Department for Transport

Annual Report and Resource Accounts 2008-09

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Department for Transport

Annual Report and Resource Accounts 2008-09
(For the year ended 31 March 2009)

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This is part of a series of departmental reports which, along with the Main Estimates 2009-10, the document Public Expenditure: Statistical Analyses 2009, the Supply Estimates 2009-10: Supplementary Budgetary Information, present the Government's outturn and planned expenditure for 2009-10 and 2010-11

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Contents and structure

Note on Departmental financial reporting

For the first time the Department is combining its Annual Report and Resource Accounts. The reader should be aware that the financial information in this publication is shown from two different perspectives and figures may, therefore, differ between Parts One and Two. For detailed information, see page 394.

Part 1: Annual Report

Part 2: Resource Accounts

Part 3:

Foreword by the Secretary of State

This Government is committed to delivering a transport network in the UK that works for everyone because it is reliable and accessible, effective and efficient, safe and sustainable. In 2008-09, we made significant progress in achieving this vision.

Transport is the lifeblood of the UK economy. Over 1.9 million people work in transport and related industries,[1] so this sector plays a vital role in helping to create and sustain employment. Moreover, by keeping goods, raw materials and commuters moving, this country's transport networks are crucial to supporting industry, ensuring our national competitiveness and generating growth.

As well as helping to build a stronger economy, transport is also an essential means of creating a fairer society. If access to transport is limited, or the level of services provided is poor, social barriers can arise – barriers that can prevent certain individuals and groups from taking part in key social activities and accessing essential public services. As such, the transport policies we advance, and the solutions we devise, are also designed to encourage social inclusion and promote equality of opportunity.

The Government also recognises that transport has an impact on the environment we all share. Consequently, as well as being passenger-centred and aligned with our national economic goals, our strategy is also consistent with our broader environmental commitments.

In order to meet our strategic objectives the Department's core work is focused around areas such as shaping demand and enhancing capacity; planning and managing investment programmes for the long term; improving the operation of transport networks and services; and addressing the environmental impacts of transport through a range of measures including regulation, technology and promoting the efficient use of resources.

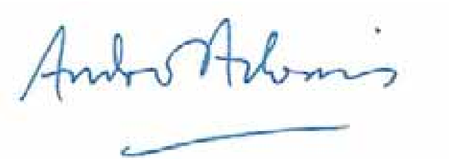
1 DfT Transport Statistics GB 2008 – p28 Table 1.17

This programme of work is underpinned by sustained and ongoing investment. And, as this report shows, that programme is delivering measurable improvements in areas ranging from modernising transport infrastructure to tackling congestion on our roads.

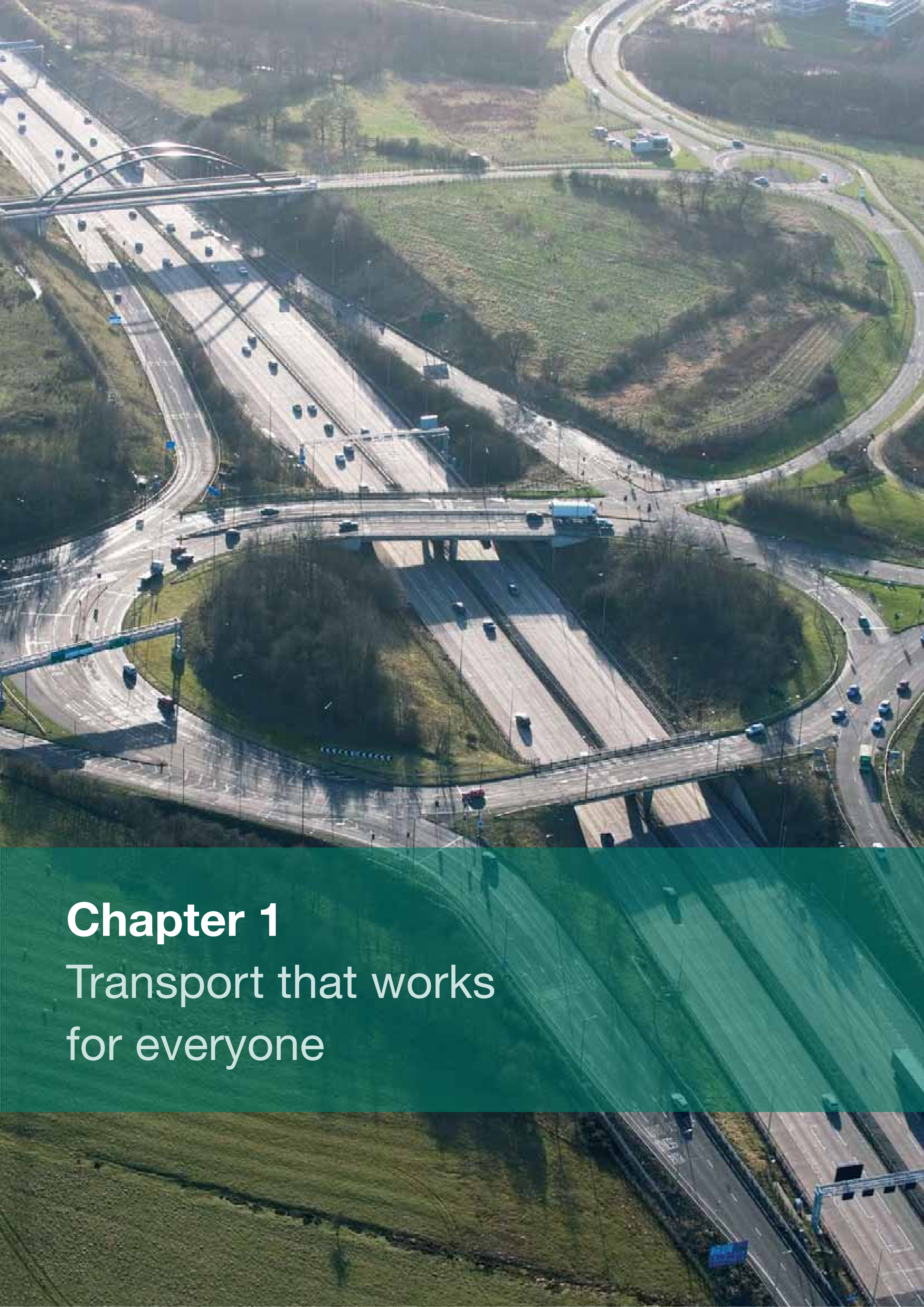
As well as investing to improve the transport system in the here and now, the Government is firmly focused on the need to invest in the future. We have, therefore, successfully completed the country's first high speed rail line – High Speed One – and have set up High Speed Two, a company that is developing proposals for a new North-South high speed rail link.

The work and the achievements outlined in this Annual Report are the product of an enabling policy framework and significant investment, as well as a constructive engagement with passengers, transport users, the transport industry and other stakeholders.

They are also a practical demonstration of the significant advances made in building a transport system that delivers for passengers, supports our economy, strengthens our society and safeguards our environment. Over the course of the coming year we will work to ensure that the progress we have made is maintained and built upon.



Rt Hon Andrew Adonis
Secretary of State for Transport



Chapter 1
Transport that works for everyone

Chapter 1

Transport that works for everyone

1.1 Transport touches all our lives. Our quality of life and our aspirations for the future depend in part on the benefits which transport brings to us, collectively and as individuals. Transport helps create national economic wealth, allowing us to fund our wider goals as a society. It creates jobs. It brings us an increasingly wide range of goods and services. And it enables us to travel to work, to school, to hospital and for recreation.

1.2 But we need to recognise that we pay a price for these benefits, ranging from noise affecting nearby communities to greenhouse gas emissions which threaten us all through climate change.

1.3 So when we say our aim is 'Transport that works for everyone', we mean that we want to promote the benefits of transport and make them available to all, and, at the same time, limit the negative impacts.

Role of the Department

1.4 Our transport system is incredibly complex – 24 million commuters and five million tonnes of freight are carried on our transport network every day. Transport is provided by a wide variety of public and private transport operators and, of course, huge numbers of private citizens travel independently, using various modes of transport. All these journeys depend on an appropriate infrastructure – again provided and funded by many different public and private organisations. Most journeys also depend on government and other public or private organisations to provide supporting framework or services. For example, the local bus company relies on local authorities to provide traffic management, including bus lanes; airlines and their passengers rely on efficient airports and on the air traffic services provided by NATS.

1.5 The Department for Transport is directly responsible for only a small part of this system. Its activities, however, play a critical part in its day-to-day operation. It produces overall coherence and adapts the system to meet emerging pressures. It shapes its development to ensure that it can meet the bigger challenges and uncertainties of the longer term. This means working in three different (but overlapping) timeframes, often with different types of challenge.

Day to day: 24/7 delivery and improving services

1.6 Throughout the year the Department and its Agencies have been working:

- to keep the transport system moving – for example through its traffic officers on motorways;
- to make it safer – for example through testing vehicles and drivers; and
- to provide other key services to transport providers, users and the general public – for example through HM Coastguard and accident investigation branches.

1.7 The Department has also launched a number of policy initiatives which will bring immediate benefits. Here are a few headlines:

- **Coping with the worst snow for 20 years**
  During the first week in February, the Highways Agency used around 75,000 tonnes of salt to keep open the strategic road network in England, compared to about 10,000 tonnes used in an average winter week. The Agency also helped the Local Government Association to deliver salt to hard-pressed local authorities.
- **Improving truck safety on international journeys**
  An extra £24 million will allow VOSA to clamp down on unsafe heavy goods vehicles on international journeys by opening two new enforcement sites and making a 50 per cent increase in the number of checks.
- **Better journeys for disabled air travellers**
  New measures came into force giving up to 15 million disabled people and those with limited mobility new rights when travelling through European airports.
- **Road safety campaigns**
  The Department has launched two major new THINK! campaigns. The first highlights the life-wrecking consequences of speeding for drivers as well as for the victims. The second, *Tales of the Road*, is aimed at six- to 11-year olds, spelling out the dangers of not crossing the road safely and highlighting the need to stop, look and listen every time.

- **Extending concessionary travel**
  Older and eligible disabled people can now travel throughout England on off-peak local buses. This has increased social mobility and boosted bus patronage.

Medium term: tackling the problems of the next decade

1.8 Our medium-term objectives are to develop both our policies and the transport infrastructure and to meet specific challenges we already know we will face over the next decade or so. This includes funding, directly or indirectly, some (but not all) major enhancements to our networks.

- **106 new Pendolino trains for the West Coast Main Line**
  The Government reached agreement with Alstom to begin the production process for new high-speed tilting Pendolino trains and carriages, providing over 7,200 additional seats on this busy rail route by December 2012.

- **Crossrail go ahead**
  The Crossrail Bill received Royal Assent enabling work to start in May 2009. The line will run from Maidenhead and Heathrow in the west, under central London and out to Shenfield and Abbey Wood in the east. When it is operational in 2017, it will be the biggest addition to the transport network in London and the South East for more than 50 years.

- **Tackling road congestion**
  The command paper, *Roads – Delivering Choice and Reliability*, was published, setting out how we will get the best out of the road network, tackling congestion in cities and on strategic roads and using an innovative mix of solutions. During the year, the 10 largest urban areas in England were awarded nearly £18 million from the Urban Congestion Performance Fund to address the causes of congestion. We awarded further funding to Cambridgeshire and Reading and new funding for Leeds to support the development of Transport Innovation Fund proposals.

- **Manchester Metrolink extensions**
  The Government pledged £244 million towards the £382 million cost of extensions to the Metrolink tram which carries 20 million passengers a year. By 2012 this will allow people to use the Metrolink to travel as far as Oldham, Rochdale and Chorlton, with faster and more frequent services. It is expected that an extra 10 million passengers a year will use this service.

- **Improving access at hundreds of stations**
  A total of 523 stations across England and Wales will be upgraded thanks to £37 million funding, including £6.1 million from the Department's Access for All fund. This will help pay for ramps, lifts, disabled access toilets and parking, as well as better customer information screens and public announcement systems.

Long term: building for the future

1.9 We can be sure that the transport system of 2050 will, in many respects, be radically different from that of today, as a result of continued rapid change in technology, society and, not least, the huge challenge of tackling climate change. A key role for the Department is setting the long-term strategy and the framework for delivery, within which both its own investments and those of the private sector (for example in airports and ports) can be planned and realised. During the year we have continued to develop our long-term strategy and to lay the groundwork for new capacity, the new technology and new policies needed to deliver it.

- **Strategy for a sustainable future**
  Delivering a Sustainable Transport System, published in November 2008, set out our progress and approach towards our strategic objective of building a fully sustainable transport system which supports continued economic growth but produces much less carbon.

- **Long-term transport capacity**
  In January 2009 the Secretary of State outlined radical new plans to support the economy and secure jobs in the long term. He confirmed support for a third runway and associated passenger terminal facilities at London Heathrow airport; £6 billion to increase capacity on the UK's busiest roads; a new company, High Speed Two, to investigate new high-speed rail services between London and Scotland; and work looking at the electrification of the Great Western Line and Midland Mainline.

- **Biggest investment in trains for a generation**
  Agility Trains was selected as the preferred bidder for a £7.5 billion contract to build and maintain a fleet of new super express trains for the Great Western and East Coast main lines. These will replace existing high-speed trains which are 20-30 years old. Agility will build a new train-manufacturing plant in the UK and depots throughout Great Britain, creating or safeguarding 12,500 manufacturing jobs.

- **Green light for cleaner, greener fuels**
  The Renewable Transport Fuel Obligation came into force, requiring 2.5 per cent of all road fuels sold to come from biofuels, rising to 5 per cent by 2010. The change is expected to save 2.5 Mt CO_2 by 2010. The UK has gone further than any other country to give fuel suppliers a real incentive to produce sustainable biofuels that do not harm the environment.

- **Investing in green technology**
  Road transport is the major source of domestic transport carbon emissions. That is why we have announced the provision of £250 million to support the development and trialling of ultra-low emission and electric drive vehicles.

- **Cycling demonstration towns**
  Eleven further towns and smaller cities and the first large city (Bristol) were announced as new cycling demonstration towns, adding to the seven

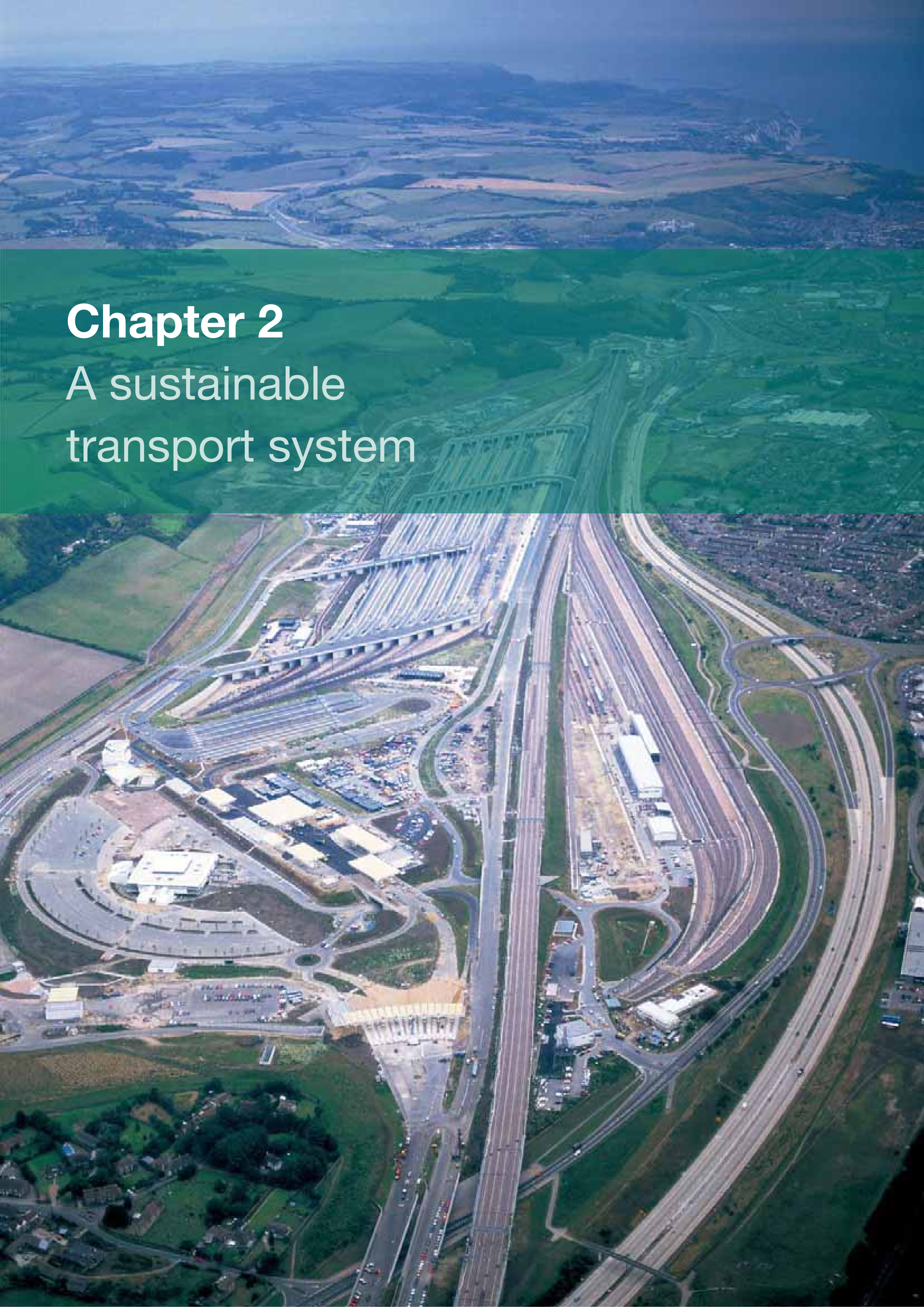
already underway. Between the Department and the 18 local authorities, over £100 million will be invested by 2011 to showcase best practice in cycle provision and promotion.

- **Sustainable Travel Town demonstration projects**
  The demonstration projects in Darlington, Peterborough and Worcester ended with encouraging initial results, showing reductions in car use and increases in public transport use, walking and cycling.

1.10 These timeframes overlap and we need to keep them all in mind all the time. For example, smarter driving techniques not only help drivers save fuel and money, they can also contribute to meeting our long-term carbon reduction targets. For this reason, we have made advice on fuel-efficient and eco-safe driving part of the practical driving test.

1.11 To ensure consistency and coherence between these timeframes, all our plans and decisions are guided by five transport goals which underpin and embody our aim of ‘Transport that works for everyone’. Taken together, these goals (which this year we have also established as our formal Departmental Strategic Objectives) add up to a transport system which is truly sustainable (see Chapter 2).

Chapter 2
A sustainable
transport system



Chapter 2

A sustainable transport system

Developing transport strategy

2.1 Following the Eddington and Stern reports we committed ourselves to building a truly sustainable transport system which would continue to support economic growth in a low-carbon world. We set out our initial approach in 2007 in *Towards a Sustainable Transport System.* In November 2008 we published *Delivering a Sustainable Transport System* (DaSTS) which explains how we have developed this into a framework for delivery. We are putting this strategy into action in a way that both tackles our immediate problems and shapes our transport system to meet the longer-term challenges. We said that our biggest transport challenge is supporting continued economic growth while at the same time reducing carbon emissions. That challenge of being prosperous **and** green is at the heart of the Department's work.

Departmental Strategic Objectives

2.2 Our strategic framework is reflected in the five clear goals which form our Departmental Strategic Objectives (DSOs):

- **DSO 1**: to **support** national **economic** competitiveness and **growth**, by delivering reliable and efficient transport networks;
- **DSO 2**: to **reduce** transport's **emissions of carbon** dioxide and other greenhouse gases, with the desired outcome of tackling climate change;
- **DSO 3**: to **contribute to better safety, security, and health** and longer life-expectancy by reducing the risk of death, injury or illness arising from transport and by promoting travel modes that are beneficial to health;
- **DSO 4**: to **promote** greater **equality of opportunity** for all citizens, with the desired outcome of achieving a fairer society; and

- **DSO 5**: to **improve quality of life** for transport users and non-transport users, and to promote a **healthy natural environment**.

DSO 1: supporting economic growth

2.3 We want to support economic growth because a successful economy is crucial to sustaining and improving much of our lifestyle. This has been emphasised in recent months by the impact of the recession and, as noted in Chapter 1, we announced in December 2008 a package of transport investments as part of the Government's fiscal stimulus, for example the dualling of the A46 between Newark and Widmerpool.

2.4 More generally, growth depends on reliable and efficient transport networks. Following the Eddington report, our priority here is to deal with problems of congestion and unreliability at particular places and particular times. Cities and other agglomerations have a particularly important role as drivers of economic growth. We have identified 14 national corridors which connect our 10 biggest conurbations with each other, with the 10 ports and seven airports which form the major international gateways, through which goods and people enter and leave the country.

DSO 2: reducing carbon

2.5 We have to reshape our transport systems to generate growth while at the same time radically reducing carbon emissions. In order to prevent dangerous climate change, the Government has set challenging targets which lead the world for cutting greenhouse gas emissions by 2020 and 2050. This requires us to deliver equally radical reductions in CO_2 from transport, as this makes up almost a quarter of the total UK domestic emissions.

2.6 We believe that we will make the biggest impact by focusing on policies which produce greener forms of transport, rather than preventing people from travelling. We are already making substantial progress through lower-emission standards for new cars, through the EU Emissions Trading System (which from 2012 will include international aviation), and through new technologies such as electric vehicles (where we have invested £250 million in new technology) and renewable biofuels. But reliance on technology alone will not be sufficient to deliver our targets and encouraging behavioural change and planning cities to bring housing, jobs and services closer together will also contribute towards our targets. This year, once the Government has set initial carbon budgets under the Climate Change Act 2008, we will take that a stage further by publishing our transport *Carbon Reduction Strategy*.

DSO 3: better safety, security and health

2.7 Transport policy can make an important contribution to better safety, security and health, and longer life expectancy, not only by reducing the risk of death, injury or illness arising from transport, but also by promoting travel modes that are beneficial to health. Safe and secure transport is obviously important in its own right but it also brings important economic benefits. Road deaths and injuries alone are estimated to cost some £19 billion a year. Transport can also contribute to wider health objectives, for example tackling obesity by encouraging cycling and walking. We need to maintain and improve on our strong record in this area.

DSO 4: promoting equality of opportunity

2.8 Our aim is 'Transport that works for everyone', so we want to promote greater equality of opportunity by ensuring that the transport system advances economic growth in all regions and that it provides everyone with access to goods, services, jobs and leisure opportunities. This also means that transport must be available, accessible, acceptable and affordable to those who wish to use it. For example, in February 2009 we allocated £6.1 million from our Access for All Fund to improve access and safety at railway stations around the country.

DSO 5: improving the quality of life

2.9 Progress on all our goals will tend to improve quality of life but this goal highlights the need to maximise the benefits from all our transport plans and minimise any adverse side effects. In particular, we must do so in ways which contribute to a healthy natural environment. All our schemes include plans for managing and mitigating environmental impact. For example, we announced plans in January for the addition of capacity at Heathrow which included important operating constraints in relation to both noise and pollution. We have also been running Sustainable Travel Town demonstration projects in Darlington, Peterborough and Worcester. More generally, we continue to tackle exposure to transport noise, both through the use of quieter surfaces in road construction and resurfacing and through a programme to address specific, identified problems. In 2009 we will be taking this further, working with Defra to develop a UK Major Roads Noise Action Plan.

Fitting the goals together

2.10 These goals are not alternatives. Overall, we will be successful only if we deliver against all five. (See Appendix D for details of reporting against DSO indicators and Public Service Agreement targets.)

2.11 Of course, they can point in different directions when we consider individual transport decisions in isolation. Equally, it is inevitable that some policies which offer clear national or regional benefits may have an unwelcome impact at local level. We will always seek to limit and mitigate the negative aspects of individual decisions as far as possible. More fundamentally, however, our objective is that, taken together, our decisions will produce the outcomes we wish to see across all the goals. This was reflected, for example, in the package of measures announced in January 2009 about extra capacity at Heathrow (subject to strict environmental constraints), carefully targeted investment in our strategic road and rail networks and £250 million for developing electric vehicles to help achieve our carbon reduction targets.

2.12 Nor do we have a fixed order of priority for the goals. Their relative importance will vary considerably according to circumstances and whether, for example, we are considering strategic choices about national networks or the design of a specific road scheme. In particular, we reject the idea that we have to choose between growth and the environment. On the contrary, we are clear that our biggest strategic challenge is to achieve more growth with much less carbon. We cannot afford to fail on either. Growth is essential not only to fund the goods, services and social systems which we value but also to find the investment needed to transform our economy into a green economy. The consequences of failing to tackle climate change would be catastrophic for future generations.

2.13 This chapter has focused on the Department's strategic role. We do not have a detailed blueprint for the transport system of 2030 or 2050 and it would be foolish to attempt to plan that far ahead with great precision, faced with the current rate of change in society and technology. We have, however, set out a clear national policy and an approach to the strategic national infrastructure to guide transport planning, decision making and investment for the longer term. Bearing in mind that government owns and operates comparatively little of the transport infrastructure, this is also essential to help local government, the transport industry and the business sector generally to develop their plans for the future. The decisions that transport users make will also have a major impact on whether we can achieve our goals. We are acting now to invest in ways which best prepare us to respond flexibly to challenges as they emerge, guided by our five goals.

Chapter 3
City and regional networks

Chapter 3

City and regional networks

Summary

In transport terms, the vast majority of all journeys are local: 40 per cent less than two miles, 68 per cent less than five miles. There are more than twice as many journeys by bus (4.5 billion per year) than on the national rail and underground networks combined. These journeys get us to the shops, our work, our schools, our hospitals and other services. Most road congestion is also in urban areas. The sheer number of shorter journeys makes those undertaken by vehicles an important source of carbon emissions.

The Department's aim is 'Transport that works for everyone', throughout England – including London and other key urban areas. With this in mind, the Department will develop and deliver the Government's strategy and policies for improving these local journeys, whilst allowing for regional and local priorities. This includes action to:

- support economic competitiveness and growth, in particular through reducing local congestion;
- promote low-carbon ways of travelling, such as walking, cycling and public transport;
- reduce road deaths and injuries in urban and rural areas;
- provide reliable, affordable and accessible transport for all, including disadvantaged and socially excluded people; and
- promote a healthy natural environment for all by reducing the negative impacts of transport in cities.

During the past year the Department:

- approved 18 local authority major schemes with a total spend of nearly £400 million, the highest level in the last ten years;
- saw all 10 of the urban congestion Public Service Agreement areas exceed their forecast trajectories for person journey time, putting them on course to meet their targets in 2010-11;
- consulted on designation of the Olympic Route Network;
- developed, with TfL and LUL, recommendations on restructuring Metronet contracts and a package of further funding for Transport for London;
- launched demonstration projects to improve understanding of how, in the long-term future, charging for roads on the basis of time, distance and place could be made to work;
- reformed the framework for the way bus services are run and transport is organised in our big cities through the Local Transport Act;
- reformed bus subsidy to introduce incentives for low-carbon buses, better fuel efficiency, and smartcard and GPS systems;
- developed a strategy for improving Blue Badge administration and reducing fraud, following extensive consultation; and
- received Royal Assent to allow the financial restructuring of parts of the London and Continental Railways businesses as preparation for their future sale.

Looking ahead, the Department will:

- sustain a higher level of local authority major projects spend in 2009-10;
- implement a strategy for sustainable travel to reduce congestion and carbon emissions, and improve air quality, delivering through local authority partners and working proactively with business;
- minimise risk and promote delivery of objectives in relation to the Tube, including negotiations on both ex-Metronet and Tubelines contracts;
- play a full part in ensuring delivery of Olympic infrastructure, including the designation of the Olympic Road Network, procurement of the Javelin service and other temporary rail service enhancements, and the reduction and mitigation of risks;
- complete implementation of key Local Transport Act regulations and guidance, including establishing Passenger Focus as the new statutory bus passenger champion;

- take forward reform of Blue Badge and concessionary fare administration to improve efficiency;
- reform the Local Transport Plan system, improving the way transport is planned and delivered, alongside other services, in our largest cities; consult on and complete a new multi-modal ticketing strategy;
- complete the financial restructuring of London and Continental Railways (LCR); and
- prepare High Speed One for sale and merge Eurostar (UK) Ltd with its continental partners into a single new incorporated Eurostar company.

3.1 This chapter covers the Department's main functions in relation to local transport:

- funding transport provision at the regional and local level;
- delivering choice and reliability on our roads;
- improving local journeys for all; and
- improving transport governance.

Funding transport provision

London

3.2 Transport for London (TfL) is responsible for implementing the Mayor of London's transport strategy. It manages the buses, the Underground, London Overground, the Docklands Light Railway, Croydon Tramlink, a 580-kilometre network of main roads and all of London's 6,000 traffic lights. It also takes a strategic lead in traffic management across all of London's roads. TfL runs London river services, Victoria coach station, the dial-a-ride service for those who need door-to-door transport, and regulates taxis and the private hire trade.

3.3 TfL has an annual budget of approximately £6 billion, about half of which comes from central government grants. The remainder is funded by fare revenue, congestion charge income, borrowing and other smaller sources (for example advertising). Government transport grants to London have risen significantly over recent years and totalled over £3 billion in 2008-09.

3.4 In October 2007 agreement was reached with the Mayor to extend the longer-term funding deal from 2009-10 to 2017-18. The extended provisions, together with some medium-term adjustments in relation to Metronet, are shown below.

3

Figure 3a: London funding 2008-09 to 2017-18 (£m)

£m (cash)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
GLA transport grant	2,467	2,555	2,872	3,004	3,150	3,304	3,465	3,562	3,662	3,763
Overground grant[1]	41	42	42	43	44	45	46	47	49	50
Capital grant for PFI	100	100								
Future borrowing for Metronet[2]	315	157.5	157.5							
Capital grant Metronet	116	49	235							
Total	**3,039**	**2,904**	**3,307**	**3,047**	**3,194**	**3,349**	**3,511**	**3,609**	**3,711**	**3,813**

Notes:

1 For heavy rail services, including Silverlink Metro network which was transferred from the Department to TfL in November 2007 and was rebadged as London Overground.

2 Cover offered by Government towards the costs of the funding already in place for the companies in administration and thereafter. £315 million in 2008-09 reflects the fact that a total of £315 million was available for 2007-08 and 2008-09 but none of this could be paid in 2007-08 while the Metronet companies were still in administration.

3.5 Providing this funding line gives greater certainty and allows TfL to:

- manage its financial and investment planning better;
- make the most effective use of the new prudential borrowing regime, which allows local authorities more flexibility in raising funds to support investment;
- provide the guarantees and infrastructure needed to underpin the 2012 London Olympics; and
- provide a clear baseline against which the separate agreement on funding Crossrail, and the management of risk on this project, can be monitored and delivered.

London 2012 Olympic and Paralympic Games

3.6 The Government's aim is to host an inspirational, safe and inclusive Games and leave a sustainable legacy for London and the UK. Overall responsibility for oversight and assurance of the Olympic programme rests with the Government Olympic Executive (GOE), part of the Department for Culture, Media and Sport.

3.7 The Department for Transport has two important roles supporting the GOE and other delivery partners in securing successful delivery within the agreed public-sector funding package of £9.325 billion:

- **Ensuring delivery within time and budget by the Olympic Delivery Authority (ODA) of the venues and infrastructure for the Games**
  The Department is a co-funder of the ODA, contributing £1 billion of its £8 billion budget and participates in the investment decision and programme and risk management boards convened by the GOE. At the end of 2008 ODA's programme was 28 per cent complete and running on schedule and within budget.

- **Delivery of successful transport for the Games**
  The Department has roles both in providing assurance to the GOE that transport planning for the Games is affordable and fit for purpose, and in funding or delivering specific projects that form part of the ODA-led Olympic Transport Plan. The Plan includes a number of infrastructure projects, such as the upgrades of the North London Line and Stratford regional station, which will provide an important legacy benefit for London's transport system. Key contributions led by the Department in 2008-09 were completion of the West Coast Main Line upgrade project in December 2008 and, in the same month, the launch of public consultation on designation of the Olympic Route Network (ORN) – a network of roads to provide safe, secure and reliable transport for athletes, officials and the media during the Games.

  Important milestones in the year ahead are the formal designation of the ORN, expected in summer 2009 and completion of delivery of the Class 395 high-speed trains which will, during the Games, provide a Javelin rail shuttle service from St Pancras to Stratford International and on to Ebbsfleet.

Other developments across London's transport network

3.8 The Woolwich Arsenal extension of the Docklands Light Railway (DLR) opened in January 2009. Works to extend DLR station platforms to accommodate three-car trains are also proceeding well. The regeneration of Shepherd's Bush was completed in autumn 2008 to coincide with the opening of the new Westfield Shopping Centre. This included a new London Overground station, the refurbishment of Shepherd's Bush Central Line station, Shepherd's Bush station on the Hammersmith and City Line reopening as Shepherd's Bush Market and the opening of a new station, Wood Lane (the first new station to open on an existing Underground line for 70 years). Furthermore, and with additional support from the Department, it was announced in February 2009 that TfL would be pursuing the extension of the London Overground network from Surrey Quays station on the old East London Line to Clapham Junction. Services are expected to begin before the Olympics in 2012.

3

Major transport schemes in each English region

3.9 The Department provides funding for major local authority schemes (generally those costing more than £5 million). Schemes are selected for consideration, based on advice on priorities provided by the English regions within indicative regional funding allocations. At present, a total of £10,622 billion has been set aside from 2006-07 to 2018-19 to fund local authority major schemes and Highways Agency schemes on the regional network.

3.10 The schemes are broadly designed to meet a range of objectives related to congestion, public transport, safety, economic growth and access to employment, and are expected to be consistent with a local authority's local transport plan.

3.11 Once a scheme has been accepted as a regional priority, authorities may submit a full business case to the Department, which is assessed for value for money and deliverability.

3.12 The following schemes were completed within the 2008-09 financial year:

Figure 3b: **Major transport schemes completed during 2008-09**

Name of scheme	Region	Gross cost (£m)[1]	Net cost (DfT contribution) (£m)	Date completed
Nuneaton Development Project	West Midlands	6.54	6.21	June 2008
Coventry Bus Network (Primelines)	West Midlands	30.8	24.5	June 2008
Ridgmont Bypass and Woburn Link Road, Bedfordshire	East of England	21.2	15.6	June 2008
Tunstall Northern Bypass, Stoke	West Midlands	12.7	6	July 2008
Darlington Eastern Transport Corridor	North East	15.2	13.3	August 2008
A631 West Bawtry Road Improvements, Rotherham	Yorkshire and the Humber	7.4	5	September 2008
Glasshoughton Coal Fields Link Road, Wakefield	Yorkshire and the Humber	11.9	6.5	October 2008
A688 Wheatley Hill to Bowburn Link, Durham	North East	11.4	10.5	October 2008
Brierley Hill Access Network, Dudley	West Midlands	28.8	20.3	October 2008
Eldon Square Bus Station	North East	16.7	6.7	October 2008

Leeds Inner Ring Road, Stage 7	Yorkshire and the Humber	50.5	50.5	November 2008
Integrated A3 Bus Priority Corridor	South East	34.21	25.10	November 2008
A6096 Ilkeston to Awsworth Link Road, Derbyshire	East Midlands	15.6	10.4	December 2008
Upperton Road Viaduct Major Maintenance Scheme	East Midlands	16.7	15.7	December 2008
East Leeds Link Road, Leeds	Yorkshire and the Humber	32.4	14.8	February 2009
Scarborough Integrated Transport Scheme	Yorkshire and the Humber	31.4	29.8	February 2009
A47 Earl Shilton Bypass, Leicestershire	East Midlands	20.6	16	March 2009
Getting Northampton to Work	East Midlands	12.48	7.98	March 2009
Yellow Bus, West Yorkshire	Yorkshire and the Humber	18.7	18.7	March 2009
North West Taunton Package	South West	15.2	11.7	March 2009
A386 Northern Corridor, Plymouth	South West	14.3	11.3	March 2009
A638 Quality Bus Corridor	Yorkshire and the Humber	20.4	15.3	March 2009
Stephenson Link	North East	12.6	6.4	March 2009

Notes:
1 Gross cost of schemes are based on latest quarterly monitoring returns submitted by the respective local authority/Integrated Transport Authority.

3.13 The Department also granted final funding approval to 12 local major schemes in 2008-09.

Figure 3c: Major transport schemes granted full approval and under construction 2008-09

Name of scheme	Region	Gross cost (£m)[1]	Net cost (DfT contribution) (£m)	Date granted full approval
M4 Junction 11 and Mereoak Junction	South East	65.5	62	March 2008
Manchester Metrolink 3a	North West	575	244	May 2008
Greater Bristol Bus Network	South West	70.3	42.3	May 2008
West Midlands Urban Traffic Control	West Midlands	26.6	26.6	June 2008
North Middlesbrough Accessibility Improvements	North East	15.4	12.3	June 2008
A34 Alderley Edge and Nether Alderley Bypass	North West	51.6	48.2	July 2008

A628 Cudworth and West Green Link Road	Yorkshire and the Humber	21.3	20.2	September 2008
Connecting Derby Phases 2 and 3	East Midlands	36.2	26.7	November 2008
Salisbury Transport Package – Petersfinger Park and Ride (Note: Final phase of a major scheme)	South West	4.1	3.2	November 2008
A353/A354 Weymouth Relief Road	South West	87.4	79.2	December 2008
Birmingham International Airport/National Exhibition Centre Public Transport Improvement	West Midlands	12.6	11.1	January 2009
Bridlington Integrated Transport	Yorkshire and the Humber	6.3	5.4	March 2009

Notes:
1 Gross cost of schemes are based on latest quarterly monitoring returns submitted by the respective local authority/Integrated Transport Authority.

3.14 A further 12 local major schemes which began construction before 2008-09 were also underway at end of the 2008-09 financial year.

3.15 Forty-two schemes are at an earlier stage within the local major scheme approval process either at programme entry or conditional approval.

3.16 Programme entry is approval in principle and signifies an intention to fund a project, subject to satisfactory progress of legal and planning procedures, continued affordability and value for money. Conditional approval is a firmer commitment when planning and legal procedures have been completed but before tenders to build have been sought. Whilst the Department would expect to fund these schemes in future years, this is subject to the schemes securing statutory powers, continuing to demonstrate they represent best value for money, are deliverable and remain affordable.

Capital and revenue support for each local authority

3.17 Many transport services are funded locally, with the Government providing revenue support for individual councils' total spending across all services. It is for local authorities to decide the right priorities for their spending in the context of their responsibilities and duties. Figure 3c shows the results of those local decisions in terms of English local authorities' revenue expenditure for 2007-08 (latest available figures). Figure 3d shows a breakdown of the net current expenditure for the two largest elements: highways maintenance and public transport.

Figure 3d: **English local authorities revenue expenditure 2007-08 (£m)**

	Expenditure	Income	Net current expenditure	Net total cost
Other roads and transport	1,448	721	728	1,178
Total highway maintenance	2,411	437	1,974	2,292
Parking	824	1,340	-516	-366
Concessionary fares	1,003	131	873	876
Public transport	2,774	197	2,577	2,669
Total	**8,461**	**2,825**	**5,636**	**6,648**

Notes:
1 Table contains rounded figures.
2 Source of table: CLG local government finance statistics.

Figure 3e: **Local authority revenue expenditure on highways maintenance and public transport**

	2007-08 Net current expenditure (£m)
Structural maintenance – principal roads	67
Structural maintenance – other local authority roads	300
Environmental, safety and routine maintenance – principal roads	368
Environmental, safety and routine maintenance – other local authority roads	626
Winter maintenance	128
Structural maintenance – bridges	53
Street lighting	433
Total highways maintenance	1,974
Support to operators – bus services	1,027
Support to operators – rail services	1,008
Support to operators – other	160
Public transport co-ordination	381
Total public transport	**2,577**

Notes:
1 Table contains rounded figures.
2 Source of table: CLG local government finance statistics.

3.18 The Department pays Rural Bus Subsidy Grant (RBSG) to support the provision of bus services in rural areas. From April 2008 RBSG has formed part of area-based grant for local authorities. A total of £57 million was provided to local authorities in 2008-09. Local authorities also provide funding for bus services that are not operated commercially using their formula-based revenue grant from central government.

3.19 The Department allocates capital funding to local authorities outside London, which they can then prioritise to reflect local needs.

- £589 million was provided in 2008-09 for integrated transport improvements. These schemes, each usually costing less than £5 million, include bus lanes, traffic calming, cycle routes, pedestrian crossings, urban traffic control, park and ride, and junction improvements. Funding is allocated on a formula reflecting pressures, assessments of the quality of plans, and past delivery.
- £703 million was provided in 2008-09 for highways capital maintenance. This covers major renewals for roads, bridges and street lighting as opposed to more routine day-to-day repairs. The funding is distributed between local authorities largely on the basis of a formula.

3.20 Bringing together Departmental capital funding for major local authority schemes, the block capital funding streams, and other support for transport produces the overall position shown in Figure 3f.

Figure 3f: **Local transport capital funding by central government (£m)**

	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan	2010-11 Plan
Local Transport Plans (LPTs)						
Highway maintenance	660	672	683	703	756	809
Integrated transport block	553	547	571	577	589	602
Major schemes	315	395	265	399	531	503
LTP total	**1,528**	**1,614**	**1,574**	**1,679**	**1,876**	**1,914**
Other						
Detrunking	45	45	48	46	32	34
Nexus	-	–	4	7	21	36
Congestion Performance Reward Fund	-	–	5	7	10	10
Community Infrastructure Fund (joint with CLG)		32	131	10	–	–
Total	**1,573**	**1,691**	**1,762**	**1,749**	**1,939**	**1,994**

Note:
Table contains rounded figures.

Transport asset management

3.21 In 2006 the Department and HM Treasury jointly commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to look at the management and accounting arrangements for local authority highway assets. CIPFA's report,[2] published in June 2008, recommended that local authorities adopt an asset-management approach to maintaining their highways assets, which offers significant benefits in terms of efficiency.

3.22 The Government has accepted the report's recommendations and has asked CIPFA to prepare guidance to support the accountancy changes. The intention is that local authorities will first report on the new basis in 2011-12.

2 CIPFA (2008), *Local Authority Transport Infrastructure Assets: Review of Accounting, Management and Finance Mechanisms – Final Report*, available from www.cipfa.org.uk/pt/infrastructure/download/final_report_jun08.pdf

3.23 The Department announced in 2008 that it would be making £32 million available to authorities to help them with improving their highway-asset inventories. Some authorities have been asked to act as regional champions through sharing their good practice with others.

Bus operators

3.24 In addition to funds made available to bus operators by local authorities, the Department pays Bus Service Operators Grant (BSOG) to all local bus services in England open to the general public, and to a wide range of community transport providers.

3.25 BSOG is equivalent to 80 per cent of the fuel duty paid by bus operators on ultra-low sulphur diesel (100 per cent for new, cleaner fuels). This reduces operators' costs, making more services commercially available and helping to keep fares down. BSOG rates were increased to match the increase in fuel duty in December 2008 and its outturn is forecast to be £430 million in England in 2008-09.

3.26 Following consideration of responses to the consultation document, *Local Bus Service Support – Options for Reform* (March 2008), the Department announced a number of changes to BSOG to align it more closely with objectives on climate change and on the improvement of bus services. The changes include steps over the next two years to link future BSOG payments to improvements in the fuel efficiency of the bus fleet and incentives for the use of low-carbon buses, and buses with smartcard and global positioning systems. An advisory group with representatives of the industry and other key stakeholders are now taking these changes forward.

Private Finance Initiative

3.27 Private Finance Initiative (PFI) can offer good value for money for transport projects and so forms an important part of the delivery options available to the Department. There is a strong track record of transport projects being delivered through PFI.

3.28 PFI is a useful way of helping authorities improve their service levels in highway and street lighting maintenance, since the long-term contracts involved encourage minimisation of whole-life costs. There are 19 street lighting PFI contracts in operation, with ten further projects in procurement. These contracts prioritise the replacement of deteriorating street light columns, bringing lighting levels up to modern standards, as well as maintaining them for a period of 25 years. The total government contribution to these 29 projects is £1.3 billion.

3.29 The first highway management PFI contract is in operation in Portsmouth and will provide the maintenance and operation of the city's road network for the remainder of the 25-year contractual period. It is valued at about £500 million, with £121 million government support in PFI credits.

3.30 Birmingham City Council is procuring a highway management PFI contract. The scheme value is about £2 billion and is supported by £588 million government PFI credits.

3.31 In March 2008 Sheffield, the Isle of Wight and Hounslow were invited to submit outline business cases for the Highway Maintenance PFI project. Sheffield has submitted an outline business case, which was approved by the inter-departmental Project Review Group in March 2009. This is the largest local authority PFI project with approved PFI credits of £674 million.

3.32 A number of major schemes are also being procured with the support of PFI. These include the Nottingham Express Transit Phase 2 (supported by £517 million government PFI credits), the Mersey Gateway Bridge (£123 million PFI credits) and the Carlisle Northern Development Route (£162.2 million PFI credits). These schemes are at various stages in their authorisation and financing.

Community Infrastructure Fund

3.33 The Department has continued to support a variety of transport schemes, vital locally to unlocking housing development, through a second Community Infrastructure Fund competition round. This is a funding package jointly run by the Department for Transport and Communities and Local Government (CLG) and enables the acceleration of housing development along with improving the sustainability of major locations of housing growth.

3.34 Together, we are providing £300 million for transport schemes in growth areas and growth points. Of this, an allocation of £100 million was made to the Thames Gateway Growth Area to invest in projects to be delivered over a three-year funding period. Eleven of the 13 schemes selected for business case appraisal were successful and secured funding. The remaining £200 million is currently funding schemes that were announced in March this year. These include:

- the new South East Hampshire Bus Rapid Transit scheme;
- new road and junction improvements in the Southgate area of Kings Lynn, supporting the development of 900 new homes;
- innovative transport solutions that will ensure smoother traffic flows and reduced congestion, such as the A14 Ramp Metering scheme in Kettering and the Urban Traffic Management Scheme in Aylesbury; and
- schemes to improve sustainability, such as the Wichestowe Pedestrian and Cycle Bridge in Swindon.

3.35 A further announcement of successful bidders from the New Growth Points will be made later in the summer.

Delivering choice and reliability on our roads

3.36 The command paper, *Roads – Delivering Choice and Reliability,* published in July 2008, set out the Government's approach to tackling congestion and improving the performance of the road network.

Tackling road congestion in the biggest conurbations

Managing journey times and monitoring performance

3.37 The biggest challenge we face is in our towns and cities – which account for some 80 per cent of total congestion. With a largely fixed urban road network, the challenge for each local authority is to make best use of that capacity. For example, this might be through improved traffic management, careful design of parking policies, greater use of public transport or more effective enforcement of traffic restrictions. This means that more people can travel but without significant increases in their journey times.

3.38 This challenge is reflected in the Department's PSA indicator for the performance of key roads in London and nine other conurbations. The target, built from local targets set in each of those areas, is to limit the average increase in journey times to 3.6 per cent, despite an expected increase of 4.4 per cent in the amount of peak-time travel.

3.39 Further details on performance against this indicator are shown in Appendix D.

3.40 Smarter Choices and sustainable travel programmes (including cycling and walking) make an important contribution to both delivering and improving awareness of choice in travel decisions. Supporting and encouraging cycling, walking and public transport use, as well as more responsible car use and reducing the need to travel, has the potential to ease congestion, increase physical activity, and reduce greenhouse gas and air pollutant emissions. The Department has continued to promote sustainable travel and undertaken major investment in walking and cycling through 2008-09, further details of which are set out later in this chapter.

3.41 The sections later in this chapter on buses, London transport and traffic management also set out action the Department is taking to ease congestion.

Traffic management on local road networks

3.42 In 2008-09 the Department delivered further legislative tools to enable local authorities to manage local road networks more efficiently and reduce congestion and disruption. We delivered updated and enhanced powers for local authorities to charge companies whose street works go beyond their agreed period. We streamlined procedures for contracting out local authority highways services. We enabled 48 English local authorities – more than in any previous year – to enforce the local parking regulations they make, and so help to keep road users moving. We have also processed a record number of special traffic signs authorisations, enabling a range of innovative local traffic management projects.

3.43 Our efforts are delivering real improvements. For example, following our March 2008 regulations and guidance on parking enforcement, many local authorities announced and implemented new local enforcement policies, reflecting that guidance. The level of public concern – as measured by the amount of correspondence and media interest in the issue – has diminished substantially.

3.44 We provided local authorities with further practical and relevant evidence and advice on traffic management, reflecting high-quality design principles. Our publications included major guidance documents on the use of regulatory traffic signs[3] and on better streetscape.[4] Early in 2009 we launched a major project to identify how new street design ideas, such as 'shared space', might best meet the needs of all road users.

3.45 We also kicked off a major review of policy on traffic signs in September 2008, working with a wide range of interested organisations. This aims to ensure that traffic signs and road markings are designed, deployed and regulated in a way that makes sense in a fast-changing world. We expect to set out some initial conclusions, in the form of an action plan, early in 2009-10.

Transport Innovation Fund – congestion schemes

3.46 The figures on urban congestion targets are encouraging but, over the long term, with increased population, prosperity and car ownership, traffic is expected to grow and congestion to worsen to the point where it actually holds back economic growth in our towns and cities. We do not want that to happen and so have made available up to £200 million a year from the Transport Innovation Fund (TIF) with forward thinking local authorities who see congestion charging as a part of their congestion tackling strategies.

3.47 Following a referendum in December 2008, the Association of Greater Manchester Authorities decided not to proceed with their TIF proposals for a twin-cordon congestion charging scheme alongside a major investment programme in public transport. However, TIF funding remains available and we continue to work with a number of areas as they consider their congestion problems and develop proposals.

3.48 Urban charging is, of course, already with us. The London congestion charging zone came into effect in 2003 and the average volume of traffic entering the central zone has subsequently fallen by 21 per cent (70,000 cars a day). Revenues from the scheme continue to be spent on

3 *Traffic Signs Manual,* Chapter 3: Regulatory Signs, TSO, London. Available to download at www.dft.gov.uk/pgr/roads/tss/tsmanual/

4 *Local Transport Note 1/08 Traffic Management and Streetscape*, TSO, London. Available to download at www.dft.gov.uk/pgr/roads/tpm/ltnotes/

improvements to London's public transport network, and of the average one million people who enter central London during the morning peak, 80 per cent now do so using public transport.

3.49 In November 2008, however, the Mayor announced plans to remove the western extension of the congestion charging zone that was opened in 2007 by the previous administration, following an informal consultation with the public and stakeholders. Transport for London (TfL) now needs to complete formal consultations on the proposed changes, subject to which the extension could be removed by spring 2010.

3.50 The Mayor and TfL continue to operate the original central charging zone successfully, and we have always maintained that it is for the London Mayor to make any decisions on the western extension, including its removal. Our position remains that decisions on local charging schemes should be taken at local level and the Local Transport Act 2008 removed the requirement for the Secretary of State to confirm charging schemes outside London.

3.51 The Eddington Transport Study (2006) said that a well-designed large-scale road pricing scheme could have benefits unrivalled by any other intervention in tackling congestion. But Eddington also recognised that implementing road pricing on a very large scale presents considerable challenges, especially around costs, technology, reliability, and crucially, public acceptability.

3.52 We are still a long way from having answers on these issues, so our priority now must be on the things we can be doing to relieve pressure on the most overcrowded routes, to give road users greater choice over the journeys they take, and to recognise the premium they put on the reliability and predictability of journey times.

3.53 We have been advising local authorities designing congestion charging schemes to focus now on proven, simpler approaches. However, we have also begun a series of demonstrations projects to establish how a more advanced approach might be made to work in practice in the longer term. In March 2008 the Government invited tenders for companies to propose how they would run a pay-as-you-go system, with charges varying according to time of day and route chosen. The successful bidders were named in September 2008 and our contractors began live operations in February 2009.

3.54 Results from the first project, from next year, should help identify answers to the very real concerns people have about what road pricing might mean for them in future – for example, on the sort of equipment that might be involved and the way their personal privacy could be safeguarded. This research will also help long-term future consideration of whether or not a policy on wider road pricing is needed, delivering choice and reliability on our roads.

Improving local journeys for all

Buses

Strategy and responsibilities

3.55 Buses are the most commonly used form of public transport. They account for two thirds of all public transport passenger journeys, currently over 4.5 billion journeys a year in England. They are essential for the delivery of the Department's objectives to manage traffic congestion, improve accessibility to schools, hospitals, shops and other essential services, and meet challenging air quality and climate change targets.

3.56 Buses in London operate on franchises let by Transport for London (TfL) and are supported by the Department, through direct subsidy to bus operators and its annual grant to the Mayor.

3.57 Elsewhere in England, bus operators make commercial decisions on which services to run and with which fares. These operations are also supported by the Department's direct subsidy to bus operators, as well as the very substantial payments via local authorities for concessionary fares, for socially necessary routes which are otherwise not commercial, and for tailored programmes such as the Rural Bus Subsidy Grant.

3.58 Outside London, the evidence suggests that effective partnerships between bus operators and local authorities are the key to successful bus operations. There are many such examples, but not enough.

Local Transport Act 2008

3.59 The Local Transport Act 2008 includes measures to enhance local authorities' influence in relation to bus services, ensuring that authorities have a variety of realistic options for working with the bus industry to provide the quality of bus services that passengers expect.

3.60 **Voluntary partnership agreements** involve local authorities and bus operators working together to put in place packages of improvements. These are already delivering improvements in some parts of the country. The Act seeks to enable more such agreements to flourish by amending competition law, as it applies to agreements involving bus operators, thereby removing some of the legislative barriers that have previously discouraged them.

3.61 **Quality partnership schemes** involve local authorities making available facilities such as bus lanes or improved bus stations and shelters, and setting a standard of service that bus operators wishing to use those facilities must meet. The Act expands the range of matters that can be covered as part of the standard of service in a quality partnership scheme, in order to include service frequencies, timings and maximum fares. There are also provisions to reduce the risk of schemes being undermined by operators choosing not to meet the standard of service. It is envisaged that these reforms will encourage more local authorities to bring forward schemes in the future.

3.62 **Quality contracts schemes** are similar in nature to the London-style bus franchising model. They involve the local authority specifying the services that are to operate within the area of the scheme, and entering into exclusive contracts with operators (normally following a competitive tendering process) to run those services. The Act amends existing legislation about quality contracts schemes with a view to making them a more realistic option for local authorities, and to place decision-making in the hands of local authorities, while retaining appropriate safeguards for the legitimate interests of bus operators.

3.63 Provisions about voluntary partnership agreements and quality partnership schemes are already in force and it is for local authorities to develop proposals if they consider it appropriate in their local areas. The Department intends to bring into force the provisions about quality contracts schemes following a full consultation on draft regulations and supporting guidance.

3.64 The Act paves the way for extending the remit of Passenger Focus – the rail watchdog – to cover bus and coach issues. The secondary legislation needed to formally confer bus and coach functions on Passenger Focus is expected to be in place by April 2010. Passenger Focus started working actively on bus and coach issues from April 2009, effectively working in shadow form.

3.65 The Act has also given traffic commissioners enhanced powers, so that local authorities can be held to account for their contribution to poor bus performance and bus operators can be required to invest in specific improvements or provide compensation to passengers, rather than, or in addition to, a penalty being imposed.

