starting in the final year of the road period.

Projects within the portfolio were **immature and costs were uncertain**. It was not made clear that projects in RIS 1 **may be subject to change or cancellation**.

Finally, we found RIS 1 was **overprogrammed by £652 million**.

Since then

During 2016 and 2017, the Department and Highways England undertook work to provide a more realistic plan for what projects could be delivered during the RIS 1 period. This, and other changes agreed during the five years of RIS 1, reduced the number of projects that were due to start in RIS 1 from 112 to 73.

8	were paused or stopped due to low value for money.	**27**	were moved to RIS 2.
2	were stopped due to lack of stakeholder support.	**2**	were moved to the RIS 3 pipeline.

In July 2020, the Office of Rail and Road published its annual assessment of Highways England's performance. It found that Highways England had delivered the majority of its commitments and made good progress following the re-baselining. It had exceeded its efficiency target of £1.2 billion and reduced its expected capital funding gap from £1.8 billion at the start of RIS 1 to £18 million by the close.

The second Road Investment Strategy

In March 2020, the Department published its Second Road Investment Strategy (RIS 2) covering the road period 2020–2025. The government allocated £27.4 billion of funding over five years, 80% more than for RIS 1.

RIS 2 includes several large and high-profile projects such as:

- dualling the A66 Trans-Pennine route;
- upgrading the A46 Newark bypass; and
- building the Lower Thames Crossing.

Highways England's delivery plan relies on it making £2.3 billion of additional savings during RIS 2, compared to £1.2 billion of savings in RIS 1.

RIS 1 and RIS 2 by numbers

Funding category (£000)	RIS 1 final outturn	RIS 2 target
Total Capital	**12,160**	**21,284**
of which:		
Enhancements – building new roads	7,060	14,176
Renewals – replacing existing roads	3,494	4,108
Designated funds[1]	652	936
Other capital expenditure – includes maintenance and operations	954	2,064
Total Resource	5,579	6,074
RIS Total	**17,739**	**27,358**
Efficiencies (£000s)[2]	1,448[4]	2,304
Portfolio contingency (£bn)[3]	0	1.6
Number of projects expected to begin construction	69[5]	69

Notes

1 Ring-fenced funds for specific areas of intervention. RIS 2 has four designated funds, including Environment and Wellbeing, and User and Communities.

2 These efficiencies are factored into totals shown above.

3 This contingency is included within total capital funding.

4 The original efficiencies target for RIS 1 was £1.2 billion.

5 Of the 73 projects expected to start in RIS 1, four missed the stated delivery commitment.

6 Numbers may not sum due to rounding.

Our work

Information gathered through our wider audit work suggests that the Department and Highways England **have learned many of the lessons from the first strategy**.

There are fewer projects in RIS 2 (69 compared to 112 originally announced in RIS 1) and the Department has been clearer that these projects remain subject to review. The **process to develop RIS 2 was not rushed** and **the Department engaged more** broadly with stakeholders. The profile of projects within RIS 2 is smoother and **projects are more mature, meaning estimated costs appear more robust**.

What to look out for

- **Project Speed** – Government's plan to accelerate infrastructure spend to boost the economy following the COVID-19 pandemic. This may impact some road projects.
- **Contingency within RIS 2** – RIS 2 includes £1.6 billion of contingency should projects exceed estimated costs. However, this may not be sufficient.
- **Smart Motorways Programme** – In March 2020 the Department published a 'stocktake' following concerns over smart motorway safety. Highways England plans to make improvements, such as speeding up deployment of the 'stopped vehicle detection' technology.
- **Major road projects** – The A303 and the Lower Thames Crossing (see page 22) are large projects which may impact the rest of the portfolio should costs increase.

Part Four

Buses

In 2019, buses accounted for 56% of public transport journeys in England outside London. Bus use is particularly common among those aged 17 to 20 and over 70, women and girls, most ethnic minority groups, and people on lower incomes. Reliable, affordable bus services contribute to achieving the policy objectives of two-thirds of government departments, from reducing health inequalities to access to justice.

Since government deregulated the local bus market in 1986, the majority of journeys are on commercial services. Private operators decide bus routes and frequencies, and invest in new vehicles and routes according to commercial considerations. However, public money has always supported bus services.

