Overview
Our comments on the 2011 Draft Budget focus on transport issues. At a time of public spending retrenchment, priority in transport spending should be given to developments that support Scottish Government policies of encouraging economic growth and healthier living while addressing climate change. The transport elements of the budget should be judged against their ability to deliver five main objectives:

- progress towards delivery of the rail schemes in the Scottish Initial Industry Plan
- increased usage of local bus services
- progress towards a low carbon economy
- encouragement of increased walking and cycling
- modal shift from car to public transport, and from road freight to rail and water

Our general comments on the draft budget are:

- We welcome the shift of £850 million from revenue to capital spend over four years as a contribution towards stimulating economic growth and improving long-term infrastructure

- We welcome the commitment to major rail schemes including the Edinburgh Glasgow Improvement Programme (EGIP) and Borders Rail Link. However, funding for the essential Inverness-Aberdeen and Inverness-Perth rail capacity and speed upgrades has not been allocated in the 4-year programme, despite previous announcements of these projects

- We question the continuing support for trunk road schemes. This will encourage growth in car commuting and undermine the Scottish Government’s own CO2 emissions targets. We would prefer to see faster progress towards investing in efficient, sustainable urban transport systems, which should be an essential priority for the Scottish Government’s Cities initiative. Future funding for bus priority measures, suburban rail electrification and rolling stock, and Park+Ride should be increased, balanced by reduced road capital spend.

- Capital allocation for ferries and piers, at £24 million over 4 years, is inadequate to fund essential replacement of life-expired ferries and harbours

- Cutting funding for active travel goes against climate change and better health policies

- Cutting the Freight Facilities Grant to £1.1 million per year will effectively halt progress in transferring freight from road to rail, affecting CO2 emissions and road maintenance costs

- Reducing the Bus Service Operator Grant (BSOG) will lead to further cutbacks in local bus services in rural and deprived urban areas. The bus framework needs to be reviewed.

Specific comments on overall funding, and road, rail and bus issues follow.
1 Capital and Revenue Spend

Overall Capital Spend  The Draft Budget and Review seems to indicate that direct capital spend by the Scottish Government may be slightly lower in real terms by 2015 aided by a £750m transfer from recurrent spending to capital expenditure. Information on this issues requires clearer presentation but the gist of Scottish Government Strategy is to raise total capital spend, with related gains for jobs and economic efficiency, by supporting increased contributions from other capital sources e.g. non profit distribution (NPD) procurement, use of the Network Rail Asset Base (RAB), Tax Increment Financing (TIF) and increased borrowing by local authorities and other public bodies already having borrowing powers. These methods are proposed pending agreement on Scottish Government borrowing powers.

The realistic amount of such spend from other sources requires clarification as also does the structure of spend in relation to the strategic objectives of the Scottish Government.

How will capital be paid for?  Recurrent costs arising from the NPD model and, for rail, borrowing against Network Rail’s RAB, will continue to rise to, and beyond 2015. This implies additional pressures on the already restricted resources available for recurrent spending on the whole range of services provided by the Scottish Government, local authorities and other public bodies. The extent of these future commitments should be clarified.

The draft recognises that such approaches to capital financing require higher borrowing and repayment costs than would be the case under normal state borrowing. It anticipates that, as soon as possible, such problems can be eased through the ability of the Scottish Government to gain borrowing powers giving cheaper access to finance. Nevertheless there is a significant risk that, in the current European and world situation, the costs of such borrowing could rise.

2 Transport Trends

An important issue, omitted in the draft budget, is the extent to which movement in Scotland has already decoupled from economic growth yet with significant structural shifts within movement. Evidence from the developed world (including Scottish data) shows that growth in movement by car has ceased or fallen well below rates of economic growth – with car use in recession also falling faster than other surface modes.  In sharp contrast, rail passenger movement in Scotland and the UK has shown high growth in the past decade taking rail passenger usage beyond its previous absolute peak. Rail use is continuing to rise despite recession. Increasing road fuel costs and consumer attitudes are expected to intensify this trend though with buses and coaches also having potential for growth. While the Draft Budget refers to Scottish Household Survey (SHS) evidence of increased public satisfaction and usage of public transport, this should be adjusted to highlight the recent stabilisation and reduction in car use and the large rise (from 15% in 2002 to 25% in 2010) in the percentage of people in SHS samples who now use rail at least once a month. The equivalent rise for bus users from 42% to 44% was much lower. Rail has also achieved a marked rise in modal share compared to air and car on Anglo-Scottish corridors. Budgets need to take account of these changes.

A second issue is the new emphasis being placed on city regions and regeneration.  This requires an integrated strategy and increased funding for sustainable transport and land use within cities as well as improved rail services to other regions (including those in England) and enhanced links to airports which will continue to provide the main overseas passenger links.

A third issue meriting more attention in the final budget is the growing role for public transport in tourism and leisure travel.  Tourism is Scotland’s highest earning industry, with a VisitScotland target to increase tourism income from £4 billion to £6 billion by 2014. Greater focus is needed on developing multi-modal tickets to simplify the use of urban transport for visitors. Scotland’s world-class scenic rural railways and ferry services also need to be developed to achieve their great potential to increase green tourism in Scotland.
3 Motorways and Trunk Roads

TABLE 13.06 shows that PFI costs will rise from £59m in 2011-12 to £85m in 2014-15, though it is unclear if this relates to M80 completion, or recurrent annual payments under PFI, NPD or direct borrowing schemes.