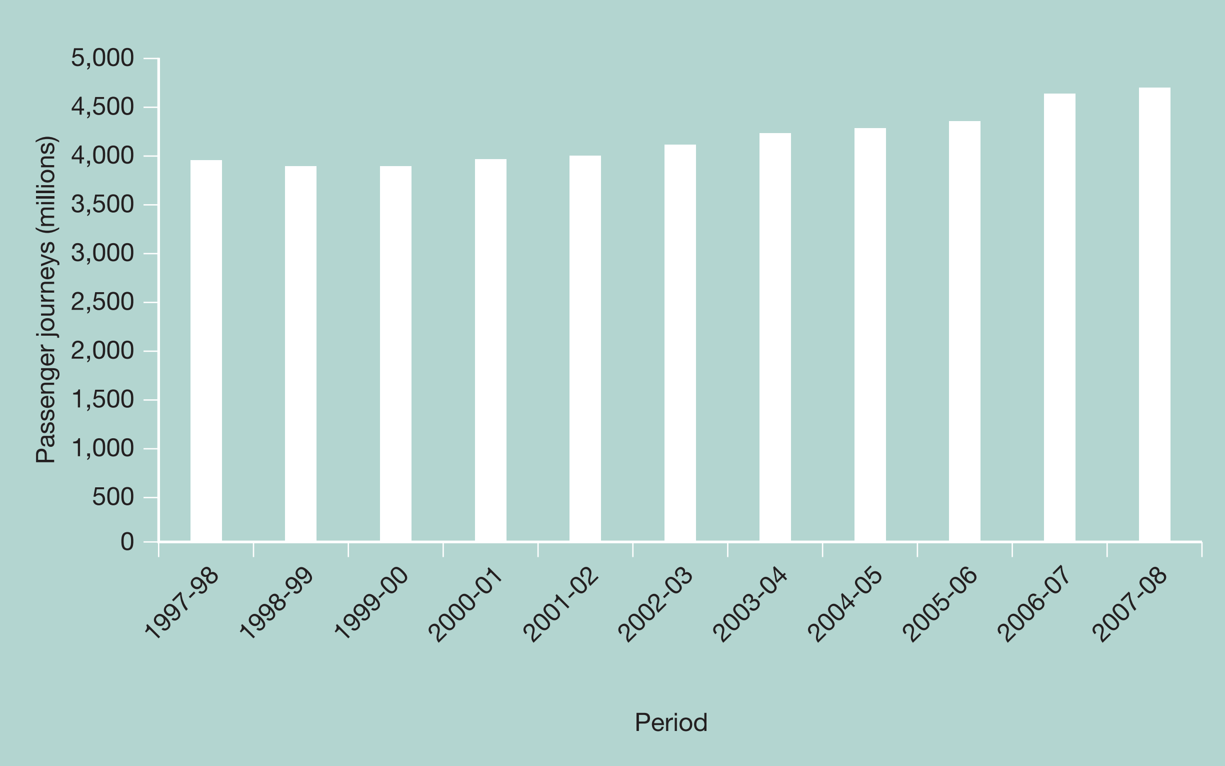
3.66 The Act also aims to support further development of the community transport sector, which provides a vital lifeline for many people in society, often including the most vulnerable. The Act allows greater flexibility about the sizes of vehicles that may be operated under community transport permits, as well as removing a restriction on preventing drivers of community bus services from being paid.

Progress and delivery of bus objectives

3.67 Bus patronage in 2007-08 grew by 1.3 per cent from the previous year, and light rail by 4.3 per cent.[5] Patronage is at its highest levels since 2000 and now exceeds the 12 per cent PSA target for the country as a whole. Bus and light rail patronage over the last 10 years is shown in Figure 3g. For more on progress against the PSA target, and on improvements in reliability, punctuality and quality of service, see Appendix D.

5 Annual Survey of Public Service Vehicle Operators, www.dft.gov.uk/pgr/statistics/datatablespublications/public/annualbulletins/publictransportstats

Figure 3g: **Bus and Light Rail Passenger Journeys 1997-98 to 2007-08**



3.68 Patronage in London and the introduction of free concessionary fares are largely responsible for the overall rise in bus passengers. There are, however, some areas that have been delivering patronage increases for several years, for example, Brighton and York.

3.69 London's bus network is one of the largest and most comprehensive in the world. Every weekday nearly 7,000 scheduled buses carry over six million passengers on more than 700 different routes, amounting to nearly 2.1 billion bus passengers a year with a further 94 million on the two light rail systems (Docklands Light Railway (DLR) and Croydon Tramlink).[6] Service reliability on London buses is at its best since records began in 1977. In central London these figures have been helped by the introduction of congestion charging: buses continue to experience significant gains in reliability in and around the charging zone.

Concessionary bus travel

3.70 On 1 April 2008 extended concessionary bus travel came into operation. This provides for England-wide travel on off-peak local buses for older and eligible disabled people. In addition to maintaining previous levels of funding through formula grant, the Government made available special grant funding of £212 million in 2008-09. This will increase to £217 million in 2009-10. Total funding for concessionary fares is now some £1 billion a

6 Annual Survey of Public Service Vehicle Operators, www.dft.gov.uk/pgr/statistics/datatablespublications/public/annualbulletins/publictransportstats.

year. The Department worked with operators and local authorities to ensure that over seven million new ITSO[7] bus passes have been issued for the new concession.

3.71 The Government is keen to ensure that its funding of concessionary travel offers value for money and is consulting (closing date 21 July 2009) on possible changes to concessionary travel in England, which could see responsibility for administering concessionary travel moving from lower-tier to upper-tier local authorities.

Rural buses

3.72 Rural Bus Subsidy Grant (RBSG) was increased to £57 million in 2008-09, compared with £55.6 million in the previous year. This grant supports about 2,000 services on which some 38 million passenger journeys are made annually. From April 2008 RBSG allocations are included in the provision for local authority based grants. The allocations for 2009-10 total £58.5 million and for 2010-11 are expected to be around £60 million.

Kickstart

3.73 Kickstart encourages new and improved services that can clearly contribute to the growth in bus use and become self-supporting after an initial period. A total of 61 projects have been developed in partnership with bus operators, with £20 million allocated over the last three years to the most recent 43. An evaluation, published on the Department's website, showed that Kickstart funding had been successful in pump-priming new or improved services that were achieving long-term viability through increased passenger numbers.

3.74 Following the success of these schemes, the Department has now launched a new round of Kickstart bus funding, giving local transport authorities the chance to bid for a share of £25 million for new or enhanced bus services. The funding will contribute to the Department's overall objectives of increasing bus patronage, improving accessibility to services and developing bus services as an alternative to car use. This round, there will be a particular focus on schemes which make use of the Local Transport Act powers. The competition closed on 3 July 2009 and we expect to announce the successful schemes in autumn 2009.

Taxis and private hire vehicles

3.75 The Department publishes best practice guidance to ensure a good and safe service to the public. It urges local authorities to take account of all the factors involved, including, for example, the effect of unnecessary rules and restrictions. A revised and updated version of the guidance will be published in 2009 following consultation with stakeholders.

3.76 In 2008 we conducted a survey to see how many local authorities imposed a limit on the number of taxi licences which they issued. The survey found that about 27 per cent of local authorities imposed controls

7 Integrated Transport Smartcard Organisation

compared with 44 per cent in 2004. This represents significant progress in the context of the Department's advice to licensing authorities to avoid imposing a limit on taxi numbers.

3.77 We have consulted on draft regulations to implement the provisions in the Local Transport Act 2008 which will enable private hire vehicle (PHV) owners to provide a local bus service. This change is likely to be of particular benefit to rural areas not well served by existing bus services. The regulations are expected to come into force this year.

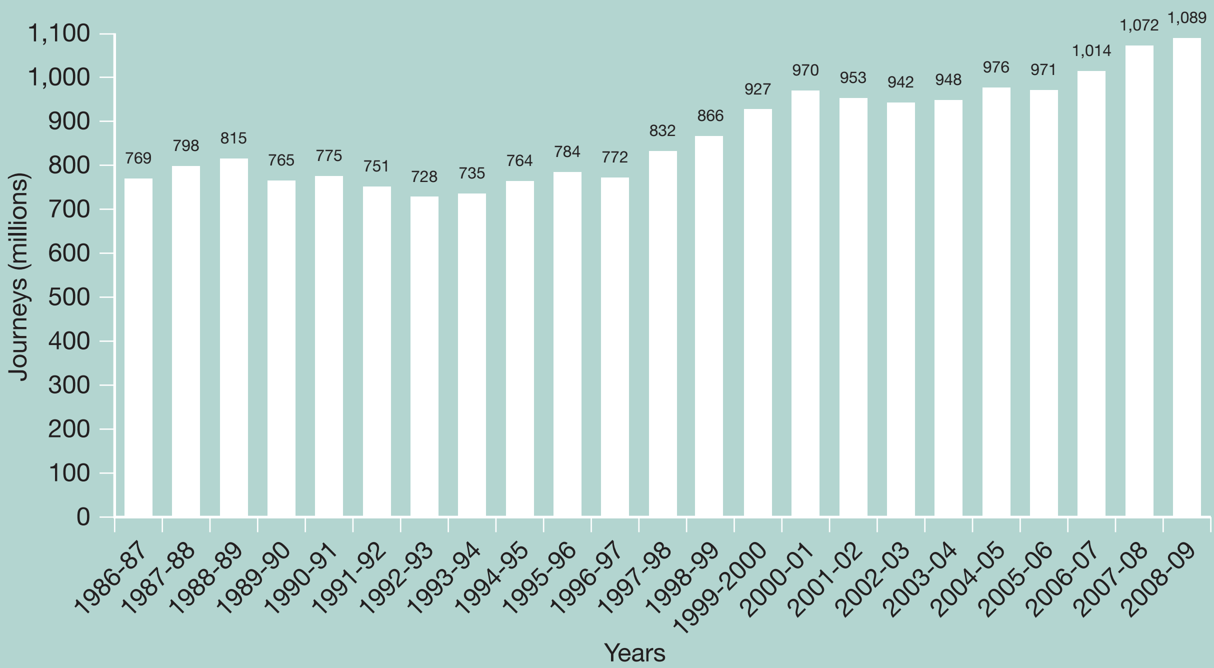
Underground and light rail systems

London Underground Limited

3.78 London Underground Limited (LUL) is a vital part of London's transport system. There are over three million passenger journeys on the Underground every weekday. As Figure 3h shows, passenger numbers have grown significantly since the mid-1980s, with a record 1,089.5 million passenger journeys made in 2008-09, an increase of 258 million or 31 per cent on 1997-98.

3.79 Despite Metronet's entry into administration in 2007 (see below), we have seen continued modernisation of the Underground during 2008-09. Good progress continues with the upgrades on the Jubilee, Northern and Victoria lines. The Connect radio system is also now operating across the whole Underground network and the roll-out of Airwave (emergency services radio system) was also completed last year.

Figure 3h: **London Underground passenger journeys 1986-87 to 2008-09**



Note: 2008-09 figures are provisional

3.80 The operational performance of the Underground has improved during 2008-09. Five out of six targets will be met with only operated train kilometres being narrowly missed. This can be attributed to the extensive programme of closures that is required to deliver increased capacity and reduced journey times as planned under LUL's investment programme.

Figure 3i: **Performance of London Underground**

Performance indicator	2008-09 Target	2008-09 Performance (as at January 2009)
Reliability (minutes)		
Excess journey time	6.89	6.64
Excess train journey time	4.14	4.04
Capability		
Operated train kilometres (millions)	71.1	70.62
Percentage schedule operated	94.9	96.4
Other measures		
Overall customer satisfaction	78	79
Percentage peak cancelled because of driver availability	0.6	0

London Underground PPP

3.81 Under the public private partnership, three private sector infrastructure companies (PPP companies), Tube Lines, Metronet BCV and Metronet SSL, were given responsibility for maintaining and improving the Underground's infrastructure – its trains, track, signals and stations. The PPP companies lease the Underground's assets and are required to upgrade and maintain them during the 30-year contracts.

3.82 Tube Lines is responsible for the Jubilee, Northern and Piccadilly lines, while the two Metronet companies were responsible for the remaining ones.

Metronet

3.83 Following problems in delivery, particularly those associated with escalating costs and the station programme, both Metronet companies entered into PPP Administration in July 2007.

3.84 Transport for London (TfL) was the only bidder to take the Metronet contracts out of administration and, in May 2008, the key assets from the Metronet companies were transferred out of administration into two TfL nominee companies (both wholly owned subsidiaries of TfL), where they continue to deliver their obligations to London Underground under the PPP contracts. The assets remain under the control of TfL during an interim period pending a decision as to the permanent long-term structure for Metronet (see below).

3.85 The Government remains committed to infrastructure investment in the Underground system and the Comprehensive Spending Review 2007 (CSR07) recognised that TfL would need to manage the costs of Metronet in administration and beyond. CSR07 provided generous and stable funding for the 'post-Metronet' network for a 10-year period, which should give TfL the capacity to manage cost pressures effectively. TfL's total settlement for this period, including borrowing headroom, amounted to some £39 billion.

3.86 A joint steering committee was set up with representatives from the Department, TfL, LUL and HM Treasury, to make recommendations to the Secretary of State and the Mayor on a permanent structure for the Metronet companies which:

- provides a stable and safe operational framework for the Underground;
- delivers the modernisation, upgrade and maintenance of the Underground infrastructure;
- is affordable;
- delivers value for money for the public sector in accordance with relevant statutory duties of the Mayor and the Secretary of State; and
- does not compromise the continuing Tube Lines PPP contract.

3.87 The committee has considered a wide range of options for maintaining and enhancing those parts of the Underground infrastructure for which Metronet was responsible. The committee was keen to consider the options in detail, particularly from a value for money perspective, and to ensure that lessons were learned from the failure of Metronet. The Mayor and Secretary of State will now make a joint decision on a permanent structure for Metronet. A key consideration for the Department, drawing on the recommendations made by the NAO in its June 2009 report on the failure of Metronet, is to secure adequate assurance for the taxpayer that expenditure is economic and efficient and offers value for money.

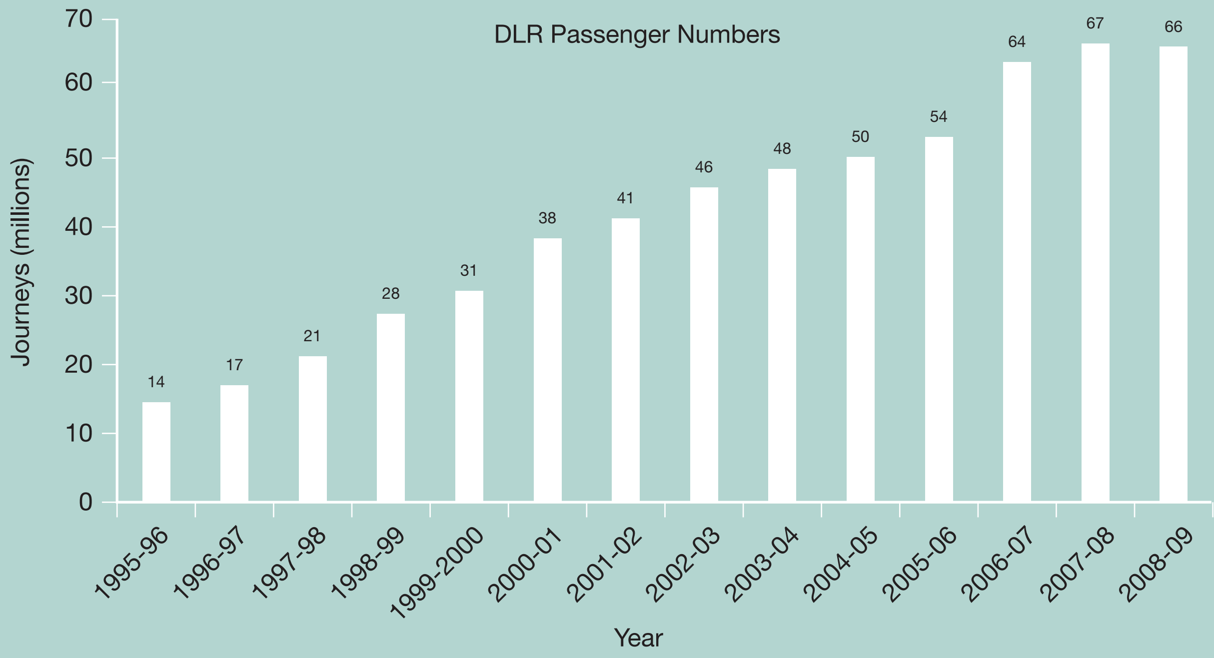
Tube Lines

3.88 Tube Lines continues to deliver its contractual requirements under the PPP on time and on schedule, with its station programme continuing on schedule. During 2009-10 it faces its biggest test of completing the resignalling of the Jubilee Line which will deliver reduced journey times and increased capacity. Tube Lines is coming up to the end of its first seven-and-a-half-year review period under the PPP contract. LUL issued its restated terms in December 2008, so that Tube Lines can price for the work for the second seven-and-a-half-year period which begins in June 2010.

Docklands Light Railway

3.89 Every day approximately 170,000 people travel on the Docklands Light Railway (DLR). In 2008-09 DLR carried 66 million passengers, almost 25 per cent more than in 2005-06.

Figure 3j: **DLR patronage 1995-96 to 2008-09 (estimated)**



Note: 2008-09 figures are provisional

3.90 The extension from London City Airport to Woolwich Arsenal opened in January 2009. Work is progressing well on the extension between Canning Town and Stratford International station, as well as projects to increase capacity by 50 per cent on three key DLR routes. These projects are all due to open in 2010, ahead of the Olympic Games.

3.91 Overall performance of the DLR has been disappointing during parts of 2008-09 with the key targets of service performance and journey time reliability being below target. However, most of the problems can be attributed to the major upgrade and investment programme that is currently being undertaken across the network. This has included the closure of Tower Hill station for platform lengthening and the on-going redevelopment of Delta Junction to enable three-carriage trains to operate on the network.

London Overground

3.92 Responsibility for the old Silverlink franchise of the North London lines transferred to Transport for London in November 2007. Around 63,000 passenger journeys are made each day, around 39 million passenger journeys were made in 2008-09, and the network serves around 50 stations. Overall operational performance has been better than before the transfer. A programme of station enhancements has been undertaken to improve the appearance of stations and a further upgrade of stations along the

North London Line will be undertaken as part of the wider North London Rail Improvement Project to increase capacity and reliability. This project is also a key Olympic transport deliverable.

3.93 Following its closure in December 2007, the East London Line is on course to re-open in June 2010 as part of the London Overground network.

Smarter Choices and sustainable travel

3.94 The Department continues to promote the benefits of sustainable travel and seeks to persuade people to choose more sustainable modes and patterns.

3.95 When considered as a whole, including walking and cycling, sustainable travel options have the potential to deliver across all five of the Department's goals and contribute to wider policy for other departments such as the Department of Health and Defra.

3.96 The framework of guidance to those undertaking sustainable travel projects has expanded in 2008-09 with the publication of a suite of documents on personal travel planning, *Making Personal Travel Planning Work*: *Practitioners' Guide*. We have also contributed to the work of stakeholders and partners, such as the Institute of Highways and Transportation's *Climate Change and Sustainable Transport* report. In April 2009 we published guidelines for those working with travel plans as part of the planning system.

3.97 At a local level, 2008-09 has been the fifth year of funding for the Sustainable Travel Town demonstration projects in Darlington, Peterborough and Worcester. Initial results have been promising. We commissioned a research study to assess how the experience of the demonstration towns can help other local authorities to adopt similar travel measures and expect to be able to publish the results in autumn/winter 2009-10.

3.98 We have also continued to provide input and advice to the development of guidance for eco-towns proposals and Transport Innovation Fund (TIF) bids in 2008-09, helping to ensure that eco-towns are deliverable and sustainable in transport terms, supporting metrics are developed and that sustainable travel is considered and integrated effectively into the development of TIF bids.

3.99 The Department awarded a grant to Carplus, the national charity that promotes the concept of car clubs and car sharing, to test out the concept of setting up car clubs through a community interest company. In April 2009 we made available a further grant to help Carplus to develop their role in accreditation of car clubs, data collection, information, guidance and forums.

3.100 We have published further issues of Smartmoves magazine, providing information, advice and examples in an accessible way for those interested in sustainable travel.

3.101 We support the National Business Travel Network (NBTN). Established in 2007 to promote sustainable travel and travel planning to businesses, it has seen considerable expansion over the course of this year and now has over 250 members covering around 100 businesses. During 2008-09 it:

- commissioned research to show the benefits of workplace travel plans;
- delivered a series of promotional events with the British Chamber of Commerce across England;
- helped promote the ACT ON CO_2 campaign; and
- helped set up a Postgraduate Travel Planning Network with the University of Loughborough to train and support post-graduate practitioners.

3.102 The Department contributed to the development of the OGCbuying. solutions document, *Guidance to Government Departments on making Travel Policies more sustainable*. We will liaise with the rest of central government, local authorities, the National Health Service and others, with a view to improving public sector performance in the coming year.

Cycling and walking

3.103 Significant progress has been made in delivering the expanded cycling programme this year and in gearing up for the further increase in 2009-10.

3.104 Following a competitive grant process in June 2008, the Secretary of State announced the 11 towns and smaller cities, together with the first large city, Bristol, that would join the existing six Cycling Demonstration Towns. In order to ensure local commitment, all 18 local authorities are required to at least match fund the nearly £50 million being invested by the Department over three years, meaning over £100 million will be invested by 2011 to showcase best practice in cycle provision and promotion.

3.105 The 18 places are Aylesbury, Blackpool, Brighton, Bristol, Cambridge, Chester, Colchester, Darlington, Derby, Exeter, Lancaster with Morecambe, Leighton-Linslade, Shrewsbury, Southend, Southport and Ainsdale, Stoke, Woking and York. Every English region is now represented and Cycling England will be working to use the 18 as hubs for regional information-sharing networks over the coming year. The Department has also commissioned a detailed evaluation over the lifetime of the programme of the impacts, for example on reducing congestion and improving health, of both the programme overall and individual measures.

3.106 We made a commitment in January 2008 to provide links to 500 schools, so that more children can walk and cycle to school more safely. In October 2008 the Department announced a £17 million grant to enable Sustrans to work with local authorities to develop a programme of links.

By 2011 we expect to have supported the construction of around 300 links to approximately 700 schools. During 2008-09 we delivered 46 links to over 140 schools. Local authorities are again required to match fund.

3.107 We are making good progress with delivering our target of funding an additional 500,000 child cycle training places by 2012, as announced in our publication, *A sustainable Future for Cycling*.[8] In 2008-09 the Department supported an additional 100,000 training places and invested in grants to train more trainers. This brings the number of additional children trained by DfT funding to around 140,000. Looking forward to 2009-10, the Department has made available an additional £9.4 million to train a further 200,000 children. The funding is made up of £5.4 million to over 90 local authorities and £4 million to 200 School Sports Partnerships. £500,000 is available by way of bursary grants to fund the training of new cycle trainers needed to deliver the increase of cycle training in schools, adding to the 2,800 existing trainers.

3.108 Walking and cycling remain the responsibility of local authorities and the Cycling England funding is on top of the expenditure made by local authorities through their Local Transport Plans. To support local authorities in their efforts to provide improved cycle facilities, in October 2008 we published *Local Transport Note 2/08 – Cycle Infrastructure Design*.

3.109 Together with the DCSF, we have continued to promote and provide financial support for walking and cycling to school through our joint Travelling to School initiative.

3.110 The Department met all its outstanding commitments on walking, with a launch by both Ministers of State for Transport and Health in June 2008 of Walk England, a new social enterprise to inspire more walking, with its own website with best practice guidance on the production of walking maps and other useful information for local authority walking specialists.

3.111 The relationship with the Department of Health continues to flourish with both departments and Walk England closely involved in the announcement of the Physical Activity Plan in February 2009. We will continue to work closely together on the delivery of the plan and are working on a walking and cycling promotional leaflet and poster, inspired by the London 2012 Olympic Games to encourage people to live a healthier and more active lifestyle. Our walking and cycling programmes also continue to support the Change4Life coalition.

8 www.dft.gov.uk/pgr/sustainable/cycling/cyclingfuture.pdf

Road safety on city and regional networks

3.112 The overall strategy and recent progress on road safety are reported in Chapter 7.

3.113 The number of people killed and seriously injured on roads continues to fall: 28,572 in 2008 against the annual average of 47,656 for the 1994-98 period. This reduction of 40 per cent meets the target sought by 2010 in the 2000 national strategy.

3.114 But the numbers of casualties is still far too high and we are working hard to reduce them further, with a particular emphasis on reducing the number of deaths on the roads. Fifty-two local highway authorities have agreed statutory targets to reduce the numbers of road deaths and serious injuries locally. The Department has provided tailored advice and support to many local highway authorities to contribute towards achieving these reductions.

3.115 Most of these casualties occur on local road networks and it is interventions here by local authorities and their partners which have helped significantly. These include small-scale engineering improvements, introduction of 20 mph zones in residential areas, improved enforcement of speed limits, educational interventions and local publicity campaigns.

3.116 The Department continues to support this activity by providing road safety grant funding of £110 million a year across England, on top of other funding in support of transport. It has assessed the impact of a large sample of local safety engineering schemes, demonstrating that, as a whole, they remain very good value for money and make a substantial contribution to reducing road casualties. It has also published evaluations of demonstration projects to reduce casualties on mixed priority routes (busy shopping streets with parking and through traffic) and improving road safety in disadvantaged neighbourhoods.

3.117 The Department has, as a result, already met its target to reduce death and injury in disadvantaged neighbourhoods faster than the country as a whole. The number of child deaths and serious injuries in 2008 was also less than half the 1994-1998 average. This exceeds the target set in 2000 for 2010.

Air quality on city and regional networks

3.118 Local authorities have a statutory duty to monitor levels of air pollutants in their area against national objectives. Over 230 local authorities have designated Air Quality Management Areas to date and around 180 have drawn up an Air Quality Action Plan. The Government's strategy, and recent progress, is reported in Chapter 6.

3.119 Further support is given to local authorities via Defra guidance on local air quality management.[9] This was revised in February 2009 and now includes guidance on specific measures such as setting up low emission zones; promoting low emission vehicles and quantifying the impact of measures to improve air quality. The Department continues to work closely with Defra and other stakeholders in development of these.

3.120 In July 2008 the Mayor extended the London low emission zone (LEZ) to cover heavy goods vehicles over 12 tonnes, lighter lorries, buses and coaches. All the above are subject to the emissions regulation and must comply with the particulate matter element of the Euro III emissions standard or pay a £200 daily charge to operate in London.

3.121 In February 2008 the Mayor announced plans to suspend phase three of the scheme which was due to come into force in 2010. The Mayor reported that this was because of the negative impact it would have on London's small businesses in the current economic climate. The third phase of the LEZ would have extended the scheme to cover heavier diesel vans and minibuses. There are plans for a consultation on the suspension in summer 2009. However, the Mayor has announced a raft of new measures, including hybrid buses and schemes to promote more sustainable travel. Plans for the standard to rise in 2012 to encompass the Euro VI emissions standard still remain in place.

3.122 The Department's executive agencies continue to support the LEZ. DVLA, VOSA and VCA were involved in developing the scheme. VCA helped to set lower emission standards. DVLA collects vehicle data in support of the scheme and VOSA continues to issue certificates to vehicles which prove compliant with the standards set.

Accessibility

Accessibility planning

3.123 Accessibility planning provides the framework for local authorities to work with their partners to identify and tackle the barriers that people experience, particularly those most in need, in accessing key services and jobs.

3.124 The Department commissioned and supports a series of tools to help local authorities develop and implement their accessibility strategies. These include:

- a software tool to map areas with poor transport access to services;
- a series of accessibility indicators which measure journey times for access to key services and employment sites using public transport, walking and cycling; and
- data sets update on a yearly basis to support these indicators.

3.125 Accessibility planning will continue to be a key element of local authorities' next local transport plans, due in April 2011.

9 Available via the Air Quality link at www.defra.gov.uk

3.126 The Department has commissioned a three-year research project to evaluate the introduction of these policies and tools. The study is taking forward case studies in nine local authority areas and a summary of indicative findings from the first stage will be made available in summer 2009.

3.127 The 2008-09 round of the government award scheme for Beacon councils, aimed at spreading best practice in service delivery, included an accessibility planning theme. The local authorities awarded Beacon status have held a number of events and other activities to share their knowledge and expertise with other organisations.

Equality of opportunity

3.128 One of the Department's strategic objectives is to promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society.

3.129 Since April 2008 11 million older and eligible disabled people are entitled to free off-peak bus travel anywhere in England. The Department's statutory guidance on local transport planning emphasises the need to take full account of accessibility, making sure that everyone, especially those from disadvantaged groups and areas, can take advantage of jobs and public services. The Department has commissioned a long-term evaluation of the impact of accessibility planning and commissioned research to examine the impact that existing UK bus initiatives have on reducing social exclusion. The findings of both these pieces of work will be fed back to the Department and to local transport authorities to help improve transport accessibility at the national and local level.

3.130 We have programmes focused on improving travel information and on increasing the physical accessibility of transport vehicles and infrastructure. The Department is also looking to support the development and roll-out of travel training schemes which give practical and tailored help to give people the confidence and skills to use public transport to gain greater access to jobs, services and social networks.

3.131 The Department works closely with other government departments on the policy framework for the regeneration of local areas and on measures to improve regional balance.

Automobility

3.132 Many disabled people still rely on the private car as their main and most appropriate form of transport to access the services they require. There are, however, both financial and physical barriers to car use for disabled drivers and passengers. The Department provides grant funding to support assessment, advice and information services for older and disabled drivers and passengers. Demand for these services is growing as the population ages.

3.133 The Automobility team works with stakeholders to improve the quantity, quality and consistency of mobility services across the UK by:

- working with more organisations to encourage the provision of such services;
- encouraging them to develop and monitor standards; and
- commissioning research to underpin good practice.

3.134 During the year the Department has:

- worked with an independent research team to review the provision of mobility services, mapping current service provision to future need which will inform future policy decisions on the delivery of such services;
- awarded a 14 per cent increase in grant funding to mobility centres providing independent advice to disabled motorists. This has enabled more people to obtain advice on their ability to drive, or travel safely as car passengers and has increased the number of locations where these services can be accessed;
- awarded project funding to nine mobility centres enabling them to improve their service provision;
- paid grant funding to the independent consumer research charity, Ricability (RICA), enabling it to update publications and maintain a comprehensive website on mobility issues;
- provided grant funding to the charity Mobility Choice to organise the annual Mobility Roadshow – an opportunity for disabled people to try out adapted vehicles and obtain advice on the equipment and services that will enable them to remain independent; and
- formed part of the working group to develop and edit a handbook on disabled driver assessment to provide a knowledge base for people involved in the practical assessment of fitness to drive.

Third sector

3.135 As well as delivering through local and regional authorities and the private sector, transport services are also delivered through the third sector, which includes voluntary organisations, charities and social enterprises. While some of this work is commissioned indirectly through the local and regional authorities, during the year the Department has paid £17.2 million in grants directly to third sector organisations. These have included:

- £8.3 million to community transport providers and the Community Transport Association to meet the travel and social needs of people who would otherwise be denied because of age, disability or location;
- £5.7 million for walking and cycling schemes;
- £3 million on mobility services for disabled and older motorists;
- £448,000 for road safety schemes; and
- £197,000 for community rail schemes.

Blue Badge (disabled persons' parking) Scheme

3.136 In October 2008 the Department published the Comprehensive Blue Badge (Disabled Parking) Reform Strategy (England), following an extensive programme of research, economic analysis, stakeholder engagement and public consultation. The Strategy contains a suite of commitments that will be taken forward over the next five years, which are designed to radically reform the Scheme in a manner that is right for the 21st century.

3.137 The main commitments in the Strategy are to:

- extend the Scheme to more disabled people, specifically to:
  - people with the most severe but temporary mobility problems (lasting at least one year);
  - seriously disabled service personnel/veterans;
  - individuals with severe mental/behavioural impairments; and
  - more children under the age of three with specific medical conditions.
- make the assessment process fairer and more consistent across England, by providing local authorities with up to £15 million per year, to conduct improved independent medical assessments;
- reduce Blue Badge abuse by:
  - investing up to £10 million to establish a system of data sharing to reduce fraudulent misuse;
  - examining the scope for on-the-spot confiscation of badges being used unlawfully by non-badge holders and for other enforcement powers;
  - improving badge security features; and
  - raising awareness of the negative consequences of misuse.

3.138 A high-level milestone plan, providing further information on each element of the Strategy work programme and an indication of the likely delivery timeframes, will be published on the Department's website.

3.139 Eight local authorities have been awarded Blue Badge Centre of Excellence (COE) status and a share of £0.5 million funding. These authorities will share their good practice with others to improve consistency on administering and enforcing the Scheme at regional and national level. The eight local authorities are:

- Manchester and Bolton as joint COE for North West England;
- Rotherham as COE for Yorkshire and Humberside;
- Southampton as COE for South East England;
- Birmingham and Coventry as joint COE for the West Midlands; and
- Wandsworth and Kensington and Chelsea as joint COE for London.

Improving transport governance

Local transport plans

3.140 Local transport authorities outside London set out their policies and programmes in local transport plans (LTPs). The programmes include what can be delivered in partnership with other bodies and both capital and revenue funding.

3.141 In 2008 the Government Offices for the Regions and the Department worked with local authorities on mid-term progress reviews of their transport plans. The role of government in these reviews was focused on providing external challenge and support to locally shaped reviews, helping to identify risks and opportunities and to share good practice. The reviews culminated in Government Offices sending letters outlining progress to each local authority.

3.142 The Department aims to publish full LTP guidance in summer 2009 to support the development of future LTPs, which are due by April 2011. It will continue to work with the Government Offices to support strong local planning and delivery of transport.

3.143 The Local Transport Act 2008 has changed legislation on LTPs to introduce new flexibilities for local authorities. Local authorities now have discretion over the length of their plans and the Act removes the requirement to have a separate bus strategy. The Act also includes a duty for local transport authorities to have regard to government policies and guidance on climate change mitigation and adaptation when they create and implement their transport strategies.

Local area agreements

3.144 Local area agreements (LAAs) represent the new performance framework for local authorities and their partners. They create a single place for the agreement of targets on locally delivered priorities. A revised set of 188 performance indicators has been agreed to cover all local authority services, in place of some 1,200 indicators previously.

3.145 The Government agreed LAAs with each local authority in June 2008. Each LAA includes targets for up to 35 indicators, to focus activity over a three-year period on their key areas, including transport issues.

3.146 The national indicator set includes transport indicators for bus use and bus punctuality, road maintenance, road safety, access to employment and key services, congestion and mode of travel to school. Transport is also relevant to progress on the indicators for carbon emissions, air quality, 16- to 18-year olds not in education, employment or training, and obesity, amongst others.

Multi-area agreements

3.147 The *Sub-National Review of Economic Development and Regeneration* (July 2007) set out principles for multi-area agreements (MAAs). These involve more than one upper- or single-tier authority and are flexible and voluntary at the point of creation. They focus on activities where sub-regional working can add the most value.

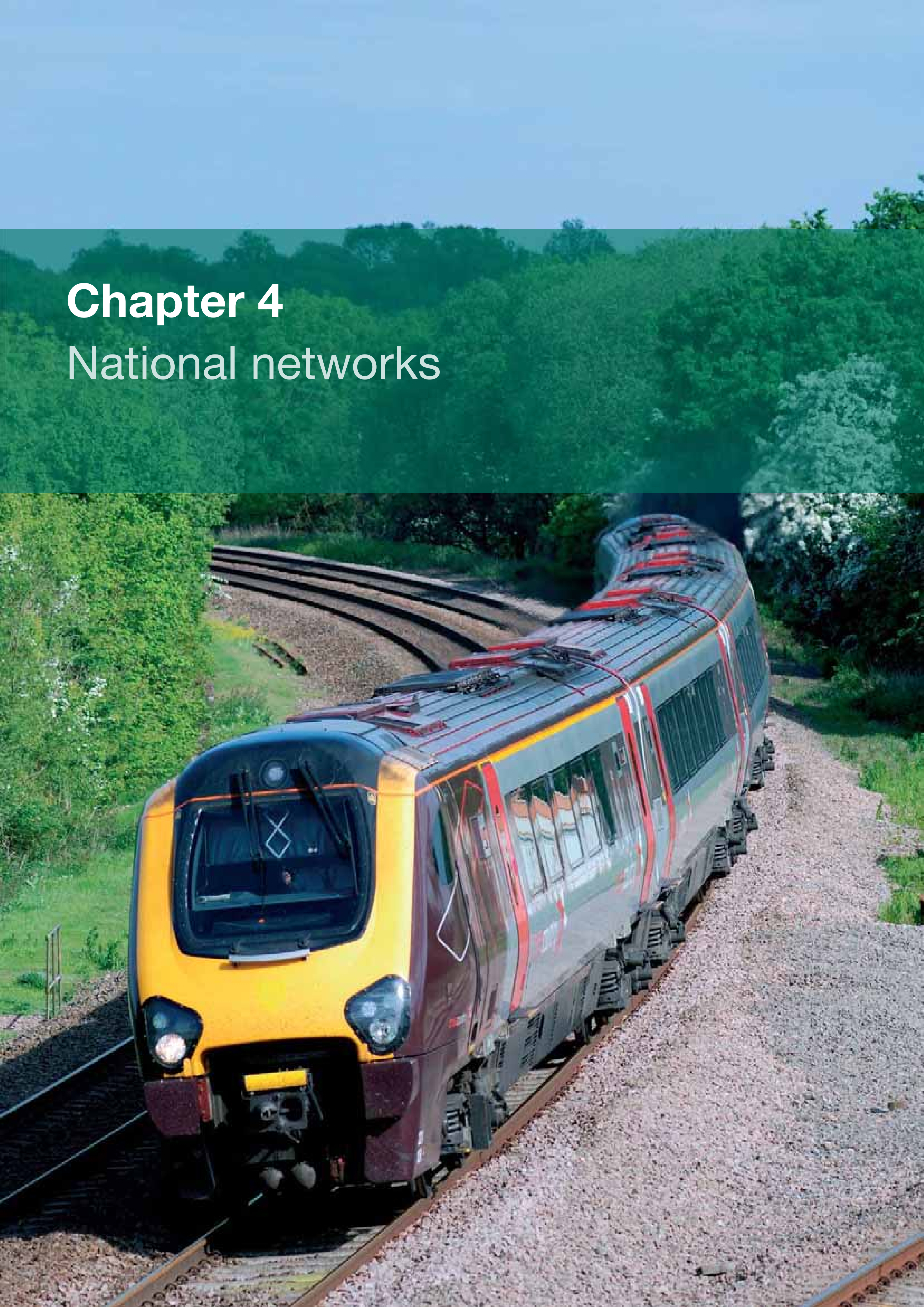
3.148 So far, 10 MAAs have been agreed between sub-regions and central government, and transport featured in seven of these. Several more MAAs are currently under negotiation and the Department has been in discussions with local authorities to ensure that these are both realistic and right for each area.

Integrated transport authorities and governance

3.149 The Local Transport Act 2008 allowed for the establishment of Integrated Transport Authorities (ITAs) which could take responsibility for transport across several local authority areas to improve the integration of different transport modes, such as buses and the local road network.

3.150 In February 2009 the six existing Passenger Transport Authorities (in West Midlands, Greater Manchester, South Yorkshire, Tyne and Wear, West Yorkshire and Merseyside) became ITAs, and many of these are already reviewing whether there are other improvements to governance arrangements which should be introduced in their area. Several other authorities are looking at whether ITAs would be right for their area or whether there are other changes they could introduce to improve existing arrangements.

Chapter 4
National networks



Chapter 4

National networks

Summary

The national networks – motorways, trunk roads and main rail corridors – provide an essential service to commerce and industry and to the lives of communities and individuals. They connect our cities, regions and international gateways, playing a significant part in supporting economic growth and productivity. These networks are not only the backbone for the distribution of goods but are also essential to people travelling around the country, visiting friends or family, making leisure or business trips.

We are working to increase the performance of our existing national networks, through better use of those we already have and targeted investment in new road and rail capacity, especially at pinch-points. We also aim to improve the environmental and safety performance of our national networks.

During the past year the Department:

- set out in the January 2009 announcement on Britain's transport infrastructure, its plans for enhancements to the strategic road network, to consider further electrification of the rail network and explore the case for new high-speed rail lines;
- announced that up to £6 billion had been made available to fund improvements to the national strategic roads in England;
- published *Motorways and Major Trunk Roads* alongside the January 2009 announcement, which set out the future programme of capacity enhancements on the national network, including many schemes which will be taken forward as hard shoulder running schemes;
- completed, through the Highways Agency, 16 major road schemes to add capacity to the strategic road network;
- continued the roll-out of hard shoulder running on the motorway box (M40, M42 and J4-J5 of M6) around Birmingham;
- began work on the A14 traffic management scheme technology improvements between Felixstowe and the M1;
- received Royal Assent for the Crossrail Bill and concluded the agreements that underpin its sponsorship, funding and delivery;
- created High Speed Two (HS2) Ltd to consider the case for high-speed rail services from London to Scotland and, as a first stage, report by the end of 2009 with a proposal for a new line between London and the West Midlands;

- announced the award of the new South Central rail franchise, which is due to begin in September 2009; and
- appointed Agility Trains as preferred bidder to fund, design, supply, and maintain the next generation of Inter-City trains for the British rail network.

Looking ahead, the Department will:

- progress the programme of major schemes to improve the strategic road network which should, in 2009-10, see the start of work on:
  - hard shoulder running schemes on the M6 J8-J10a north of Birmingham; on the M1 J10-J13 between Luton and Milton Keynes, and M4 J19-J20 and M5 J15-J17 around Bristol; and
  - widening the M25 J16-J23 in the North West and between J27-J30 in the North East, subject to achieving financial closure.
- announce later this year a decision on whether to electrify the Great Western Main Line and Midland Main Line;
- receive, by the end of 2009, High Speed Two's report on a proposal for a high-speed rail link from London to the West Midlands;
- deliver additional capacity on the upgraded West Coast Main Line through the provision of 106 additional Pendolino rail carriages; and
- award the contract in spring 2010 following a competition for a new fleet of trains for the Thameslink project.

Strategic roads

Responsibilities and strategy

4.1 The Secretary of State for Transport sets the strategy and policy for the strategic road network. Responsibility for operating, maintaining and improving the strategic road network in England on behalf of the Secretary of State lies with the Highways Agency, an executive agency of the Department. Chapter 11 describes the Agency's overall roles and responsibilities.

4.2 During 2008-09 the relationship between the Department and the Highways Agency has been reformed and refocused, in line with the recommendations of the Nichols report.[10] A revised framework document setting out the new relationship between the Department and the Highways Agency is due for publication in 2009-10. The new arrangements include the following features

10 *Review of Highways Agency's Major Roads Programme,* March 2007

- A new formal governance structure has been established, overseen by the Roads Board, chaired by the Director General of National Networks, the Department's sponsor for the Agency. The Board meets every four weeks to monitor the Agency's progress in meeting its business plan objectives, its financial, risk and value for money performance, and to address other issues raised by the sponsor or the Agency. The Agency's chief executive officer reports to the sponsor.
- In line with the Nichols report we have separated out the definition of requirements (the options phase) from the development and construction phases of road schemes. The options phase is now clearly the responsibility of the Department with the Agency leading on the other two phases.

Highways Agency's aims

4.3 The Agency's key aims, in light of generally increasing demand for journeys, are to:

- increase the reliability of journeys;
- improve safety; and
- provide better information to help road users plan their journeys and travel.

4.4 While the Agency will continue to increase capacity on those parts of the network where it is really needed, delivering projects on time and to budget, it will also pursue its efforts to mitigate the environmental impact of using, maintaining and improving the strategic road network. This increasingly involves the use of new technology.

Highways Agency network

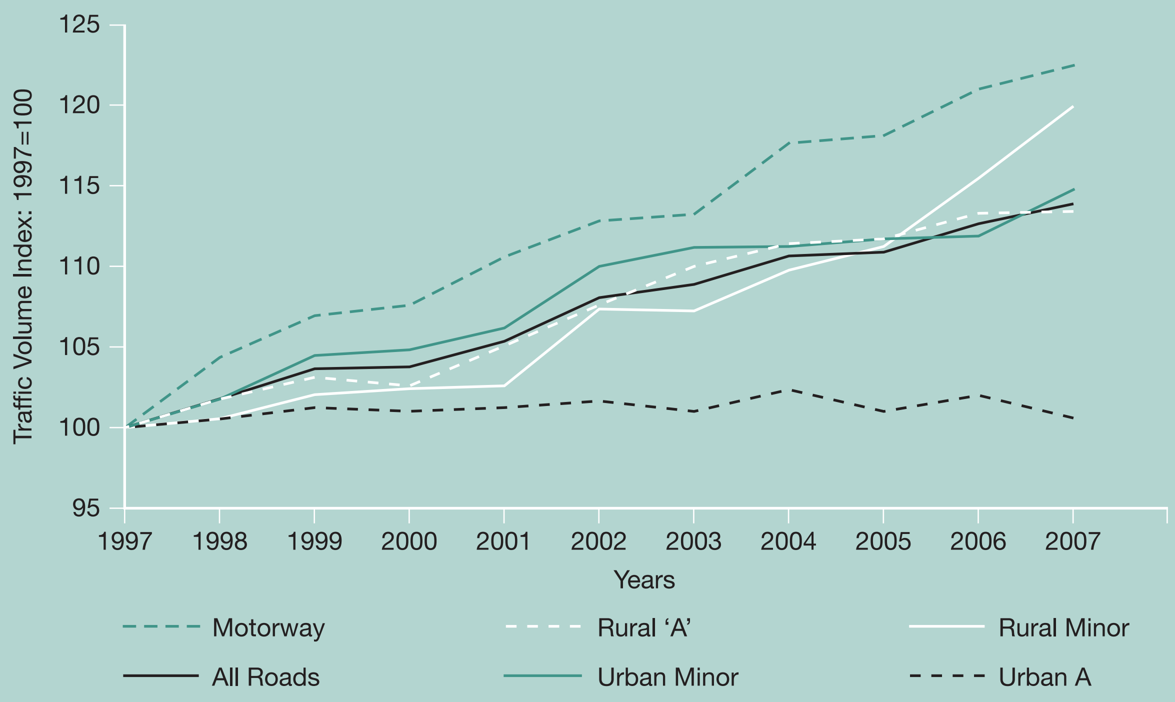
4.5 At the end of 2008 the Highways Agency was responsible for approximately 7,000 kilometres of motorways and trunk roads out of a total road length in England of around 300,000 kilometres. This tiny proportion of roads carries around one third of all road traffic in England and nearly two thirds of all heavy freight traffic. Since 2001 the Government has pursued a phased programme of transferring responsibility for non-core trunk roads from the Highways Agency to local highway authorities. This programme, known as the New Deal Detrunking Programme, was successfully completed at the end of March 2009. Of the 3,200 kilometres of road originally targeted in the Programme, approximately 138 kilometres that were to be detrunked have been retained by the Highways Agency for strategic and operational reasons.

Volume of traffic

4.6 Annual road traffic estimates show that, between 2000 and 2007, road traffic levels (in billion vehicle kilometres) have increased by 9.8 per cent on roads in Great Britain, equivalent to an increase of 1.3 per cent per year. However, the provisional annual figures for 2008 show that road traffic levels have decreased by 1.0 per cent between 2007 and 2008, a reflection of the current economic downturn. We expect traffic to start to grow again as economic conditions improve.

4.7 Despite the fall in traffic during 2008, Figure 4a shows that in the decade from 1997 traffic has generally grown on all classes of road, particularly motorways. A resumption of traffic growth will increase pressure on the road network's capacity which will, in turn, increase congestion, causing delays, unpleasant driving conditions, costs and adverse environmental impacts. It is, therefore, essential to continue to address the causes of unreliability on the road network.

Figure 4a: **Motor vehicle traffic growth by road class 1997-2007**



Targeted new capacity

4.8 During 2008-09 the Highways Agency completed 16 major schemes on the strategic road network, listed in Figure 4b, bringing to 69 the total number of strategic road schemes completed since 2001. Seven major schemes are currently under construction.

Figure 4b: Major road schemes completed during 2008-09

Project name	County	Completed
A590 High and Low Newton Bypass	Lancashire	April 2008
A66 Long Newton Junction	County Durham	May 2008
M25 J1b-3 Widening (Section 3)	Kent	July 2008
A27 Southerham to Beddingham Improvement	Sussex	August 2008
A14 Haughley New Street – Stowmarket Improvement	Suffolk	September 2008
M27 J11-J12 Climbing Lanes	Hampshire	September 2008
M6 Carlisle to Guardsmill Extension	Cumbria	December 2008
M62 Junction 6 Improvement	Merseyside	December 2008
A595 Parton – Lillyhall Improvement	Cumbria	December 2008
A38 Dobwalls Bypass	Cornwall	December 2008
M1 Junction 6a to 10 Widening	Hertfordshire	December 2008
M27 J3-J4 Widening	Hampshire	January 2009
A2 Bean – Cobham Phase 2 Pepperhill – Cobham	Kent	February 2009
A5117/A550 Deeside Park Junctions Improvement	Cheshire	March 2009
A69 Haydon Bridge Bypass	Northumberland	March 2009
A419 Blunsdon Bypass	Wiltshire	March 2009

Managed motorways

4.9 During 2008-09 the Department and the Highways Agency have worked closely together to apply learning from the successful operation of active traffic management and use of the hard shoulder as a running lane on the M42 to the programme of major schemes. The M42 pilot indicates that additional capacity can be achieved that is comparable with conventional widening. There are benefits to traffic flow, journey time reliability, fewer emissions per vehicle, and schemes can be delivered more quickly and at substantially lower cost than conventional widening schemes.

4.10 A programme of detailed design work concluded that many motorway schemes where conventional widening had been foreseen could be taken forward as managed motorways with hard shoulder running schemes. This would allow new capacity to be ready more quickly and more cheaply while ensuring safe operation.

4.11 In January 2009 the Secretary of State announced the composition of the national strategic roads programme. In *Britain's Transport Infrastructure: Motorways and Major Trunk Roads* we set out those schemes that would benefit from up to £6 billion available to deliver additional capacity to the national strategic road network. This includes improvements to our major motorways (M1, M6, M25 and M62) and most significant, all purpose trunk roads (A1 and A14).

4.12 A significant proportion of the national roads programme is made up of hard shoulder running schemes. We have set out a longer-term strategy to roll out managed motorway techniques, including hard shoulder running across much of the core motorway network. In total this programme delivers an additional 520 lane miles to the strategic road network – 340 lane miles of hard shoulder running and 180 miles of widening. This is a major investment and includes starting work on hard shoulder running schemes on the M1, M4 and M6 by March 2010 and widening of sections of the M25 subject to financial closure.

4.13 Hard shoulder running includes the installation of technology such as electronic signs to monitor and control the flow of traffic and warn drivers of safety hazards, which allows the hard shoulder to be used safely. Evidence from the M42 pilot where the speed limit has been increased to 60 mph, coupled with detailed work on the safety case, means that the Highways Agency is satisfied that hard shoulder running can be safely operated at this speed.

Managing the roads programme

4.14 Following the Nichols Report in March 2007, which investigated the Highways Agency's approach to cost estimating and project management after a series of increases in cost estimates for the major roads programme, the Agency has made important changes to its management of the roads programme. These changes are set out in the July 2008 command paper, *Roads – Delivering Choice and Reliability*.

4.15 During 2008-09 the Agency took the following actions on project management:

- It rolled out the project control framework, which provides a clearly defined and controlled life cycle for the development of major projects costing over £10 million.
- It utilised new performance measures based on earned value management techniques.
- It monitored and assessed the benefits that the changes are delivering to ensure that there is a process of continuous improvement.

4.16 The Highways Agency has a programme of smaller road improvement schemes, the majority costing under £5 million per scheme. The Agency completed over 260 of these during 2008-09.

Reliability

4.17 Unpredictable journey times are one of the most important consequences of congestion. Many journeys have critical arrival times, such as trips to and from work, business trips and leisure trips to events such as football matches. We have, therefore, used journey time reliability as the key performance measure for the strategic road network. This is encapsulated in one of the indicators in our Public Service Agreement – Journey time reliability on the strategic road network, as measured by the average delay experienced in the slowest 10 per cent of journeys for each monitored route. For more detail, see Appendix D.

4.18 Managing reliability is highly challenging, particularly on a network with such a high volume of traffic as that operated by the Highways Agency. We believe we are leading the world as the first nation to measure and target reliability over an entire strategic road network.

4.19 The Highways Agency's Reliability Delivery Plan has been effective and delivered savings of 3.8 seconds per vehicle per 10 miles, a total annual saving of over 0.6 million hours of delay across the network. There are over 30 interventions in the delivery plan. The following sections outline many of the new and/or improved measures which address the key causes of unreliability.

Dealing with incidents and events

4.20 Traffic officers take the lead at incidents on the motorways that do not involve injury or loss of life, an average of 26,500 incidents every month across the motorway network. Working with the Police, other emergency services, and incident support and recovery operators to improve incident management has reduced investigation times for the most serious incidents, allowing lanes to be reopened more quickly. Police collision investigation survey times have now improved by an average of around 30 minutes at over 500 serious incidents that have been reported to date.

4.21 The Agency received new powers in October 2008 to enable traffic officers to arrange removal and disposal of abandoned and broken down vehicles from the motorway network. The new powers are being applied, region by region, from January 2009.

4.22 The Traffic Officer Service bases its operations around seven regional control centres (RCCs) which are now involved in managing incidents on key stretches of trunk 'A' roads, helping to deliver more value from the service. The regional control centres will support hard shoulder running to deliver targeted improvements to capacity.

4.23 The work that the Agency has carried out over the last few years to be better prepared for severe winter weather was tested in February 2009. Despite the worst snowfall in 20 years all motorways were kept open. The Agency had the benefit of an advanced winter monitoring system and more than 500 winter service vehicles based at 144 depots around the network. They also had contingency plans to monitor and replenish salt stocks so, despite using 7.5 times the salt tonnage in one week compared with an average winter week last year, they were able to help make deliveries to local authorities. A national crisis plan is in place and is reviewed and updated, in the light of experiences gained from severe weather events, allowing the Agency to respond more effectively to such challenges.

Improving infrastructure

4.24 Of the programme of smaller road improvement schemes, the Highways Agency delivered 40 to improve journey time reliability.

4.25 Ramp metering – managing access to motorways by placing traffic signals on slip roads – has been installed at a further 27 sites during 2008-09.

4.26 Work began in January 2009 on a scheme to extend hard shoulder running and active traffic management on the M6 around the north-east of Birmingham and on the M42 between the M6 and the M6 Toll Road.

Incident prevention and management

4.27 The Highways Agency delivered a further 120 kilometres of motorway incident detection and automatic signalling (MIDAS) in 2008-09, with the system now providing queue protection and smoothing traffic flow to over 45 per cent of the motorway network. Forty-two new CCTV cameras, to detect traffic problems, were provided during 2008-09.

4.28 To improve traffic management on the busy A14 corridor, linking the Midlands with the east coast ports, the HA has started an £89 million project to install technology that includes MIDAS for queue protection, variable message signs for strategic traffic management, CCTV and automatic number plate recognition (ANPR) cameras for road safety purposes. The aim is to reduce accidents and improve the management of incidents. The route will be the first all purpose trunk road to benefit from the widespread application of technology traditionally seen on motorways. The scheme is expected to be complete in 2010.

4.29 Driver location signs, designed to help road users give their precise location when reporting incidents, have now been installed on 88 per cent of motorways with the remaining motorways to be covered by March 2010.

Reducing delays from road works

4.30 Speed limits at road works are now routinely being set at 50 mph rather than 40 mph through major schemes, where it is safe to do so.

4.31 A quick movable barrier system has been developed at long-duration road works to reduce their impact on motorists. This involves using a machine to put concrete safety barriers in place, reducing the time required to install and remove them. It also provides a higher level of protection for workers and road users. It has been used to good effect on the A2 widening scheme in north Kent, saving five months of construction time.