Our work

Our October 2020 report examined the effectiveness of government's support for buses; and the extent to which enablers are in place for local authorities and operators to realise the long-term, sustained improvement that the Department now intends.[d]

We found:

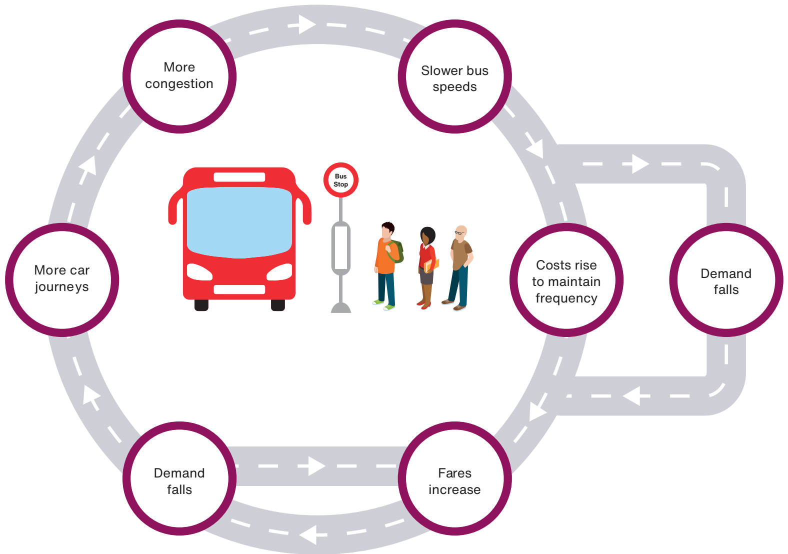
- passenger numbers have **fallen 10% since 2010**, despite government wanting more people to travel by bus; and
- bus companies and local authorities work together but are **caught in a vicious cycle**. Falling passenger numbers, along with more buses being needed because of road congestion, leads to lower profits. Fares go up (an 18% real increase since 2010), so fewer people travel by bus.

Local authorities can fund bus routes to keep them going and create partnerships with bus companies to address the issues that deter people from bus travel. But in the last decade, **72 of 85 local authorities in England outside London cut spending on bus services**.

Our report recommends ways in which the Department's upcoming national bus strategy can support local authorities to make long-term plans with bus companies, helping tackle local obstacles preventing the growth of bus use.

d We did not examine the value for money of the Department's emergency COVID-19 bus interventions.

The vicious cycle of bus decline (in high-frequency service areas)



Source: Comptroller and Auditor General, 2020; *Improving local bus services in England outside London,* Session 2019–21, HC 577, National Audit Office, October 2020

Impact of COVID-19

Between March and October 2020, the COVID-19 pandemic led to lockdowns, home working and government shifting temporarily from its aim of increasing bus use, to advising people not to use buses (except for essential travel).

These factors resulted in significant reductions in bus travel across England (see page 11) and has caused serious financial consequences for operators and local authorities. For example, the Institute for Fiscal Studies estimated increases in transport expenditure and losses in income for local authorities of £62.5 million for 2020-21.

Since national lockdown in March 2020, bus travel in England has recovered more slowly than car travel. In Great Britain, October 2020:

Average bus use outside London was

53%

of pre-pandemic equivalent.

Average car use was

85%

of pre-pandemic equivalent.

Source: National Audit Office analysis of Department for Transport statistics on transport use during the COVID-19 pandemic

In response to the pandemic, the Department announced a number of rapid interventions to provide urgent support to the bus sector to keep services running (see page 13);

- The Department paused or redirected £70 million of the £220 million funding announced for buses in 2020-21 to emergency support.
- In April 2020, the government agreed a rescue package to keep buses in England outside London running during the pandemic for those who needed them, such as key workers. It totalled £197 million, including: £167 million of new funding for a 12-week 'COVID-19 Bus Services Support Grant' paid to operators; and £30 million of reallocated funding to safeguard existing services.
- The Department required operators to 'maintain necessary services' at a level sufficient to meet the reduced demand and allow space between passengers on board.
- The Department announced two further support grant packages encouraging operators to run up to 100% of scheduled commercial mileage. The second package announced in May 2020, totalled £254 million and ran to August 2020. The third announced in August 2020 included: a £218 million funding package running for 12 weeks; and additional rolling funding of £27.3 million per week afterwards until the funding is no longer needed.
- The Department also agreed to continue paying existing Bus Service Operator Grants to operators as normal, even though fuel consumption was reduced.[e]

e The Bus Service Operators Grant is a subsidy paid by the Department to operators. It enables operators to recover part of the duty that they pay for fuel.