Forth crossing costs are shown to rise to £359m in 2014-15 with all other road improvements throughout Scotland cut from £24m to £14m. It is clear that the Forth crossing is having a drastic impact on transport funding in the rest of Scotland, as previously forecast by our Association. This could have been avoided if bridge toll income had been retained. A locally popular decision to scrap tolls has adversely affected the rest of the country. To avoid future similar situations, a review should be undertaken at national level of possible new approaches to charging for roads and parking.

4 Rail

Table 13.08 shows a fall in Scottish Government capital spending for rail from £359m in 2011-12 to £296m in 2014-15. This suggests a slowdown in rail infrastructure EGIP investment to help fund the Forth road crossing. However, some rail infrastructure capital spend, funded through RAB borrowing by Network Rail, may appear as annual resource costs through the ScotRail franchise which increase from £300m to £531 over the same period. Rail data requires clearer presentation, including adjustments to reflect the decision to finance Borders Rail construction via RAB rather than NPD.

We recommend:

- Specific funding for studies of Anglo-Scottish High Speed Rail
- Phasing of EGIP to allow funding for Aberdeen-Inverness and Perth-Inverness rail upgrades to be brought forward
- Review of the Borders Rail Link design to ensure it can be implemented on time and on budget
- Increased Freight Facilities Grant funds to at least £3m to reduce HGV traffic and pollution
- Greater priority for developing a sustainable Cities transport programme including modernisation of the Glasgow Subway, Metro frequency on suburban rail routes (including electrification of remaining diesel services), and review of extending the Edinburgh tram system to Leith and south-east Edinburgh once the first phase is operational, with a balancing postponement of new trunk road schemes
- Joint fund with Tourism elements in the budget to encourage innovations in sustainable leisure and tourism travel

Increased efficiency being achieved by Network Rail, and reductions in rail operating costs expected from the McNulty Report, will be essential to allow the rail network to be upgraded, train services to be improved, and fares to be stabilised within the budgetary constraints.
5 Bus Funding, Fares, and the National Concessionary Bus Travel Scheme

Table 13.04 shows Government funding for National Concessionary Travel (NCT) and Bus Service Operator Grant (BSOG) is capped at £248 million per year to 2014. This is a substantial part of the public transport revenue budget and over 10% of total transport spend.

SAPT believes that the current scheme does not give good value against policy objectives:

- Over 60s in paid employment can commute free during peak hours
- Bus operators can increase their share of NCT payments by increasing fares, which disadvantages paying passengers, potentially worsening the decline in usage of local buses
- Free coach travel distorts competition against rail and undermines viability of rural lines

The Scottish Parliament Audit Committee report (2011) was given evidence that the uncapped cost of NCT could reach up to £537 million per year by 2025 due to increasing bus costs and rising life expectancy. On this basis, the current scheme is unsustainable in the longer term.

Local Bus Travel is declining steeply. Scottish Transport Statistics show a 5.3% drop in passenger journeys between 2009 and 2010. Withdrawal of some rural and evening journeys will accelerate this trend and leave areas of the country without any public transport. Un-targeted payments to the bus industry for NCT and Bus Service Operator Grant (BSOG) are failing to arrest this decline. The finalised budget should reflect the recommendations by the Competition Commission that the Scottish Government should give urgent consideration to measures delivering better outcomes for bus users.

Coach travel, e.g. Citylink Gold, is receiving significant levels of taxpayer money through the Concessionary Fares scheme to fund passenger journeys on the highly profitable operations. Citylink pre-tax profits rose from £4.4 m to £6.3 million in 2010, with a £7 million dividend to its owners which include Stagecoach (35% share) and the Singapore group ComfortDelGro. The new “Citylink Gold” operation carried 130,000 in its first year, with 31% of these passengers abstracted from ScotRail services, which are also supported by the taxpayer.

Our Association welcomes improvements to public transport, but we question whether it is good use of taxpayers’ money to contribute funding to direct competition between operators, particularly when offering free coach travel could hardly be considered to be a competitive “level playing field” for long distance travel. This is a “double whammy” where the NCT scheme pays Citylink, while the cost of the next ScotRail franchise to the taxpayer will increase due to lower future rail revenue forecasts caused by abstraction from rail services by the free coach travel scheme. Some rural lines could be threatened.

We recommend that the free concessionary bus scheme in Scotland should be reviewed, as has already been done in England. At a time of long-term financial stringency, public spending should be more closely targeted to achieve social, environmental and economic benefits. Four changes to the NCT scheme would reduce costs to the taxpayer, stabilise future costs, and allow funds to be targeted at encouraging growth in local public transport:

1. Align eligibility for Concessionary travel with the state retirement age (or for the disabled)
2. Provide free or low flat fare concessionary travel for all local journeys (including bus, tram, train and DRT) at any time (but with weekday peak restrictions into cities before 09.00)
3. Withdraw concessionary travel for longer distance coach journeys. Coach and rail operators could continue to offer discounted fares on longer journeys, similar to the “Club 55” ScotRail scheme, on a fair commercial basis
4. Transfer Scottish Government funding for BSOG, plus funds saved by amending the NCT, to Regional Transport Partnerships. This transferred funding would be ring-fenced to support a strategic network of co-ordinated rail and bus services offering better overall service levels with more bus priority lanes, integrated fares, and expanded park+ride.