Managing heavy goods vehicles (HGVs)

4.32 To improve visibility from HGVs and reduce the number of occasions when they side swipe other vehicles, the Highways Agency (HA) has worked with VOSA and the Police to issue 60,000 Fresnel lenses to drivers of left-hand-drive HGVs during 2008-09. The Agency expects to distribute a further 60,000 in 2009-10.

4.33 The Highways Agency and VOSA have begun a joint programme to further reduce HGV incidents. The programme, following outline business case approval, will be called DART – Deter through education and enforcement; Assess vehicle and driver risk; Respond effectively; Target non-compliant vehicles intelligently.

Delivering better information for drivers

4.34 Measures to provide better information services are helping road users make informed choices on how and when they use the network, with established travel information services in place. Measures include increased publicity and promotion of journey planning services including Traffic Radio, the HA website and HA information points (HAIP) at motorway service areas.

4.35 The increasing use of travel information sites was demonstrated during the severe weather of February 2009, when a normal month's worth of visitors accessed the Agency's Traffic England website in less than a day and the online radio station, Traffic Radio, had a ten-fold increase on 2 February compared with the previous week. Details of the use of these services and the launch of new services can be found in Chapter 9.

Travel plans and car sharing

4.36 The Highways Agency has worked with employers and developers to create travel plans for businesses and development sites located near the strategic road network. The travel plans reduce the overall traffic impact of existing or new business and residential areas by encouraging staff or residents to make 'smarter choices'. The Agency is aiming to deliver an additional 14 voluntary travel plans with employers at key sites in 2009-10, building on the nine delivered in 2008-09.

4.37 Where possible, we are looking to bring together travel plans with operational measures that support more sustainable travel choices. The first dedicated high-occupancy vehicle (HOV) or 'car share' lane on a UK motorway at the junction of the M606 and M62 has been operational during 2008-09. Early indications suggest it is well used and we will be considering the first year's results during 2009-10.

Maintenance

4.38 The Highways Agency has continued the roll-out of new dedicated technology maintenance contracts (TechMACs). These provide efficient maintenance and management of technology assets and reflect the increasing importance of technology in the Agency's business. By October 2009 six of the seven regional control centre areas will be covered by TechMAC contracts.

4.39 In December 2007 the Agency began implementation of an asset management strategy to provide a more consistent and integrated approach to maintenance. This will enhance network performance and value for money. The new approach will be implemented over a five-year period. For the first time it will bring all asset information together in a single management system with standardised measures for condition, degradation and location; for example, allowing better investment decisions for maintenance. The Agency has also developed a new 'cost and efficiency' performance indicator to encourage reductions in the cost of maintenance renewals schemes.

Safety and environment

Safety on the network

4.40 The safety performance of the strategic road network has improved during 2008-09. The Highways Agency has developed a strategic safety action plan, setting out what will be done to achieve their contribution to the Government's 2010 casualty reduction targets. The plan brings together the Agency's safety activity in one document, setting out roles and responsibilities and providing a framework against which to monitor and demonstrate the progress made. The plan sets out a five-year programme of 23 key actions comprising:

- area safety action plans which are now in place and will be revised and reissued each year. The local area plans focus on evidence-led actions that support local safety partnerships;
- local network management schemes delivering safety benefits;
- driver information programmes to influence behaviour;
- road star scores to identify sites where any accidents are more likely to be severe;
- major schemes designed to include improved safety benefits as standard;
- average speed measuring cameras at major road works to ensure drivers keep to speed limits for their own and road workers' safety;
- concrete barriers on major improvement schemes to reduce the likelihood of serious injuries and fatalities; and
- road safety information on variable message signs.

4.41 More details of actions to reduce casualties can be found in Chapter 7.

Environment

4.42 During 2008-09 the Highways Agency has delivered a range of targeted improvements to mitigate the environmental impact of the strategic road network, including air quality, landscaping and noise, and to assure water quality through pollution control systems. The Agency is also improving the environmental performance of major capacity improvement schemes which are monitored against a target at key stages of scheme progression.

Other initiatives

Lower Thames Crossing

4.43 In February 2008 the Department commissioned a study to explore the future need and possible options for additional crossing capacity in the Lower Thames region. The aim was to understand better the impacts of current and future demand and to review previous work on improving traffic flow through the existing Dartford Crossing. The study was published in April 2009.

4.44 The Department has agreed to a further phase of work to assess whether the layout of the current crossing can be improved to provide a smoother flow of traffic, including the possibility of one-way tolling. It has also proposed further work on three potential options for additional crossing capacity:

- at the existing crossing;
- between the Swanscombe Peninsula and the A1089; and
- from the east of Tilbury to the east of Gravesend and then to the M20.

Rail

Responsibilities and strategy

4.45 In accordance with the Railways Act 2005, the Department for Transport is responsible for establishing the High Level Output Specification (HLOS) for the railways, together with a Statement of Funds Available (SOFA) by way of public spending in support of the railway. Network Rail is then responsible for constructing a plan to deliver the specification, with the Office of Rail Regulation (ORR) determining the charges that Network Rail may set train operating companies. Train operating companies bid for franchises, typically for seven to 10 years, to operate services on specified routes.

4.46 In July 2007 the Department published a white paper, *Delivering a Sustainable Railway*, setting out a 30-year view of how the national railway network could develop, together with its first HLOS, detailing what it wanted the railway to deliver in terms of capacity, performance and safety, and a statement of the rail funding available for the five years from April 2009. Network Rail responded to this in November 2007, with the publication of its strategic business plan for delivering the HLOS and its estimate of the cost of doing so. ORR scrutinised the strategic business plan and published its response in February 2008. There followed an iterative process between ORR and Network Rail, which led to the publication in October 2008 of ORR's *Final Determinations for Control Period 4*, which runs from 1 April 2009 to 31 March 2014. In February 2009, Network Rail indicated that it would accept the settlement outlined in the Final Determinations.

4.47 One of the most significant challenges facing the Department and the industry is how to support the development of the railway in the longer term, so that it is central to economic prosperity, attracts more users and is more responsive to the needs of an ageing and more diverse population. This includes, for example, improving the way tickets are sold and ways in which passengers get information about rail services.

4.48 The white paper also covers a range of other issues, including how to accommodate anticipated passenger growth and improve the environmental performance of the rail network, to ensure it maintains its advantage over other forms of transport. It complements the Eddington study on transport's role in sustaining the UK's productivity and incorporates wider transport and spatial planning.

4.49 The *Rail Technical Strategy* was published alongside, and in support of, the white paper and HLOS. It considers how a combination of existing and future technology can help the railway meet the challenges set out in the white paper over a 30-year time horizon. The Department is working with senior rail industry stakeholders through the Technical Strategy Advisory Group (TSAG) to take forward the development and implementation of the strategy.

4.50 The Department has worked with TSAG and the wider rail industry on a 'route-mapping' project to identify key technologies required to deliver a future railway that has greater capacity, produces lower carbon emissions, is more cost effective and delivers better customer service. The outputs from the project will inform future research and investment programmes. A new programme, worth £15 million over five-and-a-half years, has been set up to fund strategic research.

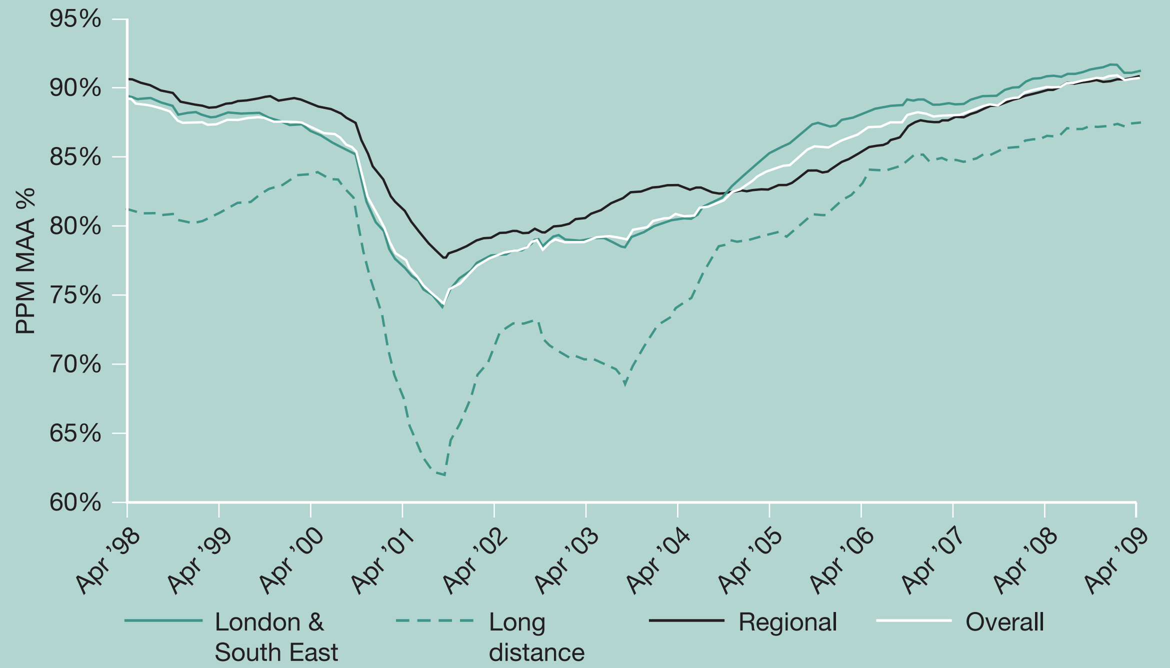
Current performance and action to make better use of the network

Punctuality and reliability

4.51 Network Rail is responsible for punctuality across the whole rail network. It is accountable for reporting train performance and regularly publishes details of the public performance measure.

4.52 ORR sets a regulatory target for Network Rail, expressed in delays they cause to train operators. The annual total for 2008-09 was 8.3 million delay minutes for England and Wales, which met the regulatory target for the year.

Figure 4c: **Public Performance Measure (PPM) Moving Annual Average (MAA) percentage of trains arriving on time by business sector**



4.53 Punctuality and reliability continue to improve. The moving annual average for punctuality at March 2009 was 90.6 per cent for England and Wales, up 0.7 percentage points on the previous year. In the year to the end of March 2009, performance has improved in all sectors compared with last year's:

- Punctuality on London and South East sector operators is now 91.0 per cent, an improvement of 0.4 percentage points from March 2008.
- Punctuality for long-distance operators is now 87.3 per cent, an improvement of 1.1 percentage points.
- Punctuality for regional operators is now 90.6 per cent, an improvement of 1.0 percentage point.

4.54 The importance the Department attaches to performance is reflected in the fact that the HLOS incorporates a formal reliability metric. It comprises two elements: a requirement that, by the end of Control Period 4, punctuality should improve (to 92 per cent on long-distance and regional services and to 93 per cent in London and the South East), and that the proportion of trains arriving thirty or more minutes late or cancelled should be reduced (by 36 per cent, 27 per cent and 21 per cent on long-distance, regional, London and South East services respectively). This is a demanding target which requires the performance improvements of recent years to be maintained and built on. A range of measures is in place, both to ensure that day-to-day performance improves and to contribute towards achievement of the HLOS reliability metric.

4.55 All rail franchises incorporate performance requirements. These are tailored to the circumstances of each operation but typically cover punctuality, cancellations and the provision of scheduled capacity. The Department monitors the operators' adherence to the requirements of their franchise agreement. If requirements are not met, the Department has powers to require the operator to produce a remedial plan, setting out measures to be taken to restore performance to an acceptable level. This was the procedure used throughout 2007-08 and 2008-09 that successfully dealt with unsatisfactory performance by First Great Western.

4.56 Each train operator also has a joint plan agreed with Network Rail designed to improve performance. These record the actions and projects that will be taken forward by Network Rail and the operator to raise and maintain performance, and to give passengers a more reliable service into the future.

4.57 During Control Period 3[11] the industry planning process was successful in identifying good performance management and sharing good practice both amongst operators, and between operators and Network Rail. Plans will be updated with new content to reflect Control Period 4, aimed at enabling improvements to continue and identifying new opportunities to consolidate and improve on the current high levels of reliability.

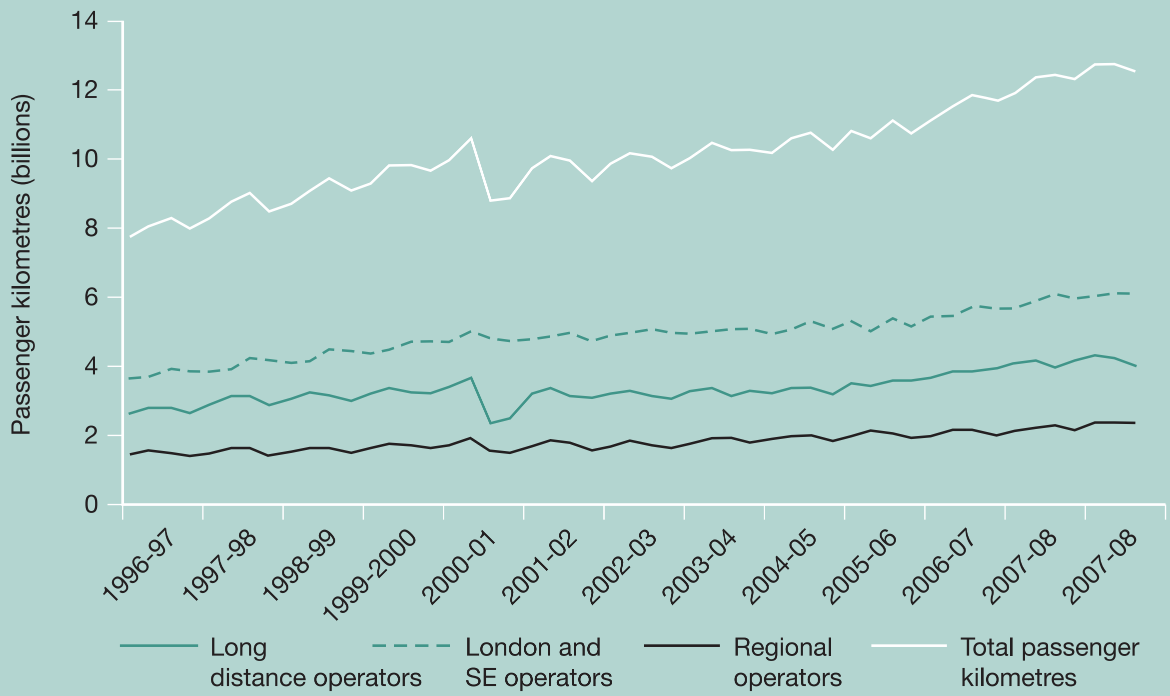
11 Control Period 3 ran from 1 April 2004 to 31 March 2009.

4.58 As well as the measures taken by train operators, reliability depends crucially on proper maintenance and renewal of rail infrastructure. Network Rail's Strategic Business Plan, published in April 2008, shows a total projected expenditure on maintenance and renewals of £14.7 billion for England and Wales and £1.9 billion for Scotland over Control Period 4.

Passenger use

4.59 Between the third quarter 2007-08 and the third quarter 2008-09, total franchised passenger journeys declined by 0.3 per cent. Passenger journeys for the long-distance and regional operators were up 6.8 and 0.4 per cent respectively, whereas journeys for the London and South East operators were down 1.4 per cent. In this same period, total passenger kilometres increased by 1.0 per cent overall, and had increased in all sectors, except for London and South East operators, which decreased by 0.1 per cent. Passenger kilometres for long-distance and regional operators increased by 2.1 per cent and 2.3 per cent respectively. Figure 4d shows recent trends in passenger use of the railway.

Figure 4d: **Passenger kilometres (billions), 1996-97 to Q3 2008-09, by business sector**



Source: ORR, National Rail Trends

Quality of service

4.60 Findings from the Passenger Focus Autumn 2008 National Passenger Survey showed that 83 per cent of rail passengers were fairly or very satisfied overall with the journey just completed. This is an increase of two percentage points since autumn 2007 and is at the highest level ever recorded.

4.61 Nationally, the proportion of passengers satisfied with punctuality/reliability is 81 per cent compared with 79 per cent in autumn 2007. The proportion of passengers satisfied that their tickets represent value for money remains low nonetheless, but is at the highest level for the last four years.

Franchising

South Central franchise

4.62 This year has seen the development of the new South Central franchise specification and the competition for the franchise. The franchise was awarded to Govia in June 2009 and begins operations in September 2009. For the first time Passenger Focus carried out detailed research into the needs of passengers on this part of the network, providing advice to the Secretary of State in spring 2008. A large number of these recommendations have been included in the specification.

4.63 The Department also worked closely with TfL and the franchise requirements include a number of TfL-funded enhancements to help deliver the Mayor's objectives for transport. Elements funded by TfL include a programme of station upgrades, additional station staffing in the London area and contributions to additional cycle parking facilities. These are in addition to DfT-funded enhancements such as longer trains (coupled with a Network Rail programme of platform lengthening), more frequent trains at weekends and evenings, later trains on Friday and Saturday nights, additional station gating and staffing, enhancements to security and better access.

New network capacity

Rolling stock

4.64 The average age of passenger rolling stock continues to mirror investment over the last 11 years. At the end of 2000 the average age was around 20 years and by the end of 2008 it was around 15 years. This reflects, in particular, the complete replacement of a number of train fleets, including the Cross Country, West Coast and Transpennine Express fleets, and the elimination of slam-door carriages on lines south of the Thames.

4.65 In 2008 the Department led the procurement process for 106 additional vehicles for the Pendolino fleet.

4.66 In February 2009 the Department announced that Agility Trains had been appointed as preferred bidder for the train service provider contract within the Intercity Express Programme. Agility, a consortium of Barclays Private Equity, John Laing and Hitachi, will build a new generation of super express trains to operate on the UK's busiest inter-city routes. They will form a key part of the Department's long-term inter-urban rail strategy and provide much needed passenger capacity, as well as improved environmental performance, deployment flexibility and value for money. The Department is looking to reach financial close later this year. The first pre-series trains are likely to enter passenger service during the lifetime of the current East Coast franchise in 2013.

Freight

4.67 Network Rail is close to finalising the list of Strategic Freight Network projects, which it has produced in conjunction with the freight companies and their customers. These will be implemented in the five years from April 2009 using the £200 million funding that the Government announced in the white paper. The first of the rail freight schemes funded by the £150 million productivity element of the Transport Innovation Fund has been completed and development of the other schemes is progressing well. (For more on freight, see Chapter 8.)

Future capacity

4.68 The Department has strategic responsibility for the sponsorship of network capacity. Importantly, it secures delivery of the infrastructure, rolling stock and changes to operators' franchises needed to deliver enhanced passenger services. The major developments in 2008-09 are outlined below.

Kent high-speed domestic trains

4.69 Significant progress has been made towards the introduction of the high-speed domestic train services that will be operated by Southeastern from December 2009. Initial trial services began in June 2009. A major new train maintenance depot has been completed at Ashford and this is being used to prepare the new Class 395 high-speed trains for passenger service. The maintenance depot at Ramsgate has also been upgraded.

4.70 Production of the Class 395 trains is underway in Japan. Regular deliveries are in progress. Twenty-nine six-car sets are being provided for the new service. The trains are designed to run on the classic Kent third-rail network as well as the High Speed One (HS1) high-speed line. On HS1 the new trains can achieve 225 kph (140 mph) and will significantly reduce journey times from north and east Kent into London. For instance the journey time from Ashford will be reduced from 83 minutes to 37 minutes and from Canterbury West from 102 minutes down to 61 minutes.

4.71 As part of the programme for introducing the high-speed service, Southeastern is fitting out the HS1 stations at St Pancras, Stratford and Ebbsfleet. Each of these stations has dedicated platforms for the new service.

4.72 At Stratford International, a new bridge has been installed that will significantly reduce the distance to the nearby regional station with its other rail and underground services.

4.73 Stratford International Station will become a major feeder for spectators travelling to the 2012 London Olympics and the Class 395 trains will form the proposed Olympic Javelin high-speed shuttle service. The Javelin service will take Olympic spectators from St Pancras to Stratford in around seven minutes.

West Coast route modernisation

4.74 The West Coast Main Line is the busiest and most important trunk route on Britain's railway system. December 2008 saw the completion of the £8.9 billion route modernisation project, which the Department sponsored and Network Rail delivered, with the co-operation of passenger and freight operators. High levels of operating performance are being achieved and traffic continues to grow.

4.75 As a result of the project a new, more robust timetable was introduced in December. This offers:

- significantly reduced journey times (up to half-an-hour off a typical London to Glasgow journey);
- more seating capacity;
- more frequent services (three trains every hour on the London to Birmingham and London to Manchester routes instead of two); and
- the introduction of new services (including hourly trains between London and Chester and London and Crewe), providing some towns in the Midlands with an all day service to and from London for the first time.

4.76 A fleet of new 100 mph electric trains has been introduced on the West Coast Main Line, providing faster links and more capacity on the London-Northampton-Birmingham corridor, as well as the line between Birmingham and Liverpool.

4.77 2008 saw the completion of major infrastructure improvements at Milton Keynes and Rugby and widening of the Trent Valley route to four tracks, to provide more capacity and greater reliability. Additional car parking is also being provided at key West Coast Main Line stations.

4.78 The Department continues to look at future capacity needs on this route and will be working closely with Network Rail as it develops its Route Utilisation Strategy for the line. Work also continues on developing options for Stafford area enhancements and the case for the deployment of the Inter City Express rolling stock between London, Milton Keynes and Northampton.

4.79 The Department is also increasing capacity on the West Coast Main Line through the provision of additional Pendolino vehicles to accommodate the continuing growth in passengers on the UK's busiest route. The Department played a key role in facilitating the commercial deal agreed in September 2008 between the train financier, manufacturer, maintainer, operator and Network Rail for the provision of 106 additional vehicles. This deal, valued at £1.5 billion, will allow the lengthening of 31 of the existing trains from nine cars to 11 and deliver four new 11-car Pendolino trains into service by 2012. An option was also secured as part of the deal, to be exercised by 2010, for additional vehicles to lengthen the remaining fleet of 21 nine-car trains.

Crossrail

4.80 Crossrail is a major cross-London rail link project. It involves construction of a twin-bore tunnel on an east-west alignment under central London between Paddington, Whitechapel in east London and Custom House in south east London, and the upgrading of existing rail lines to the east and west of London. The Department and Transport for London are co-sponsoring the project and Crossrail Limited, the project delivery body, will deliver it.

4.81 Crossrail will provide fast, efficient and direct rail access to the West End, the City and the Isle of Dogs from Shenfield and Abbey Wood in the east, and Maidenhead and Heathrow in the west.

4.82 Crossrail's key objectives are to:

- support the development of London as a world city and its role as the financial centre of Europe and the UK;
- support the economic growth of London and its regeneration areas by tackling congestion and the lack of capacity on the existing rail network; and
- improve rail access into and across London.

4.83 The Government introduced a hybrid Bill into Parliament in February 2005 to provide the powers to implement the scheme. This Bill received Royal Assent in July 2008.

4.84 The Department has now concluded with Transport for London the agreements that underpin the sponsorship, funding and delivery of Crossrail and these were signed by the Department, Transport for London and Crossrail Limited in December 2008.

4.85 Enabling works began this year with main construction set to begin in 2010 and the first trains are expected to run in 2017. The line will enable an estimated 200 million passenger journeys a year to be made.

Thameslink

4.86 The Thameslink programme involves extending and upgrading the existing Thameslink network to operate more frequent and longer trains. It includes the modernisation of London Bridge station and its approaches, rebuilding of Blackfriars and Farringdon stations and a significant programme of platform extensions. In July 2007 formal approval for the scheme was granted as part of the High Level Output Specification.

4.87 We will deliver the programme in two phases. Key Output 1, delivered by December 2011, will see capacity increased to enable longer trains to run throughout the line, with more frequent trains through the core central London section. Key Output 2, to be delivered for December 2015, will require major track, signalling and remodelling works at London Bridge and a new link from north of London to the East Coast Main Line, opening up new destinations for the Thameslink route. The completed programme will allow 24 trains per hour in each direction to operate through the central hub. Network Rail has started to appoint designers and contractors.

4.88 The Department has now launched the competition for a new fleet of trains to operate the Thameslink trains service. The trains will be the next generation of electric multiple units and have been specified to have high levels of reliability and excellent on board passenger information equipment. The intention is to award a contract in spring 2010, with the first trains being introduced into passenger service by the end of 2012.

King's Cross station

4.89 Major redevelopment and expansion is underway at both Underground and national rail stations at King's Cross. London Underground Ltd works at King's Cross St Pancras will enable the Underground to cope with increased passenger numbers. These are already being generated by the opening of the neighbouring St Pancras International station at St Pancras in November 2007, and there will be further demand once domestic high-speed services from Kent start to operate into St Pancras from December 2009. King's Cross St Pancras will also be a key passenger interchange for the Olympic Games Javelin services to Stratford in summer 2012.

4.90 Phase one of the project included expansion of the existing Underground ticket hall and construction of a new sub-surface western ticket hall above the Metropolitan and Circle Line platforms in front of St Pancras station. Both ticket halls opened in 2006. Phase two will see the construction of a new Underground northern ticket hall. This is due to open in spring 2010.

4.91 Network Rail is building a new western concourse at King's Cross main line station. This will replace the southern concourse, for which planning consent has expired. The new 3,000m^2 concourse will be three times the size of the existing one and will be built on top of the new LUL northern ticket hall. It will give more circulation space as well as easier access to St Pancras, whose Kent domestic platforms will be opposite. The new concourse is due to open early in 2012.

4.92 There is a ministerial commitment to the International Olympic Committee that both the London Underground northern ticket hall and the western concourse will be ready in time for the 2012 Olympics.

Other commitments

4.93 The white paper, *Delivering a Sustainable Railway*, incorporated commitments to a number of other specific projects. Chief among them are:

- **Birmingham New Street** – up to £128 million to help tackle crowding problems and improve the passenger environment. In 2008 the Department announced its provision of a further £160 million to improve the station, in addition to the £128 million already set aside in the 2007 white paper. BIS has agreed to fund £100 million, bringing the total government spending on the scheme to £388 million. Network Rail and Birmingham City Council plan to start work in 2009. The project is expected to be complete by 2014.
- **Reading** – up to £425 million to deliver capacity improvements and lessen congestion by reducing conflicting train movements at this major junction. Design work is well under way and Network Rail is seeking planning consents so that, provided approval is obtained, construction work can begin in 2010.
- **Great Western Main Line** – There are a significant number of projects, apart from the Reading scheme. These include the western sector of Crossrail, preparation for the introduction of the Intercity Express Programme and refurbishment of Paddington station as well as numerous renewal and enhancement schemes being undertaken by Network Rail. The Department is working closely with the industry to ensure that there is a clear plan for delivery, which still allows the railway to remain open for business, whilst this programme is undertaken, and that the various elements are delivered in a co-ordinated manner.
- **Station modernisation** – an extra £150 million to deliver improvements at 150 medium-sized stations.

4.94 For the longer term, the Department created High Speed Two (HS2) Ltd to help consider the case for high-speed rail services from London to Scotland and, as a first stage, the company will report by the end of the year with a proposal for a new line between London and the West Midlands. Such a line would enable faster and enhanced services to run on new and existing lines to Manchester, Liverpool, Glasgow and other destinations in the north of England and Scotland. This follows work from Network Rail's new lines study which has pointed to a strong case for an entirely new rail line between London and the West Midlands. This work is based on demand forecasts and future capacity analysis on our key major rail routes. The detailed report, *Britain's Transport Infrastructure: High Speed Two*, published in January 2009, sets out in further detail the decision to create High Speed Two Ltd (HS2) and the work expected to be reported on by the end of the year.

4.95 The Department is also working closely with Network Rail on considering the case for further electrification of the railways. Further electrification of the rail network is likely to deliver some environmental benefits, notably lower carbon emissions and reductions in emissions of local air pollutants. In general, electric trains are also lighter, quieter, more reliable and cheaper to operate than equivalent diesels. In some cases they can carry more people as the transformer takes up less space than a diesel engine. However, whilst the environmental benefits of electrification are clearly important, the case for further electrification will rest largely on wider economic benefits and whether it can reduce the overall cost of running the railway.

4.96 Electrification makes most sense on busier routes where the high capital cost of installing it can be offset by ongoing savings from running electric trains. This is why the Department's initial focus is on examining the case for electrifying the most heavily used parts of the Great Western Main Line and the Midland Mainline north of Bedford. A decision will be announced on these two lines later in 2009.

4.97 The National Networks Strategy Group, chaired by Andrew Adonis, drove both these workstreams forward. The Group focused on how to make best use of the existing key networks (such as selective extension of our rail network and the wider implementation of hard shoulder running and managed motorway schemes) and longer-term solutions for the strategic transport corridors (for example, consideration of new rail lines).

Environment and safety

4.98 A formal safety metric is incorporated in the High Level Output Specification (HLOS). It requires a 3 per cent reduction in the national level of risk to passengers and rail workers by 2013-14 compared with the position in 2008-09. The level of risk is defined with reference to the industry's standard measure of 'fatalities and weighted injuries' and the percentage improvement required reflects rail's consistently good safety record. Unlike most of the HLOS (including the reliability and capacity metrics) the safety metric applies across the whole of the Network Rail-managed network including Scotland, because rail safety is not a devolved matter. Further information about rail safety can be found in Chapter 7.

4.99 Rail generally performs well from an environmental perspective though ongoing improvements in the environmental performance of other modes means that rail's advantage in this area cannot be taken for granted. A particular concern has been the tendency for new trains to be heavier than those they have replaced because of better crash resistance, more power and improved passenger comfort (eg double glazing and air conditioning). This was one of the considerations behind the 'tram-train' trial announced in March 2008. The proposal is for a vehicle that is lighter than a conventional train and can operate on tram lines, but which is also capable of operating alongside conventional trains on heavy rail lines. The trial in Yorkshire is due to begin in 2011 and will last for two years, during which time the environmental and other benefits will be assessed.

4.100 Good progress has been made during the year to extend the use of regenerative braking. This is a system in which, when they brake, the motors of suitably equipped electric trains generate electric power and return it to the system, producing significant energy savings. Regenerative braking is in operation on all AC-powered trains fitted with the required equipment, and an upgrade programme has now started to convert much of the DC-powered fleet.

4.101 The Government committed in the 2007 white paper, *Delivering a Sustainable Railway*, to set a formal environmental target for the rail industry in the next HLOS which will cover Control Period 5 (2014-19). Further information about environmental issues can be found in Chapter 6.

Other projects and issues

Smartcards on rail

4.102 Following negotiations during the year, the Department has reached agreement with Transport for London (TfL) to roll out national ITSO smartcard capability across London. In addition and subject to a successful conclusion to our current discussions with TfL and relevant train operating companies, we anticipate that Oyster Pay as You Go will be accepted throughout London by the end of the year.

4.103 On completion of these related projects, Oyster Pay as You Go cards will be able to be used throughout all of the major public transport networks in the capital and the TfL network will have the capability to be interoperable with ITSO smartcard schemes.

4.104 This fulfils a promise made in 2006 by the then Secretary of State and Mayor of London for the benefit of public transport users. Under the deal, the Department will pay to upgrade the Oyster estate to accept ITSO (the national rail smartcard standard), while TfL will install the Pay As You Go equipment at rail stations. This will pave the way for simpler, more effective through-ticketing.

East London Line phase 2b

4.105 The Department has agreed to provide TfL with additional funding support to implement phase 2b of the East London Line extension to Clapham Junction. This new link should open in 2012. The Department is providing £25 million as a result of the savings it makes from not operating both the South London Line and proposed Victoria-Bellingham replacement service. TfL sought the withdrawal of this service and the associated savings under the increments and decrements process. The Department is supporting a £19 million addition to Network Rail's Regulated Asset Base and providing an additional £20 million for this, and a number of other, transport schemes in London. The total capital cost for the scheme in £75 million and TfL will bear all revenue and project-cost risks. East London Line phases 1 and 2a are already under construction and should open in 2010 and 2012 respectively.

Community rail

4.106 Community rail is now an accepted part of the railway with train operators and many local authorities recognising the benefits of working together to deliver a more vibrant local rail service. During the year, five additional routes received official designation as community rail lines or services, although the emphasis during the year was on improving delivery on existing designated routes, rather than seeking more designations.

4.107 Highlights during the year included the launch of a new fund for small schemes on designated routes which has supported projects with schools, publicity initiatives and various station improvements. Network Rail and the Association of Community Rail Partnerships (ACoRP) also contributed to this fund. Parallel to this initiative, the Department has been working with ACoRP and the partnerships of each designated route to ensure that each route has a plan in place that not only improves the long-term viability of the rail service but also assists in the delivery of local priorities as set out in the relevant local area agreement.

Accessibility

4.108 There has been a steady increase in the number of fully accessible carriages on the network since the Rail Vehicle Accessibility Regulations (RVAR) were introduced in 1998. Almost 5,000 vehicles built to RVAR standards have now been introduced, one recent example being the new Docklands Light Railway fleet launched in April 2008 that has boosted both accessibility and capacity ahead of the Olympics and Paralympics.

4.109 Many more accessible rail vehicles are on order, including the first London Underground fleet built to RVAR standards which enters service on the Victoria Line later in 2009. However, improvements to vehicle accessibility also continue amongst older fleets (predating RVAR) as they receive enhancements during refurbishment.

4.110 A new European standard for the accessibility of stations and rolling stock on the heavy rail network, the Technical Specification for Interoperability for Persons with Reduced Mobility (PRM TSI) came into force in July 2008. New legislation reconciled these requirements with existing domestic access regulations, and also set an end date of 1 January 2020 by which time all heavy rail vehicles are required to be accessible. On this basis, during 2008-09 the Department began working closely with the rail industry to help inform their plans for meeting the end date by instigating a programme of compliance assessments of older fleets.

4.111 RVAR remains the accessibility standard for vehicles operated on light rail, metro and underground systems and work continued in 2008 on proposals to amend RVAR to reflect the new light rail focus. The Department began consultation on these proposals in early 2009, including on the setting of an accessibility end date for vehicles in this sector, in line with that already in place for heavy rail.

4.112 Accessible vehicles are, however, only part of the solution. Stations and other parts of the infrastructure need to be accessible too. In March 2006 ministers launched the Railways for All strategy, which sets out how the rail industry plans to improve access to rail services, particularly for disabled people. Central to the strategy was the announcement of £370 million funding up to 2015, together with details of how this investment would be allocated. Most of the funding (£35 million a year) is targeted at providing accessible routes at the busiest stations, delivered by Network Rail. Up to £7 million a year is also available as small schemes funding for train operating companies, local authorities, passenger transport executives (PTEs) and other bodies. They can bid for this on a match-funded basis to improve local stations.

4.113 So far the Department has announced that 132 stations in England and Wales, and 13 in Scotland, will benefit from Network Rail's Access for All works up to 2015. These have been selected according to the criteria set out in the Railways for All strategy. To date, over the first four years of the small schemes programme, match funding of £24.8 million has been offered to deliver a total investment of £94.6 million at over 1,050 stations.

Railways expenditure

4.114 The Department's expenditure on the railway for 2008-09 is set out in Figure 4e.

Figure 4e: Railways expenditure 2002-03 to 2009-10[1]

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn
Net Direct Support for Passenger Rail Services	930	1,225[3]	878	813	847	684	(402)
Grants to PTE's	245	294	277	199	313	310	317
Direct Grants to Network Rail	792[2]	1,448	2,058	1984	3103[6]	3154	3899
CTRL Grants	1,362	1295	312	385	102	154	83
Freight Grants[4]	49	32	26	5	0	0	0
Other[5]	390	394	296	104	84	72	273
Total	**3,768**	**4,688**	**3,747**	**3490**	**4449**	**4374**	**4170**

1 Prior to 2004-05 expenditure relates to spending by the Strategic Rail Authority (SRA) and the Department for Transport (DfT). During 2005-06 the functions and spending of the SRA were progressively transferred to the DfT in accordance with the Railways Act 2005. This table represents the combined spending of the SRA and its predecessor bodies, the DfT Rail Directorate prior to the relevant parts of the Railways Act being commenced and the new DfT Rail and National Networks Group. From 2006-07 onwards figures show spending by DfT.

2 Figure includes a grant payment of £300 million to Network Rail to facilitate the purchase of Railtrack.

3 Figure includes £700 million paid directly to Train Operating Companies that was subsequently deemed to be in respect of capital investment undertaken by Network Rail.

4 Responsibility for the payment of Freight Grants transferred from the SRA to Logistics Division in DfT on 26 June 2005. The figure in this table shows spending by the SRA prior to that transfer.

5 Figures include payments in respect of rail industry pensions, external costs in connection with specifying and procuring rail franchises and in managing rail projects and payments to the British Transport Police, the Rail Passengers Council, the Rail Heritage Committee and British Rail (Residuary) Ltd.

6 From 2006-07 onwards responsibility for paying grants to Network Rail for the rail network in Scotland has been transferred to Scottish ministers. Spending plans in this table from 2006-07 onwards are in respect of the English and Welsh elements of the railway.

Office of Rail Regulation

4.115 During 2008 ORR continued work on the Periodic Review, including its assessment of Network Rail's strategic business plan and the framework for setting access charges, which incorporates the financial framework for Network Rail. When ORR published its *Final Determinations for Control Period 4* in October 2008, it concluded that the Government's plans for 2009-14, as set out in the High Level Output Specification, were affordable.

4.116 ORR has also published its Corporate Strategy for 2009-14. This strategy includes a renewed focus on ensuring that Network Rail delivers its regulated outputs, as well as enhanced role for the ORR in the area of consumer protection.

European Union (EU)

4.117 The Department continues to engage fully with the European institutions on developing legislation to create a single European rail area. Working closely with UK industry and customer stakeholders, the Department aims to align the objectives of EU and UK policy, and support the development of a better, more efficient railway in the context of a sustainable transport strategy.

4.118 The European Commission adopted a proposal for a regulation concerning a European rail network for competitive freight in December 2008. The Commission considers that the quality of international rail freight services remains low in many Member States and must be improved before such services can become a competitive alternative to other freight transport modes, in particular road. The draft Regulation provides for the creation, selection, governance, funding and management of rail freight corridors across at least two European member states. We are constructively engaged with UK stakeholders, the European institutions and other Member States to arrive at a piece of legislation which balances the requirements of a competitive rail freight system with the interests of rail passengers across Europe.

4.119 The Department is also in the process of transposing into national law the EU Third Rail Package which was published in the Official Journal in December 2007. The package consists of three separate measures relating to international passenger service liberalisation, international rail passengers' rights and obligations and train driver licensing. The Department will work closely with all industry stakeholders to achieve a balanced and workable implementation in line with the principles of Better Regulation.

4.120 In December 2006 the European Commission brought forward proposals for revisions to EC legislation on interoperability, rail safety and the remit of the European Railway Agency (ERA). These are amending measures to simplify and consolidate existing legislation with the aim of facilitating the progressive creation of the internal market in equipment and services for the construction, renewal, upgrading and operation of the rail system within the Community.

4.121 Revisions to the Interoperability Directive were adopted in the form of a recast Directive in July 2008 and must be transposed into national legislation by July 2010. The Department is working closely with all industry stakeholders during the drafting of new regulations. An initial policy proposals consultation was launched in March 2009 and a second consultation, to contain draft regulations and guidance, is envisaged for winter 2009-10. The Office of Rail Regulation is leading on the transposition of the revised Railway Safety Directive (2008/110/EC) which will introduce a system of certification of Entities in Charge of Maintenance for freight vehicles. Revisions to the Regulation establishing the European Railway Agency (1335/2008) came into force in January 2009, allowing the Agency to play a central role in the development of recommendations for cross-acceptance, certification and mutual recognition of rolling stock. Its role as the authority on European Rail Traffic Management System is also underlined by the amended Regulation.

Chapter 5
International networks

Chapter 5

International networks

Summary

International networks connect the UK to the rest of the world via ports, airports, the Channel Tunnel and the surface access routes which link these gateways to our homes and offices, factories and shops.

As an open economy and a trading island, reliable, efficient, resilient and sustainable international networks are critical to supporting the competitiveness and productivity of the UK economy and to our quality of life. They allow consumers access to a wide range of goods, from flat screen televisions and computers to food and drink; they ensure our access to energy supplies and other raw materials; and they provide international passenger travel for both business and leisure.

International transport services such as shipping and aviation operate in a liberalised market, with global operators and service providers. In this context, the Department has the twin roles of safety and environmental regulation of the services and a co-ordination function across the international networks. Much of our work lies in negotiating agreements and representing UK interests within the EU and the wider international community. In this way the Department has an important role in enabling private investment and improving the passenger experience and facilitation of freight movements.

During the past year the Department:

- made an announcement confirming support for adding capacity at Heathrow airport;
- agreed liberalising air services arrangements with over 10 countries;

- conducted a review of the economic regulation of the UK airport system, supported by a panel of independent experts;
- worked closely with CLG on the Planning Bill, which secured Royal Assent in November 2008;
- established the first functional airspace block in Europe between the United Kingdom and Ireland;
- published Sir Joseph Pilling's independent strategic review of the Civil Aviation Authority;
- took part in the International Civil Aviation Organisation's aviation safety audit programme, the preliminary results of which concluded that the UK has a very effective oversight system;
- achieved its aim of including aviation within the EU Emissions Trading System (ETS);
- launched a consultation on a first set of draft regulations on the implementation of the aviation EU ETS and announced the appointment of the Environment Agency as regulator of aviation in ETS in England and Wales;
- announced a new target to bring UK aviation emissions below 2005 levels by 2050;
- published a new set of guidelines on developer contributions supporting transport infrastructure to strategically important developments such as ports and airports;
- published guidance for holidaymakers about the options for insolvency protection when travelling independently or on a package holiday;
- made a co-decision with the Secretary of State for CLG to allow for an increase in the number of flights and passengers using the existing runway at Stansted airport;
- worked with the Health and Safety Executive, the Environment Agency, the Police and VOSA to improve the level of compliance in the transport of healthcare waste;
- delivered consents to significant new port capacity, including the London Gateway harbour order; and
- concluded negotiations on the EU Third Maritime Safety Package successfully.

Looking ahead, the Department will:

- work towards the publication of a draft National Policy Statement for airports;
- decide on reforms to the economic regulation of airports;
- work closely with NATS and the CAA to develop a National Performance Plan based on Key Performance Areas of Safety, Capacity, Environment and Cost-Efficiency. This Plan will contribute to the overarching EU-wide targets in these areas and will also pay due regard to the ongoing work in the UK/Ireland functional airspace block;
- work with the CAA on the development of their Future Airspace Strategy which will set out a framework to 2030 to deliver safety, efficiency, capacity and environmental benefits;
- implement the outcome of Sir Joseph Pilling's strategic review of the CAA, including consulting on proposals for updating the legislative framework, and introduce a general statutory duty for the CAA in relation to the environment;
- implement a new approach on the transposition of international legislation regarding the carriage of dangerous goods by road and rail which will break the previous two yearly domestic transposition cycle, improve compliance and deliver savings for industry;
- deliver a National Policy Statement for ports;
- implement the International Labour Organization Maritime Labour Convention; and
- undertake a survey of foreign vehicle activity in the UK.

End-to-end journeys

5.1 The Department recognises that transport users, whether passengers or freight, make end-to-end journeys which span a variety of transport modes. The user's experience and behaviour are, therefore, determined on the basis of the aggregate characteristics of whole journeys – such as speed, cost and reliability – rather than on the individual attributes of single modes. In other words, the performance of our transport networks is only as good as the weakest link of the chain.

5.2 Any end-to-end journey involves multiple players, across both government and the private sector. This brings a risk of inefficiency at the interfaces between different stages, such as the quality of intermodal connections. For international networks, border crossings present an additional set of interfaces. The interaction between different regulatory authorities, such as customs, immigration and security procedures, adds further complexity to the end-to-end journey.

5.3 Working with key industry stakeholders, the Department is developing an evidence base that enables analysis of the end-to-end, multi-modal journey of passengers and freight along the UK's international networks. The Department has drawn on this emerging evidence base in a suite of documents which focus on the end-to-end journeys through a number of the UK's major international gateways.

5.4 These documents set out a range of qualitative and quantitative data derived from public and private sector sources. They introduce a more holistic approach to analysing international networks by considering each end-to-end journey in stages and highlighting the relative contribution of each stage of the journey. Ultimately, they show where interventions should be prioritised and how the whole journey can be optimised.

5.5 The Secretary of State published *Improving the air passenger experience: An analysis of end-to-end journeys with a focus on Heathrow* in November 2007. This was followed by the publication of four further end-to-end analyses for improving the air passenger experience: Luton, Manchester and Stansted in August 2008 and Gatwick in March 2009.

5.6 In December 2008 the Department published end-to-end analyses of the containerised freight and roll-on roll-off freight journeys. This was followed by an end-to-end analysis of air freight in May 2009. These are all available at www.dft.gov.uk/about/strategy/transportstrategy/tasts/userexperience/

Improvements to international networks

5.7 The end-to-end approach has been instrumental in driving forward a number of important policy initiatives, some of which are already delivering benefits for passengers and businesses:

- enhanced co-operation between the Department and the UK Border Agency to deliver new challenging targets and service levels for immigration queues at UK airports, including Heathrow and Manchester;
- speeding up the delivery of current and forthcoming key schemes to improve transport links to some of the UK's most important airports and ports, including:
  - road access to Felixstowe, Harwich and Immingham ports;
  - road improvements on key routes between Felixstowe (the UK's biggest container port) and the main logistic operations in the Midlands;
  - improved road access to Manchester airport; and
  - rail access to the Thames Gateway, London and Haven ports.
- underpinning reforms in the economic regulation of airports to improve the passenger experience;

- increased passenger surveys to understand better the perceptions of passengers using UK airports;
- technical analysis into the resilience of runways and practical techniques to improve operational performance as well as work to understand the optimum resilience; and
- improved working relationships with stakeholders across the delivery chain.

Aviation

Strategy

5.8 Our aim is to promote safe and sustainable air transport services, domestically and internationally. We set out our long-term aviation strategy in the 2003 white paper, *The Future of Air Transport*. Our strategy balances people's growing aspirations to travel and the needs of our economy with our responsibilities to protect the environment. The white paper supported making the best use of existing capacity and, where this was not sufficient, the delivery of targeted additional capacity in a sustainable way. It concluded that provision should be made for two new runways in the South East by 2030, at Stansted and Heathrow (the latter subject to strict local environmental limits).

5.9 *The Future of Air Transport Progress Report* was published in December 2006. The report reaffirmed the Government's continued commitment to support the sustainable development of the aviation sector across the UK. The progress report also continued to support the principle of the aviation sector reflecting the full costs of its climate change impacts and reinforced the importance of minimising the impact of aviation on the local environment.

5.10 One of the key policies of the white paper moved a step closer to delivery with the decision on Heathrow expansion in January 2009. This reiterated the principles laid out in the white paper and the progress report, seeking to balance economic needs with environmental responsibilities.

5.11 Over the coming year, we will start work on developing a National Policy Statement (NPS) on airports, which satisfies the requirements set out in the 2008 Planning Act. The Airports NPS is expected to be published in draft by 2011. (See also the Planning section of Chapter 6.)

5.12 In seeking to deliver safe and sustainable operations and growth in the aviation sector, our key objectives are to:

- ensure effective safety regulation of the UK aviation sector and promote improved levels of safety internationally (see Chapter 7);
- tackle the climate change impacts of aviation (see Chapter 6);
- promote better use of existing UK airports and airspace capacity, and support delivery of sustainable industry expansion;

- improve the regulatory regime for the aviation industry at national, EU and global levels; and
- manage air services negotiations and international aviation relations to the benefit of passengers and industry.

5.13 In delivering our objectives, we depend on and work closely with a range of partners and stakeholders. These include the Civil Aviation Authority (CAA), NATS (formerly known as National Air Traffic Services), the aviation industry, other government departments, the European Commission, international organisations (including the International Civil Aviation Organisation (ICAO), the European Civil Aviation Conference (ECAC), the European Aviation Safety Agency (EASA) and Eurocontrol) and other countries both within the EU and around the world.

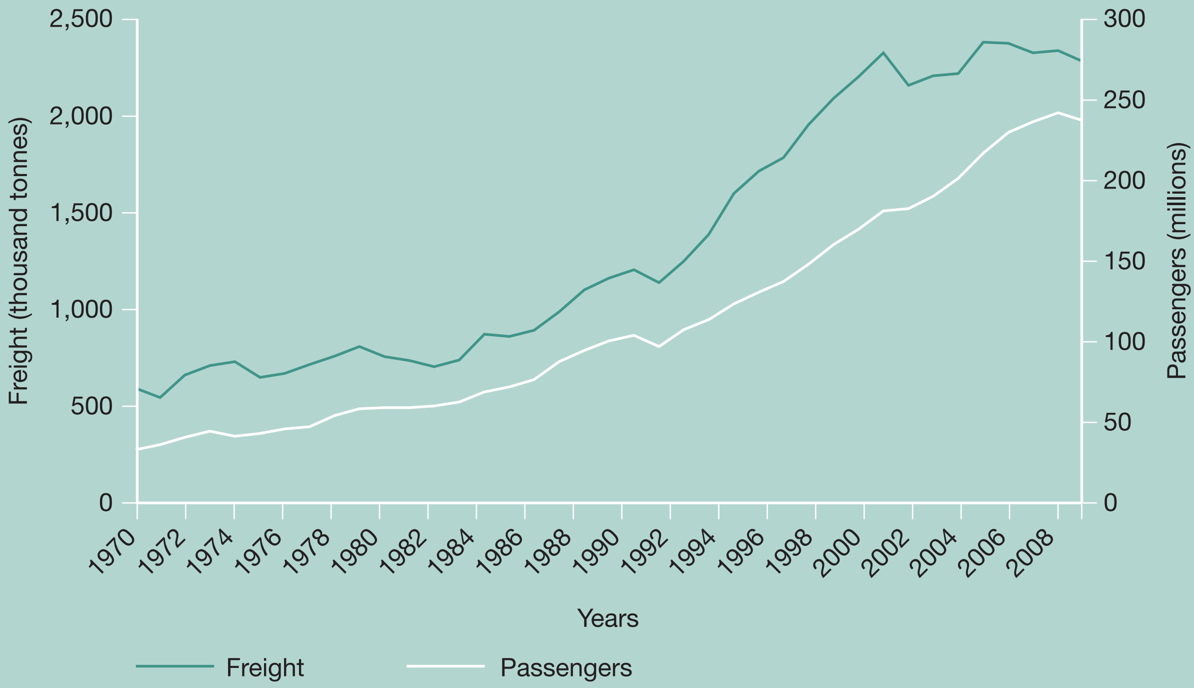
Clear picture of aviation demand

5.14 At the start of 2008 the volume of air travel had recovered from its period of slower growth at the turn of the century to resume its longer-term trend of strong growth. The number of passengers at UK airports rose from 32 million in 1970 to 235 million in 2008. This reflected increasing economic prosperity and falling air fares as the industry has become more competitive. However, passenger levels started to decline towards the end of 2008 as the full impact of the recession started to emerge.

5.15 The Department's 2008 survey on attitudes to air travel shows that almost half of all adults in Great Britain have flown at least once during the previous year, and that 16 per cent have flown at least three times during that period. The strong competitive position of the UK aviation industry in the global economy is illustrated by the fact that Heathrow is the world's busiest international passenger airport.

5.16 Air freight has an important role in supporting the UK's international trade, including many markets in which UK firms specialise. About a quarter of UK visible trade by value goes by air and in 2008 air freight transported 2.3 million tonnes of cargo.

Figure 5a: **Passenger and freight movements at UK airports: 1970-2008**



5.17 Our latest air travel forecasts for the UK, published in January 2009, show that demand for air travel would grow to 465 million passengers a year by 2030, if growth were not constrained by capacity. This represents more than a doubling of demand between 2003 and 2030, and would put further pressure on UK airports, some of which are already at, or are fast approaching, capacity.

Improving operations

Liberalising services

5.18 We have continued our programme of liberalising the bilateral air services treaties that govern international flights beyond the EU. The aim is to enable airlines to provide international services on a commercial basis to the benefit of consumers, airports and the carriers themselves, by removing unnecessary restrictions whilst ensuring high standards of safety, security and fair competition. During 2008-09, we succeeded in negotiating improved bilateral arrangements with a range of countries including Brazil, Japan, South Africa, Saudi Arabia, Mexico, Cuba, Ukraine, Algeria, Syria and St Kitts and Nevis, as well as resolving numerous day-to-day business issues for airlines overseas.

5.19 We have also worked closely with other Member States and the European Commission in developing EU-level air services treaties with other countries. In November 2008 the Commission and Canada reached agreement on the text of a draft Air Transport Agreement that will remove all restrictions on routes between destinations in Europe and Canada. The draft agreement also includes provisions on a range of other aspects of aviation, including safety, security, taxation, consumer protection, fair competition, and the environment, as well as the progressive opening up of restrictions on foreign ownership and control of airlines.

5.20 Discussions on Stage 2 of the EU-US Air Transport Agreement started in May 2008 and are ongoing. The EU has also begun negotiations on comprehensive aviation agreements with Australia, New Zealand, Ukraine, Israel and Jordan.

Air traffic management

5.21 NATS provides air traffic control services to aircraft flying in UK airspace and over the eastern part of the North Atlantic. It also provides air traffic control services at 15 of the nation's major airports. NATS is a public private partnership and the shareholders are the Government, the Airline Group (a consortium of seven UK airlines and the controlling shareholder), BAA and NATS staff.

5.22 NATS handled over 2.4 million flights in UK airspace in 2008, a slight decline of 1.5 per cent from the record number handled in 2007. The average delay per flight attributable to NATS in 2008 was 21.9 seconds, compared with 24.9 seconds in 2007 and 24 seconds in 2006. The number of flights that experienced no delays attributable to NATS in 2008 was 98 per cent, compared with 97.6 per cent in both 2007 and 2006.

5.23 In the international arena, we have been working closely with other Member States to give aviation stakeholders a greater say in the governance of Eurocontrol (the European organisation for the safety of air navigation). This has resulted in more transparent and effective governance arrangements and a greater degree of influence for the service providers.

5.24 We have continued to work closely with the European Commission and other Member States to develop the supporting legislation necessary to establish the Single European Sky (SES). So far, a total of twelve EU rules have been agreed and as a result, UK air traffic service providers will be better able to offer their services throughout Europe. These rules cover a number of areas:

- essential requirements for the certification of air navigation service providers;
- principles for the shared use of airspace by civil and military authorities;
- a harmonised classification for all airspace above 19,500 feet:
  - safety oversight in air traffic management;
  - safety assurance levels in air traffic management software systems; and
  - requirements for the use of data-linking services.

- interoperability rules for the handling of flight data messages; and
- a common charging scheme for air navigation service which lays down the principles to be followed when calculating the charges to be levied on airspace users.

5.25 We are working to ensure that the numerous other rules in the pipeline will improve the UK aviation industry. We want to ensure that the new rules will add real value to the harmonisation of safety, interoperability and airspace-related standards across Europe.

5.26 A key element of the Single European Sky is the establishment of functional airspace blocks (FABs) to integrate better the management of airspace, regardless of existing national boundaries. In July 2008 we established the UK/Ireland FAB which will provide improved services to airlines and more efficient routings to save fuel and emissions.

5.27 We are also supporting the Single European Sky Air Traffic Management Research (SESAR) project to modernise air traffic management in Europe. This project, in three phases, is designed to provide a high-performance air traffic control infrastructure by 2020. The first phase, project definition, has produced the Air Traffic Management Master Plan, which, having been endorsed by the Member States at the March 2009 Transport Council, has been handed to the SESAR Joint Undertaking to begin work in the development phase. A regulation establishing the joint undertaking to oversee the management of the Master Plan was adopted in February 2007 with the undertaking itself being established in mid-2007.