What to look out for

- The Department's national bus strategy, now expected in early 2021, and long-term bus funding package.
- The Department's wider decarbonising transport strategy setting out a long-term vision of shifting more journeys to bus and wider public transport (see page 23).
- The effects of COVID-19 on local authority finances and decisions about supporting bus services.

Part Five

Other major projects

The Department and its partners are delivering a challenging portfolio of complex infrastructure projects.

In September 2020, the Department had 24 projects[f] on the Government Major Projects Portfolio (GMPP) with estimated total forecast costs of approximately £167 billion, making it the second largest portfolio behind the Ministry of Defence. Rail projects dominate the portfolio, with High Speed Two being the largest major programme by value across Government.

In 2019-20, the Department, in collaboration with the Infrastructure and Projects Authority, began the Project Delivery Improvement Programme to implement and embed lessons learned from the sponsorship of major programmes to date, and develop new processes and guidance to aid programme delivery.

f This includes the Heathrow Expansion Programme which was paused in March 2020 but remains on the GMPP.

What to look out for

- In June 2020, the Prime Minister announced the first steps in the government's strategy to encourage economic recovery following the COVID-19 crisis. 'Project Speed', a new Infrastructure Delivery Taskforce, was announced which will bring forward proposals to deliver government's public investment projects.
- The implications of COVID-19 on construction and delivery of the Department's major projects is yet to be fully assessed , but is monitored by the DfT Risk Committee as a cross-cutting risk. The Department's Investment Portfolio and Delivery Committee has asked Tier 1 projects to ensure the impact of COVID-19 is closely managed.[g]
- In late 2020, government plans to publish its National Infrastructure Strategy, which will set out the direction for core economic infrastructure including road and rail.

g Tier 1 projects are defined as such by the Department and represent major projects and programmes by cost, complexity, or strategic importance.

Updates on key major projects

Crossrail

Since our 2019 report, Crossrail has faced further cost and schedule increases due to the impact of COVID-19 and further time is needed to complete train and signalling software safety assurance processes.

In August 2020, Crossrail Ltd reported that the programme could cost up to £1.1 billion above the £17.8 billion funding envelope (including additional Network Rail funding), with work ongoing to finalise estimates. Crossrail Ltd now plans to begin operational testing of Elizabeth line services in 2021, to allow passenger services on the central section, Paddington to Abbey Wood, as soon as practically possible in 2022.

Great Western

The final sections of the electrification of the Great Western Main Line are now complete, allowing electric services to operate between Paddington and Cardiff.

Electrification and the December 2019 timetable change delivered improvements to services such as: reduced journey times between Cardiff and Paddington by 14 minutes; 10,000 extra weekday seats from the Thames Valley to Paddington; and increased capability to run more frequent services on the lines.

A14

The £1.5 billion A14 Cambridge to Huntingdon project is one of the biggest road projects in Britain. It was expected to open to traffic in December 2020, but opened eight months early. Work to transform the old A14 for local traffic and the dismantling of the Huntingdon Railway viaduct is expected to complete in 2022.

A303 Amesbury to Berwick Down (Stonehenge)

The Secretary of State approved the Development Consent Order for the A303 Amesbury to Berwick Down scheme, which includes a tunnel around Stonehenge, on 12 November 2020. The Department previously aimed to open this section for traffic in 2026. The second Roads Investment Strategy, published in March 2020, reconfirmed the commitment to the other schemes on the A303/A358 corridor required to create a high quality connection to the South-West.

Lower Thames Crossing

This is a £6.4 billion to £8.2 billion project to construct a tunnel under the Thames between Essex and Kent. The project is the largest in Highways England's portfolio. The preferred route was announced in April 2017 and the application for a development consent order (DCO) was submitted on 23 October 2020. A decision on the DCO is expected in 2022 and, if approved, construction could begin soon after.

Part Six

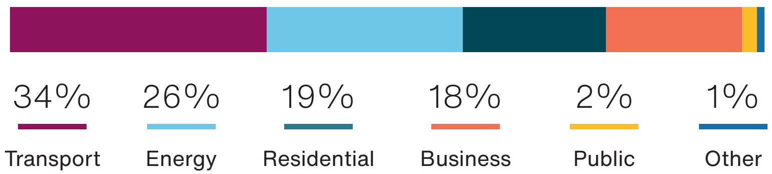
Transport and the environment

In June 2019, the UK became the first major economy to pass a law that requires achieving net zero greenhouse gas emissions by 2050. Transport has a vast role to play in reaching this target.