Consumer protection

5.28 XL Leisure Group became insolvent in September 2008, affecting 85,000 holidaymakers and a further 240,000 with future bookings. Some 75,000 of these holidaymakers were on package holidays and so covered by the Air Travel Organiser's Licence (ATOL) scheme. Under this, tour operators have to provide alternative arrangements if an airline or other holiday supplier becomes insolvent, or the CAA steps in if the tour operator itself becomes insolvent. The CAA, working with tour operators, arranged the repatriation of around 50,000 XL customers over a two-week period. This was a major undertaking that passed off very smoothly, thanks to the hard work of the CAA and travel industry.

5.29 The Department, working with the CAA and the travel industry, reviewed the short-term lessons learned from XL's failure. An outcome of this has been new guidance for holidaymakers providing better information about the options for insolvency protection if they go on a package holiday or travel independently. Linked to this, the Department has also undertaken a wider programme of promoting information about insolvency protection for consumers considering their holiday plans for 2009. The Department is also considering options for longer-term reform of ATOL, including through changes to legislation, to improve clarity for consumers and reduce costs to tour operators.

5.30 In July 2008 passengers with a disability or reduced mobility received new rights under European law to protect them from discrimination when travelling by air. This law guarantees levels of service assistance at the airport and on board the aircraft. We have put in place an enforcement regime in the UK to support these rights and have worked closely with the industry to provide guidance, *Access to air travel for disabled persons and persons with reduced mobility – Code of Practice*, on how industry can comply with their obligations and deliver a good service to disabled passengers and those with reduced mobility. The Department and the Equality and Human Rights Commission have also published information for passengers about the new rights under the law, *Your rights to fly – what you need to know* booklet.

Improving capacity

Heathrow

5.31 The Secretary of State announced his decisions on Heathrow in January 2009, following completion of the analysis of responses to the *Adding Capacity at Heathrow Airport* public consultation. This was accompanied by publication of a decisions report, an updated impact assessment and other supporting technical reports (see Bibliography for details). In summary, the Secretary of State was satisfied that the pre-conditions in the 2003 white paper (on noise, air quality and public transport improvements) could be met and confirmed his support for adding a short third runway and additional passenger terminal facilities in the period 2015 to 2020. However, he rejected more intensive interim use of the existing two runways through the possible use of mixed-mode operations (using the runways for both arriving and departing flights).

5.32 The decision includes a commitment to a legally binding mechanism to ensure that additional runway capacity will not be released until the noise and air quality limits are met. The details will be worked up with a view to consultation in due course. The Government has also agreed an initial limit on the capacity of a three-runway airport so that the increase in the annual number of flights is no more than 125,000 a year, subject to review in 2020, which will take account of advice from the Committee on Climate Change on progress towards the 2050 aviation carbon target.

5.33 The statement to Parliament in January announced that the Department will also be consulting on the practicalities and effectiveness of a new 'green slot' approach at Heathrow. The intention is that this will incentivise airlines to allocate their cleanest and least noisy aircraft to secure slots from the additional capacity provided at Heathrow.

5.34 It is for BAA, as the airport operator, to consider these decisions and take forward the preparation of the necessary applications for planning approval and other consents.

Stansted

5.35 The white paper made clear that the first priority at Stansted should be to make best use of the existing runway. However, it also anticipated that a second runway would be needed in the longer term to cater for the additional demand that was forecast.

5.36 In respect of the existing runway, a ministerial decision allowing for an increase in the number of flights and passengers (otherwise known as the Stansted G1 decision) was announced in October 2008. This decision followed a planning inquiry in 2007. The decision was the subject of an appeal by the campaign group, Stop Stansted Expansion (SSE), heard in the High Court during February 2009. The High Court found in the Department's favour in March 2009. SEE sought permission to appeal this verdict but this has been refused. SEE will not be seeking further leave to appeal.

5.37 In March 2008 BAA submitted a planning application for a second runway and associated new terminal facilities at Stansted (otherwise known as the Stansted G2 project). The G2 planning application was called in by the Secretary of State for Communities and Local Government (CLG) in July 2008 for joint determination by the Secretaries of State for Transport and for CLG. The Secretary of State for CLG announced in March 2009 that the planning inquiry would be deferred as a result of the current uncertainty around the future ownership of the airport. A further announcement was made by the Secretary of State for CLG on 15 June 2009 that he did not intend to set a start date for the Planning Inquiry until the outcome of BAA's appeal to the Competition Appeal Tribunal against the Competition Commission's findings was known. This process is unlikely to be concluded until at least early 2010.

5.38 In March 2009 we published the results of the further work carried out by the Department on the long-term capacity of the M11 motorway and the West Anglia Main Line. This took account of the likely long-term growth in the regional economy and the potential expansion of Stansted airport, as well as of the Government's revised air passenger demand forecasts, which were published in January 2009. It concluded that while there was a business case for a significant package of enhancements to the West Anglia Main Line to deal with the long-term increase in passenger demand on the route, no enhancements were likely to be needed to the relevant section of the M11 motorway until at least 2021.

Other airports and master plans

5.39 *The Future of Air Transport* white paper invited 30 UK airports to prepare master plans. We followed this in July 2004 with guidance for airport operators on how to prepare these. Master plans set out comprehensive proposals for the development of airports to 2015, and in outline to 2030.

They include detailed proposals for surface access, environmental controls and mitigation and, where appropriate, measures to address generalised blight (effects any changes would have to the locality or surrounding areas). They inform the local and regional planning process and also provide a mechanism for local communities to engage with the airport on its future development proposals.

5.40 More than 20 of the 30 identified airports have now published draft consultative or substantive master plans. Others have summarised the issues their master plan will cover.

5.41 In 2009, as part of our commitment to evaluating the white paper, we will be studying the effect that master plans have had.

Regulation

Strategic review of the CAA

5.42 In September 2007, in response to a recommendation made by the House of Commons Transport Select Committee, the Secretary of State appointed Sir Joseph Pilling to conduct an independent strategic review considering the governance and structure, scope and organisation of the Civil Aviation Authority (CAA). Sir Joseph completed his review in 2008 and reported to the Secretary of State in June of that year.

5.43 The Secretary of State has broadly accepted Sir Joseph's recommendations including those to:

- recruit a part-time non-executive chair and a new chief executive;
- bring the legislative framework up to date; and, as part of this,
- review the CAA's general statutory duties, including Sir Joseph's recommendation that there should be a general statutory duty for the CAA in relation to the environment.

5.44 We plan to consult on proposals for updating the regulatory framework governing the CAA before bringing forward legislation when Parliamentary time allows.

Review of economic regulation

5.45 In April 2008 the Secretary of State announced a review of the economic regulation of UK airports. In commissioning this work, the Secretary of State gave the review a remit to design regulatory proposals that would provide incentives to:

- improve the passenger experience;
- encourage appropriate and timely investment in additional capacity; and
- address the wider environmental impacts of aviation from airport development.

5.46 Throughout the review the Department has considered a range of evidence from stakeholders and has been advised by a panel of independent experts led by Professor Martin Cave. The Department published its initial views on the need for regulatory intervention in the airports sector in September 2008. This was followed in March 2009 by a consultation seeking views on proposed reforms to the regulatory framework.

5.47 Once the Department has considered the responses to the consultation, the Secretary of State will decide how the regulatory framework should be reformed. This decision is expected later in 2009, with any legislative changes taken forward at the earliest opportunity.

Environment and safety

Climate change

5.48 Following agreement in 2008, for which the UK pressed, aviation will join the European Emissions Trading System (EU ETS) in 2012. This system will lead to an estimated reduction of 194 million tonnes of carbon dioxide (CO_2) across the EU in 2020. In addition the Government announced a new target to bring UK aviation CO_2 emissions below 2005 levels by 2050. The Department's actions to tackle climate change are further detailed in Chapter 6.

New UK aviation carbon dioxide target

5.49 The Government announced a new target to bring UK aviation CO_2 emissions below 2005 levels by 2050. The target is designed to drive emissions reductions within the aviation sector itself, to ensure that the industry plays its full role. The Committee on Climate Change (CCC) has been asked to advise on the target, considering the scope for emissions reductions, including those from technological improvements, and the best basis for measuring progress.

Aviation health

5.50 Air passengers who have specific medical conditions should, and do, take advice from their GPs or specialists. The Department helps by providing the public and doctors with information. The Aviation Health Unit in the CAA targets part of its website at a GP audience and has a section where professional medical information can be downloaded.

5.51 The Department has continued its research into cabin air (fume events) this year. Fume events need to be captured in real time and analysed. This has not been done before, and the UK is leading the world with this research. Cranfield University has conducted tests with participating airlines to try to capture fume events in flight and more tests are planned to take place this year. When the analysis is complete the results will be peer reviewed and published.

5.52 Other aspects of safety are covered in Chapter 7.

Air Transport Auxiliary Veterans Badge

5.53 The Secretary of State announced in February 2008 that a Veterans Badge would be awarded to members of the Air Transport Auxiliary (ATA), in recognition of their important work during the Second World War. The ATA was a civilian organisation which carried out the job of ferrying over 300,000 aircraft between factories and front-line airfields, freeing RAF pilots for operational duty.

5.54 In September 2008 the Department arranged a reunion for over fifty veterans and their families, followed by a badge presentation ceremony at 10 Downing Street. The Department has also awarded badges to approximately one hundred further surviving veterans who were unable to attend the ceremony.

Maritime

Strategy and objectives

5.55 Our aim for shipping and ports is to facilitate the efficient and sustainable movement of goods and people by sea, and onwards to their final destination, in a safe manner that also ensures the effective protection of the environment. Our strategy needs to balance the growth of shipping and imports and the environmental benefits that moving goods by sea can offer compared with other transport modes, with the need to protect the environment both from emissions and from the risk of pollution from marine accidents.

5.56 Our key objectives are to:

- encourage and facilitate investment in the sustainable expansion of port capacity to meet growing demand;
- address the climate change impact of shipping through international action;
- ensure the safe operation of ships and ports, both to protect individual mariners and passengers and to ensure the protection of the environment from possible pollution;
- support an efficient UK shipping industry making a strong contribution to the UK economy;
- encourage UK ship registration to help ensure high quality, well operated ships around our coasts and at sea; and
- maintain the industry's skills base by promoting maritime employment and training.

5.57 To achieve these objectives, we depend on close co-operation with a broad range of partners and stakeholders, including shipping industry and port interests, other government departments, the European Commission, the International Maritime Organization and other countries, both within the EU and around the world.

Safety at sea and preventing pollution

5.58 The Department believes that the needs of the global shipping industry in the development of safety and counter pollution measures are best served by international agreement within the International Maritime Organization (IMO) and the EU. We play a leading role in discussions and are concerned to ensure that initiatives in IMO, as well as within the EU, are subject to formal safety assessments and regulatory impact assessments, as appropriate, so that any consequential regulations are proportionate responses to identified risks.

5.59 We have been closely involved in developing EU legislation on maritime safety. Proposals have been agreed by the EU institutions on:

- vessel traffic monitoring (which concerns the monitoring of ships which pass or enter the waters of EU Member States);
- port state control rules on checking foreign flag vessels calling at our ports;
- new measures relating to the regulation and administration of classification societies' ship construction standards;
- harmonisation of accident investigation procedures and reporting;
- introduction of a compulsory insurance requirement for ships calling at EU ports; and
- new rules on the compensation of passengers.

5.60 The next step is for the EU Member States to give effect to the proposals in national law. The legal instruments covering these proposals should enter into force across the EU over the next three years.

5.61 The aim of these measures is to improve the way in which maritime activities are regulated consistently throughout the EU.

5.62 We have worked within IMO to develop international regulations covering ship-to-ship transfers of oil carried as cargo. We support the need for new rules prompted by the increased number and scale of such oil transfers and their increasingly widespread geographical location. The UK has played a prominent role in the negotiations during 2008 and we expect these regulations to be adopted at the next meeting of IMO's Marine Environment Protection Committee (MEPC) in July 2009.

5.63 We have brought the requirement for ports to provide facilities for the delivery of ship-generated sewage into our existing port waste reception facilities regulations. This was in response to the entry into force of the sewage aspects of the European Directive on port waste reception facilities. This means that ports must provide adequate facilities for the disposal of ship-generated wastes including oily water, garbage, sewage and hazardous and noxious substances.

5.64 The Department is supporting the development of an international convention for the safe and environmentally sound recycling of ships within IMO. The convention aims to address concerns about safety, health, the environment and welfare in the ship recycling industry, whilst recognising that the recycling of ships contributes to the sustainable development of the countries that undertake it. At the 58th session of the IMO Marine Environment Protection Committee (MEPC) in October 2008 the draft text of the convention was approved. The UK, along with other key players, was engaged in the final negotiations to ensure the adoption of the convention at a diplomatic conference, which took place in May 2009 in Hong Kong.

5.65 The Secretary of State's representative for Maritime Intervention and Salvage (SOSREP) continues to oversee the removal of the remainder of the grounded container ship, MSC Napoli. After part of the stern section was cut away and taken to a recycling facility at the end of 2007, the operation to remove the remaining part of the stern section began in April 2008. Work carried on through the summer, until mid-September 2008 when it was suspended because of worsening weather. Some 3,800 tonnes of the MSC Napoli remains on the seabed. A new salvor has been appointed, with a view to completing the removal of the stern section in 2009, and preparatory work started in early January 2009. Work on lifting and cutting began in June 2009.

5.66 There are always lessons to be learned, even from successful operations such as the MSC Napoli. The Maritime and Coastguard Agency (MCA) looked in detail at how aspects of the pollution, salvage and the ongoing disposal of the MSC Napoli had been handled and how improvements could be made. It published its report, *MSC Napoli Incident: The Maritime and Coastguard Agency's Response*, in November 2008.

Renewable energy

5.67 As a result of the EU renewable energy targets, offshore wind farms are expected to make a significant contribution to UK energy needs over the next few years. The Department continues its efforts to ensure that the shipping and ports industries can successfully co-exist with offshore renewable energy industries. We maintain close relationships with developers and nautical stakeholders as well as DECC, MoD and Defra, to help shape policy on offshore wind farms.

Effective regulation

Promotion of UK shipping

5.68 A strong UK shipping industry is important to our economy, and the UK continues to offer a regulatory environment that is attractive to shipping companies and first-class operational services for ships on the UK register, provided by the MCA.

5.69 Tonnage tax provides an alternative to the basic corporate tax regime. It brings certainty because it fixes the amount of corporation tax relative to the size and number of ships. Tonnage tax calculates profits chargeable to corporation tax by referring to tonnage instead of commercial profits. It is not affected by financial profitability or tax allowances. A company opting into tonnage tax does so for a minimum of 10 years.

5.70 Eighty-eight company groups are currently active in the tonnage tax scheme, accounting for over 900 ships. Of these, about 49 per cent are UK flagged (see Figure 5b).

5.71 A key feature of the UK's tonnage tax scheme is the minimum training obligation aimed at maintaining the UK industry's skill base. Each shipping company has to recruit and train one officer trainee each year for every 15 officer posts in its fleet. The cumulative training commitment for 2007-08, which includes that for the previous two years, is for over 1,550 trainees.

5.72 The UK remains committed to international measures aimed at improving living and working conditions for seafarers worldwide, which will help make employment at sea more attractive. We continue to work towards ratification of the International Labour Organization Maritime Labour Convention adopted in February 2006, as soon as UK law and practice can be adapted to its provisions. We are working closely with trade unions and employers in this process.

UK ship registration

5.73 UK ship registration has grown strongly over recent years and is continuing to grow further. Since 2000, deadweight tonnage (carrying capacity) has increased from 5.2 million tonnes to 15.8 million tonnes at the end of January 2009 (see Figure 5b). The introduction of tonnage tax in 2000 has been a major factor in this revival, together with the introduction of registration reforms by the MCA. There has also been a healthy trend towards more registrations of larger, younger ships.

5.74 The UK Ship Register is focused on providing quality customer service for owners of quality ships. The MCA's biannual customer satisfaction survey gives new customers an opportunity to express their views on what the MCA is doing well and where improvements might be made. The latest results published in March 2009 showed an overall satisfaction with the UK Ship Register of 81 per cent. For more details, see the MCA web site at www.mcga.gov.uk.

Ports

5.75 Ports continue to play an essential role in international trade and supporting the UK economy. Around 95 per cent of our international trade by weight, and 75 per cent by value, passes through our ports.

5.76 UK ports handled 563 million tonnes of freight traffic in 2008 (provisional figures), one per cent (6 million tonnes) less than in 1998. Over the last ten years, inward traffic has increased by 13 per cent and outward decreased by 18 per cent.

5.77 Total traffic in 2008 was three per cent lower than in the previous year. Inward and outward traffic also fell by about three per cent to 347 million tonnes and 216 million tonnes respectively.

5.78 Grimsby and Immingham maintained its position as the UK's leading port in 2008, in terms of weight of freight handled, with London replacing Tees and Hartlepool in second place.

Figure 5b: **Top ten ports in 2008 in terms of tonnage**

Ports	million tonnes
Grimsby and Immingham	65.3
London	53.0
Tees and Hartlepool	45.4
Southampton	41.0
Forth	39.1
Milford Haven	35.9
Liverpool	32.2
Felixstowe	25.0
Dover	24.3
Medway	15.0

5.79 Total port traffic for the first quarter of 2009 was nine per cent down on the first quarter of 2008. Unitised traffic was down 14 per cent compared with the same quarter in 2008.

Ports policy

5.80 The Department plans to consult during 2009 on a National Policy Statement on ports under the Planning Act 2008. This will help to guide the proposed Infrastructure Planning Commission in its consideration of applications from developers for nationally significant port infrastructure projects.

Port development

5.81 Work is underway on the Felixstowe South reconfiguration, which received planning consent in 2006. The first phase, due for completion around 2010, will provide the first major extension of deepwater container port capacity in the UK for nearly a decade.

5.82 In May 2008 the Department made the London Gateway Harbour Empowerment Order giving statutory authority to the first major new port development on the River Thames for over half a century. If developed to its full extent, London Gateway would have an annual container handling capacity of around 3.5 million twenty-foot equivalent container units (TEUs).

5.83 The Department will continue to assess proposals by port developers for the enhancement of container handling and roll-on, roll-off capacity, in line with the principles of sustainable development. The port of Bristol has submitted an application for expansion of container handling capacity, which will be considered in the course of 2009. The Port of Dover is also expected to submit an application for expansion of roll-on, roll-off capacity at its Western Docks.

Navigational safety and the General Lighthouse Authorities

5.84 Aids to navigation in waters around the British Isles, outside port limits, are provided by three General Lighthouse Authorities (GLAs): Trinity House, the Northern Lighthouse Board and the Commissioners of Irish Lights. The GLAs also have statutory duties for the supervision of aids within ports and for dealing with obstructions to navigation. They are funded from light dues, a charge levied on commercial shipping calling at UK and Irish ports.

5.85 The Secretary of State determines light dues rates and they are reviewed annually. In June 2009 new rates for light dues for the next two years were announced. Following a public consultation, light dues will rise to 39p per net registered ton (nrt) from 1 July this year, with a further increase to 43p on 1 April 2010. The maximum number of chargeable voyages each year will also rise from seven to nine, with the upper tonnage threshold of 35,000 increasing to 40,000 nrt in 2010-11.

5.86 We kept increases to an absolute minimum to pay for the operating requirements of the GLAs. We shall be undertaking an evaluation of the provision of the aids to navigation service to all regions of the UK and Ireland. This will consider all aspects of delivery, including options for increases in efficiency, potential improvements in structure and overall arrangements for financing.

Port safety

5.87 The Port Marine Safety Code (PMSC) is a framework to help harbour authorities meet their statutory and non-statutory safety obligations. The Department is currently working with the MCA and industry stakeholders to update both the code, first published in March 2000, and the accompanying *Guide to Good Practice*.

5.88 With support from the Department, a new Ports and Shipping Partnership, comprising representatives of the ports and shipping industry, unions and government, has been established to co-ordinate the industry's safety and skills agenda.

Draft Marine Navigation Bill

5.89 In May 2008, in line with the Modernisation Committee recommendations for new legislation, the Department published in draft form a Marine Navigation Bill for pre-legislative scrutiny. The Bill would introduce new powers and duties to improve the ability of harbour and lighthouse authorities to discharge their responsibilities for safety management in UK waters. This legislation will be taken forward when Parliamentary time allows.

International rail

High Speed One

5.90 Completed in November 2007, High Speed One is currently Britain's only high-speed railway. It runs between London St Pancras International station and the Channel Tunnel, with intermediate stations at Stratford, Ebbsfleet and Ashford.

5.91 Eurostar's international high-speed rail services have now been operating successfully on High Speed One for more than 18 months, increasing passenger numbers, reducing carbon emissions and cutting journey times between London and Paris and Brussels by 40 minutes.

5.92 The line will also be used for high-speed Kent domestic services (see Chapter 4).

5.93 In 2008 the introduction of the Channel Tunnel Rail Link (Supplementary Provisions) Act gave the green light for the restructuring of London & Continental Railways Ltd – the company which owns High Speed One, the UK interests in Eurostar and development lands principally at King's Cross and Stratford. This work is now well advanced. Its purpose is to give Eurostar the commercial stability and freedom it needs to develop and thrive in what will be an increasingly competitive international rail market; and to prepare for a sale of a long-term concession to operate High Speed One. The objective of that sale will be to maximize the value to the taxpayer, following the substantial public investment in High Speed One, and to create the conditions necessary to encourage additional services onto the line, with the potential for new operators and destinations.

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Chapter 6
Sustainable development – protecting the environment

Chapter 6

Sustainable development – protecting the environment

Summary

A good transport system is central to a prosperous economy, providing access to goods and services and supporting people's desire for mobility. But measures to support increasing demand for travel must work in tandem with our goals of protecting the environment and improving the quality of life for everyone, whether or not they are travelling. This means seeking solutions that meet our long-term economic, social and environmental goals.

Our progress will be measured against the public service agreements for the natural environment and climate change, as well as the key headline indicators in the UK Sustainable Development Strategy.

During the past year the Department:

- established in April 2008 the Renewable Fuels Agency (RFA) which has since implemented the Renewable Transport Fuel Obligation which will deliver carbon savings by increasing the amount of renewable sources in the UK transport fuel mix;
- announced in June 2008 a £100 million package for cycling, including £49 million direct investment in the first large cycle city (Bristol) and a further 11 new cycle demonstration towns, following our approach and aspirations for cycling as set out in *A Sustainable Future for Cycling;*[12]
- published in July 2008 a UK consultation on the EU proposal on new car CO_2 and supported the agreement in December 2008 for mandatory European new car CO_2 standards;

12 *A Sustainable Future for Cycling*, January 2008: www.dft.gov.uk/pgr/sustainable/cycling/cyclingfuture.pdf

- published in July 2008 *Carbon Pathways Analysis* as the first step in informing development of a carbon reduction strategy for the transport sector;
- set out in November 2008 how transport can support economic growth in a low-carbon world in *Delivering a Sustainable Transport System* (DaSTS);
- reached in December 2008 final agreement in Europe on a cap on CO_2 emissions from flights to, from and within the EU, and the inclusion of air transport in the EU Emissions Trading System (EU ETS); and
- announced in January 2009 £250 million funding for 2011-14 to create a system of consumer incentives to help build the market for electric and other ultra-low-emission vehicles.

Looking ahead, the Department will:

- set out a strategy for reducing emissions from transport, building on measures such as European new car fuel efficiency targets. The strategy will identify ways for transport to reduce emissions, looking at a range of options for making transport less carbon-intensive, including different types of journeys and transport modes;
- work through the EU, the UN Framework Convention on Climate Change, the International Civil Aviation Organisation and the International Maritime Organization to address emissions from international aviation and shipping;
- work with Defra to produce national noise action plans, which will aim to address noise problems arising from major transport sources; and
- work closely with Defra to consider a range of measures to reduce the number of areas exceeding the national and European air quality pollutant targets.

6.1 This chapter reports on action to:

- tackle climate change;
- improve air quality;
- address wider quality of life issues;
- limit noise; and
- improve planning to support better environmental outcomes.

Tackling climate change

Strategy

6.2 Government policy must ensure that the transport sector plays its proper role in tackling climate change. Since its publication in October 2006, the Stern Review[13] has moved on the international debate on climate change. *Towards a Sustainable Transport System* (TaSTS)[14] has built on evidence from both the Stern Review and the Eddington study,[15] looking at options for putting transport on a less carbon-intensive path. *Delivering a Sustainable Transport System* (DaSTS)[16] developed this further, setting out a clear and active vision of our strategic role and priorities, highlighting that our biggest challenge is tackling climate change and supporting economic growth.

6.3 A certain degree of climate change impacts are unavoidable because of past and present greenhouse gas emissions. Therefore, as well as mitigating future transport emissions, we must look at options for adapting transport to cope with the inevitable consequences of climate change. Impacts may include increased flooding and higher summer temperatures, causing passenger heat exhaustion, rail and road buckling and risk of sudden structural failures in bridges and embankments. The Department has begun to mainstream consideration of these factors into its day-to-day business. The Department is, therefore, working to ensure transport networks continue to operate effectively as assets and infrastructure are planned, designed and maintained to be resilient to future climate impacts.

Progress against targets

6.4 The Department for Transport shares responsibility with Defra and now the Department of Energy and Climate Change (DECC) for the PSA 27[17] target to lead the global effort to avoid dangerous climate change by bringing about a step change in global investment in low-carbon technologies, building on actions in the UK and EU, and helping to build the necessary social, economic and political conditions internationally in order to:

- secure effective and robust global commitments for the period post-2012, through engagement with our international partners, consistent with a trajectory to stabilise atmospheric greenhouse gas concentrations, that will shift economies to a low-carbon basis, including through an efficient and effective carbon market; and

13 *The Stern Review on the Economics of Climate Change*, Cambridge University Press, October 2006: www.hm-treasury.gov.uk/sternreview_index.htm. See also www.occ.gov.uk/activities/stern.htm

14 *Towards a Sustainable Transport System Supporting Economic Growth in a Low Carbon World*, published October 2007 www.dft.gov.uk/about/strategy/transportstrategy/pdfsustaintranssystem.pdf

15 *The Eddington Transport Study*, reported on 1 December 2006: www.dft.gov.uk/about/strategy/transportstrategy/eddingtonstudy/

16 *Delivering a Sustainable Transport System* (DaSTS), November 2008: www.dft.gov.uk/about/strategy/transportstrategy/dasts/

17 The 2007 PSA 27 subsumes the SR04 PSA on climate change. For performance against that, see Appendix D.

- adopt and promote policies which reduce greenhouse gas emissions to ensure that the new UK carbon dioxide (CO_2) account, as defined in the Climate Change Bill (now Act), for the year 2050 is at least 60 (now 80) per cent lower than the 1990 baseline, moving to the levels required to achieve the carbon budget as set for 2008-12, 2013-17 and 2018-22, demonstrating to other parties the practical, economic, environmental and social benefits that tackling climate change in a cost-effective way can deliver.

6.5 The UK remains on course to exceed its Kyoto target to reduce greenhouse gas emissions from all sectors to, on average, 12.5 per cent below 1990 levels over the period 2008-12. Our domestic goal to reduce CO_2 emissions to 20 per cent below 1990 levels by 2010, which was always designed to be stretching, now looks increasingly difficult to achieve.

6.6 In December 2008 the European Parliament and Council reached an agreement on the package that will help transform Europe into a low-carbon economy and increase its energy security. The EU is committed to reducing overall emissions to at least 20 per cent below 1990 levels by 2020 and is ready to increase this reduction to as much as 30 per cent under a new global climate change agreement when other developed countries make comparable efforts. As part of this package, the UK was given a 2020 target of a 16 per cent reduction in greenhouse gas emissions over 2005 levels from those sectors of the economy not included in the EU Emissions Trading System.

6.7 The Climate Change Act 2008 creates a new legal framework for the UK to achieve, through domestic and international action, both our European obligations and at least an 80 per cent reduction in greenhouse gas emissions by 2050, against a 1990 baseline. Transport accounts for around a quarter of the UK's domestic greenhouse gas emissions. Since 1990, emissions from the UK's transport sector have increased by 12 per cent, to 131 Mt CO_2 in 2007. However, given our current set of policy measures, we anticipate that UK domestic transport emissions will level out to 2020 and possibly begin to fall despite probable rising demand. Much of the abatement will come from the road transport sector, where our existing emissions are projected to be about 28 Mt CO_2 (20 per cent) lower in 2020 than they would have been in the absence of policy measures. This reduction will reflect further improvements in vehicle fuel efficiency and the adoption of other policies, such as encouraging the use of sustainable biofuels, which, in combination, are expected to more than offset the CO_2 impacts of continued traffic growth.

6.8 Emissions from international aviation and shipping arriving and departing from the UK are not included in the UK's emissions inventory because there is currently no agreed method for allocating responsibility for these to individual countries. We are working through the UN Framework Convention on Climate Change, the International Civil Aviation Organisation and the International Maritime Organization to address these issues.

6.9 The Department's activities to tackle climate change are detailed below, according to the Stern framework of carbon pricing, technological development, behavioural change and consumer choice.

Carbon pricing

Road transport

6.10 Policies that help reduce emissions from transport also include fuel duty. Fuel duty sends a clear environmental signal, incentivising the use of fuel-efficient vehicles. Company car tax was reformed in 2002 to make it CO_2-based and, since March 2001, vehicle excise duty (VED) has been graduated by CO_2 emissions.

6.11 The 2008 Budget announced reforms to strengthen environmental incentives to purchase and develop cleaner cars, including increasing the number of VED bands to 13 from 2009-10, tilting the balance of VED even more sharply in favour of low-carbon cars and introducing higher 'first year' rates of VED from 2010-11 for new cars in the higher VED bands. These measures are aimed at persuading people to think carefully about their car purchase decisions.

Aviation

6.12 As an international industry, our highest priority must remain securing international agreement on action to reduce aviation's CO_2 emissions. Following agreement in 2008,[18] for which the UK pressed, aviation will join the European Emissions Trading System (EU ETS) in 2012 and, from this point, net CO_2 emissions from aviation in the EU will be capped at 97 per cent of average 2004-06 levels, with the cap tightening to 95 per cent of average 2004-06 levels from 2013 onwards. Any emissions above these levels will need to be matched by equal reductions in other sectors in the EU ETS, meaning that any expansion of UK aviation would lead to no net increase in CO_2 emissions. The European Commission estimates that aviation's inclusion in the ETS will lead to a reduction of 194 Mt CO_2[19] across the EU in 2020.

6.13 In March 2009 the Department and DECC launched a consultation on a first set of draft regulations to transpose the Directive and, at the same time, announced the appointment of the Environment Agency as regulator of aviation in the ETS in England and Wales. In carrying out this role, the Environment Agency will receive expert advice from the Civil Aviation Authority (CAA). We are working closely with other Member States to

18 Directive 2008/101/EC of the European Parliament and of the Council, of 19 November 2008, amending Directive 2003/87/EC so as to include aviation activities in the System for greenhouse gas emission allowance trading within the Community (Official Journal of the European Union, No L8, 13.1.2009) entered into force on 2 February 2009.

19 These figures are based on the European Commission paper, *Impact Assessment of the inclusion of aviation activities in the system for greenhouse gas emission allowance trading within the Community.* This paper gives an estimate of emissions reductions if the cap were set at 100 per cent. These figures have been adjusted to reflect the agreement reached in July 2008 that the emissions cap for aviation will be 95 per cent of average 2004-06 emissions from 2013 onwards.

ensure there is a consistent approach across Europe and are seeking to ensure that the regulatory arrangements in Member States are sufficiently harmonised and well designed to deliver a level playing field.

6.14 Beyond the EU, we have been working in the International Civil Aviation Organisation, through its Group on International Aviation and Climate Change, to push for an ambitious package of measures to address international aviation emissions. We have been arguing for inclusion of international aviation in a global climate change framework under the United Nations Framework Convention on Climate Change. As a first step towards that, we helped to secure agreement on a strong and positive EU ministerial commitment to our objectives in the conclusions of the Spring Environment Council.

6.15 While pushing for progress internationally, the UK is also taking action domestically. Reforms to UK Air Passenger Duty (APD) were announced in the *Pre-Budget Report 2008*. The reforms will see APD based on four rather than two distance bands, to send a stronger environmental signal to passengers and industry and to ensure that the sector contributes fairly to public services. Passengers flying further and, therefore, contributing more to aviation emissions, will pay more. The new banding system comes into effect from 1 November 2009 and is expected to result in savings of 0.6 Mt CO_2 by 2011-12, compared with the present.

6.16 In January 2009 the Secretary of State announced the establishment of a new target to reduce CO_2 emissions from UK aviation in 2050 to below 2005 levels. The Committee on Climate Change (CCC) has been asked to advise on this target by December 2009, considering the scope for emissions reductions, including those from technological improvements, and on the best basis for measuring progress. We expect the target to drive innovation and the uptake of new technology within the UK fleet and to ensure that the industry plays its full role.

Shipping

6.17 We also continue to play an active role within the International Maritime Organization (IMO) to limit greenhouse gas emissions and other atmospheric emissions from ships. At meetings of IMO's Marine Environment Protection Committee (MEPC) the UK has outlined the important principles for any maritime Emissions Trading System and argued for a new international convention to introduce market-based measures, such as emissions trading, to the maritime sector.

Technology development

Low-carbon vehicles

6.18 In May 2007 the Department published the *Low Carbon Transport Innovation Strategy* (LCTIS). It sets out in detail the policy approach and steps the Government is taking to encourage the development of new, lower-carbon technologies for roads, aviation, rail and shipping.[20] Part of the strategy is the promotion of electric and other low-carbon vehicles.

6.19 The Department is allocating funding of an initial £20 million to support the Low Carbon Vehicle Public Procurement Programme, focusing initially on support for the procurement and operation of lower-carbon vans in the public sector. The programme was officially launched in July 2008 and the Secretary of State announced the names of companies selected that would be invited to tender in October 2008. We announced the winning companies on 24 June 2009 and 100-150 vehicles will be delivered over the next 18 months.

6.20 LCTIS also announced funding (combining funds from the Department, the Technology Strategy Board, the Engineering and Physical Sciences Research Council and the Regional Development Agencies) for a new 'innovation platform' supporting UK research and development into the technologies which will deliver the lower-carbon vehicles of the future. The first phase, worth £23 million, was launched in September 2007 and projects began in May 2008. The second phase, worth over £100 million, was launched in October 2008 and received increased funding in Budget 2009. The winners of the Ultra-low Carbon Vehicle Demonstrator Programme, part of the second phase, were announced on 23 June 2009. This innovative programme will see around 340 electric and ultra-low-carbon vehicles being used in a number of locations around the UK in the next 6 to 18 months.

6.21 In January 2009 the Secretary of State announced that the Department would be providing £250 million funding, available from 2011 onwards, to support consumer purchase of electric and plug-in hybrid electric cars. The bulk of the funds will be used to provide consumer support, worth in the region of £2,000 to £5,000 per car, with up to £20 million to support the development of electric vehicle (EV) charging infrastructure development in lead cities and regions. Further details on the operation of the schemes will be made later this year.

6.22 In November 2008 The Department published the Government response[21] to Professor King's wide-ranging and comprehensive report *King Review of low-carbon cars.*[22] The response described how we will take forward Professor King's recommendations, as part of our wider mission to tackle the climate change impacts of the transport sector. Taking forward one of Professor King's recommendations, the Department and BIS jointly

20 *The Low Carbon Transport Innovation Strategy* document is at: www.dft.gov.uk/pgr/scienceresearch/technology/lctis/

21 *The Government Response to the King Review of Low-carbon Cars*, November 2008: www.dft.gov.uk/pgr/sustainable/climatechange/king/respokingreview.pdf

22 *The King Review of low-carbon cars*, DfT, April 2007: www.dft.gov.uk/pgr/sustainable/climatechange/king/kingreviewlowcarbon

commissioned Cenex (UK's Centre of Excellence for low-carbon and fuel cell technologies), along with the consultancy firm Arup, to examine and advise on the issues relating to the mass market introduction of ultra-low emission vehicles.[23] In October 2008 the two government departments hosted a meeting of international experts in the field of ultra-low emission vehicles, where the Cenex/Arup study was launched.

European New Car Efficiency Standards

6.23 Another major development is the UK's involvement in the recently agreed European regulation on new car CO_2 standards[24] which was agreed in December 2008. There have been welcome reductions in new car CO_2 emissions over the past 10 years, although there has been a growing sense across the EU – shared by the UK Government – that more needed to be done. The Regulation sets a demanding target of 130 g/km average across the sector from 2012, with full compliance by manufacturers required from 2015. The UK was notable in pushing for a lower target for 2020, which was included as 95 g/km CO_2 in the final Regulation.

6.24 We are looking with interest at the European Commission's intention to regulate new van CO_2 standards. We would like to see legislation based on sound evidence and have commissioned research that should enable the UK to take a well informed position in future EU discussion.

Biofuels

6.25 Biofuels are fuels made from renewable biological resources. They can be made from plant or waste matter. Research has found that, when used as substitutes for traditional fossil fuels, biofuels can offer the potential to reduce net greenhouse gas emissions. The two most common biofuels in use today are bioethanol and biodiesel. Bioethanol can be blended into petrol and is made from crops such as wheat and sugar-cane. Biodiesel, made from oils such as rapeseed and soybean, can be blended into diesel.

6.26 The European Renewable Energy Directive (RED)[25] will come into force in the UK by December 2010. The Directive contains an ambitious target for the UK to source 15 per cent of its overall energy and 10 per cent of energy used in transport from renewable sources by 2020. The Department is now working with stakeholders to develop policy options and indicative trajectories for meeting the specific transport target contained within the RED. The transport sector also needs to comply with the European Fuel Quality Directive.[26] This requires fuel suppliers to deliver a six per cent reduction in life cycle greenhouse gas emissions from their fuels by 2020.

23 *Investigation into the Scope for the Transport Sector to Switch to Electric Vehicles and Plug-in Hybrid Vehicles*, BERR and the Department for Transport, October 2008: www.berr.gov.uk/files/file48653.pdf

24 Proposal for a Regulation of the European Parliament and of the Council Setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO_2 emissions from light-duty vehicles.

25 Directive of 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources, and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (Official Journal, L140 of 5.6.2009)

26 Directive 2009/30/EC of the European Parliament and Council, amending Directive 29/70/EC as regards the specification of petrol, diesel and gas-oil, and introducing a mechanism to monitor and reduce greenhouse gas emissions, and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/E EC (Official Journal L140 of 5.6.2009)

6.27 The Renewable Transport Fuel Obligation[27] came into effect in April 2008 and obligates fossil fuel suppliers to produce evidence showing that a certain percentage of fuels for road transport supplied in the UK comes from renewable sources. The Renewable Fuels Agency (RFA) was created to administer the scheme and the obligation level will rise annually in stages.

6.28 The 2008 RFA-led Gallagher Review found that, although biofuels have the potential to deliver approximately 338 to 371 Mt CO_2 global savings every year, it also concluded there is a risk that certain biofuels could lead to a net increase in greenhouse gas emissions caused by displacement of existing agricultural production. In response to these concerns, the Department consulted on achieving a five per cent supply of transport fuels from renewable sources by 2013-14, instead of 2010-11 as previously planned, while we work to establish and support the longer-term sustainability of biofuels. The RTFO (Amendment) Order[28] came into force in April 2009. In addition to slowing down the increase in renewable fuel obligation levels, the Order also addressed a problem with the definition of 'relevant hydrocarbon oil' and introduced two new eligible fuels – biobutanol and renewable diesel.

Rail

6.29 In February 2009 the Secretary of State announced that passengers on some of the country's busiest rail routes would benefit from the single biggest investment in intercity trains for a generation. A £7.5 billion contract will be let to build and maintain a fleet of new Super Express trains for the Great Western and East Coast main lines.

6.30 The Super Express trains will be cleaner, greener and generate less noise than the trains they will replace. The new trains will be up to 17 per cent lighter than their counterparts, meaning that they will be more energy efficient. The fleet will comprise electric, diesel, and bi-mode variants. The electric and bi-mode versions of these trains will include regenerative braking and will also benefit from the latest hybrid power technology which will reduce fuel consumption by up to 15 per cent.

6.31 The Department is working closely with Network Rail to consider the case for further rail electrification. This would deliver a range of environmental benefits, notably lower carbon emissions, and reductions in emissions of local air pollutants.

6.32 Electrification makes most sense on busier routes where the high capital cost of installing electrification can be offset by ongoing savings from running electric trains. This is why the Department's initial focus is on examining the case for electrifying the most heavily used parts of the Great Western Main Line and the Midland Mainline north of Bedford. A decision will be announced on these two lines later in 2009.

27 The Renewable Transport Fuel Obligations Order 2007 (SI 2007/3072)

28 The Renewable Transport Fuel Obligations (Amendment) Order 2009 (SI 2009/843)

6

Aviation and shipping

6.33 The UK aerospace sector remains a key part of the global industry and is well positioned to capitalise on the increasing focus on environmental performance. The Government is supporting that work, in the UK through its National Aerospace Technology Strategy and has committed over £153 million over the last three years, with industry investing at the same level. We are also contributing through the European Union research programme Clean Sky, which between 2008 and 2014 is funding €1.6 billion on projects such as improving wing design, improving materials and developing more efficient engines. There is significant participation of the major UK aeronautics companies in this programme to demonstrate technologies to reduce the impact of aviation on the environment.

6.34 We have announced our intention to promote international agreement on progressively stricter international limits on carbon dioxide emissions from aircraft, similar to those already in place for new cars within the EU. We will begin discussions on such limits through the International Civil Aviation Organisation (ICAO) in the year ahead.

6.35 The UK has also been pushing for agreement within the International Maritime Organization (IMO) on technical measures (such as rating ship designs on their carbon or 'energy' efficiency in a similar way to household appliances) in 2009. It is IMO's aim to agree on these measures at the next Environment Protection Committee (MEPC) in July 2009.

Behavioural change and consumer choice

6.36 Building on our strategy to improve the overall environmental performance of transport, we are also keen to raise awareness among motorists of what they can do to help reduce CO2 emissions. The Department runs the element of the cross-government ACT ON CO2 campaign focused on promoting smarter driving techniques and more fuel-efficient new car buying. The campaign highlights how individuals can save money and reduce their CO2 emissions by using less fuel. A new ACT ON CO2 campaign portal was launched on Directgov in September 2008, including a new search tool allowing the comparison of CO2 emissions and running costs of new cars and the potential savings compared to the 'Best in Class'. Alongside this, VCA is providing on its website a new Fuel Consumption and Carbon Emission Database[29] for all vehicles sold in the UK.

6.37 CO_2 emissions from cars are directly proportional to the quantity of fuel consumed. The fuel consumption of similar size cars can vary as much as 45 per cent. If everyone purchasing a new car chose the most fuel-efficient vehicle within its class and price range, CO_2 emissions from new cars could be reduced by 24 per cent. And if all drivers in the UK adopted smarter driving techniques, CO_2 emissions from the fleet could be reduced by around 8 per cent. In September 2008 DSA therefore introduced

29 For Car Fuel Consumption and CO_2 Database, see: www.vcacarfueldata.org.uk/information/cars-and-carbon-dioxide.asp

eco-safe driving as part of the practical driving test. VCA also provides information on the Vehicle Excise Duty and/or the relevant company car tax percentage bracket, based on CO_2 levels.

6.38 During 2008 the Department developed a joint campaign strategy with Defra and DECC, adopting the same branding and creative treatment for ACT ON CO_2 advertising with the strapline 'Save Money, Save Fuel' used on all advertising.

6.39 In July 2008 the ACT ON CO_2 campaign co-sponsored the Greener Driving Pavilion at the British International Motor Show. The campaign featured smarter driving simulators to engage visitors directly with the messages. In January 2009 the Department launched a new ACT ON CO_2 media campaign, highlighting the benefits of buying a more fuel-efficient new car.

6.40 The Government is also putting record amounts of investment into public transport to give people a real choice of ways to travel. For individuals wishing to plan low-carbon journeys, information is available through the Department's Transport Direct website (see Chapter 9 Service transformation). In 2007-08 the Government spent over £4 billion on the railways. As noted in Chapter 3, we have also greatly increased funding for local authority expenditure on infrastructure schemes such as bus lanes, and have funded many new services through the rural bus grants and urban bus challenge. In 2007-08 the Government and local authorities together spent around £2.5 billion on bus services.

Improving air quality

Progress against targets

6.41 Air pollution can seriously affect people's health. Road transport is a key source of pollution at many roadside locations in the UK.

6.42 Since 2002 the Department has shared a joint PSA target with Defra to improve air quality by meeting national objectives for benzene, 1,3-butadiene, carbon monoxide, lead, nitrogen dioxide (NO_2), particulate matter (PM_{10}) and sulphur dioxide (SO_2). These objectives are set out in the Air Quality Strategy for England, Scotland, Wales and Northern Ireland,[30] published in July 2007. The strategy confirms that air quality has improved substantially over the past decade, particularly as a result of action to reduce emissions from industrial sites and road vehicles.

6.43 Provisional monitoring results for 2008 under the air quality indicator in the Government's Sustainable Development Strategy show that levels of NO_2 and PM_{10} are continuing to decrease steadily.

30 Defra's web pages on air quality strategy are at: www.defra.gov.uk/environment/airquality/strategy/index.htm

6.44 Modelling shows that, although the vast majority of the UK will meet the air quality objectives with present policies and technologies, there are some areas (mostly by busy roads and urban locations) where there has been difficulty in meeting them.

6.45 Measured concentrations from the national monitoring networks show that the UK continued to meet its Air Quality Strategy objectives for 1,3-butadiene, benzene, carbon monoxide, lead and SO2. Nitrogen dioxide and particulate matter objectives were not met at a number of locations.

Next steps

6.46 The Department maintains close links with Defra and other stakeholders to help meet our obligations under the PSA and the UK Air Quality Strategy. Together we continue to consider new transport measures which will enable us to improve the air quality in the UK.

6.47 We are carrying out the steps below to help us reach our goals:

- We are exploring, along with HM Treasury, the option of offering incentives for the early uptake of new tighter European vehicle emissions standards (Euro standards).
- We have extended the Reduced Pollution Certificate scheme to offer reduced rates of Vehicle Excise Duty to heavy goods vehicles and buses meeting the Euro V standards early, ahead of their mandatory introduction in October 2009. We are considering, with HM Treasury, proposals to extend the Reduced Pollution Certificate scheme for Euro VI vehicles once the Euro VI standard and associated implementing measures have been adopted.
- We are liaising with Defra regarding their public consultations on applying for time extensions to meet PM_{10} and NO_2 European limit values.
- We are liaising with relevant stakeholders to discuss how best to meet air quality targets in and around the area of Heathrow airport.

6.48 These potential new measures represent a significant step forward in tackling air pollution and working towards achievement of the strategy's targets. We are also continuing to work with Defra on existing air quality measures and initiatives. These include working together with our European partners to create tighter standards for both vehicles and fuels, and encouraging local authorities to develop local air quality targets.[31]

6.49 Local authorities have a duty to check levels of air pollutants against national objectives. To date, around 232 local authorities have designated Air Quality Management Areas and have drawn up around 180 action plans with proposals to tackle the problems.

6.50 There is a close relationship between UK national air quality policy and our European obligations. The objectives in the PSA target are taken from the UK Air Quality Strategy and are equivalent to, or in some cases, tighter

31 For the European strategy on air pollution, see: www.europa.eu/scadplus/leg/en/lvb/l28159.htm

than the limit values set in European directives. In June 2008 a new EU Air Quality Directive[32] came into force, which streamlined the previous legislation and introduced a new target for fine particles. The UK must implement this Directive by 11 June 2010. The new Directive on ambient air quality and cleaner air for Europe recognises the challenge facing Member States in meeting pollutant targets and allows the opportunity to apply for time extensions for the deadlines. The Department supports Defra's application for an extension for PM_{10} which was submitted in April 2009. We will continue to offer support for the proposed application for an extension to the NO_2 deadline in 2010. These applications, if successful, will extend the deadlines to 2011 and 2015, respectively.

6.51 Emissions from over 25 million cars are tested each year as part of the annual MOT test. VCA carries out an annual programme of in-service car testing to ensure that emission standards remain at the level specified when initial approval was given to allow the vehicle entry onto UK roads.

Rail

6.52 The rail industry has carried out an extensive investigation into the impact of running low-sulphur fuels in Britain's rail network in readiness for a switch to zero-sulphur diesel at the end of 2011, driven by EU fuel quality legislation. The Department is working closely with train operators to develop a plan for migrating to this cleaner fuel.

Shipping

6.53 Annex VI to the International Convention for the Prevention of Pollution from Ships[33] (MARPOL) regulates the emissions of certain atmospheric pollutants from ships, including nitrogen oxides (NO_2), sulphur oxides (SO_2) and volatile organic compounds. At the meeting of the International Maritime Organization's Marine Environment Protection Committee in October 2008, amendments to Annex VI were adopted, which will significantly reduce these emissions, reduce their harmful effects on human health and improve air quality in our coastal regions. The UK played an important role in the final agreement of these amendments, which introduce particularly stringent regulations on the sulphur content of fuel used in the North Sea.

Wider quality of life issues

6.54 In developing our longer-term strategic objectives there is recognition that transport can have a significant impact, both positive and negative, on people's quality of life.

6.55 Our stakeholders have identified a number of concerns relating to the need to minimise the impact of noise and disturbance from transport and the impact transport could have on landscape, biodiversity, water,

32 Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe (OJEU, No L 152, 11.6.2008)

33 International Convention for the Prevention of Pollution from Ships, 1973, as modified: www.imo.org/Conventions/contents.asp?doc_id=678&topic_id=258

townscape and heritage. However, stakeholders also emphasised the importance of passenger experience on quality of life and the opportunities transport gave to enhance peoples' lives by giving them access to leisure. From this feedback we have developed a number of challenges that seek to focus transport planners across all networks on measures that will reduce transport disturbance, enhance our natural environment and improve our quality of life. These can be grouped together under the following five headings:

- Reducing people's exposure to noise;
- Minimising the impacts of transport on the natural environment, heritage and landscape;
- Improving streetscapes and the urban environment;
- Improving people's experience of travel; and
- Creating opportunities for social contact and access to leisure.

Noise

Roads

6.56 As a matter of course, the Highways Agency uses quieter surfacing when resurfacing a road as part of its planned maintenance programme and in new road construction projects.

6.57 All the Agency's major schemes include environmental mitigation to minimise the impact of noise as far as is consistent with best value for money. There is also a ring-fenced programme of £5 million a year to carry out noise mitigation at 79 specific sites where noise has been identified as a problem. The Agency expects to have addressed noise issues at a minimum of 69 of the 79 sites by the end of 2009-10. Responsibility for a further five of the 79 sites has transferred to Transport for London.

6.58 The Department will be working with Defra, the Highways Agency and local highway authorities during 2009 to develop a UK Major Roads Noise Action Plan. The plan is expected to identify practical and cost effective measures to reduce serious road noise problems identified from the major roads noise maps published by Defra in May 2008. These maps and the Action Plan are requirements of the Environmental Noise Directive (END)[34] which was transposed into UK legislation by the Environmental Noise (England) Regulations 2006.[35]

34 Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise (OJEU, No L 189, 18.7.2002)

35 The Environmental Noise (England) Regulations 2006 (SI 2006/2238)

Aviation

6.59 The white paper, *The Future of Air Transport* (2003),[36] provides a clear approach to the local environmental challenges of aviation in terms of noise and the impact on the area in which airports operate. In particular, it sets out our key aim to limit and, where possible, reduce the number of people in the UK significantly affected by aircraft noise.

6.60 Night flights at Heathrow, Gatwick and Stansted are subject to restrictions that cap flight numbers at current levels and provide incentives for introducing quieter aircraft. Elsewhere airport operators are encouraged to take noise mitigation action. Through the Civil Aviation Act 2006 (which came into force in March 2007), we strengthened and clarified the powers available to control noise at airports. Airport operators have been given powers to set noise controls in consultation with airlines and to enforce them with financial penalties.

6.61 During 2007 the first stage of implementation of the European Environmental Noise Directive was achieved, with all airports with over 50,000 aircraft movements a year being noise mapped. 2009 will see the second stage of implementation with airports developing strategic noise action plans. As a precursor to this, Defra (the overall lead in implementing the Directive, which is not restricted to aircraft noise) organised seminars for airports and airport consultative committees as part of a consultation on guidance for airports on how to produce action plans. Following local consultation by airports, action plans will need to be submitted to the Secretary of State for Transport who will take a view regarding whether or not they meet the requirements of the Environmental Noise (England) Regulations 2006 SI 2006/2238 (as amended). If the requirements are met, the Secretary of State will recommend to the Secretary of State for Defra that the action plan should be adopted.

6.62 In May 2008 the High Court dismissed a legal challenge brought by the London Boroughs of Richmond and Wandsworth relating to the current night flights regime at Heathrow, Gatwick and Stansted. The Court ruling confirmed the legality of the Secretary of State's June 2006 decision and the soundness of the extensive two-stage public consultation process. The night noise regime represents a firm control on flights at night, striking a fair balance between the needs of the economy and interests of residents. The latest rules were introduced in October 2006 and will run to 2012. They provide a tightening of limits at Heathrow, compared with the previous regime, to incentivise the use of quieter aircraft. Operating restrictions at night imposing movements and noise quota limits have been applied at Heathrow (as well as Gatwick and Stansted) for a number of years.

6.63 In the white paper, the Government gave a commitment that further development of Heathrow could be considered only if it resulted in no net increase in the total area of the 57 dBA noise contour compared with

36 *The Future of Air Transport*, Cm 6046, December 2003: www.dft.gov.uk/about/strategy/whitepapers/air/

summer 2002, a contour area of 127 sq km. That commitment stands and the ability to meet it was a key consideration in the decision on adding capacity at Heathrow.

Rail

6.64 As with airports and major roads, a specific challenge facing the rail industry is the development of strategic action plans in response to the noise maps produced under the Environmental Noise Directive. The Department is working closely with Defra and the rail industry to develop plans to manage rail-related noise better.

Waste

6.65 Every year the UK throws away around two million tonnes of waste electrical and electronic equipment. It is one of the fastest growing waste streams in the UK and the EU. The Waste Electrical and Electronic Equipment Directive (WEEE)[37] aims to minimise the environmental impact of unwanted electrical and electronic equipment by encouraging the reuse, recycling and recovery of WEEE. The Directive was implemented in the UK by the WEEE Regulations[38] introduced January 2007 and places obligations on producers and distributors of equipment and those involved in its treatment, recovery and disposal.

6.66 VCA has a vital role to play in market surveillance and enforcement of the distributor obligations set out in the WEEE Regulations. Appointed by BIS, VCA has conducted over 9,000 enforcement visits and market intelligence visits to date. It has made a major contribution towards increasing awareness of the Regulations and helped the UK to exceed the annual collection target of 4 kg per head of population set out in the WEEE Directive.

Planning

Land-use, spatial planning and transport integration

6.67 Integrating spatial and land-use planning with transport is key to promoting sustainable patterns of development and economic growth. Efficient land-use planning can reduce the need to travel, particularly by car, and minimise its impact on the environment. The planning system can be used to help ensure a realistic choice of access by walking, cycling and public transport and to promote more sustainable travel choices, for instance through travel plans, which aim to reduce reliance on single-occupancy car use. This, in turn, helps to secure greater accessibility to jobs, health, housing, education, shops, leisure and community facilities.