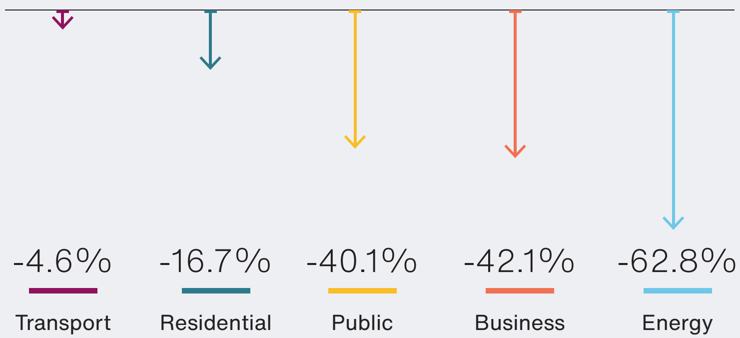
Transport is now the UK's highest greenhouse gas-emitting sector, with surface transport, aviation and shipping accounting for 34% of carbon dioxide (CO_2) emissions in 2019. Between 1990 and 2019, CO_2 emissions from the transport sector reduced by just 4.6%.

As well as contributing to climate change, emissions from fossil fuel powered vehicles contribute to reduced air quality and poorer respiratory health.

Provisional UK CO_2 emissions by sector, 2019



Reduction in UK CO_2 emissions by sector, between 1990 and 2019



Notes

1 The figures above are the UK's provisional 2019 greenhouse gas emissions. Provisional figures are not available for all sectors.

2 Other includes agriculture, industrial processes, waste management and offsetting by land use, land use change and forestry. These are not included in the arrow diagram.

Source: Department for Business, Energy & Industrial Strategy

In 2020, the Department:

- established a Net Zero Transport Board – an independent group of experts responsible for advising the Department on decarbonisation of the UK transport industry;
- announced the end of the sale of new petrol and diesel cars and vans by 2030, and hybrids in 2035, following a consultation; and
- published *Decarbonising Transport: Setting the challenge* as a pre-cursor to its Transport Decarbonisation Plan, due in autumn 2020 but delayed due to COVID-19.

Spotlight on *Decarbonising Transport: Setting the challenge*

It sets out current progress and future challenges for the sector and identifies the six strategic priorities for the Transport Decarbonisation Plan as:

- Accelerating modal shift to public and active transport.
- Decarbonising of road vehicles.
- Decarbonising how we get our goods.
- Place-based solutions.
- UK as a hub for green transport technology and innovation.
- Reducing carbon in a global economy.

Based on current firm and funded policies, the Department projects that transport emissions fall but that the speed of reduction will be much slower than needed for transport to fully play its part in contributing to legal climate obligations. To deliver the reduction in transport emissions needed for interim carbon budgets and net zero, the Department acknowledges it will need to go further than the existing plans.

The Department faces a range of challenges in decarbonisation:

Modal shift and decarbonisation of vehicles	Cars remain the dominant way we travel. In 2019, 76% of households in England owned at least one car, and the mode represented 61% of total trips and 77% of distance travelled. The Department has identified modal shift to public transport and active travel as a key strategic priority for decarbonising transport. It wants to shift behaviour so that people use the public transport network like buses and train, or actively cycle or walk over short distances, rather than rely on private vehicles. It also plans to decarbonise vehicles still on the road. It acknowledges regulatory frameworks, consumer demand, right market conditions, adequate supply and infrastructure as key considerations in this transition.
Transport of goods	Transition to zero-emission heavy goods vehicles is in the early stages, with extensive research, development and trialling still required to find the most suitable fuel alternative. The Department is working with the Energy Saving Trust and LowCVP to deliver their zero-carbon freight aims and has made progress in delivering their Clean Maritime Plan – for example, by providing government grant support to research.
Aviation	In 2019, international and domestic flights accounted for 8% of UK CO_2 emissions. While COVID-19 led to a decline in passengers, they are predicted to return to near-normal by 2023-24. Aviation represents a significant decarbonisation challenge as current battery technology cannot support the size of aircraft and the distances covered. In response, the Department introduced a Jet Zero Council to drive development of new technology.
Local solutions	Emissions production varies across the country so understanding this variation and working with stakeholders at a local level to address emissions reduction will be important.

Impact of COVID-19

Lockdown and travel restrictions led to a fall in use of both public and private transport, with serious financial consequences for operators. As restrictions eased, many people opted to use cars instead of returning to public transport (see page 11) or did not need to travel as they continued to work from home. This presents two key challenges to the Department as: modal shift away from cars underpins a significant part of their decarbonisation plan; and the fall in public transport use poses a threat to the financial viability of public transport networks (see pages 14, 15 and 21).

What to look out for

- The Transport Decarbonisation Plan is set to provide a cross-modal approach to deliver carbon budgets and net zero from the transport sector.

The Department's approach to reducing emissions and environmental damage includes promoting ultra-low emission vehicles (ULEVs), encouraging cycling and walking, and exploring alternative forms of power for buses and trains.

Hydrogen as fuel

In September 2020, trials of the hydrogen-fuelled HydroFLEX train began in the Midlands. The Department plans to implement this technology by 2023, retrofitting hydrogen packs onto existing trains, helping decarbonise passenger and freight rail.

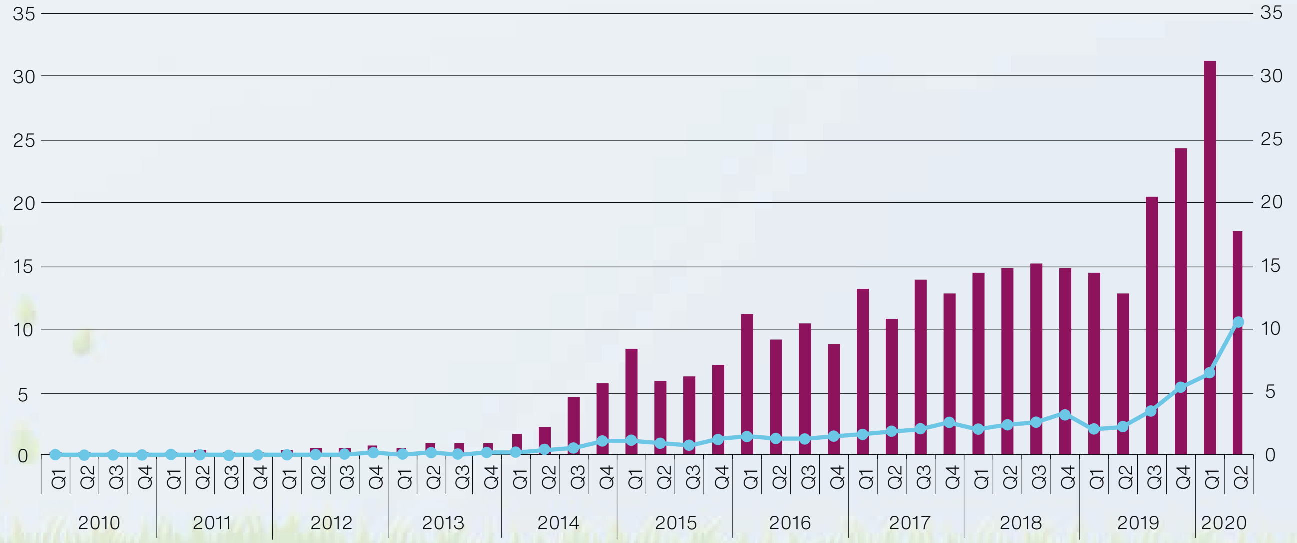
Some local authorities, such as the Liverpool City Region, are working with operators to trial hydrogen buses. Industry experts have advocated for an amendment to the Bus Service Operators Grant to incentivise decarbonisation and use of hydrogen for buses.

Progress on ultra-low emission vehicle (ULEVs)

There are now over 313,000 ULEVs licensed in Great Britain. In 2019, ultra-low emission cars represented 3% of all first-time registered cars. This has since increased to 8% in the first half of 2020, although overall car sales have been impacted by COVID-19. Recent announcements include:

- Rapid Charging Fund as part of a £500 million commitment over the next five years to electric vehicle charging infrastructure. Aiming for 6,000 high powered chargepoints across England's motorways and major A roads by 2035;
- £9.3 million made available by Highways England to local authorities, to support schemes encouraging businesses with diesel vans to switch to electric with a free two-month trial; and
- £532 million announced in the March 2020 budget to continue the plug-in vehicle grants to 2022-23.

Number of first-time registered ultra-low emission cars and proportion of new ultra-low emission car registrations in Great Britain, Q1 2010 to Q2 2020



Source: National Audit Office analysis of Department for Transport vehicle registration data

Active travel

The Department has a specific objective to increase cycling and walking. An efficient and effective local transport system, which includes infrastructure to enable cycling and walking, can support the policy objectives of two-thirds of government departments.