37 Council Directive 2002/96/EC of 27 January 2003 on waste electrical and electronic equipment (OJEU No L37, 13.2.2003, p24) as amended by Council Directive 2003/108/EC (OJEU No L 345, 31.12.2003)

38 The Waste Electrical and Electronic Equipment Regulations 2006 (SI 2006/3289) as amended by The Waste Electrical and Electronic Equipment (Amendment) Regulations 2007 (SI 2007/3454)

6.68 We need, therefore, to ensure that the planning system takes full account of the potential consequences of development for transport, and seeks to facilitate patterns of travel which reduce the need to travel and enable travellers to make sustainable choices. The Department works with a range of stakeholders and partners at national, regional and local level to achieve these objectives.

Planning Act 2008

6.69 The Government is implementing a fundamental reform of the development consent system for major infrastructure projects. Following extensive consultation on the 2007 planning white paper, *Planning for a Sustainable Future,*[39] the Government legislated in what became the Planning Act 2008 which received Royal Assent in November 2008. This provides for a more efficient, transparent and accessible planning system for nationally significant infrastructure projects (NSIPs) in the transport, energy, water and waste sectors. The Department worked closely with CLG and other government departments to secure passage of the new legislation, and is playing a key role in ensuring the effective implementation of the reforms.

6.70 The Act is based on the recommendations made by Sir Rod Eddington in his report on the links between transport and the UK's economic productivity,[40] and Kate Barker in her report on land-use planning.[41]

6.71 The Act is designed to improve efficiency and predictability of decision making in the planning system while ensuring all those with an interest can have their say. It provides for a three-stage process consisting of:

- a strategic phase in which ministers would produce National Policy Statements (NPSs), setting out the case for infrastructure;
- a scheme development phase in which promoters of NSIPs are required to consult thoroughly on and prepare applications for development consent; and
- a decision phase, for which an independent Infrastructure Planning Commission is now being set up to make decisions on applications for development consent, taking into account the policy set out in the relevant NSP. The Commission will begin to deal with major planning applications from 2010 but will be able to provide advice to applicants from October 2009.

6.72 National Policy Statements will establish the case for nationally significant infrastructure development and set the policy framework for the Commission's decisions. They will explain how they integrate strategic economic, social and environmental policy objectives, including the

39 *Planning for a Sustainable Future: White Paper*, DCLG, Defra, DTI and DfT, Cm 7120, May 2007: www.communities.gov.uk/publications/planningandbuilding/planningsustainablefuture

40 *Eddington Transport Study – Transport's Role in Sustaining the UK's Productivity and Competitiveness*, Eddington, R, HMT and DfT, 2006: www.dft.gov.uk/about/strategy/transportstrategy/eddingtonstudy/reportbychapters

41 *Review of Land Use Planning*, Barker, K, HMT and CLG 2006: www.hm-treasury.gov.uk/barkerreview_land_use_planning_index.htm

Government's climate change commitments, to deliver sustainable development. Under the requirements of the Planning Act, each NPS will be subject to an appraisal of the sustainability of the policy it sets out.

6.73 The Department plans to produce three NPSs, for national networks (strategic roads and railways, and strategic rail freight interchanges), ports and airports. Work is already under way on the ports and national networks NPSs, and the Department expects to start consulting on these during the course of the second half of this year.

6.74 The Government has stated its intention to produce an NPS for airports, based on the white paper, *The Future of Air Transport*, which satisfies the requirements set out in the Planning Act. Ministers have also made a commitment that it will be location-specific. The NPS on airports is expected to be published in draft by 2011.

6.75 The Planning Act also includes provision for the introduction of a new Community Infrastructure Levy. This would provide a more effective means of generating funds from development to pay for the additional infrastructure – including transport infrastructure – needed to support that development. The Levy, which will come into effect from April 2010, will complement the existing arrangements for negotiating developer contributions to cover the cost of site-specific changes. Details of the provisions will be set out in regulations, on which CLG is consulting this summer.

6.76 The Department has also consulted on and published a new set of guidelines to set out the approach which will be taken in negotiating developer contributions to transport infrastructure for NSIPs. The guidelines set out a series of principles around co-funding transport infrastructure and provide greater predictability and transparency to developers on the process the Department will follow.

6.77 More generally, the Department continues to work closely with CLG on updating the suite of Planning Policy Guidance Notes and Statements to produce a more strategic and clearly focused framework for development within the Town and Country Planning system, and to ensure that, as appropriate, transport interests and impacts are taken into account. For example, CLG's recent consultation on a new draft planning policy statement, *Planning for Prosperous Economies,* covers key planning policies relating to the economy.

6.78 In April 2009 the Department published, jointly with CLG, *Good Practice Guidelines: Delivering Travel Plans through the Planning Process.* These provide local authority planners, transport and travel plan officers, and developers with good practice steps to follow for successful and sustainable travel plans through the planning system.

Eco towns

6.79 In July 2007 CLG announced plans for the building of 10 new, free-standing eco-towns of 5,000-20,000 homes. The consultation process on CLG's draft policy planning statement is continuing and the Department has been closely involved in the assessment of the potential locations. Once decisions are made, the Department will work with developers and local authorities so that the towns adopt the best in sustainable transport provision, as set out in our guidance, *Building sustainable transport into new developments: A menu of options for New Growth Points and Eco-towns* (April 2008).[42]

42 *Building Sustainable Transport into New Developments: A Menu of Options for Growth Points and Eco-towns*, DfT, April 2008: www.dft.gov.uk/pgr/sustainable/sustainabletransnew.pdf. DfT's web pages on sustainable travel are at www.dft.gov.uk/pgr/sustainable/

Chapter 7
Safety and security

Chapter 7

Safety and security

Summary

Safety and security are very important to travellers. One of the Department's five strategic objectives, published in February 2009, is:

To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health

The Department is constantly working to improve safety and security across all forms of transport and there have been major improvements during the last decade.

A new National Road Safety Strategy is under development.

During the past year the Department has made important progress on both road safety policies and on the delivery of services relevant to road safety. On the policy front we:

- reached our 2010 targets to reduce the number of people (including children) killed or seriously injured in road accidents;
- consulted on proposals for major reforms to driver training and testing; and
- consulted on proposals to improve compliance with road traffic law (including in relation to speed, drink driving, drug driving and seat belt wearing).

We also delivered a range of important safety services. We:

- provided, via DSA, about two million practical driving tests, 1.6 million theory tests, and registered and quality assured more than 44,000 instructors;
- created, via VOSA, a risk score for 19,000 MOT garages and delivered substantially more traffic examiner and vehicle/trailer examinations in 2008-09;
- provided, via VCA, a national approval service related to new road vehicles and assisted the implementation of the extension of the European Community Whole Vehicle Type Approval process to buses, trucks and trailers; and
- exceeded the Department's target to have 700 railway stations accredited under the Secure Stations scheme by March 2009, with over 898 accredited by that date.

On security issues, we:

- introduced a new regime for screening perishable goods trucked to the UK for onward flight by British Airways;
- won gold awards for new training videos on maritime and air cargo security;
- took responsibility for monitoring compliance with the Dangerous Goods Regulations at sites handling the movement of radioactive materials;
- issued new security instructions to the Docklands Light Railway and Glasgow subway;
- acted on recommendations of the review of personnel security in the transport industry, beginning with a national conference; and
- responded to the consequences of heavy snowfall on transport networks, including the active management of salt distribution.

Looking ahead, the Department will:

- complete a new road safety strategy for the period post 2010;
- work with colleagues across government to improve child road safety, including implementing the recommendations of the cross-government local area priority review of accident prevention amongst children and young people;

- increase the number of safety inspections of foreign aircraft performed annually in the UK to 1,000, thus ensuring that the UK makes a contribution to European air safety;
- see through and implement the airport policing provisions in the Policing and Crime Bill;
- build on work with international colleagues and manufacturers to develop new screening procedures for liquids in hand luggage;
- transpose the EU Port Security Directive into UK legislation;
- develop research on assessing novel vehicle screening technologies and on developing improved techniques to protect ships;
- extend protection of key railway stations from hostile vehicles; and
- introduce overseas criminal record checks for transport security workers where appropriate.

7.1 This chapter summarises the varied work the Department and our many partners undertake to improve safety and security for transport users.

Road safety

Progress against targets

7.2 The Government's road safety strategy, Tomorrow's roads – safer for everyone (2000), set three casualty reduction targets for Great Britain for 2010 against a baseline of the average for 1994-98:

- a 40 per cent reduction in the number of people killed or seriously injured in road accidents reported to the police;
- a 50 per cent reduction in the number of children aged 0-15 reported killed or seriously injured; and
- a 10 per cent reduction in the slight casualty rate, expressed as the number of people slightly injured per 100 million vehicle kilometres.

7.3 Progress against targets in the current road safety strategy remains good: we have achieved all the casualty-reduction targets for 2010 set in 2000. Figures for 2008, compared with the 1994-1998 baseline averages, indicate:

- a 40 per cent reduction in the number of people killed or seriously injured on the roads;
- a 59 per cent reduction in the number of children killed or seriously injured; and
- a 36 per cent reduction in the slight casualty rate per 100 million vehicle kilometres.

Percentage reduction in casualties 2008 compared with 2007

Road deaths	Killed or seriously injured	All casualties
14	7	7

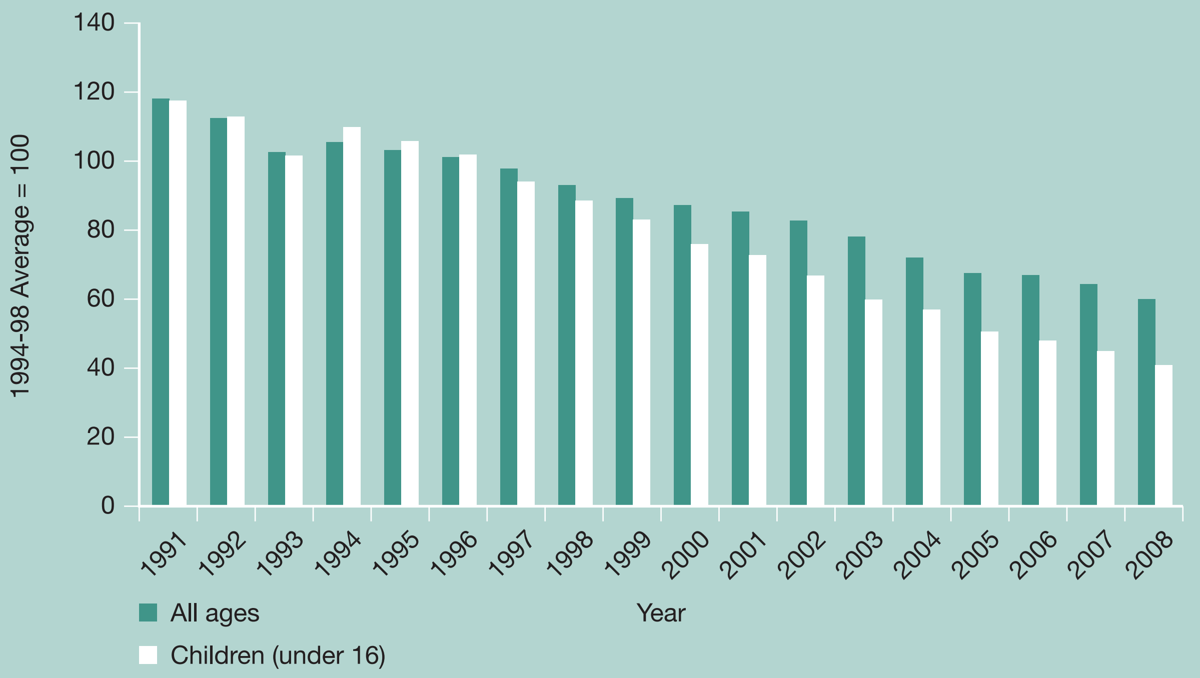
7.4 The large reduction in deaths builds on a fall of seven per cent from 2006 to 2007.

7.5 Particularly encouraging results in 2007 and 2008 include:

- in 2007 an 18 per cent fall in the provisional number of drink drive deaths compared with 2006, which has broken the previous largely static trend; and
- in 2008 a 22 per cent fall in deaths in accidents involving young (17-24) drivers, compared with 2007.

7.6 A more detailed account of progress towards the target is at Appendix D. The latest annual data are published in *Road Casualties Great Britain 2008: Main Results*, available on the Department's website at www.dft.gov.uk/pgr/statistics.

Figure 7a: **Road deaths and serious injuries 1994-2008 as a percentage of baseline averages for 1994-98 (Great Britain)**



7

7.7 We have been considering with the Scottish Executive, the Welsh Assembly Government, Whitehall partners and with a wide range of road safety interests, the challenges of the period beyond 2010, in order to develop a new road safety strategy for Great Britain.

7.8 We expect to produce a new strategy by the end of 2009, setting out our approach to road safety in the next decade, our new targets and new measures to help us to reach those targets.

Road safety action focused on individuals

Children

7.9 Child road deaths and serious injuries were 9 per cent lower in 2008 compared with 2007. We published our strategy for child road safety in February 2007 and have made good progress delivering it, although there is still more work to be done.

7.10 We are working closely with DCSF and other government departments on reducing child road casualties as part of wider government efforts to improve the safety of children. In particular we are involved in work to deliver the Public Service Agreement on improving the safety of children and young people aged 0-17 in England. Road casualties are one of the biggest causes of accidental death and injury amongst children and young people in this age group. To support this work we chair the PSA target's working group on preventing accidental injuries, as well as participating in the PSA board.

7.11 During 2008, the Department, DCSF and the Department of Health jointly carried out a local area priority review of accident prevention amongst children and young people. This was published on the Staying Safe website in February 2009. It looked at case studies in four local authorities and identified a range of recommendations for improving the delivery of child safety at local level. Implementing these recommendations will be an important part of our work in 2009.

7.12 During 2008-09 our activities included the following:

- A child safety publicity campaign was launched in November 2008. *Tales of the Road*, included a new TV, poster and web-based campaign with a series of scenarios designed to remind children aged six to 11 of the skills they need to cross the road and to cycle safely. This reinforces what they learn on the road with their parents and from their teachers.
- We made good progress on a further commitment to provide an additional 500,000 child cycle training places by 2012. In 2008-09 the Department provided £4.1 million for just over 100,000 places, with a further £350,000 provided to support the programme, for example by building capacity through grants to train more trainers.

- We have appointed educational consultants EdComs to help us provide a comprehensive suite of road safety educational materials for all age groups up to 16 and beyond, and to market them to teachers and schools. The first materials, for pre-school and upper primary age groups, will be launched in spring 2009, with other age groups to follow during 2009 and 2010.
- We have appointed MVA Consulting to put in place a dissemination programme to encourage and support local authorities to implement the Kerbcraft child pedestrian training scheme. This includes an updated Kerbcraft manual, broader guidance to local authorities on child pedestrian training and a series of regional seminars in spring 2009.

Drivers

7.13 Young drivers continue to be over-represented amongst road deaths and injuries. However by 2008 the number of young car drivers killed or seriously injured had decreased by 43 per cent compared with the 1994 to 1998 average. DSA has consulted on proposals for fundamental reforms to driver testing and training, and has implemented some key initiatives. These include:

- the continued delivery of over 6,000 Arrive Alive presentations aimed at pre-driver age audiences, over 10 per cent of them delivered to groups with special educational needs, including young offenders, older drivers and people with disabilities;
- the introduction of the new Certificate of Professional Competence (CPC) qualification, for bus and coach drivers in September 2008 and for lorry drivers in September 2009; and
- DSA's development of a network of national multi-purpose test centres to enable off-road tests for motorcyclists, as required by the second EU Driving Licence Directive. DSA is working to implement the new motorcycle test in April 2009. The centres will also be used to provide tests for other vehicles.

7.14 During 2008-09 DSA delivered around two million practical tests, 1.6 million theory tests and registered and quality assured over 44,000 instructors.

7.15 As part of the Department's commitment to fundamentally reform driver training and testing, DSA published the Learning to Drive consultation paper in May 2008. This set out wide-ranging proposals to improve the safety of newly qualified drisvers by preparing them to cope better with the challenges of driving unsupervised in modern driving conditions. It sets out plans for a major reform of driver training and testing. The aim is to create a modern system which will help new drivers to be safer from the outset and provide support for the maintenance of driving skills throughout their driving career. We received almost 7,000 consultation responses and, in April 2009, announced some changes to the driving test.

Motorcyclists

7.16 Motorcyclists remain disproportionately at risk on our roads, making up 20 per cent of fatalities but only one per cent of traffic. Deaths and serious injuries amongst motorcyclists fell by 10 per cent between 2007 and 2008.

7.17 In June 2008, supported by the Department, the Safety Helmet Assessment and Rating Programme (SHARP) published the first one-to-five star ratings for the safety performance of motorcycle helmets. If riders used the safest helmets, up to 50 lives could be saved each year.

7.18 The Department published an action plan in June 2008 to maintain momentum in the implementation of the 2005 National Motorcycling Strategy. This strategy was the product of extensive collaboration with motorcycle user groups and the manufacturing, retail and training industries, local authorities, the Police and others, through the National Motorcycle Council (NMC).

7.19 The updated plan of action to implement our strategy includes the following key actions:

- The Department continues to sponsor the British Superbike Championship, as an effective way of communicating safety messages to leisure motorcyclists, including the THINK! Motorcycle Academy website.
- We are continuing to broadcast the *Perfect Day* filler film aimed at leisure motorcyclists and the *Take longer to look for Bikes* TV advertisement aimed at car drivers who fail to see motorcyclists at junctions. We are also continuing to use the supporting materials and other marketing materials for motorcyclists.
- The Institute of Highway Incorporated Engineers' guidelines on motorcycle-friendly infrastructure have been published online so that it will be easier for local highway authorities to access them.
- The implementation of a new Register of Post-Test Motorcycle Trainers (RPMT), launched in November 2007 enables the public to make an informed choice of trainer or instructor. Two years on, there are now more than 280 trainers on the register and the number is still growing.
- The DSA register also incorporates the Enhanced Rider Scheme (ERS), developed in partnership with the Motorcycle Industry Association, through which motorcycle trainees who achieve the standard on approved post-test assessment and training will be eligible for insurance discounts. The scheme was launched in November 2007 at the NEC's Bike Show. During 2008 it has been subject to considerable marketing which is receiving a very positive response from both trainers and riders alike.
- DSA has now completed reviews of the Direct Access Scheme (DAS) and Compulsory Basic Training (CBT) which have identified a number of areas for improvement, some of which require regulatory change. Additionally

DSA has begun implementation of those recommendations that do not require changes to regulations. This work will focus on improving the standard of instruction and reducing training-related crashes.

People driving for work

7.20 The Department has identified work-related road safety as a major area for casualty reduction. We launched a new programme on work-related road safety in March 2007. An outreach programme, supported by a grant to Roadsafe, aims to engage business and spread good practice. The programme has recruited around twenty champion companies of all sizes, who are able to present successful case studies at conferences and other opportunities. A substantial network of other firms has also been established through which information on best practice can be published. The programme was renewed in January 2009 to run until March 2012.

Staff safety

7.21 The Highways Agency has strengthened the advice and guidance to operational managers on health and safety, especially for its Traffic Officer Service. It has begun a review of the health and safety management system, including occupational health provision and looking at compliance across the business.

Roadside workers

7.22 There are up to 4,000 people working on the high-speed network at any one time. Those on live carriageways are vulnerable to being hit by traffic and the fatality rate for this employment sector is one of the highest reported by the Health and Safety Executive. The Department continues to be committed to reducing this risk.

7.23 The Highways Agency is developing its approach to road worker safety. This includes:

- seeking to enable regular use of speed control through road works on short-term and overnight works by April 2010;
- a substantial reduction in the need for workers to cross live carriageways on foot by the end of 2011; and
- the new THINK!-branded Respect Our Road Workers driver information programme, launched in November 2008, which aims to raise awareness of the driving public to the risks to workers on the live carriageway. It offers our partners a suite of resources to raise awareness and encourage drivers to slow down and respect road workers for the work they do. There are two key elements to the resources, one aimed at the driving public, the other at engaging with people who drive for work.

THINK!

7.24 Changing attitudes, coupled with enforcement, contributed to the substantial reduction in drink drive deaths and casualties, deaths during the 1980s roughly halving, and casualties falling by about a third.

Encouragingly, in 2007 there were major reductions in drink drive deaths and serious injuries compared with 2006 (although slight injuries rose). During 2007 and 2008 there were THINK! campaigns on drink driving and increased enforcement. Results from drink drive tests in summer 2008, following THINK! campaigning targeted particularly towards younger men, showed reductions in the rate of offences detected amongst them.

7.25 The THINK! campaign has been widely recognised within both the marketing industry and the road safety community for being innovative and influential, as witnessed by the range of awards it wins. For example:

- THINK! was the government department campaign in the UK receiving the most awards at the Campaign Big Awards, winning in the best TV, best press and best radio categories.
- The work on drink driving was also recognised at thirteen major creative award ceremonies, many of them international.

7.26 The Parents Copycat campaign was recognised at both D&AD (an educational charity representing global creative, design and advertising communities) and the Creative Circle and won newspaper advertisement of the year at the National Newspaper Advertising awards.

7.27 In 2008 the Department launched a new campaign for seat belts, based on encouraging occasional non-wearers to belt up on short, low-speed journeys by showing what can happen in a low-speed crash. The Department also launched a new speed campaign building on the It's 30 for a reason/Lucky campaign, which suggests that killing a child at a few miles over the speed limit will cause suffering to the driver as well as the victim, and a new child safety campaign targeted at six- to 11-year olds. This integrated campaign uses animation to engage with children and explain the consequences of not following safe behaviour when crossing the road and when cycling.

7.28 Up to 2010 the THINK! campaign will concentrate on publicising the three areas that account for a high proportion of those killed or seriously injured: speed, drink drive and motorcycles.

7.29 It will continue to support campaigns on child safety, including a new campaign for teenagers in 2009. We will publicise a further risk behaviour each year: in 2008 seat belts, in 2009 drug driving and in 2010 fatigue. We will supplement this by smaller, tactical campaigns on some of the other risk behaviours that contribute to crashes.

Action focused on vehicles and technology

7.30 The Department continues to investigate the potential for transport technology to help meet our policy objectives. Our work in this area over the last year has included the following:

- We have engaged with both internal and external stakeholders in the transport technology community, through close liaison with its national body and participation in the international forum at the 2008 European and World Congresses.
- The Department is currently working on the European Commission's Intelligent Transport Systems Action Plan and draft Directive, which aims to harmonise the deployment of transport technologies across Europe.
- We have worked in partnership with colleagues across government and in academia to sponsor innovative projects that will assist drivers, reduce congestion and address environmental issues. This has included the Future Intelligent Transport Systems programme which seeks to develop new opportunities and uses for information and communications technologies, and to deliver better information and transport data to users and network operators.
- We have sponsored research into the use of mobile phone technologies for public transport ticketing and are supporting the provision of a non-proprietary specification for smart ticketing, ITSO.

7.31 In September 2008 the Department published the reports of its research into Intelligent Speed Adaptation (ISA), which studied the effect on driver behaviour of using ISA over time, using twenty cars fitted with a voluntary ISA system. The Department is pursuing its commitment to work with traffic authorities and industry in developing the necessary support for a digital map of speed limits to facilitate the introduction of ISA for those who wish to use it. We are consulting with key stakeholders on how best to record information about speed limits and will be testing the recommended approach through trials in 2009.

7.32 The Department has introduced new regulations requiring existing HGVs to be retro-fitted with enhanced mirrors, which offer the same level of performance as those required on new HGVs. We developed specifications for accessible taxis for disabled people and continue to work with international partners to develop better standards for safer vehicles involved in side-impact collisions. We secured regulatory measures implementing Electronic Stability Control (ESC) systems for all vehicles over the coming years, and led European activity on advanced vehicle technologies for safety through the United Nations – Economic Commission for Europe in Geneva.

7.33 Work to enable the implementation of the recast European framework Directive for EC Whole Vehicle Type Approval at the end of April 2009 has taken place. The Department, its agencies (VOSA, DVLA and VCA) and the Department for the Environment in Northern Ireland have worked closely with stakeholders to develop the new schemes that will replace existing approval regimes over the next five years.

7.34 The Department also implemented a stringent pre-registration inspection for vehicles with more than eight passenger seats from 1 June 2008 to address concerns about the safety of stretched limousines. In June 2008 TRL Limited published research commissioned by the Department into the potential effects of longer and heavier goods vehicles.

Consumer information

7.35 The Department continues to support safety assessment and consumer information provided by the European New Car Assessment Programme (Euro NCAP) and has actively supported the development of its new rating scheme that provides a better assessment of overall safety.

Action to promote compliance, including enforcement

Compliance

7.36 In February 2009 the Department completed its consultation on ways to achieve better compliance with road traffic law. The consultation brought together a wide range of evidence to support a strategy that aims to help the responsible majority of road users, while cracking down on the reckless few. It focused on the three biggest killers: speeding, drink driving and failure to wear seat belts, and included proposals related to drug driving, careless driving and remedial training.

7.37 On **speeding**, the consultation presented an approach based on thoroughly researched publicity combined with well targeted enforcement. It included proposals to introduce a graduated fixed penalty of six penalty points for drivers who exceed the speed limit by a very large margin – 20 mph in most speed limits.

7.38 On **drink driving**, the consultation focused on efficient and effective enforcement, for example through developing targeted checkpoint enforcement and introducing roadside evidential breath-testing equipment. It proposed removing the option for a blood or urine test from the drink-drive enforcement process and improving the High Risk Offenders scheme. It also included plans to improve the evidence base on drink driving, as part of our commitment to keep the blood-alcohol concentration limit under review.

7.39 On **seat belts**, the consultation reviewed recent evidence on wearing rates and focused on the use of publicity to persuade non-wearers to belt up. This includes our new THINK! campaign advertisement which aired for the first time on 3 November.

7.40 On **drug driving**, the consultation outlined the key evidence, while undertaking to improve the evidence base. It also proposed exploring the option of a new offence to enable the Police to deal more effectively with drug drivers, supported by a substantial publicity and education campaign in 2009-10.

7.41 On **careless driving**, the consultation presented evidence of the scale of the problem caused by bad driving. It proposed to make careless driving a fixed penalty offence.

7.42 On **remedial training and testing**, the consultation proposed a major review of the current regime. A revised regime would aim to have greater consistency, quality and professionalism, with well targeted courses going hand-in-hand with appropriate assessment.

Speed

7.43 Traffic authorities continue to review the speed limits on their A and B roads in accordance with the Department's new guidance on setting local speed limits in the Circular 01/2006, *Setting Local Speed Limits*. The guidance reiterated support for the introduction of 20 mph limits and 20 mph zones where children and other vulnerable road users are most at risk. The Department is further supporting local authorities in their implementation by updating its best practice advice on 20 mph limits and zones.

7.44 Portsmouth City Council has introduced 20 mph speed limits on most residential roads. The Department is working with the City Council to publish information about the impacts of the limits.

Changes to the MOT test

7.45 The Secretary of State decided that, in view of the very real risk that reduced testing frequency would lead to more road casualties (because of an increase in the number of non-roadworthy cars on our roads), no proposals for changing the pattern of testing would be made.

7.46 An evidence-based review document which supports this conclusion was published on the Department's website in December 2008. See www.dft.gov.uk/pgr/roads/vehicles/mot/mot/

7.47 VOSA has created a risk score for around 19,000 MOT garages as a result of risk assessments carried out through individual site visits and the subsequent inclusion of historic operational disciplinary records. These risk scores enable VOSA to assess the level of supervision appropriate for individual garages.

7.48 Initially 1,800 garages were categorised as high risk. Each of these sites has had an action plan designed to reduce the risk score, with a further site assessment carried out to ascertain any improvements made and to measure any movements in the risk score. To date, 38 per cent of these high-risk garages have improved their risk score.

7.49 Another consequence of the targeting of higher-risk garages is an increase in the amount of disciplinary action taken for non-compliance. Conversely VOSA is spending less time with lower risk garages, thus reducing the burden on the compliant.

High-risk traffic initiative

7.50 VOSA targets traffic based on its risk of offending and employs intelligent systems able to prioritise its resource against those most at risk. They prioritise British operators on a risk-scoring mechanism which rates them as red, amber or green. Red-rated domestic traffic and vehicles, and drivers on international journeys are identified as being at significant risk of offending for drivers' hours rules and for vehicles being in a mechanically defective condition. This is evidenced by the Department's random fleet compliance surveys and VOSA's high-offence capture rates on this traffic.

7.51 Following the successful 2006 joint VOSA/HA initiative in the South East to implement a step change in targeting international traffic, the Government has provided significant extra funding to extend this nationally.

7.52 During 2008-09 VOSA has been recruiting and training around an extra 130 front-line staff who will check vehicles and drivers throughout the country. These examiners will produce an increase in roadside activity levels – and consequently the number of dangerous vehicles and drivers removed from the road – of up to 70 per cent during 2009-10. Importantly this investment in additional resource will move VOSA's operations onto a 24/7 basis at strategic locations which will provide a visible presence and a deterrent effect to those who pose a risk of deliberate offending.

7.53 This national initiative in roadside enforcement will result in offenders having a much greater chance of being checked and, when combined with the increased sanctions imposed with the roll-out of graduated fixed penalties, will provide a real step change in roadside enforcement.

7.54 Included in the funding was a £3.5 million capital package spread over three years which is being invested in enhancing existing sites and equipment to enable night working, 19 additional stopping cars and the setting-up of two new sites. From the middle of 2008, extra staff were recruited resulting in increased activity. Figure 7b shows the following activity levels above VOSA's normal level:

Figure 7b: **Activity levels July 2008-February 2009**		
Traffic Examiner checks	10,672	
Drivers' hours prohibitions	2,223	(offence rate – 21 per cent)
Overload prohibitions	939	(offence rate – 34 per cent)
Vehicle/Trailer examinations	15,375	
Mechanical prohibitions	7,549	(defect rate – 49 per cent)
Category 1[1] prohibitions	1,204	

Notes:
1 The most dangerous immediate mechanical defects

7.55 Operation Boston was a 'big bang', national, large-scale operation on high-risk traffic in October where VOSA examiners inspected a total of 3,628 UK and non-UK registered commercial vehicles. Of those, a total of 1,889 received prohibition notices for offences including for dangerous mechanical condition of vehicles, tired drivers flouting drivers' hours limits, overloading and other offences.

Reducing car tax evasion and crime

7.56 Evidence from the 2008 Roadside Survey of VED Evasion estimated a high rate of vehicle licensing compliance. Results showed that DVLA had collected 99.1 per cent of all VED payable (up from 98.5 per cent in the 2007 survey). We will work to keep compliance high. In 2009-10 we will collect over £5 billion in VED (net of refunds) and, through enforcement action, collect £30 million.

7.57 To increase compliance, DVLA will continue to work with key partners across the public service – the Driver and Vehicle Agency in Northern Ireland, DSA, VOSA, the Police, the courts and local authorities.

7.58 Significant planned changes or improvements during 2009-10 are to:

- issue more than a million late licensing penalty letters;
- wheel clamp (with the help of partners) approximately 140,000 untaxed vehicles;
- review disposal procedures for seized vehicles to recover lost revenue and provide additional vehicles for Fire Service training;
- increase VED revenue collection through debt collection agencies;
- increase the number of automatic number plate recognition (ANPR) static cameras installed;
- use static ANPR cameras to record foreign vehicles entering and leaving major ports in the UK to monitor liability to UK VED taxation; and
- work with local authorities, using 24-hour coverage ANPR cameras to capture unlicensed UK vehicles on main arterial roads, significantly reducing unit costs of data capture and increasing coverage.

Tackling identity fraud

7.59 The success of DSA's fraud and identity team in uncovering impersonation and identity fraud at driving tests continues and in 2008-09 DSA concluded over 750 cases. Its profile is increasing with organisations such as the Police, and there is recognition that identity fraud is often linked to other crime, adding further weight to the importance of DSA's work. The plan is to increase efforts in 2009-10 with a target of concluding 800 cases, 650 in relation to impersonation/ID fraud and 150 in relation to illegal driving instruction.

Working with local highway authorities

7.60 Local highway authorities and their partners play a key role in the delivery of local road safety and casualty reduction targets. As a result of the 2007 review of the road safety strategy, a road safety delivery board started work in early 2008. It brings together representatives of local authorities, the Police, the fire and rescue service, the devolved administrations and a number of parts of government. The board's task is to identify and disseminate good practice, whilst tackling obstacles to delivering reductions in road casualties.

7.61 The Department's **Specific Road Safety Grant** funding (£110 million a year over the period 2007-08 to 2010-11) continues to provide local partnerships greater flexibility to implement the mix of road safety measures that will best tackle local road safety problems. Much of it is provided through the area-based grant, monitored via local area agreements.

7.62 Work was completed in spring 2009 on the **Birmingham Inner City Demonstration project**, which is designed to test the impacts of introducing a concentrated set of engineering and education measures to improve road safety in an inner city area. During 2008 the Department published reports summarising the impacts of the **Mixed Priority Route projects** (10 schemes to test how to make shopping streets with high volumes of traffic safer) and the **Neighbourhood Road Safety Initiative** (focused on improving road safety in deprived areas in major cities).

7.63 The Department's £8 million **Rural Road Safety Demonstration project** in partnership with the four rural road safety Beacon local highway authorities is continuing until March 2010. The project is intended to establish best practice in the collection and analysis of data, using the information to develop comprehensive road strategies to address road safety issues in rural areas. The project also aims to demonstrate innovative solutions to rural road safety issues.

7.64 The Department has been supporting 44 projects through the **road safety partnership grant** introduced in 2007, with work on the 25 first round projects being completed by spring 2009. The scheme is intended to promote the establishment and sharing of sustainable good practice in road safety delivery, in priority themes. It does this by highlighting partnership working amongst local authorities and others. Evaluation work is in progress and early results from the first round of projects confirm some significant impacts locally and that similar work could be introduced elsewhere. We have announced eight further projects to start in 2009 and focus on motorcyclist, deprivation and intelligent speed adaptation. Details of them are on the Department's website at www.dft.gov.uk/pgr/roadsafety/rspg/roadsafetypartnership0809

7.65 In summer 2008 the Department introduced a programme of **road safety health checks** with a selection of local authorities. The aim of this initiative is to help them to look at what is being done to assist their continued improvement work in casualty reduction, to recognise good practice within authorities and encourage the sharing of information.

Road safety research

7.66 We have continued our programme of road safety research which underpins policy and publicity and identifies good practice in local delivery. Our priorities include:

- developing an evidence base for post-2010 targets and strategies;
- work-related road safety;
- speed management;
- impairment through drink, drugs and fatigue;
- motorcycle safety; and
- assessing the impact of local authority interventions.

7.67 We have published 18 research reports in 2008-09 and promoted our findings through the programme of workshops and action learning sets focused on the needs of road safety practitioners. We delivered six workshops and an action learning set in 2008 and have planned further ones for 2009. We will continue to make our research more accessible through these events and through the production of summary findings. In 2008-09 17 research findings were produced.

7.68 A summary of our current research programme and priorities is available in the latest Unit Evidence and Research Strategy.[43]

Railway safety

7.69 The Department is committed to ensuring a safe, reliable and customer-focused railway. The Office of Rail Regulation's (ORR) *2007 Railway safety statistical report* (its most recently published one) reflects that rail safety in Britain continues to improve. Rail remains the safest form of surface transport in Great Britain per mile travelled.

43 See www.dft.gov.uk/pgr/roads/unitlevelevidenceandresearch4543

7.70 The train protection and warning system continues to be effective in reducing the risk from signals passed at danger (SPADs). At the end of 2008, SPAD risk stood at around 15 per cent of the benchmark level set at the end of March 2001 (ie a reduction of 85 per cent). Nobody has been killed or injured in a SPAD-related incident since October 1999.

7.71 Level crossing statistics showed an increase in deaths to 11 in 2007 compared with eight in 2006, although the overall downward trend from 2004 levels continues. The number of fatal injuries to railway employees fell to two in 2007, compared with four during 2006. Sadly, and despite continuing efforts by many sections of the rail industry, 270 members of the public died during 2007 as a result of trespass and suicide on the railways. Industry initiatives to tackle trespassing include the No Messin' campaign (a website for young people), better fencing and the use of mobile CCTV at trespass hotspots.

7.72 Level crossings continue to present the largest element of train accident risk, following the reduction or removal of other risks. Ninety-five per cent of incidents at level crossings are due to misuse by motorists and pedestrians. There are around 7,500 level crossings on the mainline network. The railway industry has continued its considerable efforts to reduce level crossing risk through various initiatives. Most visible was the high profile Don't Run the Risk media campaign, which is aimed at educating level crossing users in the dangers of misuse.

Law Commission Review of Level Crossing Law

7.73 The Law Commission's tenth programme includes a project to review the law relating to level crossings. This was included in response to a successful bid by the Department for Transport in conjunction with ORR. The Law Commission is undertaking the project jointly with the Scottish Law Commission.

7.74 The current law on level crossings is complex and outdated. The aim of the project is to modernise and simplify the current legal framework. This is scheduled to take three years, resulting, in 2011, in either a single Parliamentary Bill or a regulatory reform order to replace existing level crossing legislation. The Law Commission intends to issue a consultation document on options for reform later in 2009.

High Level Output Specification safety metric

7.75 The High Level Output Specification (HLOS), published in July 2007, included a safety metric specifying a three per cent reduction in risk of death or injuries to rail passengers and workers during the period between 2009 and 2014. The rail industry is taking forward actions through its safety planning processes to deliver the HLOS safety metrics. The Department will monitor progress against this.

Europe

7.76 The Department and ORR continue to represent the UK in the development of the measures specified in the European Railway Safety and Interoperability Directives, including Common Safety Methods and Technical Specifications for Interoperability. These measures are intended to support the establishment of a single market in the rail sector, by removing the barriers to the supply of equipment and the through-running of trains. We expect cost savings in the medium to longer term as products are standardised and safety verification processes harmonised.

7.77 The Department played a significant role in the negotiation of European Commission amendments to the existing railway safety and interoperability Directives. The new Directive on interoperability (2008/57/EC) was adopted in July 2008 and must be transposed into national legislation by July 2010. The recast Directive merges the existing ones and provides for the use of harmonised technical standards and a common European assessment and authorisation process for placing new rail developments or major upgrades and renewals of the existing railway into service. The Department organised a series of stakeholder workshops throughout November 2008 to explore in detail the changes introduced by the Directive and examine the opportunities for other revisions in light of experience of operating under the current interoperability regime. An initial policy proposals consultation was launched in March 2009. The Department will continue to work with stakeholders in the drafting of regulations, which will be subject to a public consultation in winter 2009-10. Directive 2008/110/EC, amending the Railway Safety Directive and introducing the mandatory certification for entities in charge of maintenance of freight wagons, must be transposed into national legislation by December 2010.

Potters Bar and Grayrigg

7.78 The inquest into the Potters Bar accident was adjourned following the Grayrigg derailment on 23 February 2007, pending the publication of the Rail Accident Investigation Branch's (RAIB) final report on the Grayrigg accident. The RAIB published its final report on Grayrigg in October 2008, in which it concluded that the points at Grayrigg were in an unsafe condition because of a combination of three factors. These were the mechanical failure of a bolted joint within the points, the wrong set-up of the points and a weekly inspection that was missed on 18 February 2007.

7.79 The RAIB's final report made 29 safety recommendations to avoid a recurrence of such an accident. ORR is tasked with overseeing the railway industry's implementation of RAIB's recommendations.

7.80 After careful consideration, including of the views of the affected parties, the Secretary of State decided in June 2009 that the most appropriate way forward would be to hold two separate inquests into the accidents.

Rail Accident Investigation Branch

7.81 The purpose of RAIB is to improve the safety of UK railways. It does this by investigating the causes of accidents and incidents and by making recommendations to prevent similar occurrences in the future. Its investigations cover all types of railways in Great Britain and Northern Ireland, including tramways, metros and heritage, and are solely focused on improving safety. It does not apportion blame or liability.

7.82 While RAIB is administratively part of the Department, it is functionally independent. The Chief Inspector is responsible to the Secretary of State for investigation activities.

7.83 RAIB started 32 investigations in 2008, publishing a total of 27 reports and three bulletins on its website (www.raib.gov.uk), including the final report on the fatal derailment at Grayrigg. The RAIB is also working closely with its French equivalent, the Bureau d'Enquêtes sur les Accidents de Transport Terrestre (BEA-TT) in investigating the fire in the Channel Tunnel that occurred in September 2008.

7.84 During 2008 RAIB made a total of 181 recommendations and details of these will be included in the RAIB's Annual Report, which will be published in summer 2009. At the end of December 2008, 66 recommendations were still under consideration by the Safety Authority and/or end implementer. Where we did receive a response, 98 per cent indicated that RAIB's recommendations have been accepted.

7.85 The total number of investigations is not an indicator of safety on the UK's railways. The Railways (Accident Investigation and Reporting) Regulations 2005 require the industry to report on accidents resulting in serious injury and damage as well as other less serious accidents and incidents which could have been serious under slightly different circumstances. In this way RAIB is able to be proactive in its role and maximise the potential to improve safety through the learning of safety lessons.

Aviation safety

7.86 The Government aims to ensure the effective safety regulation of the UK aviation industry and to promote better aviation safety internationally.

7.87 This requires co-ordinated action at a number of levels. Domestically, the Civil Aviation Authority (CAA) has statutory responsibility for the day-to-day safety regulation of UK airlines, airports and air traffic control. It monitors and approves aircraft manufacturers and maintenance facilities and, on the Department's behalf, it inspects foreign-registered aircraft visiting the UK.

7.88 Increasingly, aviation safety rules are co-ordinated at the European level, with the European Aviation Safety Agency (EASA) playing a leading role. In 2008 the Agency took on responsibility for proposing the standards governing air operations. Negotiations also began on extending the Agency's remit to the safety of aerodromes and air traffic management.

7.89 The Department is working to achieve its objectives by:

- reviewing domestic air safety policy regularly to ensure that better regulation principles are applied, consistent with the need to protect airline passengers and the public;
- increasing the number of safety inspections of foreign aircraft performed annually in the UK from around 250 to 600 from April 2008, rising to 1,000 from April 2009 onwards, thus ensuring that the UK makes a contribution to European air safety commensurate with the size and significance of its aviation market;
- taking a leading role in the work of the European Air Safety Committee, which has substantially strengthened the control of all airlines flying within European airspace, in particular through the introduction of a European blacklist of unsafe airlines similar to a model pioneered in the UK;
- working, through our seat on the management board of EASA, to ensure that the agency delivers an efficient, high-quality safety regime and promoting institutional reform of EASA itself;
- influencing the development of new European safety rules to reflect the interests of UK industry, passengers and citizens; and
- working effectively in the International Civil Aviation Organisation (ICAO) to improve the focus and effectiveness of the international aviation safety regime.

Aviation safety in the UK's Overseas Territories and Crown Dependencies

7.90 The Department is responsible for ensuring that the UK's Overseas Territories and Crown Dependencies meet international requirements for aviation safety regulation.

7.91 We aim to ensure that, as far as possible, the Overseas Territories regulate their own aviation safety affairs effectively, consistent with the UK's international obligations.

7.92 Jersey, Guernsey and Gibraltar have all adopted new legislation establishing independent safety regulators in the last year.

7.93 Air Safety Support International (ASSI), a CAA subsidiary company established under direction from the Department, provides technical assistance to the overseas territories. It also acts directly as the safety regulator in the most fragile overseas territories. The Department funds ASSI to carry out this work.

7.94 The UK's regulatory system for aviation safety was audited under ICAO's Universal Safety Oversight Audit Programme in February 2009. The preliminary results from the audit confirm that the UK has an effective oversight system, which implements ICAO requirements. The final report will be published in the autumn.

Air Accidents Investigation Branch (AAIB)

7.95 The role of the AAIB is to improve aviation safety by determining the causes of air accidents and serious incidents, and making recommendations intended to prevent recurrence. The AAIB discharges the UK's obligations under Annex 13 to the Convention on International Civil Aviation and its responsibilities are defined by the Civil Aviation (Investigation of Air Accidents and Incidents) Regulations 1996.

7.96 The AAIB investigates aircraft accidents and serious incidents that occur in the UK, its Crown Dependencies and Overseas Territories or that involve UK-registered aircraft overseas. The Branch also participates in accident investigations worldwide where there is a specific UK interest and provides technical assistance to the Ministry of Defence in support of Boards of Inquiry investigating military aircraft accidents.

7.97 In 2008 the AAIB investigated 280 accidents and incidents. This figure includes 68 field deployments. AAIB has also assisted in three military investigations and taken part in 93 overseas investigations. Relative to 2007, the number of aircraft accident fatalities in the UK dropped to 24 during 2008.

7.98 The accident to the British Airways Boeing 777, G-YMMM, in January 2008 has involved the AAIB in its largest, most technically challenging investigation for many years with six interim reports produced to date.

7.99 In November 2008, at the personal request of the President of Mexico, the AAIB deployed a team of investigators to support the Mexican authorities following the death of the Mexican Interior Minister in an air accident.

7.100 The AAIB publishes all its reports and they are available on its website at www.aaib.gov.uk.

Maritime safety

7.101 Demand for the use of sea space increases: ships are getting bigger and faster and more people are taking part in maritime leisure activities. Accidents are more often attributable to people factors than to the design and construction of ships. In responding to the challenges of a changing maritime environment, MCA is working to make our seas safer and more secure by focusing on:

- inspecting hours of work and other factors to check for signs of seafarer fatigue, which can lead to accidents;
- improving the safety of fishermen and small fishing vessels through education and training to change attitudes and behaviours;
- promoting the carrying and wearing of lifejackets in the leisure sector; and
- monitoring actively navigational sea space, including vessel traffic services.

7.102 To improve safety and security, EU Member States are required to co-operate on data exchange by implementing a system to capture data on ship movements, dangerous cargoes, vessel safety and security information, and the disposal of waste within European waters. The MCA continues to develop the Consolidated European Reporting System (CERS/Single Vessel Database (SVD)) for the UK which reports to the EU-wide system SafeSeaNet. The CERS/SVD is being rolled out across the Agency in stages during spring 2009.

7.103 As the UK's National Competent Authority for the Automatic Identification Systems (AIS) for ships, the MCA provides information to other ships and to shore-based authorities. AIS enhances the MCA's ability to coordinate Search and Rescue (SAR) and marine pollution control and improves the safety of ships at sea, supporting enforcement, hydrography, security, environmental and regulatory activities.

7.104 The Secretary of State's representative for Maritime Intervention and Salvage (SOSREP) works with the MCA to take direct control of emerging maritime salvage operations and responds to threatened or actual pollution incidents from ships around the UK. Emergency tugs situated at the four corners of the UK coast help tow or escort any ship in difficulty.

7.105 The Agency has built its capacity to respond to emergencies as a Category 1 Responder under the terms of the Civil Contingencies Act. It manages a contract for UK SAR helicopters operating from its bases at Stornoway, Sumburgh (Shetland), Portland and Lee-on-Solent. The contract runs until 2012, when the Agency will establish a longer-term harmonised helicopter provision with the Ministry of Defence.

7.106 The Agency works with children, their parents and teachers, to educate about beach and coastal safety and does this through the Sea Smart campaign. See www.mcga.gov.uk/seasmart.

7.107 The MCA aspires to be a learning organisation and considers how operational improvements can be made to its future approach.

Marine Accident Investigation Branch

7.108 The Marine Accident Investigation Branch (MAIB) improves safety at sea by determining the causes and circumstances of marine accidents and by working with others to reduce the chances of their happening again. It investigates accidents involving UK-registered vessels anywhere in the world, and vessels of any nationality within UK territorial waters.

7.109 In 2008 MAIB received 1,459 accident and incident reports and carried out 74 preliminary examinations, collecting and analysing key evidence. Twenty-eight of these led to full investigations, resulting in recommendations being made in published reports. The Branch pursued another 1,287 as administrative enquiries.

7.110 The MAIB's report on the investigation of the structural failure of the container vessel MSC Napoli was published in April 2008. After one of the MAIB's most challenging investigations, the report concluded that the hull failure occurred because of the vessel's design rather than her material condition or construction. This raised concerns about the safety of other vessels and led to the MAIB working closely with the world's leading classification societies to identify any vessel that could have the same design flaw. Out of 1,500 vessels screened, 12 required structural modification.

7.111 MAIB continues to involve the relevant sectors of the marine industry in the formulation of its recommendations. In 2007 136 recommendations were made of which 97 per cent were fully accepted. A similar rate of acceptance is expected for 2008 when these are collated for publication in the MAIB's Annual Report 2008.

Board of Transport accident investigators

7.112 The Board comprises the chief inspectors of the Department's three accident investigation branches. It meets quarterly to discuss issues of common interest, to ensure efficient use of resources and to share best practice.

Transport security

7.113 The Department leads the Government's programme of work to counter terrorism in transport through the work of the Transport Security and Contingencies Directorate (TRANSEC). This activity takes place in the context of the National Security Strategy (March 2008) and the refreshed Counter-Terrorism Strategy (CONTEST) (March 2009). TRANSEC also leads on transport contingency planning in response to a range of major events, both terrorist and non-terrorist.

7.114 TRANSEC seeks to achieve effective, proportionate and sustainable transport security and resilience by reducing risk, minimising impact, retaining confidence and enhancing resilience.

New areas of work

Personnel security

7.115 In July 2008 the Secretary of State published the results of an independent review of personnel security across the transport sector. Ministers accepted the main recommendations of the report, namely that:

- the time is right for an increased focus on personnel security;
- industry needs to take a systematic risk-based approach to the task; and
- personnel security should become as important as safety already is to employees and managers.

7.116 Ministers hosted a cross-sector conference with the transport industry in October 2008 to build commitment to the principle of personnel security and to address the practicalities of raising its profile. Since then the Department has circulated best-practice advice and is planning to enhance its existing training programmes to include aspects of personnel security. A series of modal workshops was held in spring 2009 to develop the capacity of industry partners to carry out personnel security assessments for themselves and to develop action plans.

7.117 A number of transport operators already carry out overseas criminal record checks and more are now considering doing so. In November 2008 TRANSEC issued guidance to all regulated sectors on how to carry out such checks. This spring the Department consulted the transport industry about how best to introduce mandatory overseas criminal record checks for new applicants to the most sensitive posts, namely those which are already subject to counter-terrorism checks. The consultation included a regulatory assessment covering the impact on business and on ethnic groups. Depending on the results of the consultation, we expect to issue amended regulations over the summer to bring into effect these new measures.

Transport security for the Olympic Games

7.118 The Government is developing detailed security plans for the 2012 Olympic and Paralympic Games. To take this work forward the Olympic Security Directorate (OSD), a multi-agency body based in the Home Office, was created. The OSD is responsible for the strategic and operational planning of the security of the Games and for overseeing its delivery.

7.119 TRANSEC works closely with colleagues within OSD and stakeholders across the transport sector as well as those involved in delivering the Olympics. We want to ensure that the Olympic transport security project is co-ordinated with existing transport security regimes.

7.120 The project's central aim is to deliver a safe, secure and resilient transport system for the Olympic Games and in order to do so it will:

- risk assess all transport modes, hubs and networks, whether regulated or non-regulated, to identify the specific additional security risks presented by the Games, ie those risks over and above those managed as business as usual; and
- implement all proportionate measures to mitigate the specific additional risks identified.

Aviation security

7.121 New legislation, reform of the industry/Departmental oversight arrangements of aviation security and work with international partners continue to strengthen existing security regimes.

7.122 The Department is collaborating with industry and Police stakeholders on a new regulatory framework for taking robust and accountable risk-based decisions at airports that will ensure effective security and joint working, particularly between industry and the Police.

7.123 The Policing and Crime Bill currently before Parliament will implement the major recommendations of the Independent Review of Airport Policing by requiring the majority of airports to agree a local airport security plan with key stakeholders and allowing the police to recover policing costs.

7.124 A newly constituted National Aviation Security Committee (NASC) bringing together senior aviation representatives and the Secretary of State bi-annually will now include European operators. A smaller executive committee will help NASC focus on current security matters and determine which should have priority in further development. This will lead to closer government/industry collaboration to create improved regimes that are proportionate to the risk, and workable in practice. Key areas for development include better ways of addressing the liquid explosives threat.

7.125 Work continues with key international partners to assist in building their aviation security capability. TRANSEC has provided training and assistance to Jordan, Morocco and Pakistan, among other states, throughout the year.

Rail, light rail and metro security

7.126 Building on previous trials, TRANSEC has worked with the British Transport Police to expand their screening programme. In 2008 they introduced onto the rail and underground networks mobile X-ray equipment and explosives detection dogs capable of screening groups of people. The increased screening capability is part of a proportionate risk management response to terrorism and is one of a number of measures in place. The aim is to reduce the risks as much as possible, whilst still allowing people to go about their day-to-day business.

7.127 Work on protecting stations from hostile vehicles continues, following the installation of permanent vehicle restraint measures at St Pancras International and Ebbsfleet International stations. Agreement is in place for similar measures at other key railway stations, including those that will be undergoing major redevelopments.

Maritime security

7.128 In October 2005 the UK played a leading role in the adoption of the Protocol to the 1988 Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation. This Protocol requires parties to criminalise the use of a ship as part of a terrorist act and establishes an international legal basis to counter the proliferation and trafficking of weapons of mass destruction, their delivery systems and related materials on the high seas. We are seeking an early Parliamentary opportunity to introduce the legislation that will allow the UK to ratify these Protocols. Once they come into force, the effectiveness of international co-operation to combat terrorist acts at sea will improve, in compliance with international law.

7.129 Piracy has been much in the news this year. While this is not a terrorist matter, TRANSEC leads the UK's policy development in this area and provides relevant advice on preventative measures, as these are similar to the on-board protective measures for preventing a terrorist attack. We also liaise between operators, other parts of government and the Royal Navy on response issues. During the year we have particularly improved our links with UK Maritime Trade Operations, based in Dubai, who provide local real-time advice and information to shipping crossing the Gulf of Aden and the Indian Ocean.

7.130 One of TRANSEC's lesser known responsibilities includes war risks insurance. This year an American salvage firm has made a claim in the Tampa Bay District Court for ownership of two World War I shipwrecks that it claims are abandoned but which the UK Government asserts are the SS Laconia and the SS Cairnhill. When lost, these ships were insured by the UK Government and are, therefore, the property of the Secretary of State for Transport. TRANSEC is leading the work with the Departmental legal team, the Foreign and Commonwealth Office and the embassy in Washington to challenge this false claim. The SS Laconia was carrying a potentially valuable cargo of silver coins and we would expect to recover a considerable sum from any successful salvage operation.

Dangerous goods

7.131 Following Lord West's review in 2008 of the protective security of hazardous substances, TRANSEC has been working with the Office for Security and Counter Terrorism, and other government departments and agencies, to reduce the risk of terrorists obtaining and misusing hazardous substances.

7.132 As part of this work, TRANSEC and the Home Office have established a project, drawing on expertise from across government, to develop an impact-based list of substances of most concern. This analysis will inform risk assessments and enable the Department and others to take proportionate measures to reduce the vulnerability of these substances throughout the supply chain, including during transportation.

Research

7.133 Many of our security measures rely on the appropriate and efficient use of technology to deliver the required security effect. As terrorists seek to make deadly attacks, it is essential that we study the potential to misuse science and technology to attack transport systems. TRANSEC has, therefore, a comprehensive programme of research, analysis and development in transport security which has the following key objectives:

- to understand the consequences of possible terrorist attacks and the technical vulnerabilities of transport systems;
- to encourage innovation in the security solution sector by funding high-risk research into novel techniques and technologies;
- to assess new equipment or technology-based security processes and develop technical standards with international partners; and
- to work with security equipment manufacturers to enhance the capabilities of their equipment and improve their ease of use.

7.134 Key areas of work during the year have included detection of liquid explosives and the protection of vessels.

Contingencies

7.135 The main response to disruptive events in the UK continues to rest at local level and with transport operators. However, if the scale of the crisis demands it, national and even international arrangements may come into play.

7.136 During 2008 the Department's crisis response arrangements were called on to deal with a range of issues including flooding, the effects of industrial action in the energy sector and the heaviest snow fall across England for 20 years.

7.137 These arrangements were tested during a number of government-wide contingency planning exercises in 2008-09. These exercises allowed us to explore, in conjunction with transport operators and other stakeholders, our incident handling and recovery from potential terrorist action, chemical contamination of the transport network, and interruption to fuel supplies. We have used the lessons learned from these exercises to update the crisis response mechanism and to develop Departmental policy for a range of scenarios.

Reducing crime on public transport

7.138 The Department continues to promote measures to improve personal security for public transport passengers and staff.

7.139 The Secure Stations Scheme is designed to improve personal security at rail stations and represents a national standard for passenger safety and security on Britain's railway stations. The Department's target to have 700 stations accredited under the scheme by March 2009 has been exceeded, with over 898 stations having reached that status.

7.140 The British Transport Police (BTP) is the national police force for the railways. The BTP covers the whole range of crime, from serious violent and sexual offences to pick pocketing and car crime. Currently one of the biggest challenges it faces is metal theft from the railways.

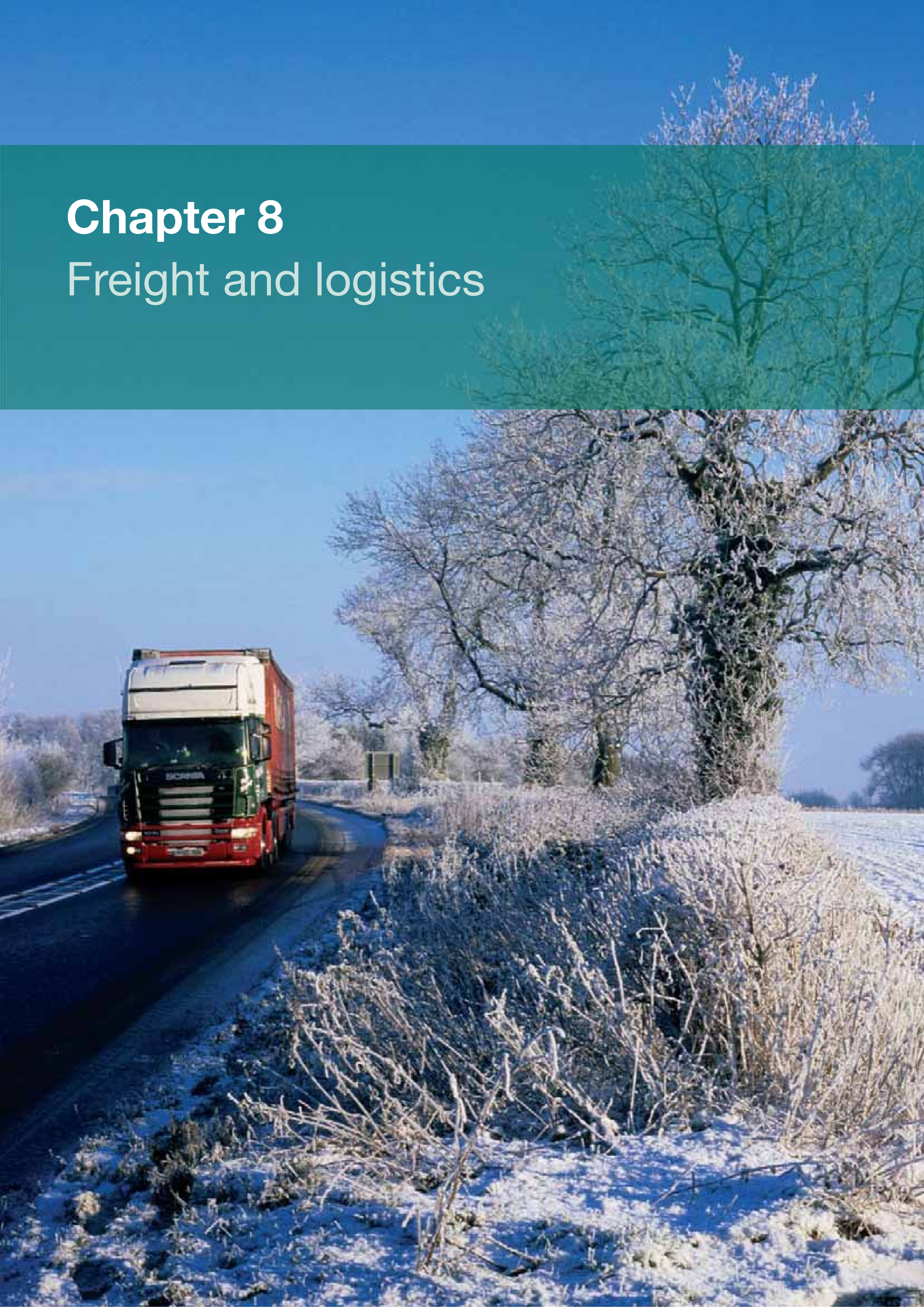
7.141 The BTP's budget for resource expenditure is funded by the rail industry. The Government provided £11 million in capital funding for items such as vehicles, computers and accommodation, as well as nearly £2 million for preparatory work for the Olympics and Paralympics in 2012.

7.142 The Department leads the Safer Travel on Bus and Coach Panel (STOP), bringing together those involved in dealing with the issue of safety and security, including other government departments, local government, the Police and unions. Its primary responsibility is to facilitate the exchange of ideas and the spread of good practice.

7.143 Guidance has been distributed by the Department to taxi and private hire vehicle drivers on measures they can take to stay safe. Guidance has also been published for Crime and Disorder Reduction Partnerships to raise their awareness of how they can work with the public transport sector to help reduce crime committed on public transport.

7.144 The Department has also contributed to a number of cross-government safety initiatives, which include tackling bullying outside of school, and tackling violence against women and girls.

Chapter 8
Freight and logistics



Chapter 8

Freight and logistics

Summary

The UK logistics sector is central to the UK's economic prosperity. It delivers the country's core needs from fuel to power stations to food and hospital supplies. It is vital to the effective operation of UK manufacturing industry, ensures the service sector can thrive and contributes to the UK economy through the employment of 2.3 million people across 196,000 companies.

The Department's strategic approach to freight has five main elements:

- providing a long-term planning framework which recognises the needs and aspirations of both industry and the overall public interest;
- investing in network infrastructure required to support effective freight services where it is affordable and the overall project can be delivered in accordance with the Department's value for money (VfM) policy;
- regulating proportionately (both domestically and internationally) to minimise, as far as possible, the administrative and other burdens placed on industry;
- increasing compliance with a targeted approach to minimise the burden on those operating within the law; and
- promoting and incentivising behavioural change where benefits are affordable and can be delivered in accordance with the Department's VfM policy.

During the past year the Department:

- published *Delivering a Sustainable Transport System: The Logistics Perspective* in December 2008, looking at how government and industry need to work together to ensure that freight contributes to and benefits from the Department's transport policy goals;

- published the end-to-end freight journeys, looking at journey reliability, planned and unplanned time, productivity and safety, cutting across urban areas, national and international networks;
- re-let the Freight Best Practice programme and initiated the pilot studies for the Van Best Practice and online benchmarking schemes;
- put into effect the outcome of the review of UK regulations implementing the EU Working Time Directive for mobile workers;
- appointed the first Statutory Senior Traffic Commissioner in March 2009 under the Local Transport Act 2008;
- secured an exemption from the EU drivers' hours rules for professional drivers when undertaking military training as a volunteer reservist and began a review of the UK domestic drivers' hours legislation; and
- played an active part in the Marco Polo II and Motorways of the Sea funding programmes which are designed to encourage the shift of international freight from road to rail or waterways.

Looking ahead, the Department will:

- ensure UK policies are promoted during EU negotiations on changes to existing legislation on working time for mobile workers, tachograhs and drivers' hours;
- take forward implementation of the EU Regulations on Access to the Road Haulage Market and Access to the Occupation of Road Transport Operator due to be adopted in Europe during 2009;
- continue the review of the UK domestic drivers' hours rules in order to examine the operation of the domestic rules and to collect evidence as to their effectiveness;
- issue Secretary of State guidance to the Statutory Senior Traffic Commissioner;
- develop an action plan/strategy on lorry parking provision in England;
- let the management contract for the Van Best Practice programme;
- implement new modal shift grant schemes to take effect from April 2010;
- consider interventions that will help with the introduction of low noise operations for deliveries at night;
- continue to engage with freight customers and operators to ensure that the needs and potential contribution of freight activities are addressed throughout the Department's strategies; and
- develop further proposals to reduce freight's carbon emissions in the medium to long term.

8.1 Much of the Department's most important activity for the freight and logistics sector – such as investment in infrastructure – is part of its wider work discussed elsewhere in the report. This chapter focuses, therefore, on the two areas of activity that are specific to the sector – proportionate regulation (and associated work to increase compliance) and interventions to support behavioural change. It also covers the Department's work to enhance the long-term planning framework and evidence base underpinning its actions in this area.

Interventions to support behavioural change

8.2 Although the Department seeks to promote and support behavioural change in the logistics sector, private sector operators are ultimately responsible for delivering the benefits of less congestion, greater safety and lower environmental impact which arise from the Department's sustainable distribution programmes. We monitor the benefits delivered by grants and Departmentally funded programmes to ensure that good value for money is achieved. We also seek to prioritise available resources to deliver the greatest overall benefit.

Sustainable Distribution Fund

8.3 The Sustainable Distribution Fund (SDF) consists of two programmes: the modal shift programme, which helps to transfer freight from road to rail or water transport, and the efficiency programme, to encourage the more efficient use of all forms of transport.

Modal shift programme

8.4 The modal shift programme's aim is to secure the transfer of freight from road to rail or water where the latter is more expensive. Three types of grants are provided:

- **Freight Facilities Grants (FFG)** provide financial support towards the capital cost of providing rail or water freight handling facilities. In September 2008 we announced £61 million extra funding for FFGs over three years from 2011-12. This is on top of the £21 million already set aside for 2008-09 to 2010-11. We have also sought ways to improve and strengthen the application process, by reviewing our guidance and application form to make them both clearer and more straightforward for applicants. We have also sought ways to promote FFGs better and have developed a short promotional guide for those interested in the grant and wishing to find out more.
- **Rail Environmental Benefit Procurement Scheme (REPS)** helps with the operational costs of running rail freight transport where rail is more expensive than road. The environmental benefits are secured from removed

lorry journeys. In 2008-09 the Department provided over £17 million in REPS grants to industry supporting modal shift from road to rail which resulted in over 900,000 lorry journeys being removed from the road.

- **Waterborne Freight Grant (WFG)** assists companies with the operating costs, for up to three years, of running water freight transport instead of road where water is more expensive than road.

8.5 Over the past year the Department has been reviewing the above schemes to ensure they remain appropriate and evidenced-based, with a view to submitting schemes to the European Commission for State Aids clearance early in 2009-10.

Efficiency programme

8.6 The Department has continued with its programme of research and promotion of best practice to the logistics industry. This includes the Freight Best Practice programme and the Safe and Fuel Efficient Driving (SAFED) driver training programme, delivering significant CO_2 emissions savings. Further work included, in March, a funded benchmarking survey of the food and drink sector and a pilot project to provide online benchmarking for HGV operators.

8.7 The Freight Best Practice (FBP) Programme – now with over 50 best practice guides and case studies promoting fuel saving and efficient operations – continued to develop with a new management contract, awarded in June 2008 for up to three years, with additional requirements to promote modal shift and develop information for the rail and water sectors.

8.8 The SAFED for Vans driver training programme has continued to develop with the training reaching the 10,000th van driver this year. SAFED training for HGV drivers continues to attract the support of industry and is a suitable module for Driver Certificate of Professional Competence (CPC). The van sector has also been the focus of a study to research and develop best practice material for the sector and will form the basis for the Van Best Practice programme.

Aggregates Levy Sustainability Fund

8.9 The aggregates industry pays a levy for each tonne of primary aggregate (crushed rock, sand and gravel) that it extracts. Part of this levy is reinvested in the industry to mitigate the effects of its operations. This is the Aggregates Levy Sustainability Fund (ALSF). The Department receives funding from ALSF to mitigate the environmental effects of transporting aggregates, principally dust, dirt, noise, vibration, traffic and congestion.

8.10 The Department spent around £1 million funding from the ALSF on modal shift programmes during 2008-09. This included grant funding of £540,000 for modal shift schemes which have resulted in the removal of over 31,000 lorry journeys during the year. These programmes will continue in 2009-10 and 2010-11. The Department will also spend up to £450,000, through the ALSF, on efficiency programmes to continue the SAFED development training scheme for aggregate hauliers. The scheme has been let for a two-year period until 2010 for approximately 5,000 drivers.

Long-term planning and evidence base

8.11 In December 2008 the Department published *Delivering a Sustainable Transport System: The Logistics Perspective*. The document follows on from the main *Delivering a Sustainable Transport System*: *Main Report* and looks in more detail at the issues concerning freight movements across the modes and along strategic national corridors. The document discusses the need for government and industry to work together to ensure that freight contributes to and benefits from the Department's transport policy goals.

8.12 At the Department's first Listening to Industry workshop, held in February 2008, the industry identified sixteen themes as future challenges for both the freight and logistics sector.

8.13 The Department is trying to identify solutions to these themes which will be fed into wider work to generate options for investment for the period 2014-19 and beyond, for the strategic national corridors, our international gateways and the cities and regions.

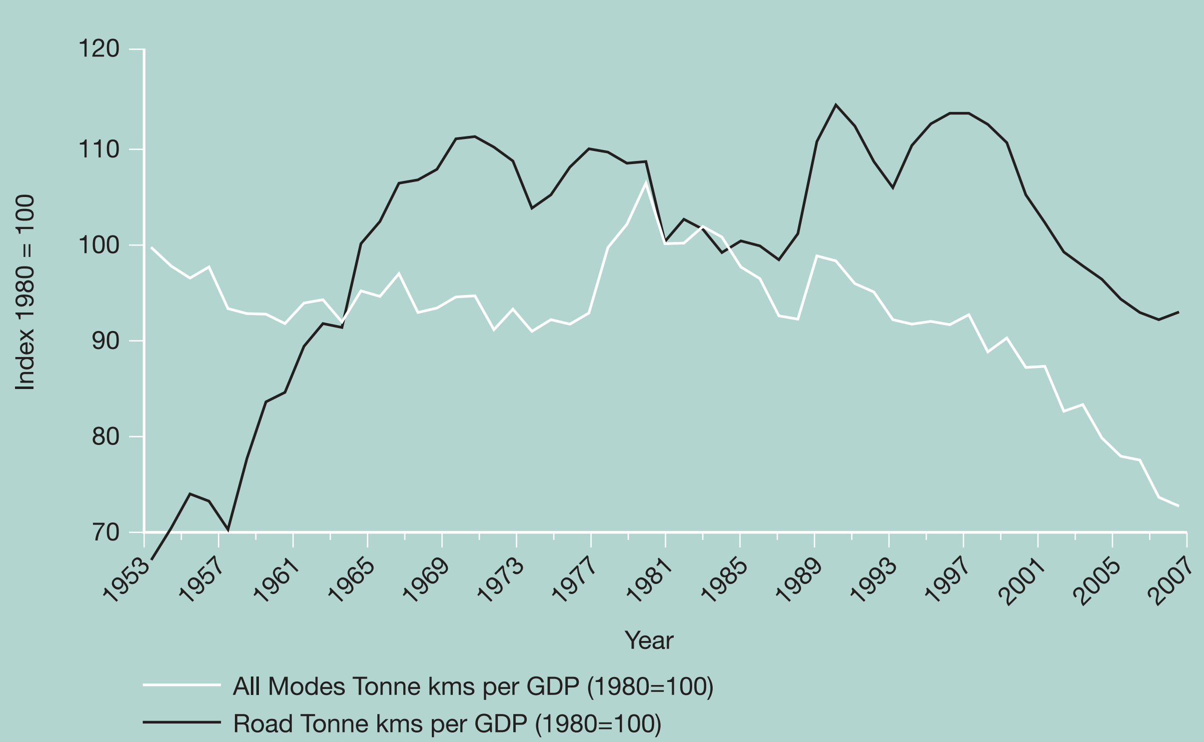
8.14 The Department also recognises the need to identify and maintain a sound and comprehensive logistics evidence base to underpin and monitor interventions across the Departmental family. This is important to help create effective options for future investments. Actions by the Department have included:

- assessments of the CO_2 contribution and other impacts of logistics operations;
- a detailed survey of drivers' and operators' understanding of working time rules, to underpin our review of the implementation of the Road Transport (Working Time) Directive;
- a report into the growing sector of 'returned goods' (known as reverse logistics) detailing actions to mitigate their effect by reducing returns and waste, and a tool for the management of reverse logistics;
- a key performance indicator study on the food and drinks sector;
- fuel consumption versus payload research to investigate the relationship between payload and fuel efficiency, aiming to indicate which is the best vehicle to use for operations; and
- research on the provision of lorry parking in England to consolidate existing research. This ongoing project will lead to the clarification of roles and responsibilities across the public and private sectors and feed into an action plan for implementation from 2009-10.

Outcomes

8.15 The effectiveness of road freight has continued to improve overall, as measured by the index of lorry traffic intensity. This index maps the relationship between economic growth and increases in lorry traffic. The downward trend of both indices suggests a more efficient use of freight transport.

Figure 8a: **Index of freight intensity 1953-2007**



8.16 The Department recognises the important role of rail and water freight and, through the provision of grants discussed above aims to encourage wider use of these modes. To this end it announced in September 2008 a considerable increase in the funding available for Freight Facilities Grants.

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total (£m)	£4	£7	£10	£16	£20	£25

8

Regulating proportionately

EU rules on market access and governing operator licensing

8.17 The Department has also been working hard to ensure that UK policies are promoted during the EU negotiations, to simplify the existing EU rules governing admission to the occupation of road transport operator as well as access to the road haulage and passenger transport markets.

Operator licensing reform

8.18 Work continues to deliver a number of reforms announced in December 2006. The Department has implemented phase one of its plans to restructure operator licensing fees that will simplify the number of fee transactions for operators thereby reducing the administrative burdens on industry once fully implemented in 2010.

Drivers' hours and working time issues

8.19 In October 2008 the European Commission published a proposed amending Directive relating to the working time of mobile workers. The proposal aims to exclude the genuine self-employed from the Directive on a permanent basis, to change the definition of night-time working and to ensure the enforcement of the rules is made more effective across all Member States. The Department has undertaken a consultation on the proposal and will continue to be engaged in EU-level negotiations during 2009.

8.20 Following EU discussions in which the UK was an active participant, a new Commission Regulation and two new Directives were adopted. These will provide a solution to the technical difficulties of fitting digital tachographs to certain light vehicles; provide guidance on what constitutes a serious infringement of the drivers' hours and tachograph rules; and require enforcement authorities to check digital tachograph-equipped vehicles for the installation and use of manipulation devices.

8.21 In December 2008 the Department secured an exemption from the EU drivers' hours and tachograph rules for volunteer reservists. As a result, drivers who finish their normal driving duties on a Friday will be allowed to complete a 34-hour period of military training or duties as an instructor without this impacting on their ability to resume their normal driving duties on a Monday morning.

8.22 The Department began a review of the UK domestic drivers' hours legislation in autumn 2008 through a fully consultative process (involving devolved administrations, enforcement agencies, industry and trade unions) and will include the publication of a consultation paper during 2009.

Dangerous goods

8.23 The Department aims to provide a regulatory framework that minimises the risk whilst at the same time keeping the burden on industry down to a level consistent with safety.

8.24 During the year the Department has:

- negotiated international regulations to harmonise requirements across all forms of transport;
- consulted industry and other stakeholders on a new and radical approach to the format of domestic legislation covering the carriage of dangerous goods by road and rail which will come into force in July 2009;
- widened out our compliance regime to include assessments of security at sites where radioactive materials are stored and continued to work closely with the Nuclear Decommissioning Authority and other regulatory bodies to develop strategies and programmes for the decommissioning of nuclear licensed sites;
- worked closely with local authorities, the emergency services and other agencies where events needed a speedy collective response and involved the transport of dangerous goods;
- continued to operate with our French counterparts and formed an 'association' of European competent authorities to extend the concept of mutual working, develop guidance for industry and share best practice on the safe transport of radioactive material;
- contributed to the work of the International Atomic Energy Agency's International Steering Committee on Denial of Shipment, to help ensure that obstacles are not placed in the way of proper movement of radioactive goods in compliance with international regulations; and
- transferred the responsibility for managing the dangerous goods driver training programme to DSA and agreed that the VCA will assume responsibility for the appointment of inspection bodies for tanks and pressure receptacles early in 2009.

Chapter 9
Service transformation

Chapter 9

Service transformation

Summary

With almost 70 million motoring transactions carried out each year and increasing demand for travel and transport-related information, the Department has been working to provide services that are easy to access, easy to understand and easy to use. These are designed to help customers to carry out their transactions and access information in as few steps as possible.

During the past year the Department has made good progress towards delivering these aims:

- The Department's four contact centres have detailed plans in place to halve the number of avoidable calls they receive. During the year all became accredited to the highest international standard.
- VOSA and DSA have transferred calls previously answered in other offices into their contact centres to help cut call-waiting times and improve the service to customers.
- Just over half of almost 100 websites operated by the Department and its agencies have now closed down and moved their content onto Directgov, Business Link, or the Department's main website. Detailed plans have been put in place to close the remainder by 31 March 2011.

Increasingly, the Department is transacting and communicating with its customers electronically rather than by paper, telephone or face-to-face. These services are quick, easy and convenient to use, and are available 365 days a year.

The Department continued to make progress in delivering these services in 2008-09, for example by:

- launching an incentive scheme to promote the use of the DVLA online car tax service and increasing the average number of electronic car tax/SORN[44] transactions to over two million a month by March 2009 (representing 48 per cent of all car tax/SORN renewals that month);
- recording the 100 millionth test using the computerised MOT system;
- continuing to deliver high levels of customer satisfaction for electronic services;
- recording over 18 million Transport Direct user sessions in the year, with over 50 million sessions recorded since the service began;
- working with Google Maps to show over 350,000 public transport locations and make traffic information available for use in its traffic feature;
- introducing an online cycle journey planner for Merseyside on Transport Direct;
- winning prestigious national and international awards for MOT computerisation, the Department's contact centres and online car tax renewal;
- migrating commercial transactions and services on the Transport Office Portal to Business Link to establish a new DfT-run Transport and Logistics theme; and
- continuing to develop and increase usage of the Motoring, and Travel and Transport sites on Directgov.

Looking ahead, the Department will build on these achievements by:

- progressing the delivery of the two Service Transformation Agreement targets;
- promoting and encouraging further the take-up of the Department's electronic and online channels and services;
- exploring the use of new technology and encouraging innovation;
- migrating further commercial services and transactions to the Business Link Transport and Logistics theme; and
- developing the Transport Direct service, including introducing a further 20 cycle journey planners over the next year.

9.1 To help drive delivery of the improvements summarised above, the Department has identified four service transformation outcomes:

44 Statutory Off-Road Notification

9

- We deliver a **service driven by customers**, based on research on how they live their lives and what their needs and priorities are.
- We provide **accessibility and choice** for all our customers, delivered seamlessly in as few steps as possible, providing the most effective channels for them to access our services.
- We deliver a **positive customer experience**, with simple and secure systems and processes that inspire confidence, continually testing their experience and improving our services in response.
- We value and **engage with front-line staff** and learn from their experience, providing them with the tools, systems and skills they need to deliver an excellent service.

9.2 The Department also contributes to the delivery of the Government's Service Transformation Agreement and the two key service transformation measures it contains. These are to:

- achieve a reduction in avoidable contact by 50 per cent by the end of March 2011; and
- migrate more than 95 per cent of identified citizen and business online content to Directgov and Business Link by the end of March 2011.

9.3 This chapter summarises the service transformation delivered over the past year.

Customer insight

9.4 Ensuring services are driven by customers is at the heart of the Department's approach to Service Transformation. Customers' needs are identified through an extensive programme of customer research, testing and insight. These help the Department to design and deliver services that meet the needs of its customers and develop them to meet changing customer requirements. In 2008-09 a common set of customer service standards was developed and is included in all agency business plans for 2009-10.

9.5 Regular customer satisfaction surveys are also carried out. These show continuing high levels of satisfaction were achieved in 2008-09 for online services, for example:

- 99 per cent satisfaction for online driving theory test booking;
- 99 per cent for online practical driving test booking service;
- 95 per cent for online car tax renewal; and
- 84 per cent for operator self service system.

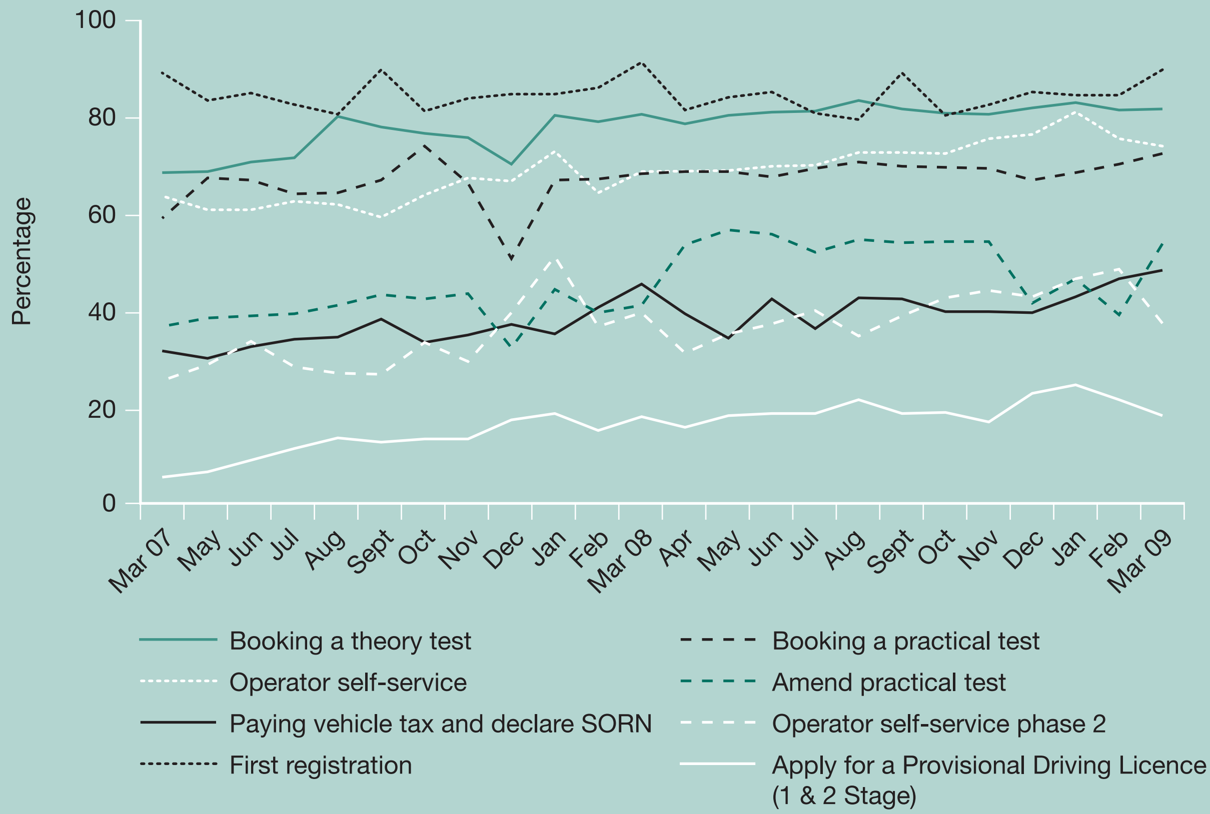
Easier transactions

Take-up of electronic services

9.6 Almost 70 million motoring transactions take place each year using the Department's electronic and online services. These services are quicker and more convenient to use than paper or face-to-face channels and offer customers the choice of how and when to carry out their transactions, saving time and effort and offering better value for taxpayers' money.

9.7 Motoring-related electronic and online services are popular and continue to experience high levels of take up.

Figure 9a: **Percentage of customers using selected electronic services provided by the Department**



Renewing car tax

9.8 DVLA's Electronic Vehicle Licensing (EVL) system is one of the most popular and successful electronic services in government. It takes customers just four minutes on average to complete a transaction either online or over the telephone at a time that is convenient to them, encouraging compliance and saving time and effort. Around 17 million of 45 million car tax renewals were carried out this way in 2008-09.

9.9 DVLA is continually looking for ways to increase take-up of the system, winning the National Business Awards Bigmouth Media Marketing Strategy of the Year in November 2008 for the innovative use of a prize draw competition to increase take-up. The award was won in competition with 2,000 other entrants, many of them major companies. DVLA went on to win the Marketing category of the European Business Awards in April 2009, in competition with major multinational companies.

Joined-up delivery

9.10 This joined-up approach to delivery applies to other Departmental services, too. Almost 40 million vehicle tests a year (130,000 a day) are now carried out using VOSA's computerised MOT system, which was introduced in 2005. August 2008 saw the 100 millionth MOT test recorded using the system. VOSA also won the 2008 Civil Service Operational Delivery Award for the service.

9.11 In September 2008 DSA introduced a Certificate of Professional Competence (CPC) card. This is virtually a 'No Stop Shop' service that sends notification electronically from DSA to DVLA once drivers have finished their training. The card is then issued automatically using information already held, without drivers needing to apply separately.

9.12 Following a successful trial, DVLA has rolled out a system to provide remote desktop access to the drivers' database to 41 police forces in England and Wales, English and Scottish Courts, HMRC, DSA and VOSA. This service helps to speed up enquiries and processes, and reduce delays to customers where licence checks are needed. Every week 7,000 approved users make in excess of 13,000 enquiries using the service. In January 2009 DVLA won the e-Government National Award for Team Excellence for the service.

Booking a driving test online

9.13 Booking a driving test online using DSA's electronic booking system continues to be by far the most popular method for candidates. In 2008-09 some 82 per cent (1.46 million) of 1.8 million theory test bookings, and 73 per cent (1.6 million) of 2.3 million practical test bookings were made electronically, up from 81 per cent and 68 per cent respectively in March 2008.

Online services for businesses

9.14 VOSA provides an online self-service system for commercial operators. Services include updating and paying for operator licenses, paying fees, amending licence details and accessing a secure mailbox for correspondence and documents. In 2008-09 two thirds (260,400) of 389,400 operator licence transactions were carried out online. VOSA is also embarking on a major initiative next year to transform their front-line vehicle testing services to improve customer access to facilities and help reduce the number of transactions.

9.15 MCA operates an online UK Ship Register which brings together all stages of the ship registration process in one place. This received around 7,000 online applications from small ship owners in 2008-09, bringing the total number of vessels on the Small Ship Register to almost 50,000.

9.16 MCA also offers a free electronic subscription service for marine notices which tell shipping and fishing industries about important safety, pollution prevention and other relevant information. This environmentally friendly option has proved very popular with over 3,200 subscribers to date, up from 2,400 last year.

Contact centres

9.17 The Department operates four contact centres, run by DVLA, DSA, HA and VOSA. Together these handle over 30 million calls a year from private and commercial customers. These calls cover a wide range of topics including:

- booking a test;
- travel information;
- progress on applications, and
- information on services.

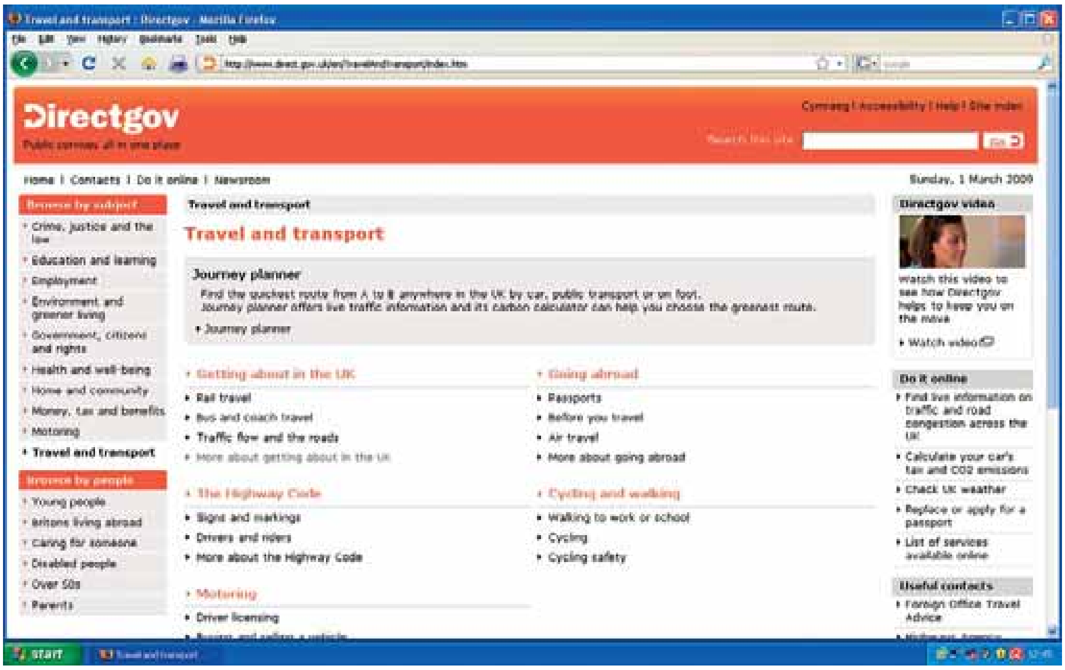
9.18 The Department's contact centres work to reduce the number of avoidable calls they receive from customers through raising awareness of online services and improving processes. They have also won a number of prestigious awards during the year:

- In October 2008 the DVLA contact centre won three awards at the UK National Training Awards.
- DVLA and VOSA picked up awards at the West Wales Contact Centre awards.
- In February 2009 DVLA received an award at the Welsh Contact Centre Forum awards for best support team.

9.19 All four Departmental contact centres are now accredited to the highest level of the Customer Contact Association Global Standard.

Directgov and Business Link

9.20 The Department has been making it easier for customers to find and use our online services by making them available on Directgov and Business Link, the Government's one-stop websites for public services. The DfT-managed Motoring franchise remains one of the most popular sites on Directgov, with over three million visits each month, representing around one third of all visits to Directgov. The Department's other Directgov site, the Travel and Transport franchise, now receives over 300,000 visits a month, up from around 65,000 in April 2007.



9.21 Business Link is the online one-stop website for the Government's commercial customers. Twenty-seven Departmental transactions and services for its commercial customers, previously provided through the Transport Office Portal, were migrated to Business Link at the end of March 2009 to create a new DfT-managed Transport and Logistics theme. This included material for bus and coach operators, hauliers, driving instructors and individual lorry drivers and a range of other business users. The material was rewritten and restructured into a series of user-friendly guides. Further transactions will migrate to Business Link during 2009-10.

Improved information services

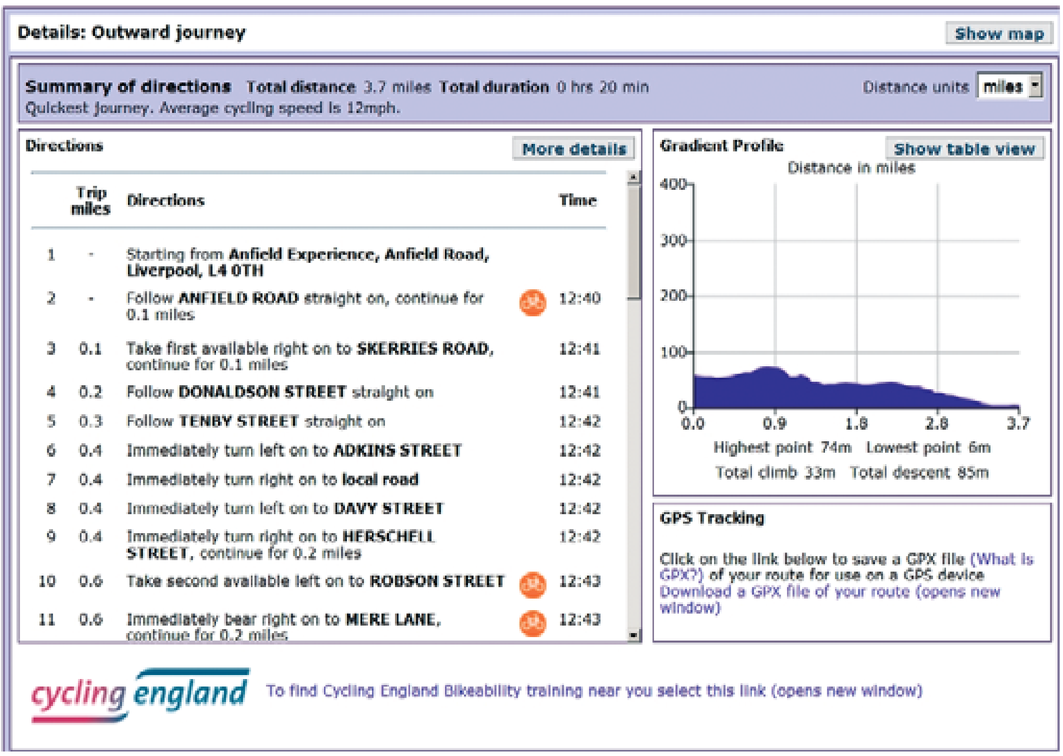
Transport Direct

9.22 Transport Direct (www.transportdirect.info) is the Department's journey planner, covering travel by all modes of transport within Great Britain. Branded versions of the journey planner are also available on Directgov and Business Link. Use of the site continues to grow and the service recently received its 50 millionth user session:

2006	2007	2008
7,559,504	12,269,795	18,458,254

9.23 In February 2009 it received over 140,000 visits in a single day (more than twice the previous highest figure) when heavy snow caused widespread disruption to transport services.

9.24 In January 2009 Transport Direct launched a pilot cycle journey planner, providing step-by-step directions for journeys within Merseyside and Greater Manchester. The planner also offers a choice of route types: quickest, quietest and most recreational, along with a gradient profile, indicating the steepness of the route. The Transport Direct team is working with Cycling England and local authorities to improve cycle network data and expand coverage of the cycle planner to around 20 urban areas in the next year, with a view to eventual nationwide coverage.



9.25 Whilst goods and services are increasingly being delivered via the internet, over 30 per cent of households in Great Britain were without internet access in 2008. Digital TV can be used to access transport information which might otherwise be unavailable to a significant number of people, with selected features of the Transport Direct service, attracting increasing numbers of users. Plans are in place to extend this service to the Directgov digital TV platform.

9.26 Transport Direct supplied, through DWP, over 4 million personalised journey plans to Incapacity Benefit applicants who needed to attend medical appointments. Following a successful trial in the South East, Google Maps now contain a journey planning link to Transport Direct for each of over 350,000 public transport locations in Britain. These links generate around 100,000 Transport Direct user sessions per month.

Highways Agency

9.27 The demand for live travel information by customers using the Agency's strategic road network continues to rise, with 26 per cent of people now using some form of travel information before setting out on their journeys, compared with just 18 per cent in 2003 and 41 per cent of people using travel information during their journeys, compared with 28 per cent in 2003.

9.28 Use of the Highways Agency's information services continued to increase during 2008-09:

- The Highways Agency Information Line (HAIL) received over 222,000 calls and dealt with over 27,000 email enquiries.
- The Agency's Traffic England website provides real-time traffic information and received almost 5.4 million customer visits. A web service for mobile telephones was also launched.

9.29 Traffic information is also supplied via travel news media reports, on-road electronic message signs, independent and third-party information providers and a range of other channels. Examples include the following:

- Highways Agency traffic data has been made available to Google for use in the new traffic feature on Google Maps. The Agency is the first highway authority in Europe to do this.
- The Agency is speaking to the devolved administrations to expand the coverage of its Traffic Radio service to roads in Scotland, Wales and Northern Ireland. The service currently provides real-time traffic information on HA and TfL roads on DAB radio and the internet.
- Real-time traffic camera images are supplied to approved websites. Improved quality images became available from March 2009.

- Installation of a further 180 interactive touch-screen information points is planned over the next two years in a range of locations, such as motorway service areas, shopping and exhibition centres, and airports.

Chapter 10
Corporate resources

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Corporate resources

Financial management

10.1 There are finance professionals in the Department, both in Central Group Finance and embedded in the director general groups as resource management and planning teams (RMPTs). They lead all aspects of financial management and facilitate its effective implementation through the actions and decisions of senior managers.

10.2 The financial management of the Department has a number of key elements.

Controls and compliance

10.3 The Group Financial Control Division (GFCD) leads and manages financial control through the periodic review of balances and variances, co-ordinating with the Shared Service Centre (SSC), RMPTs and Internal Audit as necessary.

10.4 GFCD monitors budget changes to ensure they have been approved in accordance with permitted authorisations. Actual and forecast outturns are reviewed monthly against budgets to ensure that expenditure is managed in line with approved budgets.

10.5 GFCD has a number of corporate governance responsibilities and acts as the liaison point between the Department and HM Treasury on such issues.

10.6 GFCD also proactively promotes compliance with and operation of controls through guidance published on the Departmental intranet, and formal training sessions and workshops.

External reporting

10.7 GFCD leads external financial reporting to HM Treasury and Parliament on behalf of the Department. There are three key elements:

- The Resource Accounts reflect the results of the Department in the format specified by HM Treasury and Parliament. They are subject to audit by the National Audit Office (NAO) and are presented to Parliament before MPs' summer recess. See Part 2 of this document for the Resource Accounts 2008-09.
- The Estimate reflects the expenditure, voted and approved by Parliament. The Main Estimate for 2008-09 was presented to Parliament on 21 April 2008 and approved on 21 July. It set out the permitted expenditure for the year. The Department sought Parliamentary authority for additional resources and to vary the allocation of resources during the year through the Winter Supplementary Estimate (presented 25 November and approved 18 December 2008), and the Spring Supplementary Estimate (presented 12 February and approved March 2009). We presented the Main Estimate for 2009-10 to Parliament in April 2009.
- Full-year forecast and year–to-date Outturns are updated monthly and reported to HM Treasury. They are further updated alongside the Resource Accounts and are published as the Provisional Outturn for the year.

Business cases/Investments

10.8 Group Finance Strategy and Efficiency (GFSE) manages and reviews business cases, examining them against a three-tier approach through the investment appraisal framework. Tier one sets criteria for review by the Departmental Board; tier two sets thresholds and standards for governance and clearance by designated scrutinising bodies; and tier three sets standards for analysis and documentation for all appraisals.

Business planning

10.9 GFSE manages the Comprehensive Spending Review (CSR) and business planning. The CSR 2007 set out the total expenditure, by type, allocated to the Department for the years 2008-09, 2009-10 and 2010-11. Budgets are allocated in detail in director general groups through the annual business planning process together with outputs/outcomes and associated measurement of activities. These are linked to Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs). Allocated budgets are then processed and approved via the Main Estimate and then at a more detailed level on source systems.

Management reporting

10.10 Management reporting is undertaken throughout the Department. RMPTs produce detailed reports monthly for their DG groups to manage budgets and performance. Each DG group report is formally reviewed each quarter with the Permanent Secretary.

10.11 Departmental finance reports are produced monthly and issued for review by finance professionals. A performance report, including summarised Departmental financial information, is issued monthly to the Board.

10.12 Decision making generally takes place through the Executive Committee (ExCo), which meets weekly. Proposals are made to ExCo through specific documents, which are in turn reviewed by GFSE for financial implications.

10.13 Financial management is supported by Group Financial Systems (GFS) and the Shared Service Centre (SSC).

10.14 The SSC manages the transactional systems (SAP and Business Intelligence (BI)) for the central Department, DVLA and DSA. GFS manages the relationship between the central Department and SSC, in particular service levels, faults, changes and developments. GFS also manages the movement of data to and from the Treasury systems (COINS) and transactional systems.

10.15 Financial management is progressed through systems developments and changes in procedures as below:

- streamlined Board reporting that meets the specific requirements of Board members;
- improved business planning with stronger and clearer linkages between expenditure and objectives;
- the development of DG group management reporting through the implementation of SAP BPC software;
- successful implementation of Budget management and COINS interface software (CASSy); and
- purchase to pay processes that have been automated so that staff (budget holders) can process purchase orders and associated receipts through desktop portals with the Shared Services Centre processing and paying invoices.

Risk management

10.16 Risk management forms an integral part of the Department's internal control framework. During the year the Executive Committee approved an updated Departmental risk framework and risk policy.

10.17 Risk management in the Department is decentralised, with each director general area managing its own risks. Each area develops its own risk management policies and maintains its own risk registers. Risks are escalated to corporate level once they meet the corporate escalation criteria as set out in the Departmental risk policy.

Programme and project management

10.18 Audit and Risk Assurance Directorate manages the programme and project management (PPM) centre of excellence (CoE) functions within the Department. Key activities include:

- providing assurance, challenge and guidance to individual projects and programmes, and analysing lessons learned;
- promoting the development of PPM competencies through the provision of training opportunities;
- relaunching an online programme and project life cycle, enabling staff to plan the delivery of projects and programmes by following best practice guidance; and
- arranging and managing Gateway reviews under a delegation from the Office of Government Commerce (OGC), maintaining an internal resource for reviews and promoting increased commitment by project teams and stakeholders to applying the gateway process to the Department's projects, leading ultimately to more successful delivery.

Evidence and research

10.19 A major priority has been the continued development of the evidence base to underpin the new approach to planning transport policy. This has involved updating our tools for analysis to enable evidence on the impact of policy proposals to be considered in the framework set by the Department's goals, and in an even-handed way across a wide and diverse range of policies. We have undertaken an extensive knowledge review of public attitudes to transport issues published in July 2008, and by the setting-up of a citizens' panel to explore the publics' priorities across the five Departmental goals.

10.20 Within the Department, policy and operational units remain responsible for the evidence and research relevant to their needs, so that these are assessed, commissioned and applied in context. This provides for a more strategic look at our evidence and research requirements, facilitating co-ordination and communication of those requirements. They are based on Departmental and unit strategies, developed locally, with guidance provided centrally by the Chief Scientific Adviser, Chief Economist, and Head of Social Research. References to the evidence and research underpinning them can, therefore, to be found in relevant sections throughout this report.

10.21 The New Approach to Appraisal (NATA) Refresh has driven forward a programme of improvements to our economic appraisal and modelling tools. In July 2008 we responded to the ideas expressed in the NATA Refresh consultation and set out our plans for developing the NATA framework. In April 2009 we concluded this process and published

The NATA Refresh: Appraisal for a Sustainable Transport System, detailing changes to NATA, including new appraisal advice units available on the NATA website (www.webtag.org.uk) and the presentation of key information required in appraisal.

10.22 Another key long-term priority has been to develop a strategy for obtaining better evidence on the post-implementation impacts of transport interventions and a number of evaluations have been commissioned.

10.23 National Transport Model (NTM) is the Department's national, strategic, multi-modal analytical tool and has been used recently to underpin many of its main policy statements, including the active traffic management (ATM) feasibility study and *Britain's Transport Infrastructure: Motorways and Major Trunk Roads.*[45] The Department uses the NTM to forecast the demand for land-based transport modes and changes expected to congestion, air quality pollutants and greenhouse gas emissions. The NTM combines a wealth of information taken from a range of sources, such as the National Travel Survey, population census, and the road traffic and goods vehicle censuses. As these and other forecasting assumptions are updated, the forecasts themselves are revised. The latest forecast results of December 2008 can be found at: www.dft.gov.uk/pgr/economics/ntm/roadtransportforcasts08/

10.24 We have also developed programmes to ensure that the needs and opportunities for cross-cutting innovation are identified, developed and implemented. We have developed plans for pilot projects to test out the implications for the Department, to facilitate the wider exploitation of data and to investigate the potential for adopting new techniques to inform strategic and tactical planning, asset management and operational responses.

10.25 As part of our long-term approach to improving the evidence base for decisions on transport policy, the Department and the Economic and Social Research Council (ESRC), working in partnership with the Scottish Government, have established the Transport Research Centre (TRC). The Centre will act as a multi-disciplinary centre of excellence for independent, high-quality, innovative strategic research, focused on enhancing the evidence base needed to inform the key transport policy issues facing the UK over the next decade and beyond. Professor Peter Jones will direct the Centre, jointly co-ordinated by Imperial College London and the University of Leeds. The Department will also commission the TRC to undertake short-term policy research projects.

45 See www.dft.gov.uk/pgr/roads/network/policy/motorways/

Communications and marketing

10.26 Our work to convey information about the Department's activities is led by communication professionals in the Department's Communication Directorate. Our aim is to achieve effective and efficient communication of the Department's aims and objectives inside and outside the Department, targeting press, stakeholders, the general public and staff in the Department including executive agencies.

10.27 Good, co-ordinated communication is essential to our business. Transport is more often than not a local experience and local or regional issues can often make big news in particular places. That is why we target our messages both nationally and locally.

10.28 In the past year, we have:

- co-ordinated and liaised on a series of major transport announcements, targeting regional and consumer news media, in addition to national news media, so that more people are aware of transport issues;
- continued to improve stakeholder liaison, including driving a new programme of engagement with representative bodies, and liaised extensively on the development of *Delivering a Sustainable Transport Strategy* (DaSTS);
- assisted in the implementation of a number of consultations including the proposed Olympic Route Network, which involved working with Transport for London, the Olympic Delivery Authority and London Organising Committee of the Olympic Games; and
- taken forward marketing campaigns for:
  - THINK! road safety, highlights of which were the launch of new campaigns for seat belts and speeding. We also launched a major new child road safety campaign, Tales of the Road, to replace the Hedgehogs campaign which had been running for 12 years; and
  - ACT ON CO_2, promoting the Best in Class car categorisation which shows which cars emit the least CO_2, and encouraging smarter driving.

10.29 We continually seek to improve our professional, co-ordinated news, marketing, publishing and corporate communications service for the Secretary of State, his ministerial team and Departmental officials. We are also playing a key part in communicating the Department's own development programme as part of Government-wide initiatives.

Third-party support

10.30 As in previous years, the central Department has not received any cash sponsorship. We have, however, received 'in kind' support from a range of organisations, which have linked with our publicity campaigns as part of their corporate social responsibility objectives. We are grateful for this support but have not put a cash value on it. Full details are in Appendix C.

Information assurance

10.31 The Department for Transport holds some of the Government's largest databases such as the driving licence and vehicle databases at the DVLA and we are at the forefront of implementing e-government services. Ensuring the confidentiality, availability and integrity of the information for which we are responsible remains a top priority.

10.32 Following publication of the Cabinet Office's *Data Handling Procedures in Government: Final Report 2008*,[46] we have implemented new mandatory minimum measures across the Department, its agencies and suppliers in relation to data protection. We have identified information assets and have appointed information asset owners (IAOs) to manage them. A quarterly risk assessment process ensures that we identify, manage and escalate information risks where necessary, with the senior information risk owner fully involved and reporting to the Departmental Board.

10.33 All staff have completed or will this year undertake training on protecting information. IAOs and senior managers will have further training to equip them fully to carry out their key roles.

10.34 For protected personal data-related incidents that have occurred in 2008-09, see the Resource Accounts in Part Two.

Information rights

10.35 The Freedom of Information (FoI) regime (Freedom of Information Act, Environmental Information Regulations and changes to the Data Protection Act) came fully into force on 1 January 2005.

10.36 Overall in 2008 we met the deadlines for response in 91 per cent of the 1,949 FoI cases received across the Department. This was the same as our performance during 2007, even though we handled just over 5 per cent more requests. In 2008 we were able to provide all the information requested in approximately 70 per cent of cases.

10.37 We continue to publish details of responses to requests on our disclosure log and have adopted the Information Commissioner's model publication scheme. These are both available in the FoI pages in the Department's website.

46 www.cabinetoffice.gov.uk/media/65948/dhr080625.pdf

How we handle complaints

10.38 The Department for Transport aims to provide a high-quality service to the public. We welcome all feedback – good and bad – to help us continue to improve that service. The central Department and each of our executive agencies has its own complaints procedure. Information about how to use these can be found on the Department's website or through the individual agency websites.

10.39 The final step in the complaints procedure is for complainants to contact the Parliamentary Ombudsman. In 2007-08 the Ombudsman processed two complaints against the Department. One of these was fully upheld and one was partially upheld. Four complaints remain outstanding for investigation. Further details can be obtained from the Parliamentary Ombudsman's website where the 2007-08 Annual Report is published in full.

Procurement

10.40 This is the first complete year of operation of a combined procurement organisation[47] in the central Department, under a single Director Procurement. The directorate is now responsible for professional standards, governance, compliance and procurement policy across the Department, and for all the central Department contracting activity.

10.41 The Commercial Strategy,[48] published on the Department website, provides the framework and structure which underpins all Departmental commercial activity. Significant initiatives by the Procurement Directorate over the past year include:

- the decision to publish invitations to tender (ITT) on the Department's website at the same time as issuing them to bidders, which has increased transparency in our major projects and provides taxpayers with information on what the Department is buying on their behalf;
- the extension of 'anonymised bidding' to all major procurement projects in addition to rail franchising;
- ongoing work to embed and implement sustainable procurement practices by December 2009, which will meet or beat the target dates set for central government;
- the Procurement Capability Review (PCR)[49] report published in early 2008 which rated the Department in the upper quartile of all central departments; and
- the initiation of the Procurement Transformation Programme which seeks to achieve significant procurement savings over the next four years through the implementation of a Department-wide category management system.

47 A merger of the Procurement and Estates Division (PED) with the Rail Group Procurement team
48 Department for Transport – *The DfT Commercial Strategy*
49 OGC – *Procurement Capability Reviews (PCRs) Tranche Two Report*

10.42 Further information on procurement activity is at Appendix E.

Legal services

10.43 Legal Services Directorate (LSD) of legally qualified and administrative staff provides legal services to the Department and agencies. It helps the Department achieve its aims and objectives by providing a constructive, timely and responsive legal service delivered to a high professional standard. LSD lawyers help to manage legal risks and to deliver policy within a sustainable legal framework.

10.44 LSD maintains close links with other Whitehall legal teams to help ensure that the benefits of best practice are shared and applied. LSD also helps to manage the legal input provided to the Department by external lawyers. The core work of LSD is to prepare Parliamentary Bills, to draft secondary legislation, to provide legal advice (including advice in respect of litigation and EU negotiations), and to improve public law awareness and administrative professionalism in the Department and its agencies.

10.45 In 2008-09, working with Parliamentary Counsel, the rest of the Department and with other government departments, LSD contributed to the preparation of the Planning Act 2008, which has reformed planning procedures relating to transport infrastructure projects. LSD is also heavily engaged in contributing to the cross-government implementation of that Act. LSD has also been working on the implementation of the secondary legislation under several other recently passed Acts of Parliament, including the Local Transport Act 2008 and the Crossrail Act 2008. We have also contributed to several other government Bills during the year, including the Equality Bill, the annual Finance Bill and provisions (included in the Policing and Crime Bill) amending the Aviation Security Act 1982, requiring new arrangements for security planning and policing arrangements at airports.

10.46 Department ministers make around 150 statutory instruments a year, which LSD prepares, after full consideration of better regulation principles and the need to continue to reduce burdens. Major statutory instruments prepared by LSD lawyers working with the rest of the Department and agencies during 2008-09 include:

- implementation of EU legislation relating to transport, including transport safety and environmental protection;
- packages of statutory instruments to give effect to the first stage of a major restructuring of fees for HGV and PSV operator licensing and testing;
- implementation of international maritime convention requirements on pollution by sewage or garbage from ships, and on air pollution from ships;

- statutory instruments under the Traffic Management Act 2004 to implement the improved procedures relating to the carrying out and controls of roads and street works, and to provide for civil enforcement of parking by designated local authorities; and
- the Order for the London Gateway harbour development, which will create a new harbour authority.