The COVID-19 pandemic led to a dramatic increase in cycling in England, between April and July 2020 compared to pre-lockdown equivalent use.

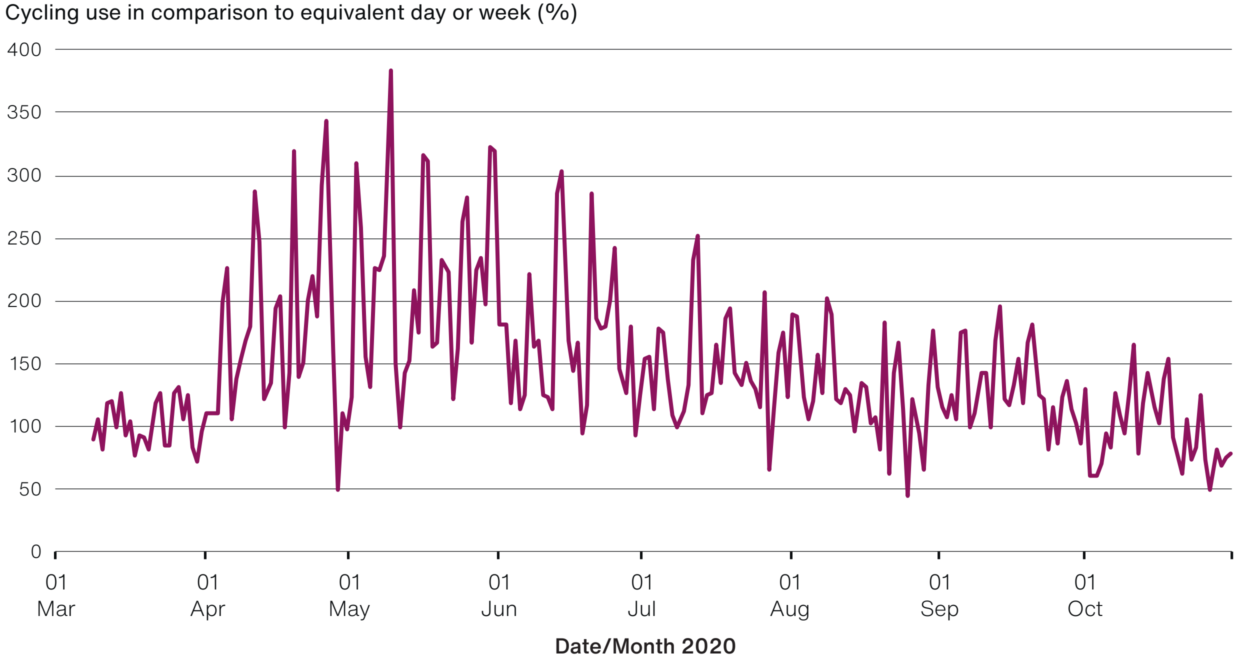
In May 2020, the Department announced a long-term cycling and walking programme, totalling £2 billion of new funding over the next five years, which the government estimated as a six-fold increase in dedicated cycling and walking funding. The Department plans to spend this money on improving the quality of cycling and walking infrastructure and has formed a new inspectorate, Active Travel England, to enforce these standards.

Of the £250 million emergency active travel fund (see page 13), that was announced in May 2020, £217 million has been allocated to local authorities for infrastructure investment. The Secretary of State and others raised concerns that some interventions using the fund, which were made very rapidly, lacked adequate consultation and may have exacerbated congestion in certain areas.

On 13 November 2020, the Secretary of State allocated a further £175 million (part of the £2 billion funding) for councils across England to create safe spaces for cycling and walking, including: non-motorised streets around schools, low-traffic neighbourhoods and segregated cycle lanes. The Department said that this funding has more stringent requirements to ensure proper consultation on all schemes.

In 2020, the Department also published an updated cycling and walking plan (Gear Change: a bold vision for cycling and walking) with further measures to help deliver the government's aims to double cycling and increase walking by 2025.

Cycling use in England compared to pre-lockdown equivalent use, March to October 2020



Notes

1 Comparisons are made to the equivalent day, or in some cases week, in 2019.

2 Data on cycling are available for England only.

3 For full notes and limitations on the data see: www.gov.uk/government/publications/transport-use-during-the-coronavirus-covid-19-pandemic/covid-19-transport-data-methodology-note

Source: National Audit Office analysis of Department for Transport statistics on transport use during COVID-19 pandemic