10.47 LSD's advisory work with the rest of the Department and the agencies during 2008-09 has helped to achieve the Government's transport-related objectives and to manage legal risks including:

- Heathrow-related advisory work;
- fiscal stimulus advisory work;
- legal advice in relation to the Stansted G1 decision to increase flight and passenger capacity on the existing runway at Stansted;
- legal advice to finish the commercial arrangements for the delivery of the Crossrail project;
- legal input to a European Commission investigation into State Aids and competition law aspects of the funding of Scottish ferry services;
- contributing legal advice to the development of policies relating to the suppression of maritime piracy;
- legal advice to accident investigation branches, including advice to help the work of the Rail Accident Investigation Branch towards the publication of their report in respect of the train crash at Grayrigg;
- cases in the European Court of Justice concerning air passengers' rights, and the respective roles in international bodies of the European Commission and the EU Member States;
- legal advice on the successful letting and mobilisation of new passenger rail franchises, including the provision of additional rolling stock;
- assistance with the negotiation of new international rules on the international carriage of goods by sea;
- legal advice on proposals to develop the feasibility of active traffic management on motorways;
- legal advice to the Highways Agency to help their work of managing and improving the nation's strategic roads network;
- work on data protection and data security issues, to help the Department and the agencies continue to provide web-based services to customers;
- court proceedings in the United States to protect the Department's interest in the remains of cargo ships sunk in World War I;
- helping the Department and agencies in their Freedom of Information work;

- advice on equal pay and gender equality issues, including advice in relation to the current issue of whether government departments are, with HM Treasury, a single source for pay purposes;
- providing legal advice on the road safety strategies and on the Blue Badge strategy; and
- advice in relation to issues under the Department's 4ward programme and capability building action plans.

10.48 Our legal awareness programme has continued to be a popular means of helping colleagues in the Department and the agencies to understand and mitigate legal risks in their work better. We have also been introducing training to help policy and delivery officials to make a more effective contribution to the preparation of secondary legislation.

Valuing diversity

10.49 The Department's commitment to fairness and equality of opportunity is central to our approach in building a diverse workforce, representative of the diverse communities we serve.

10.50 The Department has recently developed a new diversity action plan, aligned to the Civil Service Diversity Strategy launched in the autumn of 2008.

10.51 The key themes are:

- **leadership and accountability** down to first-line management level with clear, transparent accountability for delivering on equality and diversity, the focus being on line managers to bring about behaviour change throughout the Department;
- **behaviour and culture changes** to create a Departmental inclusive culture, confident in its own diversity;
- **talent management** that enables everyone to realise their potential and also accelerates the rate at which we bring in and bring on people from different and under-represented backgrounds; and
- **a representative workforce** at all levels.

10.52 Over the past 12 months, the Department has:

- redesignated Board-level champions for each of the equality strands covering, race, disability, gender, age, faith (religion or belief) and sexual orientation/transgender;
- established a new cross-Departmental Diversity Network Group;
- continued our proactive support for the four staff diversity networks and, as part of this commitment, provided financial support and facility time;

- launched the fifth round of the Green Light career development programme, which aims to identify possible future leaders from the minority ethnic staff community across the Departmental family and supports their accelerated development to realise their full potential;
- launched a new training programme for equality impact assessments involving a cross section of staff, including diversity champions, staff networks, executive agency staff and HR staff in the central department; and
- carried out a detailed review of the central Department's estate which will allow us to reassess the accessibility of our accommodation and identify areas for improvement.

10.53 The Department continues to support organisations committed to improving diversity such as:

- Race for Opportunity;
- Opportunity Now;
- Employers Forum on Disability;
- Employers Forum on Age;
- Gender Trust; and
- Stonewall.

Figure 10a: **Performance against diversity targets**

Improvements to be made	DfT position as at 31 March 2009 (percentage)	DfT April 2012 targets (percentage)
Women in senior civil service (SCS)	27.5	30
Ethnic minority staff in SCS	2.3	3
People with disabilities in SCS	2.1	3
Top 600 civil service posts to be filled by women	29	34

Figure 10b: **Diversity make-up of the Department's staff (including agencies)**

Staff in post as at 31 March 2009	SCS staff	Non-SCS staff	Total staff
Total male staff	129	10,961	11,090
Total female staff	49	7,890	7,939
Total staff	178	18,851	19,029
Ethnicity of staff (numbers)			
White	152	16,006	16,158
Mixed ethnic background	0	135	135
Asian	3	462	465
Black	0	268	268
Chinese	0	39	39
Other	1	125	126
Ethnicity unknown	22	1,816	1,838
Disabled staff (numbers)			
Declared a disability	3	1,574	1,577
Part-time staff (numbers)			
Total part-time staff	19	2,576	2,595
Age profile of staff (numbers)			
Under age 20	0	52	52
Age 20-24	0	886	886
Age 25-29	0	2,142	2,142
Age 30 – 34	2	1,990	1,992
Age 35-39	29	2,071	2,100
Age 40-44	35	2,572	2,607
Age 45-49	26	2,998	3,024
Age 50-54	49	2,756	2,805
Age 55-59	30	2,121	2,151
Age 60 or over	7	1,263	1,270

Notes:

The figures are staff in post, so two part-time staff count as two staff in post. This gives a higher headcount figure than the full-time equivalent headcount information provided in table A6 at Appendix A. 'Staff in post' has to be used for diversity monitoring because each individual has his/her own diversity information. The figures cover the central Department and all the DfT agencies.

CSR07 Value for Money programme

Background

10.54 The Department's CSR07 Value for Money (VfM) programme sees a further expansion of its drive towards consistently achieving best value in public spending across its business areas. The programme is helping to ensure the Department is well placed to meet the challenges presented by its strategic objectives by making best use of often scarce resources, focusing these where they are most needed.

10.55 The programme began in April 2008 and covers the financial years 2008-09, 2009-10 and 2010-11. Building on the success of the SR04 Efficiency Programme, the CSR07 VfM programme has a target of achieving **£1.76**

billion VfM gains, which must all be cash releasing, by the end of financial year 2010-11. It consists of several workstreams covering Railways, Highways Agency, Transport for London, Procurement, Administration costs and Motoring and Freight Services. Details of each initiative are outlined below.

10.56 At the end of the financial year 2008-09, the Department had made **£892 million** VfM gains against a trajectory target of £680 million.

Figure 10c: **Breakdown of VfM gains by workstream**

Workstream	VfM savings (£m) at 31 March 2009
Support for Passenger Rail Services	280
Network Rail Grant	451
Highways Agency	106
Transport for London	28
Administration	14
Motoring and Freight Services	13
Total	**892**[1]

Notes:

The above figures are the latest financial results at the time of writing. However, they are still subject to final audit confirmation. Any adjustments which may result from this will be reflected in the Autumn Performance Report.

Railways

10.57 The CSR07 VfM programme requires the Department to secure a total of **£700 million** in savings in support to passenger rail services (SPRS) in England by 31 March 2011. Savings can be re-invested in infrastructure, rolling stock and service levels required to meet rising demand, as set out in the High Level Output Statement (HLOS) published alongside the white paper, *Delivering a Sustainable Railway,* published in July 2007.

10.58 The Department is responsible for the specification of passenger rail franchises for England, and for the procurement of these services from Train Operating Companies (TOCs). The Department seeks to exert its skills and expertise in securing the best deal for the taxpayer at the franchise letting stage, leaving the selected TOC to determine the detail of how best to deliver on their contractual obligations, both financial and non-financial. Once a franchise has been let, the Department's role shifts to challenging TOC performance and monitoring rather than influencing VfM gains enshrined within the financial obligations of the TOC.

10.59 By March 2009 this workstream had reported VfM gains of **£280 million.** These savings are cash-releasing and net of costs. The reported savings reflect the current trading performance of the TOCs but are not, as yet, fully audited financial results. These will be published in the Autumn Performance Report 2009.

10.60 The gain for 2008-09 reflects the strong growth in demand experienced over recent years which continued until the summer of 2008. Since then, growth has begun to reduce in line with the national economy and it is expected that this will continue throughout the next two years. If TOC revenue falls substantially, this will lead, in accordance with the variable revenue share and support terms of the franchise agreements, to falls in receipts and increases in subsidy. It is, therefore, possible that, despite the committed savings already contained within existing franchise agreements, the current downturn in the national economy may adversely affect the variable elements of SPRS and may impact upon the full VfM target for this workstream.

10.61 The reletting of the South Central franchise may also contribute towards the total target for this VfM initiative. However, the size of the contribution may be affected by the economic downturn.

10.62 Network Rail (NR) owns and operates Britain's rail infrastructure. As a company limited by guarantee, it is a private company operating as a commercial business. Regulated by the Office of Rail Regulation (ORR), NR is a not-for-dividend company funded in part through the network grant paid by the Department.

10.63 The periodic review undertaken by ORR has set the overall financial determination for NR for 2009-2014 and this has now been accepted by NR. This incorporates ORR's assessment of additional efficiencies that NR should deliver during that control period. Consequently the network grant payments by the Department to NR for 2009-14 have now been finalised, subject to indexation. NR will achieve the target VfM saving of **£538 million** by the end of 2010-11 (set before the determination), as set out in *Delivering a Sustainable Railway* and the determination may also create some scope for over-achievement. By March 2009, this workstream had made gains of **£451 million**. Although ORR's determination for 2009-14 is expected to provide further gains, these will be at a lower rate than in the previous period.

Highways Agency

10.64 The Highways Agency CSR07 settlement included a workstream target to deliver VfM gains of **£144 million** by the end of financial year 2010-11 through its use of the supply chain and by acting, through partnerships, to ensure the service community work together and share best practice.

10.65 The key areas that the Agency is focusing on to achieve this target are:

- **procurement and installation of technology** – net savings of 2 per cent/4 per cent/6 per cent in technology procurement and 5 per cent per annum savings deliverable in technology installation;

- **maintenance and local improvement of the network** – better value for money from retendering maintenance contracts, delivering the same or higher levels of service at lower cost;
- **small schemes work** – relating to research and development, and technical consultancy commissions yielding VfM gains of 2.5 per cent year on year; and
- **cost management of major projects** – the delivery chain will be incentivised through setting challenging target costs and the use of lean construction techniques, which will eliminate errors and reworking. This will be supported with a detailed unit-cost database and use of benchmarking techniques.

10.66 In November the *Pre-Budget Report 2008*, drawing on the Public Value Programme, required the Agency to identify an additional **£150 million** efficiency savings. These additional savings are expected to include efficiencies arising from the roll-out of the Managed Motorways Programme, which will reduce congestion by allowing motorists to use the hard shoulder, without the expense of widening motorways. Initial results suggest that hard shoulder running schemes can be delivered on average around 40 per cent cheaper than the equivalent motorway widening schemes.

10.67 By the end of 2008-09, the Agency had already identified fully validated VfM gains of **£106 million** against a trajectory target of £91 million. At the time of publication, these figures had not yet been finally audited and so may be subject to change. The Agency is on course to overachieve significantly on its original CSR07 target.

10.68 Developments in this workstream include the following:

- The contract renewals programme had delivered savings of **£23 million**, with further gains anticipated over the remaining years of the CSR07 period.
- An efficiency reporting template was agreed with the maintenance community as part of an ongoing improvement in data capture and was rolled out in October 2008. Process, design and delivery gains of **£16 million** were identified for 2008-09 with further gains expected in the following two years.
- VfM gains of **£66 million** on major projects were recognised through Value Engineering workshops. Further improvements to the methodology for reporting efficiencies are being developed and should deliver further gains in the coming years.

Procurement

10.69 This initiative focuses on delivering VfM gains through improved procurement of common commodity-based and recurring areas of expenditure. By implementing a new procurement plan, the Department will ensure that maximum benefit is extracted from existing collaborative framework deals and through the speedy take-up of new deals where these offer VfM improvements. This activity also involves improving the skills of the professional procurement functions supported by a programme of professional development and training.

10.70 Under the procurement initiative, the Department aims to deliver **£84 million** in VfM gains by the end of the CSR07 period.

10.71 The Department has begun work on the Procurement Transformation Programme (PTP) and identified the initial, high-level opportunities available, tied to the baseline. An organisational review and design process is underway supported by a business case to implement a category management system (a procurement management best practice methodology) across the common spend areas covered by the PTP.

10.72 Three initial category management projects (covering stationery, legal services and IT desktop procurement) have begun and are scheduled to complete in summer 2009. These projects have progressed well and potential VfM gains have been identified. This process will report to a defined benefits measurement and realisation strategy aligned with the OGC category methodologies. Opportunities to develop collaborative solutions in additional categories are underway.

10.73 The role of the central Department's Procurement Directorate in setting procurement policy and providing central guidance for the wider Department has been strengthened. We have established a common framework to ensure all relevant staff apply commercial awareness when making decisions and to make it clear as to when and how professional procurement staff must be engaged in that commercial activity and decision process. This approach allows for the targeting of professional procurement resources and has begun to help drive the specific requirements of different projects through common processes and frameworks, supporting the collaborative agenda.

10.74 The overall collaborative agenda, within the context of the VfM programme, is expected to deliver the most VfM savings once new processes and structures are fully operational. Nevertheless interim VfM savings continue to be delivered through current collaborative procurement programmes and through better and improved alignment with current best practice in class procurement deals.

10.75 At the time of preparation of this report, the 2008-09 end-of-year savings generated by the use of OGC Buying Solutions and Central Office of Information pre-negotiated framework arrangements were not available.

These savings are calculated in accordance with OGC VfM savings measurement criteria and are subject to the audit regime of their respective organisations.

10.76 Going forward, the expectation is that VfM savings delivered through existing collaborative methodologies will continue to be reported on the same basis and taken together with the planned, incremental improvements to be delivered through the Procurement Transformation Programme will deliver the required VfM gains.

Transport for London

10.77 Transport for London (TfL) is the integrated body responsible for transport systems throughout the capital. TfL receives funding from a range of different sources, including the Department, which provides approximately 40 per cent of TfL's income. On this basis, it was agreed with HM Treasury during negotiation of the CSR07 settlement that 40 per cent of efficiency gains made by TfL are considered attributable to the Department.

10.78 The TfL Efficiency Programme focuses on initiatives across its three transport modes (Underground, rail and surface) as well as its internal corporate departments. This Programme is due to end in March 2010 after running for five years. TfL's new efficiency programme, the Operating Cost Reduction Programme, began in April 2009. It covers a wide range of operational and back-office areas and will run for nine years.

10.79 Within the CSR07 VfM programme, TfL will build on the success of its existing programme and has a target to deliver VfM gains of **£233 million** for the Department by the end of financial year 2010-11.

10.80 As at the end of December 2008, the Department can claim **£28 million** VfM gains from this initiative. These gains were generated through a range of activities, including back-office efficiencies in areas such as procurement, marketing and the Staff and Business Improvement Programme, and operational efficiencies across the modes, including negotiating contract arrangements within the bus franchise network and the procurement of road maintenance contracts. Owing to TfL's internal reporting timetable, the Department will not be able to report year-end VfM gains for 2008-09 until the publication of the Autumn Performance Report 2009.

Administration costs

10.81 The Department has agreed with HM Treasury that it will reduce its administration budget by five per cent year on year in real terms, compared to the original baseline over the CSR07 period. The Department plans to make VfM gains of **£43 million** from this initiative in the three years to 2010-11.

10.82 Regular monitoring arrangements are in place to assess progress and identify risks and opportunities. Overseen by the Department's Executive Committee, senior managers are required to decide how best to allocate available resources in their divisions and cost increases are absorbed within business units. This ensures wide-spread buy-in to achieving VfM savings.

10.83 By the end of 2008-09 the Department had made **£14.3 million** VfM gains through this initiative. At the time of publication, these figures had not yet been audited and were subject to change.

Motoring and Freight Services Group

10.84 The Department has a target to deliver VfM gains of £20 million through the Motoring and Freight Services workstream over the three CSR07 years for those services funded by the Departmental Expenditure Limit (DEL). The Group made good progress against this target during 2008-09, achieving **£13.4 million** savings. This has included the following programmes:

DVLA

10.85 DVLA has delivered **£12 million** DEL savings through:

- increased take-up of Electronic Vehicle Licensing (EVL);
- reduced level of costly prosecutions through the courts by using debt collectors for compliance activities;
- contract efficiencies and savings from the on-going restructuring of their local and enforcement offices network;
- greater productivity through continued improvement and automation of business processes; and
- vacation of several properties on the DVLA estate.

VCA

10.86 VCA has achieved **£0.3 million** DEL savings through continuing to increase the productive utilisation of its staff. This has released procurement and back-office savings.

Cross-cutting savings

10.87 Motoring and Freight Services Group has achieved a further **£1.1 million** cross-cutting savings from a collaborative approach to generic corporate services which are applicable to a number of agencies.

Chapter 11

Role of the executive agencies NDPBs and other entities

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11.1 Much of the Department's work is delivered by the four executive agencies and three trading funds. They make a major contribution to meeting the Department's objectives, employ some 90 per cent of our staff and are the point of contact with the Department for most members of the public. Chief executives are accountable for the performance of their organisation and each one is required to publish its own business plan and annual report.

Executive agencies

Highways Agency

11.2 The Highways Agency operates, maintains, improves, and ensures the safety of the strategic network of motorways and major trunk roads in England on behalf of the Secretary of State for Transport. The strategic road network is valued at £88 billion and comprises approximately 7,000 kilometres of motorway and trunk roads.

11.3 The Agency also sets and maintains road, safety and structural standards used by many local authorities for the non-trunk A-roads and other roads that it manages.

11.4 The Agency employs 3,600 staff in London and seven further office locations around the country. This total includes the approximately 1,600 strong Traffic Officer Service, made up of operational traffic officers patrolling motorways across the country, supported by operators based in seven regional control centres.

11.5 The Agency's operations and achievements during 2008-09 are described in detail in Chapter 4 – including its work on journey reliability, the development of the managed motorways programme, and maintenance.

Figure 11b: **HA spending 2003-04 to 2010-11 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07[3] Outturn	2007-08 Outturn	2008-09 Outturn[1]	2009-10[4] Plans	2010-11[4] Plans
Maintenance	776	732	852	850	878	914	1,113	884
Smaller schemes, research and development, and IT	129	139	170	190	189	191	202	198
Technology	100	165	112	161	197	259	345	211
Major improvements[5]	514	503	618	953	876	786	1,111	1,421
Traffic manager	8	63	100	105	126	153	152	144
Other programmes[2]	2,692	3,086	3,469	3,883	4,063	4,117	4,580	4,730
Administration cost[3]	92	92	96	95	94	88	88	85
Total	**4,311**	**4,780**	**5,417**	**6,237**	**6,423**	**6,508**	**7,591**	**7,673**

Notes:
Figures are net of allowable receipts. Totals are capital and resource.
1 2008-09 onwards include budgets for routes that are due to detrunk to local authorities.
2 This includes programme cost of capital (AME), depreciation, write downs and provisions and excludes consolidated fund extra receipts (CFERs).
3 Part of the Department's overall administration cost budget.
4 Plans are indicative and subject to change.
5 Major improvements includes revenue support for private investment.

11

Government Car and Despatch Agency

11.6 The Government Car and Despatch Agency (GCDA) aims to be government's first choice of secure provider for moving people, mail and documents. It provides two main services, Government Cars and Government Mail. Government Cars provides secure cars and security-cleared drivers for ministers, senior civil servants and others in government and the wider public sector. Government Mail incorporates the InterDespatch Service and provides a range of mail distribution, mailroom management, secure mail screening and reprographic services mainly to central government departments and agencies. GCDA employs just over 300 people and is based in London, with regional depots in Birmingham, Bradford, Cardiff and Runcorn.

Figure 11b: **GCDA spending 2003-4 to 2009-10 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Income	16	17	18	19	19	21	21
Expenditure (pay)	10	10	11	12	12	13	13
Expenditure (non pay)	6	7	7	7	8	8	8
Total Expenditure	**16**	**17**	**18**	**19**	**20**	**21**	**21**

MCA

11.7 The Maritime and Coastguard Agency (MCA) is responsible for the operational implementation of the Government's maritime safety policies and for working with the Department for Transport both nationally and internationally on the development of technical safety standards. It represents the UK internationally through the two United Nations bodies responsible for shipping safety and seafarer welfare: the International Maritime Organization (IMO) and International Labour Organization (ILO). It also works with the European Maritime Safety Agency (EMSA) and with European Union partners.

11.8 To prevent loss of life at the coast and at sea, check ships are safe and prevent coastal pollution, including responding to shipping incidents where pollution is a possibility, the MCA employs a mix of coastguards, surveyors, counter pollution salvage officers supported by scientists, and administrators. These are based throughout the UK in its headquarters, Maritime Rescue Coordination Centres and Marine Offices.

11.9 In a typical year, the MCA deals with:

- 18,000 search and rescue (SAR) incidents helping 25,000 people;
- 700 incidents of actual pollution;
- 4,000 in-depth surveys of UK-registered ships;
- 6,000 inspections of foreign and UK ships;
- 14,500 certificates and other documents that allow seafarers to work at sea;
- 15,000 requests for new and renewal registrations on the small ship register;
- 120,000 items of correspondence from the general public; and
- 100 breaches of the UK Merchant Shipping legislation.

Figure 11c: **MCA spending 2003-4 to 2009-10 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Safer Lives[1]	56	62	64	70	73	73	77
Safer Ships[2]	29	30	28	26	26	28	27
Cleaner Seas[3]	14	14	14	15	17	14	13
Customer Services[4]	12	12	13	14	13	16	15
Total	**111**	**118**	**119**	**125**	**129**	**131**	**132**

Notes:

1 Expenditure on civilian maritime search and rescue, including running Coastguard co-ordination centres, the provision of helicopters, and the Auxiliary Coastguard Service.

2 Expenditure on surveys of UK ships and the inspection of foreign ships visiting UK ports, associated legislative development and implementation, the provision of advice and guidance to the shipping industry and the provision of information for nautical charts and shipping weather forecasts

3 Expenditure on marine pollution prevention and response work and relevant legislative development and implementation

4 Customer services expenditure includes the registration of ships in the UK and the provision of training and certification services for seafarers.

5 Totals include the administration costs of these functions, where applicable. In 2004 all the MCA's administration costs were reclassified as 'programme', and this was backdated to 1 April 2003.

Vehicle Certification Agency

11.10 The Vehicle Certification Agency (VCA) tests and certifies that vehicles and vehicle parts have been designed and constructed to meet UK and EU agreed standards of safety, environmental protection and crime prevention. VCA also publishes the definitive data on emissions, fuel consumption and noise for models of vehicles. VCA operates in a competitive market and has a remit to meet its full costs from earned income. It employs around 160 staff based at sites in Bristol and Nuneaton. The VCA also has staff located across the globe, from the USA, Australia and Italy to Malaysia, Japan, South Korea, China and India.

Figure 11d: **VCA spending 2003-4 to 2009-10 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Income	8	7	9	10	11	13	13
Expenditure (pay)	4	4	4	5	7	8	7
Expenditure (non pay)	4	4	5	5	4	5	6
Total Expenditure	**8**	**8**	**9**	**10**	**11**	**13**	**13**

Trading funds

11.11 A trading fund is a means of financing certain government activities. The fund has standing authority to use its receipts to fund expenditure.

Driver and Vehicle Licensing Agency

11.12 The Driver and Vehicle Licensing Agency (DVLA) is the largest agency of the Department for Transport. Its principal function is to facilitate road safety and general law enforcement by maintaining registers of drivers and vehicles. It maintains an accurate and up-to-date record of all those who are entitled to drive various types of vehicles, together with a register of all vehicles entitled to travel on public roads. DVLA handles about 70 million vehicle transactions and more than seven million licensing transactions a year. Furthermore, it is responsible for the collection of Vehicle Excise Duty (car tax), collecting around £5.5 billion a year, and it sells over 200,000 personalised number plate registrations each year. The DVLA delivers a comprehensive package of measures that make vehicle licensing requirements easy to comply with but very hard to evade. DVLA employs just over 6,200 staff at sites in Swansea as well as in a network of 39 local offices throughout Great Britain.

11.13 During 2008-09 DVLA delivered **£7.5 million** fee savings through a combination of:

- contract efficiencies and savings from the on-going restructuring of their local and enforcement offices network; and

- greater productivity through continued improvement and automation of business processes.

Figure 11e: **DVLA spending 2003-4 to 2009-10 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Income	531	566	586	613	679	652	641
Expenditure (pay)	117	130	160	162	167	168	172
Expenditure (non pay)	380	398	421	441	375	398	498
Total Expenditure	**497**	**528**	**581**	**603**	**542**	**566**	**670**

Driving Standards Agency

11.14 The Driving Standards Agency (DSA) is responsible for setting standards for drivers, riders and instructors, providing driver education and learning resources, registering and supervising quality-assured instructors, and ensuring effective and efficient assessments are conducted as computer-based and practical tests. DSA, whose vision is 'Safe Driving for Life', has 2,600 employees. The DSA is largely based in Nottingham, with a call centre in Newcastle and more than 400 driving test centres across Britain.

During 2008-09 DSA delivered **£6.2 million** fee savings through:

- increasing staff productivity;
- increasing take-up of online services; and
- rationalisation of estates.

Figure 11f: **DSA spending 2003-4 to 2009-10 (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Income	113	128	145	152	168	189	190
Expenditure (pay)	56	67	76	81	85	88	84
Expenditure (non pay)	58	62	62	68	88	105	103
Total Expenditure	**114**	**129**	**138**	**149**	**173**	**193**	**187**

Vehicle and Operator Services Agency

11.15 The Vehicle and Operator Services Agency (VOSA) provides a range of licensing, testing and enforcement services with the aim of improving the roadworthiness standards of vehicles and ensuring the compliance of operators and drivers. VOSA provides operator licensing and bus registration services on behalf of traffic commissioners, annual testing of heavy goods vehicles and public service vehicles as well as targeted enforcement activities. VOSA has assessed the level of supervision appropriate for approximately 20,000 garages across the UK that provide MOTs and has designed an action plan for the 1,800 garages categorised as highest risk. VOSA employs around 2,600 staff, with its headquarters in Bristol and a network of regional offices and operating sites nationwide in Great Britain.

11.16 During 2003-04 VOSA delivered over **£4.4 million** fee savings through a number of initiatives such as:

- rationalising the leased estate, including testing sites, and improving the utilisation of a further site for both testing and training purposes;
- increasing the take-up of existing electronic services available to customers and further centralising administrative activities and call centre services into their Swansea offices;
- reviewing internal processes through, for example, Lean engineering; and
- re-evaluating priorities within the Agency in line with wider Government priorities.

Figure 11g: **VOSA spending 2003-4 to 2009-10 (£m)**

VOSA	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plan
Income	136	144	152	166	176	184	196
Expenditure (pay)	69	78	86	86	89	92	93
Expenditure (non pay)	58	58	75	99	105	102	109
Total Expenditure	**127**	**136**	**161**	**185**	**194**	**194**	**202**

11

Non-Departmental public bodies

11.17 Non-departmental public bodies (NDPBs) do not form an integral part of the Department and carry out their work at arm's length from ministers. However, ministers are responsible to Parliament for the activities of bodies such as NDPBs through the sponsorship arrangements that have been formally established.

11.18 Appointments to our executive and advisory non-departmental public bodies (NDPBs) are made following the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies. In 2006 the Department published a public appointments plan which sets out our strategy on appointments to NDPBs, including our commitment to increasing the diversity of those who serve on their boards. The public appointments plan can be downloaded from the Department's website.

Executive NDPBs

British Transport Police Authority

11.19 The British Transport Police Authority was established in July 2004 under the Railways and Transport Safety Act 2003. Its principal statutory duty is to maintain an efficient and effective police force for the railway.

11.20 The Authority is funded by the industry and is responsible for setting the force's annual budget. The Secretary of State directly appoints the chair and other members of the Authority who comprise a mix of industry and non-industry representatives. The Authority's corporate governance documents and the three-year strategic plan for the force are available on the Authority's website.

Passenger Focus

11.21 Passenger Focus is the operating name for the Rail Passengers Council. It was established by the Railways Act 2005 as a body corporate and an executive NDPB of the Department for Transport with effect from 24 July 2005. It is the official, independent voice of rail users and its mission is 'to get the best deal for Britain's rail passengers'. Its objectives are to:

- understand the needs and experiences of rail passengers;
- secure tangible and measurable improvements for rail passengers;
- empower rail passengers with information, advice and advocacy;
- influence major long-term decisions that affect rail passengers; and
- be visible, accessible and understood by rail passengers and stakeholders.

11.22 The statutory duties and constitution of Passenger Focus are set out primarily in the Railways Act 1993 (subsequently amended by the Railways Act 2005). Copies of Passenger Focus' Corporate Plan and details of the work it has undertaken in carrying out its duties can be found on its website.

11.23 In April 2008 the Secretary of State announced that Passenger Focus's remit would be extended to include a role as bus passenger champion. The Department has since been working closely with Passenger Focus on an implementation plan. This saw Passenger Focus actively working on bus and coach issues – in shadow form from April 2009. Formal powers will be conferred on Passenger Focus through secondary legislation which is expected in April 2010.

Railway Heritage Committee

11.24 The Committee operates under the Railway Heritage Act 1996 (since amended by the Railways Act 2005) and the Railway Heritage Scheme Order 2005 (Statutory Instrument 2005 No 2905). Sponsorship transferred from the Strategic Rail Authority to the Department on 21 November 2005, at which point the Committee became an NDPB.

11.25 The Committee's role is to identify railway records and artefacts of future value to the nation, in the interests of the public and for the purposes of research and scholarship. Once relevant records and artefacts have been identified, the Committee formally designates those which are historically significant and worthy of permanent preservation. Following designation, items may be disposed of by their owners only with the Committee's agreement. Further information about the functions, membership and procedures of the Committee, and of the items it has designated, can be found on its website.

11.26 Following a public consultation in 2008, the Government expects to legislate this year to extend the Committee's scope. The change reflects the number of new organisations that have entered the rail industry since the 1996 Act and will ensure that the Committee's power of designation applies to items owned by these bodies.

Renewable Fuels Agency

11.27 In October 2007 the Renewable Fuels Agency (RFA) was created by the Renewable Transport Fuel Obligations Order (SI 2007 no 3072) as the administrator of the obligation. The RFA is responsible for the day-to-day running of the RTFO which came into effect in April 2008 and requires suppliers of fossil fuel to ensure that a certain percentage of the fuel they supply comes from renewable sources. The RFA issues certificates and regulates compliance with the obligation. They also gather important information through their environmental reporting system about the carbon savings and sustainable performance of biofuels, and report regularly to the Secretary of State about the effect of the scheme.

Figure 11h: Executive NDPBs

	Staff in post 31 March 2009	Estimated expenditure 2008-09 (£m)	Estimated Departmental support 2008-09 (£m)	Planned gross expenditure 2009-10 (£m)	Planned Departmental support 2009-10 (£m)
British Transport Police	4,583[1]	265	7.5	283	14.2
Passenger Focus	47	6.2[2]	5.5	7.4	7.4
Railway Heritage Committee	1[3]	0.109	0.109	0.14	0.14
Renewable Fuels Agency	12	1.3	1.3	1.5	1.5

Notes:

1 Figure includes 2,915 police officers, 321 police community support officers and 1,347 support staff. Excludes members of the Authority.

2 Figure includes ring-fenced expenditure on the National Passenger Survey of £1million in 2008-09 and £1.1million in 2009-10.

3 The RHC Secretary is an employee of BRB (Residuary) Ltd.

Advisory NDPBs

11.28 Advisory NDPBs are expert bodies normally established to advise ministers and officials on specific policy areas for which expertise does not exist within the Department. Most members of such bodies are unpaid, although chairmen and members of some bodies receive a daily fee for attendance at meetings and other work.

Commission for Integrated Transport

11.29 The Commission for Integrated Transport (CfIT) is an advisory non-departmental public body with the remit to provide independent advice to government on transport policy issues. The Commission advises on:

- future policy options (blue-sky thinking) on strategic issues;
- policy issues touching on transport objectives that span departmental boundaries;
- identification of best practice among local authorities and other delivery agencies, to identify barriers to deliver and improve performance;
- comparisons with European/international policy initiatives and best practice;
- the impact of new technology;
- stakeholder input to inform the policy-making process; and
- specific policy reviews as agreed by the Governance Board.

11.30 Through the Commission's published reports and its other work, its objective is to refresh and raise the level of the public transport debate.

Disabled Persons Transport Advisory Committee

11.31 The Disabled Persons Transport Advisory Committee (DPTAC) is an independent body established by the Transport Act 1985 to advise government on the transport needs of disabled people. This gives it a statutory duty to consider any matter ministers refer to it and to provide advice on any other issue relating to disabled people's transport needs. The provision of such advice covers non-devolved transport matters across Great Britain.

11.32 DPTAC's aim is that disabled people should have the same access to transport as everybody else.

11.33 DPTAC's three objectives are to:

- provide timely, focused and credible advice to the Secretary of State for Transport on public and private transport needs of all disabled people;
- provide guidance and information to private sector organisations on how best to meet the varying transport needs of all disabled people; and
- influence service providers to offer disabled people accessible information on developments in accessible transport.

11.34 DPTAC bases its advice on the underlying principles outlined below:

- Public investment can only take place if those who provide and spend the money take into account accessibility for disabled people.
- Those who provide transport services will make accessibility for disabled people part of the mainstream of their activity; involving disabled users in deciding the accessibility of transport services.
- Those who provide transport services are responsible for accessibility for disabled people.

11.35 Over summer 2008 DPTAC was subject to an independent quinquennial review. The review concluded that, subject to some minor amendments to its remit, DPTAC should continue to provide advice to the Secretary of State.

11.36 In spring 2009 a recruitment round for new members began. Eleven appointments are subject to revision or coming to the end of their term.

11.37 From November 2008, and following introduction in the Local Transport Act, DPTAC members will receive remuneration from the beginning of the fiscal year 2009-10.

11.38 Details of DPTAC's work programme can be found in its annual report at www.dptac.gov.uk.

Tribunals

Traffic Commissioners and Licensing Authorities (Traffic Areas)

11.39 The seven traffic commissioners are appointed by the Secretary of State for Transport and have responsibility in their area for the licensing of operators of heavy goods vehicles (HGVs) and public service vehicles (PSVs) like buses and coaches. They are also responsible for the registration of local bus services, and disciplinary action against drivers of HGVs and PSVs.

11.40 Commissioners are statutorily independent in their licensing functions. A key part of this is to consider the environmental suitability of HGV operating centres and the possibility of taking action against operators who have not complied with the conditions of their licences. Each traffic commissioner is supported by staff in a traffic area office (TAO). TAOs can, in certain routine cases, act on the traffic commissioners' behalf under delegated powers.

11.41 The overall aims of the traffic commissioners are to ensure that:

- licences are issued only to competent and reputable operators who run roadworthy vehicles;
- goods vehicles are operated from environmentally suitable sites;
- bus services are reliable; and
- drivers of buses, coaches and lorries behave responsibly.

Traffic commissioners – Local Transport Act 2008

11.42 In December 2008 the Local Transport Act was published which contained a number of measures to improve the traffic commissioner regime that are being implemented in a number of stages:

- creating a Statutory Senior Traffic Commissioner (now appointed) with power to deploy the other commissioners (and their deputies) anywhere in Great Britain (subject to devolved arrangements in Scotland). This power also allows the Senior Commissioner to determine what functions each commissioner carries out – eg particular commissioners could work only on bus registration matters, or goods vehicle cases;
- allowing the Senior Commissioner, following consultation, to issue guidance and general directions to the other commissioners about the exercise of any of their functions to improve consistency of administration and decision-making. The Act also removes the existing power for the Secretary of State to issue general directions to the commissioners, and replaces it with a power only to issue guidance to the Statutory Senior Traffic Commissioner which the Department will be issuing shortly;

- clarifying and extending the circumstances in which existing and future traffic commissioners that are systematically underperforming can be dismissed; and
- abolishing the requirement that a single traffic commissioner is appointed to each traffic area, creating a 'pool' of commissioners able to act in all traffic areas – to improve efficiency and flexibility.

Public corporations

11.43 These are public bodies receiving most of their income from selling goods and services rather than from grant or voted supply.

Civil Aviation Authority

11.44 The Civil Aviation Authority (CAA) was established by Parliament in 1972 as an independent specialist aviation regulator and provider of air traffic services. Following its separation from NATS (formerly known as National Air Traffic Services) in 2001, the CAA is the UK's independent aviation regulator, with all civil aviation regulatory functions (economic regulation, airspace policy, safety regulation and consumer protection) integrated within a single specialist body. The CAA's costs are met almost entirely from its charges on those whom it regulates.

Northern Lighthouse Board

11.45 Under Part VIII, Section 193 of the Merchant Shipping Act 1995, the Northern Lighthouse Board is responsible for the provision and maintenance of marine aids to navigation around the coasts of Scotland and the Isle of Man. It also marks wrecks and has wreck removal powers. It is funded by light dues collected at ports around the UK and the Republic of Ireland.

Trinity House

11.46 Trinity House is responsible, under the same powers as the Northern Lighthouse Board, for the provision and maintenance of marine aids to navigation around the coasts of England, Wales, the Channel Islands and Gibraltar. It also marks wrecks and has wreck removal powers. It is likewise funded by light dues collected at ports around the British Isles.

Trust Ports

11.47 The Department has a formal relationship with the larger trust ports, by virtue of appointment powers and the power to compel privatisation, still on the statute book in the Ports Act 1991.

11.48 In total there are around 50 ports in England and Wales with trust status, of which some 15-20 are commercially significant. Trust ports are independent statutory bodies governed by independent boards of trustees charged with acting in the interests of all stakeholders. The Department issued a refreshed version of its guidance to trust ports, *Modernising trust ports: A guide to good governance*, in January 2009 for consultation.

11.49 The Secretary of State for Transport has powers to appoint some board members to five of the larger ports in England and Wales – London, Tyne, Dover, Harwich and Milford Haven. As part of the public expenditure control system, net borrowing by those ports, London excepted, scores against the Department's expenditure limit.

Other entities

British Railway Board (Residuary) Limited

11.50 BRB (Residuary) Ltd is a limited company and is a wholly owned subsidiary of the Department for Transport. Its primary responsibility is to manage the remaining property, rights and liabilities of the British Railways Board. Those responsibilities include the management of a diverse property portfolio and the settlement of industrial injury claims submitted by former British Railways employees. By virtue of a transfer scheme made under the Railways Act 2005, BRBR has also taken ownership of a number of companies previously owned by the Strategic Rail Authority. During the course of 2008-09 the company acquired the former Eurostar facilities at North Pole in West London and the Waterloo International Terminal from Eurostar (UK) Ltd on behalf of the Secretary of State.

11.51 The company is funded through a combination of income earned on property activities and Departmental subsidy. BRBR is classified for government accounting purposes as a public corporation.

Useful websites

BRB (Residuary) Ltd
www.brb.gov.uk

British Transport Police
www.btp.police.uk

Civil Aviation Authority
www.caa.co.uk

Commission for Integrated Transport
www.cfit.gov.uk

Department for Transport
www.dft.gov.uk

Disabled Persons Transport Advisory Committee
www.dptac.gov.uk

Driver and Vehicle Licensing Agency
www.dvla.gov.uk

Driving Standards Agency
www.dsa.gov.uk

Government Car and Despatch Agency
www.gcda.gov.uk

Highways Agency
www.highways.gov.uk

Maritime and Coastguard Agency
www.mcga.gov.uk

Northern Lighthouse Board
www.nlb.org.uk

Passenger Focus
www.passengerfocus.org.uk

Railway Heritage Committee
www.railwayheritage.org.uk

Renewable Fuels Agency
www.dft.gov.uk/rfa/

Trinity House
www.trinityhouse.co.uk

Vehicle Certification Agency
www.vca.gov.uk

Vehicle and Operator Services Agency
www.vosa.gov.uk

Appendices

Appendix A

Public expenditure core tables

Introduction

The following tables show the Department of Transport spending (Budget Outturn) for the six years from 2003-04 to 2008-09 and business plans for the two years 2009-10 and 2010-11. They provide an analysis of Departmental expenditure plans in resource terms, showing resource consumption and capital investment. The information includes voted and non-voted expenditure, and also shows the extent to which the Department funds local authority activities.

The 2008-09 Outturn reflects the Provisional Outturn of the Department (as published in the Public Expenditure Outturn white paper) and is reconciled to Resource Accounts included in this document.

Comparison of Outturns to Budgets

The table opposite identifies and explains the main differences between the 2008-09 Outturn and the 2008-09 budget.

Departmental expenditure limit	£m
Comparison of 2008-09 outturns to 2008-09 budgets	
Resource DEL outturn 2008-09	**5,518**
Cost of Capital[1]	510
Financial Instruments change in value[2]	485
IMO Building adjusted impairment charge	37
NATS loan repaid	21
Unallocated Budget Provision[3]	180
Other	70
Resource DEL budget 2008-09	**6,821**
Capital DEL outturn 2008-09	**7,183**
Planned spend on Olympics	65
Buy-out of onerous leases	
General Lighthouse Authority underspend – not leasing new ships	17
Unallocated Budget Provision	19
Capital DEL Budget 2008-09	**7,284**

Annually managed expenditure	£m
Comparison of 2007-08 outturns to 2008-09 budgets	
Resource AME outturn 2008-09	**3,729**
Highways Agency reduced spending[4]	100
Rail Pensions revaluation[5]	159
Resource AME budget 2007-08[5]	**3,988**

Notes:

1 Cost of capital charge is based on net assets/liabilities. Significantly increased financial guarantees and pensions liabilities have created a much larger cost of capital credit against non-cash resource DEL.

2 This underspend is predominantly due to the differences between the actual and estimated liabilities for the Financial Guarantee Contracts (Network Rail & London and Continental Railway), which have significantly reduced the non cash outturn.

3 Some budget is unallocated at the beginning of the year, in order to manage contingencies that may arise during the year.

4 This is due to revised forecasts in respect of impairments to the national roads network.

5 This reflects the resource impact of the revaluation of railways pensions, in accordance with FRS17. This is particularly volatile and the actual amounts are only known at the end of the financial year following the actuarial assessment. Owing to market volatility provision of £200 million was allowed, though actual outturn was £40 million resulting in an under spend of £160 million.

Table 1 Total Departmental spending

This table summarises the expenditure on functions that are now administered by the Department for Transport from 2002-03 to 2010-11. Future figures (2009-10 to 2010-11) are those agreed with HM Treasury as part of the Comprehensive Spending Review (2007).

The table is split between the five Departmental Strategic Objectives (DSOs). The majority of DfT net expenditure maps to the DSO which most closely matches DfT's PSA and covers the contribution that transport makes to economic growth. Although the Department's broad range of transport policy is covered by its full set of DSOs and additional PSAs, led by other departments, it is difficult to reflect this in the core table time series where resource and capital funding contributes to more than one objective.

The resource budget includes both administration and programme expenditure.

Local authority expenditure on transport is also shown on this table and the extent to which it is supported by Department for Transport grants.

Table A1: **Total Departmental spending (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2009-11 Plans
Resource budget								
Resource DEL								
To support the economy by delivering reliable and efficient transport networks	4,211	4,070	4,140	4,803	4,541	3,710	4,469	4,662
To reduce transport emissions and thus avoid dangerous climate change	417	424	430	444	487	534	570	570
To contribute to better safety, security, health and life-expectancy	896	832	957	1,092	1,221	1,187	1,223	1,158
To promote greater equality of opportunity for all and achieve a fairer society	561	731	517	552	510	47	136	-19
To improve quality of life and to promote a healthy natural environment	24	19	24	29	35	40	–	–
Total resource budget DEL	**6,109**	**6,076**	**6,067**	**6,921**	**6,794**	**5,518**	**6,398**	**6,371**
of which: Near-cash[1]	5,896	5,911	5,805	6,362	6,555	5,850[1]	6,055	5,956
Resource AME								
To support the economy by delivering reliable and efficient transport networks	1,210	1,425	1,600	1,746	1,877	1,892	2,218	2,337
To reduce transport emissions and thus avoid dangerous climate change	70	82	92	100	107	110	128	135
To contribute to better safety, security, health and life-expectancy	1,047	1,234	1,384	1,502	1,603	1,655	1,919	2,021
To promote greater equality of opportunity for all and achieve a fairer society	–	–	–	11	25	-24	–	–
Total resource budget AME	**2,326**	**2,741**	**3,076**	**3,315**	**3,514**	**3,729**	**4,265**	**4,493**
of which: Near-cash[1]	–	31	35	43	44	40	42	40
Total resource budget	**8,435**	**8,817**	**9,144**	**10,235**	**10,308**	**9,247**	**10,663**	**10,864**
of which: depreciation	582	648	767	903	1,079	1,079	1,441	1,505
Total resource budget adjusted for inflation	**9,626**	**9,501**	**9,654**	**10,515**	**10,308**	**9,021**	**10,300**	**10,339**
Capital budget								
Capital DEL								
To support the economy by delivering reliable and efficient transport networks	3,343	3,347	3,216	4,029	4,179	3,655	4,473	3,916
To reduce transport emissions and thus avoid dangerous climate change	43	60	72	86	222	432	300	320
To contribute to better safety, security, health and life-expectancy	275	311	408	589	904	1,000	1,392	1,328

Table A1: **Total Departmental spending (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2009-11 Plans
To promote greater equality of opportunity for all and achieve a fairer society								
	1,571	1,413	1,300	1,798	1,747	2,021	2,149	1,848
To improve quality of life and to promote a healthy natural environment								
	–	–	–	–	–	75	–	–
Total capital budget DEL[2]	**5,233**	**5,222**	**4,995**	**6,503**	**7,053**	**7,183**	**8,314**	**7,412**
Capital AME								
Total capital budget AME	–	–	–	–	–	–	–	
Total capital budget	**5,233**	**5,222**	**4,995**	**6,503**	**7,053**	**7,183**	**8,314**	**7,412**
Total capital budget adjusted for inflation	**5,972**	**5,627**	**5,274**	**6.684**	**7,053**	**7,008**	**8,031**	**7,054**
Total departmental spending†								
To support the economy by delivering reliable and efficient transport networks								
	8,757	8,913	8,956	10,539	10,462	9,257	11,160	10,915
To reduce transport emissions and thus avoid dangerous climate change								
	530	566	594	630	816	1,076	997	1,025
To contribute to better safety, security, health and life-expectancy								
	2,218	2,377	2,748	3,183	3,728	3,842	4,534	4,507
To promote greater equality of opportunity for all and achieve a fairer society								
	2,139	2,163	1,817	2,400	2,418	2,044	2,286	1,829
To improve quality of life and to promote a healthy natural environment								
	24	19	24	29	35	115	–	–
Total departmental spending†	**13,086**	**13,391**	**13,372**	**15,836**	**16,282**	**15,362**	**17,535**	**16,772**
Total Departmental Spending adjusted for inflation	**14,484**	**14,430**	**14,120**	**16,277**	**16,282**	**14,987**	**16,939**	**15,962**
of which:								
Total DEL	11,808	11,644	11,024	13,248	13,564	12,314	14,232	13,158
Total AME	2,089	2,117	2,348	2,588	2,718	3,048	3,303	3,614

† Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2009-11 Plans
Spending by local authorities on functions relevant to the department								
Current spending	4,461	4,526	4,596	4,898	5,075	–	–	–
of which:								
financed by grants from budgets above	2,103	2,670	2,577	2,849	3,100	–	–	–
Capital spending	2,466	2,712	3,099	3,104	3,970	–	–	–
of which:								
financed by grants from budgets above††	1,543	1,706	1,564	1,907	1,807	–	–	–

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Table 2 Resource budget

This table provides similar information to Table A1, though in greater detail. It shows the expenditure for key functional areas of the Department, indicating how it spends its money. The sub-categories used in this table are the same as those used in the Main Estimate voted table.

Table A2: **Resource budget DEL and AME (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource DEL								
To support the economy by delivering reliable and efficient transport networks	**4,211**	**4,070**	**4,140**	**4,803**	**4,541**	**3,710**	**4,469**	**4,662**
of which:								
Ports & shipping services	3	8	6	12	11	42	24	26
Maritime & Coastguard Agency	111	119	118	121	129	128	132	136
Aviation services, transport security & royal travel	-7	-20	-1	2	-6	-12	23	24
Tolled River Crossings	-69	-69	-57	-57	-57	-58	-60	-60
Commission for Integrated Transport & Transport Direct	1	3	18	12	15	10	12	10
Highways Agency	789	737	819	911	929	875	868	821
Railways	546	713	504	529	457	-174	-101	-258
Freight grants	–	–	5	–	–	–	–	
Central Administration	168	196	247	197	205	8	589	612
Research, statistics, publicity and consultancies & other services for roads and local transport	10	3	-5	7	17	6	34	25
Area Based Grants	93	102	103	93	98	103	118	120
GLA transport grants	2,549	2,260	2,180	2,638	2,397	2,405	2,493	2,872
Other transport grants (resource)	16	17	202	337	349	368	337	335
Other transport grants (capital)	–	–	–	–	–	9	–	–
To reduce transport emissions and thus avoid dangerous climate change	**417**	**424**	**430**	**444**	**487**	**534**	**570**	**570**
of which:								

Table A2: **Resource budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Trans European network payments for transport projects (net)	#	#	#	–	#	#	–	–
Cleaner Fuels and Vehicles	26	21	9	13	16	16	30	33
Bus Service Operators Grant	344	363	375	370	410	436	435	451
Highways	46	43	47	53	54	50	50	47
Research, statistics, publicity and consultancies & other services for roads and local transport	-2	-2	-1	1	-1	4	7	5
Other transport grants (resource)	3	#	#	7	8	27	48	34
To contribute to better safety, security, health and life-expectancy	**896**	**832**	**957**	**1,092**	**1,221**	**1,187**	**1,223**	**1,158**
of which:								
Aviation services, transport security & royal travel	#	1	#	2	2	1	25	25
Accident Investigation Branches	6	15	13	15	15	16	18	18
Accessibilty & Equalities	–	–	–	–	–	1	#	#
Highways Agency	683	638	709	788	804	757	751	710
Government Car & Despatch Agency	#	#	#	#	#	#	–	#
Freight grants	#	#	18	23	17	21	23	29
Transformation, Licensing, Logistics & Sponsorship	165	143	168	228	261	272	268	252
Vehicle & Operator Services Agency trading fund	18	11	11	1	3	#	11	12
Driving Standards Agency trading fund	#	#	#	2	2	#	-1	-5
Vehicle Certification Agency	1	2	1	1	1	#	–	–
Central Administration	–	–	–	–	–	1	2	2

Table A2: **Resource budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Research, statistics, publicity and consultancies & other services for roads and local transport	20	20	33	31	32	35	39	43
Area Based Grants	2	4	2	1	83	82	81	68
Other transport grants (resource)	–	#	#	–	–	–	6	3
To promote greater equality of opportunity for all and achieve a fairer society	**561**	**731**	**517**	**552**	**510**	**47**	**136**	**-19**
of which:								
Bus Service Operators Grant	-1	#	-1	-1	-1	-1	#	#
Accessibilty & Equalities	3	3	4	4	6	4	6	6
Commission for Integrated Transport & Transport Direct	1	#	#	1	1	1	1	1
Railways	546	713	504	529	457	-174	-101	-258
Research, statistics, publicity and consultancies & other services for roads and local transport	1	1	1	1	3	-1	1	2
Other transport grants (resource)	11	14	8	19	44	218	228	231
To improve quality of life and to promote a healthy natural environment	**24**	**19**	**24**	**29**	**35**	**40**	**–**	**–**
of which:								
Aviation Services, transport security & royal travel	24	19	24	29	35	40	–	–
Total resource budget DEL	**6,109**	**6,076**	**6,067**	**6,921**	**6,794**	**5,518**	**6,398**	**6,371**
of which:								
Near-cash	5,896	5,911	5,805	6,362	6,555	5,850	6,055	5,956
of which:†								
Pay	427	606	634	533	552	563		
Procurement	1,346	1,261	1,353	1,575	1,578	1,780	1,747	
Current grants and subsidies to the private sector and abroad	823	1,134	1,172	1,467	1,350	443	703	
Current grants to local authorities	2,103	2,670	2,577	2,849	3,100	3,001	3,373	

Table A2: **Resource budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Depreciation	373	254	280	306	392	355	273	
Resource AME								
To support the economy by delivering reliable and efficient transport networks	**1,210**	**1,425**	**1,600**	**1,746**	**1,877**	**1,892**	**2,218**	**2,337**
of which:								
Ports & shipping services	–	–	#	–	–	–	–	–
Maritime & Coastguard Agency	–	–	–	–	2	3	1	1
Highways Agency	1,210	1,425	1,600	1,735	1,852	1,913	2,217	2,336
Railways	–	–	–	11	25	-24	–	–
To reduce transport emissions and thus avoid dangerous climate change	**70**	**82**	**92**	**100**	**107**	**110**	**128**	**135**
of which:								
Highways Agency	70	82	92	100	107	110	128	135
To contribute to better safety, security, health and life-expectancy	**1,047**	**1,234**	**1,384**	**1,502**	**1,603**	**1,655**	**1,919**	**2,021**
of which:								
Highways Agency	1,047	1,234	1,384	1,502	1,603	1,655	1,919	2,021
To promote greater equality of opportunity for all and achieve a fairer society	**–**	**–**	**–**	**11**	**25**	**-24**	**–**	**–**
of which:								
Railways	–	–	–	11	25	-24	–	–
Total resource budget AME	**2,326**	**2,741**	**3,076**	**3,315**	**3,514**	**3,729**	**4,265**	**4,493**
of which:								
Near-cash	–	31	35	43	44	40	42	40
of which:†								
Pay	–	–	–	–	–	–	–	–
Procurement	–	–	–	–	–	–	–	–
Current grants and subsidies to the private sector and abroad	–	–	–	–	–	–	–	–
Current grants to local authorities	–	–	–	–	–	–	–	–
Depreciation	209	393	488	597	687	682	1,168	1270
Total resource budget	**8,435**	**8,817**	**9,144**	**10,235**	**10,308**	**9,247**	**10,663**	**10,864**
Total resource budget adjusted for inflation	**9,626**	**9,501**	**9,654**	**10,515**	**10,308**	**9,021**	**10,300**	**10,339**

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but aren't included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

A

Table 3 Capital budget

This table provides details for the capital expenditure plans in the same format as Table A2. Capital grants (treated as resource in the Main Estimate) are included in this table.

Table A3: **Capital budget DEL and AME (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Capital DEL								
To support the economy by delivering reliable and efficient transport networks	**3,343**	**3,437**	**3,216**	**4,029**	**4,179**	**3,655**	**4,473**	**3,916**
of which:								
Ports & shipping services	#	11	1	23	60	2	20	20
Maritime & Coastguard Agency	9	8	8	6	10	9	9	9
Aviation services, transport security & royal travel	2	5	-1	16	-47	-3	-3	-3
Tolled River Crossings	-7	-4	-4	-4	-2	-2	-2	-2
Commission for Integrated Transport & Transport Direct	12	12	6	1	1	#	1	1
Highways Agency	235	336	392	619	685	588	857	833
Railways	1,572	1,413	1,300	1,798	1,748	2,021	1,901	1,600
Central Administration[3]	16	3	1	1	5	3	247	3
Research, statistics, publicity and consultancies & other services for roads and local transport	1	#	#	3	#	–	1	1
Area Based Grants	1,420	1,395	1,364	1,332	856	858	920	978
GLA transport grants	–	–	–	–	–	100	100	–
Other transport grants (resource)	–	258	150	233	-4	7	10	10
Other transport grants (capital)	83	#	#	1	866	72	412	467
To reduce transport emissions and thus avoid dangerous climate change	**43**	**60**	**72**	**86**	**222**	**432**	**300**	**320**
of which:								
Trans European network payments for transport projects (net)	–	–	–	–	–	–	#	–

Table A3: **Capital budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Cleaner Fuels and Vehicles	–	–	–	–	–	–	10	17
Bus Service Operators Grant	–	–	–	–	–	–	1	–
Highways Agency	13	18	23	33	32	34	49	48
Railways	–	–	–	–	–	–	–	#
Government Car & Despatch Agency	1	1	1	2	1	2	2	1
Research, statistics, publicity and consultancies & other services for roads and local transport	1	10	2	4	–	–	–	–
GLA transport grants	27	31	45	40	–	–	–	–
Other transport grants (resource)	#	–	–	2	4	-2	25	26
Other transport grants (capital)	–	–	–	4	186	399	212	227
To contribute to better safety, security, health and life-expectancy	**275**	**311**	**408**	**589**	**904**	**1,000**	**1,392**	**1,328**
of which:								
Aviation services, transport security & royal travel	–	–	–	–	–	–	#	#
Accident Investigation Branches	#	#	2	2	#	1	2	#
Highways Agency	197	275	339	502	475	509	742	721
Freight grants	9	3	3	6	-1	-1	7	10
Transformation, Licensing, Logistics & Sponsorship	30	22	16	41	40	63	67	35
Vehicle & Operator Services Agency trading fund	19	3	22	14	18	-7	-8	-2
Driving Standards Agency trading fund	17	-1	10	14	29	-4	-7	-3
Vehicle Certification Agency	#	#	#	#	#	#	#	#

Table A3: **Capital budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Research, statistics, publicity and consultancies & other services for roads and local transport	–	3	6	–	–	–	–	1
Area Based Grants	2	6	8	11	69	46	62	65
Other transport grants (capital)	1	#	#	#	274	393	528	500
To promote greater equality of opportunity for all and achieve a fairer society	**1,571**	**1,413**	**1,300**	**1,798**	**1,747**	**2,021**	**2,149**	**1,848**
of which:								
Accessibilty & Equalities	#	#	#	#	-1	–	5	5
Support construction of venues and infrastructure related to the Olympic Games	–	–	–	–	–	–	240	240
Railways	1,572	1,413	1,300	1,798	1,748	2,021	1,901	1,600
Research, statistics, publicity and consultancies & other services for roads and local transport	–	–	–	–	–	–	3	3
To improve quality of life and to promote a healthy natural environment	**–**	**–**	**–**	**–**	**–**	**75**	**–**	**–**
of which:								
Aviation Services, transport security & royal travel	–	–	–	–	–	#	–	–
Support construction of venues & infrastructure related to Olympics	–	–	–	–	–	75	–	–
Total capital budget DEL	**5,233**	**5,222**	**4,995**	**6,503**	**7,053**	**7,183**	**8,314**	**7,412**
of which:								
Capital expenditure on fixed assets net of sales†	1,378	1,339	1,404	1,671	1,480	1,111	2,024	1,383
Capital grants to the private sector and abroad	2,285	2,160	1,996	3,119	3,173	4,018	3,485	3,487

Table A3: **Capital budget DEL and AME (£m)** *continued*

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Net lending to private sector	-9	5	-5	-1	-63	–	–	–
Capital support to public corporations	36	12	36	55	531	85	43	21
Capital support to local authorities††	1,544	1,706	1,564	1,659	1,931	1,870	2,266	2,271
Capital AME								
Total capital budget AME		–	–	–	–	–	–	–
Total capital budget	**5,233**	**5,222**	**4,995**	**6,503**	**7,053**	**7,183**	**8,314**	**7,412**
of which:								
Capital expenditure on fixed assets net of sales†	1,378	1,339	1,404	1,671	1,480	1,111	2,024	1,383
Less depreciation†††	582	648	767	903	1,079	1,066	1,441	1,504
Net capital expenditure on tangible fixed assets	796	691	637	768	402	44	582	-120
Total capital budget adjusted for inflation	**5,972**	**5,627**	**5,274**	**6.684**	**7,053**	**7,008**	**8,031**	**7,054**

† Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

Explanatory footnotes for Tables A1, A2 and A3

Figures under plus or minus £500,000 are not shown. Numbers are rounded to the nearest £ million. All data is taken on from the HMT Coins Database (where numbers are in £000s)

1 Near-Cash is broadly defined as accrued expenditure and income. It excludes non-cash items such as depreciation, cost of capital and movements in provisions.

2 During 2007-08 the Capital DEL was increased by £642 million of which £304 million was a Reserve claim to part cover a notional charge to reflect the marginal impact on Public Sector Net Debt in 2007-08 of Metronet's move into administration; and £337 million was take-up of End Year Flexibility. This was partially offset by a £17 million transfer to the Scottish Executive for rail services.

3 The figures for central administration in Table A2 and A3 consist of: the relevant net resource allowance within DfT administration budget (see Table A5); other administrative costs not included in the limit such as certain secondments and ex-gratia payments, together with capital investment in Departmental infrastructure, and Departmental unallocated provisions.

4 Highways Agency net expenditure and plans have been allocated to the Departmental Strategic Objectives as follows: 52 per cent on DSO 1, 3 percent on DSO 2 and 45 per cent on DSO 4.

5 Railways net expenditure and plans have been allocated 50 per cent on DSO 1 and 50 per cent on DSO 4.

Table A4 Capital employed

This table shows the capital employed by the Department. In a balance sheet format, it provides a high-level analysis of the value of the various categories of fixed assets employed by the Department. It also shows details of the current assets, debtor and creditor values, and also the extent of provisions made.

Table A4: **Total capital employed in Departmental group (£m)**

	2004-05 outturn restated	2005-06 outturn restated	2006-07 outturn restated	2007-08 outturn restated	2008-09 outturn restated	2009-10 projected	2010-11 projected
Assets on balance sheet at end of year:							
Total Fixed Assets	74,041	78,181	83,561	86,637	90,505	90,611	91,383
Intangible Fixed Assets	21	26	28	30	28	27	27
Tangible Fixed Assets	74,020	78,156	83,533	86,607	90,477	90,584	91,356
Investments	647	663	676	625	648	623	641
Current Assets	598	766	694	3,485	3,728	3,687	3,649
Creditors (<1 yr)	-1,001	-1,294	-1,213	-1,329	-1,459	-1,322	-1,357
Creditors (>1 yr)	-2,569	-2,740	-3,120	-3,264	-3,304	-3,345	-3,387
Financial Instruments				-8,282	-8,334	-8,349	-8,378
Provisions	-2,402	-1,719	-1,289	-1,208	-1,069	-1,118	-1,153
Pension Liability	-635	-374	-116	-251	-1,300	-1,000	-800
Capital Employed within Main Department	**68,679**	**73,485**	**79,193**	**76,415**	**79,415**	**79,788**	**80,598**
NDPB Net Assets	3,906	179	186	201	215	230	235
Total Capital Employed in Departmental Group	**72,585**	**73,663**	**79,378**	**76,616**	**79,630**	**80,018**	**80,833**

Notes:

Outturn figures are taken from consolidated DfT Resource Accounts. Outturn is shown as restated to reflect that the Balance Sheet comparator within each set of Resource Accounts is adjusted to recognise the detrunking of parts of the road network. This adjustment is in accordance with merger accounting principles.

The adoption of FRS 25 and 26 in 2008-09 has brought about Financial Instruments onto the Balance Sheet and required the prior year to be restated.

Main Department figures include DVLA only until 2003-04, after which time the Agency became a trading fund.

The activities of the Strategic Rail Authority transferred to the Main Department in 2005-06. Network Rail has also been excluded at the point.

Table 5 Departmental administration costs

This table presents information on the pay and other related costs included in the Departmental administration budget. Other administration costs related to the delivery of front-line services and certain of the Department's executive agencies are included within Table A2.

Table A5: **Administration costs (£m)**

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Administration Expenditure								
Paybill	255	135	152	157	161	157		
Other[2]	405	166	188	154	147	148		
Total administration expenditure[3,5]	**660**	**302**	**340**	**311**	**308**	**305**	**301**	**296**
Administration income	-260	-34	-35	-30	-26	-29	-26	-27
Total administration budget[4,6]	**400**	**268**	**305**	**281**	**282**	**276**	**275**	**269**

Notes:

1 All figures in this table are consistent with the treatment of administration costs on a full resource accounting and budgeting (RAB) basis.

2 Consultancy costs previously counted within programme have been reclassified in all outturn years as part of the Administration Budget. This is the main reason for the year-on-year difference in other expenditure between 2005-06 and 2006-07.

3 From 1 April 2004, the DVLA became a trading fund with budgetary treatment akin to an NDPB and, therefore, no longer subject to Administration Budget controls.

4 The year totals for the Administration Budget were agreed as part of the Consolidated Spending Review 2007.

5 Figures only available in total for 2009-10 and 2010-11.

6 The underspend of £6 million between 2007-08 and 2008-09 is mostly due to vacancies (£4 million) and higher than expected income (£2 million).

Table A6 Staff numbers

This table provides a breakdown of the central Department and agencies' staff numbers, including those for the Office of Rail Regulation. Further information about the Department's recruitment and staffing is available in Appendix B.

Table A6: Staff numbers

		2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Planned	2010-11 Planned
Department for Transport Centre[1]	FTE	1,900	1,801	1,816	1,930	1,853	1,894	1,902	1,902	1,902
	Overtime	70	70	30	30	30	30	30	30	30
	Casuals	30	30	–	–	–	–	–	–	–
	Total	**2,000**	**1,901**	**1,846**	**1,960**	**1,883**	**1,924**	**1,932**	**1,932**	**1,932**
Driver & vehicle Licensing Agency[2]	FTE	5,326	6,557	6,525	6,365	6,367	6,167	6,329	6,328	6,203
	Overtime	106	–	–	–	–	–	–	–	–
	Casuals	411	–	–	–	–	–	–	–	–
	Total	**5,843**	**6,557**	**6,525**	**6,365**	**6,367**	**6,167**	**6,329**	**6,328**	**6,203**
Driving Standards Agency[3]	FTE	1,949	2,184	2,465	2,541	2,584	2,607	2,574	2,650	2,650
	Overtime	–	–	–	–	–	–	–	–	–
	Casuals	–	–	–	–	–	–	–	–	–
	Total	**1,949**	**2,184**	**2,465**	**2,541**	**2,584**	**2,607**	**2,574**	**2,650**	**2,650**
Highways Agency[4]	FTE	1,677	1,781	2,124	3,141	3,368	3,405	3,416	3,416	3,416
	Overtime	21	8	16	26	25	23	42	42	42
	Casuals	20	8	3	0	–	–	–	–	–
	Total	**1,718**	**1,797**	**2,143**	**3,167**	**3,393**	**3,428**	**3,458**	**3,458**	**3,458**
Maritime and Coastguard Agency	FTE	1,100	1,144	1,171	1,171	1,169	1,161	1,128	1,127	1,110
	Overtime	47	33	14	32	35	35	35	35	35
	Casuals	50	34	22	3	3	0	0	0	0
	Total	**1,197**	**1,211**	**1,207**	**1,206**	**1,207**	**1,196**	**1,163**	**1,162**	**1,145**
Vehicle Certification Agency[5]	FTE	104	111	110	111	111	122	136	137	137
	Overtime	3	–	–	–	–	–			
	Casuals	3	–	–	–	–	–			
	Total	**110**	**111**	**110**	**111**	**111**	**122**	**136**	**137**	**137**
Vehicle & Operator Services Agency[6]	FTE	2,110	2,760	2,703	2,619	2,481	2,479	2,638	2,679	2,617
	Overtime	–	–	–	–	–	–			
	Casuals	80	–	–	–	–	–			
	Total	**2,190**	**2,760**	**2,703**	**2,619**	**2,481**	**2,479**	**2,638**	**2,679**	**2,617**
Government Car & Despatch Agency[7]	FTE	298	298	297	296	295	293	315	350	350
	Overtime	–	–	–	–	–	–	–	–	–
	Casuals	–	–	–	–	–	–	–	–	–
	Total	**298**	**298**	**297**	**296**	**295**	**293**	**315**	**350**	**350**
Department Total		**15,305**	**16,819**	**17,296**	**18,265**	**18,321**	**18,216**	**18,545**	**18,696**	**18,492**

Table A6: **Staff numbers** *continued*

		2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Planned	2010-11 Planned
Office of Rail Regulation[8]	FTE	120	124	139	141	371	360	357	307	305
	Overtime	1	1	1	1	–	–	–	–	
	Casuals	–	1	1	–	1	1	–	–	
	Total	**121**	**126**	**141**	**142**	**372**	**361**	**357**	**307**	**305**

Notes:

Staff numbers are expressed as full-time equivalents (FTEs), so two part-time staff each working 50 per cent of conditioned hours will count as one FTE. They are the number of FTE at the end of the financial year to which they relate, so 2004-05 figures are at 31 March 2005. Figures for overtime are not included in the data collected by the Office of National Statistics on Civil Service numbers.

1 The equivalent of 212 posts was transferred into the central Department in 2005-06 when it took on the responsibilities of the Strategic Rail Authority. Figures for 2005-06 and 2006-07 include additional front-line posts and are due to the establishment of the Rail Accident Investigation Branch and strengthening of the Transport Security Directorate.

2 DVLA hosts the DfT Shared Service Centre (SSC). The 2006-07 figures include 270 FTE working for the SSC. This rises to approximately 350 FTE in the period covered by the table. Planned workforce reductions of approximately 100 FTE each year will help offset this.

3 2010-11 figure is included unchanged from 2009-10 as not available at time of publication.

4 HA anticipates that the FTE gains due to greater investment in the network and managed motorways will be offset by continuing efficiency savings in administration roles.

5 VCA headcount figures for 2005-06 onwards have been updated to comply with Office of National Statistics headcount definition.

6 On 1 April 2003 the Vehicle Inspectorate (VI) and the Traffic Area Network combined to become VOSA. Figures for 2002-03 are for VI. Headcount increase 2008-09 represents 127 FTEs to target high-risk traffic.

7 GCDA became an agency of DfT in November 2005.

8 ORR's headcount increase between 2005-06 and 2006-07 was due to a merger with HSE Rail on 1 April 2006.

Tables 7, 8 and 9 Regional spending

Tables A7, A8 and A9 show the Department's expenditure, analysed according to the country or region of the UK for whose benefit the expenditure has been incurred. They are consistent with the country and regional analyses published by HM Treasury in the Public Expenditure Statistical Analyses 2008 (PESA). PESA contains more tables analysed by country and region, and also explains how the analysis was collected and the basis for allocating expenditure between countries and regions.

Table A7: Total spending country and region

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	214.0	189.5	211.0	306.2	303.8	325.8	342.1	308.0
North West	745.1	838.0	817.4	1,106.8	1,158.8	1,231.7	1,317.7	1,217.8
Yorkshire and The Humber	436.7	393.9	418.6	664.5	636.2	679.8	704.6	647.0
East Midlands	452.3	432.5	486.1	599.7	540.6	645.6	696.3	614.0
West Midlands	597.5	713.4	696.1	833.4	828.7	880.0	927.9	850.9
East	530.8	431.6	447.9	630.3	605.5	631.4	688.0	600.0
London	2,318.1	945.9	892.0	1,203.3	1,223.7	996.4	872.1	748.9
South East	1,353.1	1,346.9	1,305.4	1,638.1	1,589.4	1,512.5	1,523.6	1,292.3
South West	469.8	537.9	618.3	815.4	748.0	782.0	857.5	741.4
Total England	**7,117.4**	**5,829.6**	**5,892.8**	**7,797.6**	**7,634.5**	**7,685.1**	**7,929.7**	**7,020.3**
Scotland	252.5	280.6	245.9	156.1	142.8	146.9	126.4	106.2
Wales	138.6	172.8	161.4	138.4	136.0	133.9	121.1	102.2
Northern Ireland	22.2	18.9	17.2	19.9	20.0	28.7	28.3	28.9
Total UK identifiable expenditure	**7,530.7**	**6,301.8**	**6,317.2**	**8,112.0**	**7,933.2**	**7,994.5**	**8,205.6**	**7,257.5**
Outside UK	200.2	156.9	141.8	112.0	103.6	26.9	24.1	24.7
Total identifiable expenditure	**7,730.9**	**6,458.7**	**6,459.0**	**8,224.0**	**8,036.9**	**8,021.4**	**8,229.6**	**7,282.3**
Non-identifiable expenditure	134.4	176.5	177.3	175.6	181.4	618.5	966.4	826.5
Total expenditure on services	**7,865.3**	**6,635.2**	**6,636.3**	**8,399.6**	**8,218.2**	**8,639.9**	**9,196.1**	**8,108.7**

Table A8: Total spending per head by region and country

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	84	75	83	120	118	127	133	119
North West	110	123	120	162	169	178	190	175
Yorkshire and The Humber	87	78	82	129	123	130	133	121
East Midlands	106	101	112	137	123	145	155	135
West Midlands	112	134	130	155	154	162	170	155
East	97	78	81	112	107	110	119	103
London	315	128	120	160	162	131	113	97
South East	167	166	159	199	191	181	181	152
South West	94	107	122	159	144	150	163	139
Total England	**143**	**116**	**117**	**154**	**149**	**149**	**153**	**134**
Scotland	50	55	48	31	28	28	24	20
Wales	47	59	55	47	46	45	40	34
Northern Ireland	13	11	10	11	11	16	16	16
Total UK identifiable expenditure	**126**	**105**	**105**	**134**	**130**	**130**	**133**	**116**

Table A9: **Department for Transport's identifiable expenditure on services by function, country and region**

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	£'s Millions Totals
Transport General public services																		
General services	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	-0.5	0.0	0.0	0.0	-0.5	0.0	-0.5	0.0	-0.5
Total general public services	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.5**	**0.0**	**0.0**	**-0.5**	**0.0**	**0.0**	**0.0**	**-0.5**	**0.0**	**-0.5**	**0.0**	**-0.5**
Defence																		
Civil defence	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.5	0.2	0.2	0.2	2.0	0.0	2.0	0.0	2.0
Total Defence	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**1.5**	**0.2**	**0.2**	**0.2**	**2.0**	**0.0**	**2.0**	**0.0**	**2.0**
Public order and safety																		
Police services	6.3	20.8	12.8	8.8	14.4	13.7	35.0	40.2	12.9	165.0	7.2	6.3	0.0	178.5	0.0	178.5	0.0	178.5
Total Public order and safety	**6.3**	**20.8**	**12.8**	**8.8**	**14.4**	**13.7**	**35.0**	**40.2**	**12.9**	**165.0**	**7.2**	**6.3**	**0.0**	**178.5**	**0.0**	**178.5**	**0.0**	**178.5**
Economic affairs																		
Transport	295.8	1,135.4	621.3	529.9	812.0	589.7	1,183.8	1,546.2	732.9	7,447.0	133.8	128.1	18.5	7,727.4	103.6	7,830.9	169.6	8,000.5
of which: national roads	*114.5*	*388.3*	*154.5*	*311.0*	*339.1*	*334.2*	*37.0*	*465.3*	*419.4*	*2,563.4*	*22.8*	*13.9*	*12.6*	*2,612.7*	*0.1*	*2,612.8*	*0.0*	*2,612.8*
of which: local public transport	*26.7*	*66.4*	*48.2*	*28.0*	*41.5*	*34.7*	*191.3*	*49.6*	*33.5*	*519.7*	*0.2*	*0.1*	*0.1*	*520.1*	*1.9*	*522.0*	*0.0*	*522.0*
of which: railway	*138.6*	*633.6*	*390.2*	*166.3*	*396.5*	*194.5*	*867.8*	*974.0*	*248.0*	*4,009.3*	*99.8*	*103.9*	*0.4*	*4,213.4*	*101.1*	*4,314.5*	*0.0*	*4,314.5*
of which: other transport	*16.0*	*47.1*	*28.4*	*24.7*	*35.0*	*26.3*	*87.8*	*57.3*	*32.2*	*0.0*	*11.0*	*10.2*	*5.4*	*0.0*	*0.5*	*0.0*	*169.6*	*0.0*
R&D Economic affairs	1.5	2.4	1.9	1.8	2.1	1.9	5.2	2.8	2.0	21.4	1.6	1.5	1.3	25.8	0.0	25.8	11.8	37.6
Total economic affairs	**297.2**	**1,137.8**	**623.2**	**531.6**	**814.1**	**591.6**	**1,189.0**	**1,549.0**	**734.9**	**7,468.4**	**135.4**	**129.5**	**19.8**	**7,753.1**	**103.6**	**7,856.7**	**181.4**	**8,038.1**
Total Transport	**303.7**	**1,158.8**	**636.2**	**540.6**	**828.7**	**605.5**	**1,223.7**	**1,589.3**	**748.0**	**7,634.4**	**142.8**	**136.0**	**19.9**	**7,933.1**	**103.6**	**8,036.7**	**181.4**	**8,218.2**

A

Regional DR tables – footnotes/explanatory text

1 **Tables 7, 8 and 9** show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2009. The figures were taken from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

2 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

3 TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2009.

4 The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

5 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6 The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter 9 of PESA 2009. These are not the same as the strategic priorities shown elsewhere in the report.

7 The CRA guidance stipulates that expenditure should be allocated to regions according to 'who benefits' ('for' basis), rather than the region where the money is spent ('in' basis). The allocation of transport net expenditure to regions on a 'who benefits' basis is difficult conceptually and in practice. The principle used is that those who benefit are the people travelling on the transport network. For most local transport, eg buses, it is reasonable to assume that those using the service are from within the region where it operates. For the inter-urban networks this is not the case and information on the origins and destinations of travellers is required. Rail accounts for about 60 per cent of DfT expenditure and almost all of this is allocated on a 'who benefits' basis, possibly with a small bias. However, Highways Agency expenditure which covers motorways and trunk roads, accounts for about 30 per cent of expenditure is allocated on an 'in' basis.

Appendix B

Recruitment and public appointment tables

Table B1: Recruitment statistics for the DfT(C) – 1 April 2008-31 March 2009

Grade	Non-civil servants	Fixed-term appointments	Permanent	Casual[1]	Females	Ethnic minority	Disabled
Pay band 1	4	0	0	0	3	0	0
Pay band 2	0	3	2	0	3	0	0
Pay band 3	2	6	10	5	12	0	0
Pay band 4	3	13	44	2	27	2	4
Pay band 5	0	2	16	0	8	0	0
Pay band 6	0	1	28	0	6	1	0
Pay band 7	0	0	1	1	1	0	0
SCS[2]	0	2	3	0	3	0	0
Others[3]	11	0	0	0	3	0	0
Totals	**20**	**27**	**104**	**8**	**66**	**3**	**4**

Notes:
1 Short-term FTAs not recruited through open and fair competition
2 Senior civil servants
3 Recruits classified as non-civil servants and fee-paid personnel

Table B2: Exceptions to the recruitment code for DfT(C)

Category	
Casual appointment extended over 12 months	3
Recurrent short-term appointments	0
Short-term appointments where highly specialised skills requested	0
Conversion of short-term appointments to permanency (or extension beyond publicised period)	0
Inward secondments[1]	20
Outward secondments[2]	46
Extension to secondments	5
Re-appointments of former civil servants	0
Transfers of staff with work	0
Transfers of staff from other public services without work	0
Surplus acceptable staff	0
Disabled candidates	0
Exceptions reserved for the Commissioners	0

Notes:
1 This figure includes:
- five inward secondees who joined the Department prior to April 2008 and are still in the Department;
- seven inward secondees who joined the Department after April 2008 but left before February 2009; and
- five inward secondees who joined before April 2008 but left before February 2009.

2 This figure includes:
- 18 members of staff who went out on secondment before April 2008 and are still away from the Department;
- two members of staff who went out on secondment after April 2008 and have now returned to the Department, and
- nine members of staff who went out on secondment before April 2007 and have now returned.

There are 53 members of staff out on loan, 29 of whom went out on loan before April 2008 and are still on loan to other government departments.

Table B3: Distribution of senior civil service salaries within the Department

£	Staff numbers	£	Staff numbers
£55,000-£59,999	9	£120,000-£124,999	8
£60,000-£64,999	20	£125,000-£129,999	3
£65,000-£69,999	26	£130,000-£134,999	1
£70,000-£74,999	23	£135,000-£139,999	3
£75,000-£79,999	26	£140,000-£144,999	1
£80,000-£84,999	21	£145,000-£149,999	3
£85,000-£89,999	11	£150,000-£154,999	2
£90,000-£94,999	7	£155,000-£159,999	0
£95,000-£99,999	10	£160,000-£164,999	0
£100,000-£104,999	9	£165,000-£169,999	0
£105,000-£109,999	7	£170,000-£174,999	0
£110,000-£114,999	5	£175,000-£175,999	2
£115,000-£119,999	0	£190,000-£194,999	1

Note:

Information is for senior civil servants in the Department and its agencies and includes those on fixed-term contracts. Salary is the basic annual salary effective from 1 April 2008 and excludes bonuses.

Table B4: Public appointments

Public body appointee	Position	Period of appointment	Remuneration per annum (actual)	Time input
British Transport Police Authority				
Millie Banerjee	Chairman	1/12/2008-31/11/2012	£33,000	60 days per year
Michael Holden	Member	1/7/2008-30/6/2012	£15,000	30 days per year
James King	Member	1/7/2008-30/6/2012	£15,000	30 days per year
Colin Foxall	Member	4/1/2009-3/1/2013	£15,000	30 days per year
Wendy Towers	Member	1/7/2008-30/6/2012	£15,000	30 days per year
Ron Culley	Member	1/6/2008-31/5/2012	£15,000	30 days per year
Civil Aviation Authority				
Capt David Chapman	Member	14/11/2008-13/11/2012	£175,000	Full-time
Mark Swan	Member	1/3/2009-28/2/2013	£150,000	Full-time
Commission for Integrated Transport				
Peter Hendy[1]	Chair	1/7/2008-30/6/2011	£5,431	5 days per month
Helen Holland	Member	1/10/2008-30/9/2011	£5,431	2 days per month
Shona Johnstone	Member	1/10/2008-30/9/2011	£5,431	2 days per month
Roger Jones	Member	1/10/2008-30/9/2011	£5,431	2 days per month
Neil Scales	Member	1/10/2008-30/9/2011	£5,431	2 days per month

Table B4: **Public appointments** *continued*

Public body appointee	Position	Period of appointment	Remuneration per annum (actual)	Time input
Cycling England				
Phillip Darnton	Chair	1/4/2008-31/3/2011	£50,000	up to 4 days per week
Malcolm Shepherd	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Dr Alison Hill	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Lynn Sloman	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Peter King	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Kevin Mayne	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Christian Wolmar	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Dave Merrit	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Chris Spencer	Member	1/9/2008-31/3/2011	Expenses only	up to 10 days per year
Office of Rail Regulation				
Bill Emery[2]	Member	19/9/2008 – 18/9/2010	Unremunerated	Not specified
Ian Prosser[3]	Member	26/9/2008 – 25/9/2013	Unremunerated	Not specified
Passenger Focus				
Marc Seale	Member	24/7/2008-23/7/2010	£16,090	6 days per month
Phil Davis	Member	24/7/2008-23/7/2010	£16,090	6 days per month
Christine Knights	Member	24/7/2008-23/7/2011	£16,090	6 days per month
Derek Langslow	Member	24/7/2008-23/7/2011	£16,090	6 days per month
David Burton	Member	24/7/2008-23/7/2012	£16,090	6 days per month
Rail Heritage Committee				
Lord Richard Faulkner	Chairman	21/11/2008-5/6/2009	Expenses only	Not fixed
David Brown	Member	21/11/2008-20/11/2011	Expenses only	Not fixed
Gareth Jones	Member	21/11/2008-20/11/2011	Expenses only	Not fixed
Jonathan Pepler	Member	21/11/2008-20/11/2011	Expenses only	Not fixed

B

Table B4: **Public appointments** *continued*

Public body appointee	Position	Period of appointment	Remuneration per annum (actual)	Time input
Renewable Fuels Agency				
Prof Ed Gallagher	Chair	1/11/2007-1/11/2010	£500 daily	5 days per month
Gareth Llewellyn	Board Member	5/11/2007-4/11/2010	£375 per two days	2 days per month
Brian White	Board Member	5/11/2007-4/11/2010	£375 per two days	2 days per month
Dr Paul Jefferiss	Board Member	5/11/2007-4/11/2010	£375 per two days	2 days per month
Greg Archer	Board Member	5/11/2007-4/11/2010	£375 per two days	2 days per month
Traffic Commissioners				
Philip Brown	Statutory Senior Traffic Commissioner	3-year term as SSTC (in addition to permanent appointment as TC)	Non-pensionable allowance of £25,000 (in addition to the TC salary of £92,629)	Full-time
Richard Turfitt	Eastern traffic commissioner	Permanent	£92,629	Full-time
Miles Dorrington	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Anthony Secular	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day; £57.03 hourly rate	2-3 days per month
James Astle	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Simon Evans	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Marcia Davis	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Gillian Ekins	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
John Baker	Deputy traffic commissioner	1/6/2008-31/5/2011	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Lester Maddrell	Deputy traffic commissioner	19/2/2009-18/2/2010	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month
Christopher Seymour	Deputy traffic commissioner	19/2/2009-18/2/2010	£422 daily, £211 half-day, £57.03 hourly rate	2-3 days per month

Notes:

1 Peter Hendy has chosen to take the same remuneration as members. The normal remuneration for the Chair is £30,000.

2 Bill Emery is also appointed by the ORR as Chief Executive, which is a remunerated post.

3 Ian Prosser is also appointed by the ORR as Director of Rail Safety, which is a remunerated post.

Appendix C

Sponsorship

Table C1: Companies lending support to the Department's publicity activity in fiscal year 2008-09

The MCA has received the following cash sponsorship:

Partners	Activity
Belfast Harbour	£395 towards cost of MCA National Conference
CHC	£4,500 towards cost of MCA National Conference
Klyne Tugs	£2,000 towards cost of MCA National Conference
Sikorsky	£1,600 towards cost of MCA National Conference
Stena	£395 towards cost of MCA National Conference
Zodiac	£3,000 towards the UK Ships Register Annual Receptions

We have also received 'in kind' support from a range of organisations, which have linked with our publicity campaigns as part of their 'corporate social responsibility' objectives. We are grateful for this support but have not put a cash value on it. See the following tables.

Table C2: Partner support for THINK! road safety campaign

Child road safety partner	Child road safety activity
3M (manufacturers of diverse products, eg reflective clothing)	High visibility jackets to schools and educational website Streetwise
BrightKidz (produce high – visibility items for kids)	High visibility back packs as prize funds for Tales of the Road website and Fun Radio competitions
Entertainment Rights	Messaging on parent section of Finley the Fire Engine website, Rupert Bear activity leaflets given out during their road show and prize funds supplied for Fun Radio competition
Fun Kids (UK's first dedicated children's radio station)	Recording road and cycling safety messages and stories to air for children and parents, hosting competition and illustrated story online
Halfords (bicycle retailer)	Hosted RSO activity for cycling safety, supply bikes, helmets and vouchers as prize funds
JBI (shoe manufacturers)	Supporting THINK! messaging on Traffic children's reflective shoe boxes, inserts and tags
Jetix	Featured road safety competition on Holiday Inn activity sheets
Jumicar	Distributed road safety collateral
Nationwide (UK bank and building society)	Supplying reflectors to schools, as part of their cats' eyes scheme and an online education resource
Pedalite	Supplied pedalite pedals for prize funds for Fun Radio cycling competition

Table C2: **Partner support for THINK! road safety campaign**	
Scanglo	Supplied THINK! reflectors as giveaways
Texaco (Petrol retailer)	Hector stories, DVDs, points-of-sale in petrol stations and a Hector tour to schools
Drink Drive partner	**Drink Drive activity**
Admiral Taverns (pubs)	Distributed posters to their pubs
Arkell's (tenanted pub company)	Distributed posters to their pubs
Aston Villa Football Club	Displayed posters in stadium
Bacardi Ltd	Included campaign messaging in leaflet at Grand Prix in their Drink Drive campaign
Bath Rugby Club	Displayed posters in stadium
Bavaria (alcohol brand)	Included campaign messaging on in-store points-of-sale in Morrisons
Black Sheep Bars	Distributed posters to their pubs
Bold Embrack Transport Company	Put up posters
Bradford Bulls	Displayed posters in stadium
British Beer and Pub Association	Endorsed the campaign and promoted it to their members
Carlsberg (alcohol brand)	Sent posters to football clubs they sponsor, as well as specific posters to display in Wembley stadium
Charles Wells (pubs)	Distributed posters to their pubs
Coca Cola	Designated Driver point-of-sale campaign across over 1,700 pubs
Crystal Palace Football Club	Sent posters to display in their stadium
Enterprise Inns (tenanted pub company)	Encouraged their tenants to take part by communicating through a brochure sent to pubs and hosting a page on their collateral site to take orders
Everards (pubs)	Distributed posters in their pubs
Frederick Robinsons (pubs)	Distributed posters to their pubs
Griffin Brewery	Distributed posters to their pubs
Hull City Football Club	Displayed posters in stadium
Hull Kingston Rovers	Displayed posters in stadium
JJB stadium	Displayed posters in stadium
JW Lees & Co	Distributed posters to their pubs
Marstons (pubs)	Distributed posters to their pubs
Mitchells & Butler	Distributed posters to their pubs
Norwich City Football Club	Displayed posters in stadium
Punch Taverns (tenanted pub company)	Distributed posters to their pubs

Table C2: **Partner support for THINK! road safety campaign**

Scoot (innovative taxi-type service that drives you and your car home – based in Edinburgh)	Distributed our posters across Edinburgh
ScooterMAN (innovative taxi-type service that drives you and your car home)	Distributed our posters across London to their affiliated pubs
Scottish & Newcastle (pubs)	Distributed posters in their pubs
Shepherd Neame (tenanted pub company)	Distributed posters to their pubs
Spar (convenience stores)	Produced bespoke shelf barkers for stores, asking customers to remember soft drinks for drivers
Southampton Football Club	Displayed posters in stadium
Table Table	Distributed posters to their pubs
The British Institute of Innkeepers	Inserted posters in monthly magazine to pubs
The Drink Aware Trust	Included logo on generic poster
The Morning Advertiser (trade press)	Promoted Drink Drive posters and the number to order them in magazine and online.
The Passionate Pub Company	Distributed posters to their pubs
The Publican (trade press)	Promoted Drink Drive posters and the number to order them in magazine and online
W H Brakspear (pubs)	Distributed posters to their pubs
Wadworth	Distributed posters to their pubs
Wolverhampton Wanderers	Displayed posters in stadium
Worcester Rugby Club	Displayed posters in stadium
Youngs (tenanted pub company)	Distributed posters to their pubs

Driving for Work partner	Driving for Work activity
Budget (hire car)	Display of campaign posters and online content
Costcutter (convenience store)	Display of campaign posters
easyCar (hire car)	Online content
First Motorway (MSA operator)	Posters displayed
Little Chef (roadside restaurant)	Coffee promotion
Loot (classified magazine)	Free press ad space provided
M6 toll	Display of campaign posters
Michelin	Campaign messaging in map books
Moto (service station)	Web messaging, posters, plasma screens and car park banners
Philips Maps	Online content and campaign messaging in map books

Table C2: **Partner support for THINK! road safety campaign**	
RAC	Messaging in e-letter, online article and banner
Road Chef (motorway service station)	Coffee promotion
Spar	Display of campaign posters

Motorcycling partner	Motorcycling activity
B&C Express (motorcycle parts)	Content online
Bike Devil	Content online
British Motorcycle Federation (BMF)	Provided voucher for leaflet and inserted into their member magazine
BMW (motorcycle manufacturer)	Sent posters to dealerships
British School of Motoring (BSM)	Provided voucher for leaflet, distributed in lesson centres and displayed posters
Cafés and meeting points	Sent leaflets to the following cafes: Ace Café, Big D's Biker Café, Fox's Diner – Dorchester, Hartside Top Café – Alston, Hope & Anchor – South Ferriby, MFN Club – Nottingham, Oakdene Café, Oasis Snack Bar – Abergavenny, Penny Garth Café – Hawes, Red Lion – Avebury, Squires Café, The Beeswing – Kettering, The Carlisle – Hastings, The Flying Horse – Clophill, The Lord Derby – Odiham, The Plough – Great Bentley, The Six Bells – Chiddingly, The Victoria Coalville, The Waterman – Hatton
Devitt (insurance)	Provided voucher for leaflet and inserted in mail outs to potential customers/renewals
Feridax (clothing)	Sent posters to dealerships
Frank Thomas (clothing and accessories)	Sent posters and leaflets to dealerships
Hein Gericke (retailers)	Sent posters and leaflets to dealerships
Infinity (retailer)	Sent posters to dealerships
Knox (body armour)	Provided voucher for leaflet, distributed in retailers and displayed posters
KTM (sports and off-road motorcycles)	Posters distributed to dealerships and content online
Motorcycle Action Group (MAG)	Posters distributed to members and web content live on all their sites
Metzeler (tyres)	Provided voucher for leaflet, distributed in retailers and displayed posters
Motorbike Search Engine	Content online
Motorbike Riding	Content online
Owners' Clubs	Honda Owners' Club, Suzuki Owners' Club and BMW Owners' Club inserted leaflets in customer magazines
Peugeot Scooters	Sent posters and leaflets to dealerships.

Table C2: Partner support for THINK! road safety campaign

Phoenix/Arai Helmet	Provided voucher for leaflet, distributed in retailers and displayed posters
Sachs (light-weight scooters)	Sent posters and leaflets to dealerships
Tracks/Circuits	Sent leaflets to the following tracks: Donington Park, Hottrax, Motorsport Vision

Seat Belts partner	Seat Belt activity
Avis (hire Car)	Distributed flyers, uploaded content to blog and in monthly newsletter
Budget (hire car)	Distributed flyers
Centrica	Inserted content into internal health and safety training
CEVA	Put up posters in fleet pick-up points
Clear Channel UK	Put up posters in fleet pick-up points
DHL	Put up posters in fleet pick-up points
easyCar	Created a bespoke landing page and included content in newsletter
Enterprise Rent-A-Car	Put up posters in rental offices and distributed flyers
Gist	Put up posters in fleet pick-up points
Iceland	Put up posters in fleet pick-up points
John Menzies	Put up posters in fleet pick-up points
Nestle	Put up posters in fleet pick-up points
Sixt brand	Put up posters in rental offices and distributed flyers
Tesco.com	Put up posters in rental offices and distributed flyers and included advice in internal training
Total	Inserted content in monthly newsletter
Wincanton	Put up posters in rental offices and distributed flyers

Table C3: Partner Support for ACT ON CO_2 campaign

ACT ON CO_2 partner	ACT ON CO_2 activity
Ford (car manufacturer)	Distributed ACT ON CO_2 tax disc holders at their summer Smarter Driving events
Renault (car manufacturer)	Produced a leaflet promoting general environmental tips and Smarter Driving messaging; distributed to customers via dealerships, events and enquiries; included Smarter Driving and Car Purchasing tips on their website
Total (petrol retailer)	Ran a national point-of-sale campaign to communicate all the Smarter Driving tips across their UK forecourts; included ACT ON CO_2 Smarter Driving messaging on pump nozzle tags across their forecourts later in the year
Pirelli (tyre manufacturer)	Included content on their website supporting the Smarter Driving message and included a Car Purchasing article in their customer magazine

C

Table C3: **Partner Support for ACT ON CO_2 campaign**	
Michelin (tyre manufacturer)	Promoted the ACT ON CO_2 campaign tyre messages via their Fill Up With Air, free tyre inflation roadshow; distributed tax disc holders and displayed ACT ON CO_2 tyres posters; supported ACT ON CO_2 via their Tyre Care leaflet distributed to their customers and via their commercial partners
Easycar (car hire services)	Produced a dedicated Smarter Driving tips microsite for customers
Vauxhall (car manufacturer)	Included the Smarter Driving tips in an article in V magazine; included links to the ACT ON CO_2 website on their diesel and GM microsites; incorporated the Smarter Driving tips in all their car brochures and pricing guides; displayed posters in their dealerships; communicated their support of ACT ON CO_2 in their Fleet Manager notebook
BP (petrol retailer)	Included Smarter Driving tips on the plasma screens in a select number of forecourts; supported ACT ON CO_2 at their Drive Greener, Save Money events; distributed tax disc holders and leaflets, displayed posters and involved ESTac representatives to educate participants on the Smarter Driving messages
Arnold Clark (car dealer)	Incorporated ACT ON CO_2 messaging in their Driver Help Guides
UK Aware (event)	Sited posters at their UK Aware event
M6 toll	Displayed posters at their toll booths on the M6
Motability (scheme to help people use their government-funded mobility allowance)	Included Smarter Driving and Car Purchasing messaging across their website and range of consumer publications
Lloyds TSB Autolease (company car leasing)	Included links to the What Car? rankings from the car selection page of their website; included a link to the ACT ON CO_2 website from the useful links section of their site; also distributed tax disc holders at environmental workshop
National Tyres and Autocare (car maintenance)	Distributed the ACT ON CO_2 posters and tax disc holders throughout their network of locations
Halfords (car retail)	Included ACT ON CO_2 Smarter Driving information on shelf headers and barkers around their in-store tyre inflation equipment; also included this information within their catalogue
Asda (petrol retailer)	Included Smarter Driving messaging on the pump top crowners throughout all their forecourts
Whizz Go (car club)	Included Smarter Driving content and links to the ACT ON CO_2 website on a number of pages of their website
Avis (car hire)	Included a Smarter Driving tips article within the pages of their blog

Table C3: **Partner Support for ACT ON CO_2 campaign**

Forte (network of independent petrol retailers)	Included Smarter Driving content within a leaflet for distribution throughout their network of independent fuel retailers; included Smarter Driving content on their website
Foxy Lady Drivers Club (membership club)	Included Smarter Driving and Car Purchasing tips on their website
Tesco (petrol retailer)	Distributed tax disc holders and displayed ACT ON CO_2 posters at their internal environment days
LVG – ADI News (driving instructor training)	Included article in their magazine educating driving instructors about the importance of passing on Smarter Driving and Car Purchasing messages to their students; displayed posters at their instructor colleges
Car Quake (car dealer)	Included Car Purchasing web banners on their site
Tiscali (search engine)	Included Car Purchasing tips on their website

Table C4: **Support for Driving Standards Agency (DSA)**

DSA partners	DSA activity
Enhanced Rider Scheme	
Clients	**No of leaflets distributed to them**
MCE Insurance	100,000
Carole Nash	10,000
E Group	40,000
CIA Insurance Services	10,000
Lexham Insurance	50,000
Bikesure	10,000
Motorcycle Direct	70,000
Swinton Insurance	40,000
44 Hein Gericke outlets	Enhanced Rider Scheme leaflet display
Associations of National Driver Improvement Providers	Enhanced Rider Scheme leaflet distribution to councils: Avon and Somerset, Devon, East Yorkshire, Gloucestershire, Greater Manchester, Kent, Leicestershire, Norfolk, Staffordshire, Suffolk, West Yorkshire
Motorcycle Dealers: Jones & Alcock Ltd, Safestart, Gam Motorcycles, John Harriman, Motorsavers, Cruise UK	Enhanced Rider Scheme leaflet display
Other sponsorship	
Truck Stop Services	Series of five road shows at truck stops across the country promoting Driver Certificate of Professional Competence

Table C5: **Support for the Highways Agency**

Highways Agency partner	Highways Agency activity
Phillips Maps	Included article and images on news section of website
A-Z (maps)	Included article on website
Kwik Fit	Displayed co-branded strut card on sales counters of outlets
National Tyres and Autocare	Posters displayed and leaflets distributed in outlets
Bosch Car Service	Posters displayed in outlets
Budget Rental Car	Posters displayed in outlets
Moto (motorway service area operator)	Included campaign logo on web homepage linked to page including article
First Motorway (motorway service area operator)	Posters displayed and leaflets distributed at motorway service areas
Caravan Club	Included campaign article in issue of members magazine
Cool Camping	Included campaign messages placed on website
Enjoy England	Displayed posters and distributed leaflets at tourist information centres
Eurotunnel	Included campaign article on webpage and distributed leaflets to customers
Spar	Displayed posters at forecourt sites
Capital Shopping Centres	Displayed posters at shopping centres
Avis	Included campaign messaging in blog on website
DHL	Displayed posters and distributed leaflets at their distribution sites
M6 Toll	Displayed posters at their toll booths
Bluewater Shopping Centre	Distributed leaflets at their shopping centre

Appendix D

Departmental Strategic Objectives and Public Service Agreement targets

CSR07: Departmental Strategic Objectives

The Department's wider transport aims for the CSR period are reflected in its five Strategic Objectives. Each of these is underpinned by key performance indicators that are used to measure progress and success and these are set out below.

DSO 1: To support national economic competitiveness and growth, by delivering reliable and efficient transport networks

Overall summary

Strong progress

Four indicators show improvement. One has not yet been assessed.

Indicator 1

By 2010-11 minimise increases in journey time into the ten largest urban areas in the morning peak time, accommodating an average increase in travel of 4.4 per cent within an average increase of 3.6 per cent in person journey times per mile

Improvement

On the urban congestion indicator, the performance data for 2007-08 shows an improvement in person journey times. This is likely, in part, to be a consequence of the fall in traffic volumes but also the interventions implemented by the local authorities on the target routes.

Indicator 2

Over the three years to 31 March 2011 achieve 1.7 million vehicle hour delay savings from new interventions on the strategic road network implemented over the same period

Improvement

The 31 interventions in the Highways Agency's 2008-09 Reliability Delivery Plan were achieved by the end of March 2009 and a plan of new and updated interventions has been developed for 2009-10. By the end of March 2009 the Plan delivered savings of 3.8 seconds per vehicle per 10 miles, a total annual saving of over 0.6 million hours of delay across the network. Based on these results and delivery projections for 2009-10 and 2010-11, the target of 1.7 million hours vehicle delay savings is on track to be achieved.

Indicator 3

By 2013-14 increase rail capacity to accommodate an expected increase of 14.5 per cent in rail passenger kilometres from 2008-09 while achieving the train load factors specified in the Government's High Level Output Specification (HLOS) for the railway

Improvement

The level of capacity and crowding on the rail network was assessed in the 2007 white paper. Since Control Period 4 started, two HLOS interventions have been contracted. All other HLOS interventions are being progressed by the Department. This objective is largely covered by our CSR07 PSA reported on later in the appendix.

Indicator 4

Over the CSR07 period maintain the same proportion of spend in the High Value for Money category as achieved over the SR04 period

Not yet assessed

There is no national target for this indicator. However, the Department's aim is to maintain the same proportion of spend in the High Value for Money category as achieved over the SR04 period. Success will be judged over the three-year CSR period. It cannot be assessed, therefore, until the end of the Spending Review period (after March 2011). However, progress to date is on track for an improvement. In 2008-09, 99 per cent of approved spending was in the High Value for Money category, compared with the average in SR04 of 95 per cent.

Indicator 5

By March 2014 achieve reliability on the railway as measured by the Public Performance Measure Moving Annual Average (PPM MAA) of 92.6 per cent

Improvement

Rail Performance is now at its highest level. Rail reliability in all sectors has continued to improve, achieving the March 2009 target of 90.6 per cent PPM MAA. This target was achieved despite a 0.3 point depression of PPM MAA caused by the snow at the beginning of February 2009. The industry continues to work closely together to secure further performance improvement as we enter the start of the next control period (Control Period 4: April 2009-March 2014). However, it is too early in the target period to make an evidenced assessment of progress.

DSO 2: To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change

Overall summary

Strong progress

All indicators show improvement.

Indicator 1

Develop a carbon reduction strategy for transport

Improvement

The Department published its interim *Carbon Pathways Analysis* in July 2008. In line with the requirements of the Climate Change Act, the Department will publish a Carbon Reduction Strategy for Transport in summer 2009 as part of a suite of government documents. The Strategy will identify potential emissions reduction pathways, looking at the full range of options for putting transport onto a less carbon-intensive path, including looking at reductions from different types of journeys and transport modes.

Indicator 2

Introduce successor arrangements to the Voluntary Agreements with car manufacturers on new car carbon dioxide

Improvement

On 6 April 2009 the EU adopted a New Car CO_2 Regulation. This Regulation sets EU-wide, sales-weighted CO_2 emission targets for manufacturers selling cars in Europe, as a successor to the Voluntary Agreements. The Regulation sets targets of 130g CO_2/km for 2012, with full compliance by 2015, and a long-term target of 95g CO_2/km by 2020. The UK was instrumental in lobbying for this long-term target for CO_2 reduction.

Indicator 3

Agree an improved EU Emissions Trading System for the post-2012 period that includes aviation

Improvement

On 24 October 2008 the Council of the European Union adopted a Directive to include aviation in the EU Emissions Trading System. This was published in the Official Journal of the European Union on 13 January 2009 and came into force on 2 February 2009.

The Secretary of State for Transport announced the appointment of the Environment Agency as regulator of the System in England and Wales on 4 March 2009. On the same day, a joint consultation was launched with DECC on proposals for the administration of the System from August onwards, with particular regard to the emissions and activity monitoring plans required of operators by 31 August 2009. This consultation closed on 14 May 2009. A second consultation on the proposals to administer the scheme, from January 2010 onwards, will be launched in summer 2009.

Indicator 4

Introduce the Renewable Transport Fuel Obligation – requiring five per cent of all UK fuel sold on UK forecourts to come from a renewable source by 2010

Improvement

The Renewable Transport Fuel Obligation (RTFO) has been in force since 1 April 2008 and the Renewable Fuels Agency (RFA) administers the scheme. Following concerns raised in the 2008 RFA-led Gallagher Review of the indirect impacts of biofuel production, the Department consulted on proposals to slow down the rate of increase of biofuel obligation levels.[50]

DSO 3: To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and promoting travel modes that are beneficial to health

Overall summary

Some progress

Two indicators show improvement. One indicator has not yet been assessed and another's progress remains classified information.

Indicator 1

Reduce the number of children killed or seriously injured by 50 per cent compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities

Improvement

In 2008 the number of children killed or seriously injured in accidents reported to the police had reduced by 59 per cent from the baseline and the target for child casualty reduction exceeded. Disadvantage has been measured by the percentage drop in total casualties in districts in the 88 Neighbourhood Renewal Fund (NRF) areas compared to the annual average for 1999-2001 which was to be greater than the overall percentage drop for England. This target was set for 2005 and was met. However, the Department continues to monitor this element.

50 The RTFO (Amendment) Order came into effect on 15 April 2009 and we now aim to reach a 5 per cent level in 2013-14 instead of 2010-11. The RTFO may have to be amended or replaced with an energy-based obligation, in order for the UK to successfully comply with the 10 per cent transport sub-target contained in the EU Renewable Energy Directive, which was adopted on 6 April 2009.

The percentage drop in reported child casualties in districts in the 88 NRF areas for 2008 compared to the annual average for 1999-2001 was greater than the overall percentage drop for England (casualties fell by 47 per cent and 45 per cent respectively).

This objective is covered in our SR04 PSA discussed later in this appendix.

Indicator 2

Reduce the overall number of people killed or seriously injured in Great Britain in road accidents by 40 per cent by 2010 compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities

Improvement

In 2008 the number of people killed or seriously injured in accidents reported to the police had reduced by 40 per cent from the baseline, meeting the target for the first time. Disadvantage has been measured by the percentage drop in total casualties in districts in the 88 NRF areas compared to the annual average for 1999-2001 which was to be greater than the overall percentage drop for England. This target was set for 2005 and was met. However, the Department continues to monitor this element. The percentage drop in total casualties in districts in the 88 NRF areas for 2008 compared to the annual average for 1999-2001 was greater than the overall percentage drop for England (casualties fell by 31 per cent and 28 per cent respectively).

This objective is covered in our SR04 PSA, discussed later in this appendix.

Indicator 3

Deliver Transport's contribution to PSA 26: Reduce the risk to the UK and its interests overseas from international terrorism

Performance against this indicator classified

The Department for Transport is delivering on its contribution to the PROTECT outcome of PSA 26. The indicator gives evidence of mitigating certain risks to transport services from terrorist incidents. In October 2008 and March 2009 respectively, we contributed to the first two of six semi-annual reports to the Prime Minister on PSA 26. PSA 26 will not be published as, by its nature, it contains information about the UK counter-terrorism effort that could potentially be useful to those who threaten the UK and its interests.

Indicator 4

Contribute to meeting the Air Quality Strategy objectives for eight air pollutants as illustrated by trends in measurements of two of the more important pollutants PM_{10} which affect public health: particulate matter and nitrogen dioxide (NO_2) (led by Defra)

Not yet assessed

Air quality continues to be good across 99 per cent of the UK. However, there are still specific areas of the country exceeding limit values for PM_{10} and NO_2. In April 2009 the Government applied to the EU to extend the deadline for meeting our targets on PM_{10} until 2011. A similar application for NO_2 is expected to be submitted in 2010, which would extend the deadline for meeting these limit values to 2015.

DSO 4: To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society

Overall summary

Not yet assessed

Two indicators show improvement and two are not yet assessed.

Indicator 1

Increase the number of stations re/accredited under the Secure Stations Scheme from 610 to 700 by March 2009

Improvement

There are currently 909 stations accredited under the Secure Stations Scheme. At the end of March 2009 there were 898 accredited stations, which was a 28 per cent increase on our business plan target of 700. Our current target for the end of March 2010 is to achieve 950 accredited stations.

Indicator 2

Ensure full compliance with Vehicle Accessibility Regulations for the bus fleet by 2017

Not yet assessed

Around 62 per cent of the bus fleet is currently accessible to disabled people. This number is increasing year on year, as the end dates for compliance become closer.

Indicator 3

Ensure full compliance with Vehicle Accessibility Regulations for the heavy rail fleet by 2020

Improvement

During 2008 the Department set down in law a requirement for all heavy rail vehicles (trains) to be accessible by 1 January 2020, and similar legislation for non-heavy rail (trams, Underground) is expected to come into force in 2009, following consultation. The Department is working closely with vehicle owners and operators to ensure that they understand what access improvements will be required by 2020, so that these can be programmed into maintenance schedules.

By the end of March 2009, there were almost 4,900 rail vehicles in service which met modern accessibility standards (including some 42 per cent of the heavy rail fleet). Almost all older rail vehicles have also featured improved accessibility when they have undergone refurbishment.

Indicator 4

Improve access to services and facilities by public transport, walking and cycling

Not yet assessed

All local authorities are working to improve access to services and facilities by public transport, walking and cycling. Fifty-four out of 152 local authorities have chosen to set targets against this objective in their local area agreement with central government. This makes it one of the most popular indicators from the National Indicator Set.

This objective is partially covered by our SR04 PSA on bus and light rail discussed later on in this appendix.

DSO 5: To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment

Overall summary

Not yet assessed

Two indicators have not yet been assessed. The third has not yet shown improvement.

Indicator 1

Meet critical milestones for relevant transport infrastructure delivery for the 2012 Olympics ensuring delivery stays within approved budgets

Not yet assessed

We are overseeing the delivery of a portfolio of projects and activities through the Department for Transport Olympics Programme Board, chaired at director level. We are using programme and project management techniques to monitor progress. All our infrastructure project commitments are currently on track for delivery to agreed milestones.

Indicator 2

Open High Speed One services at Stratford International in-line with agreed timetable

No improvement

Current indications are that Stratford International Station will be open to high-speed domestic services from the December 2009 timetable change. The critical item for station opening is the third-party provision of a temporary bus service between the international and the nearby regional station, pending completion of the DLR extension and permanent walking route. This interim scheme is necessary to satisfy a planning condition for the station to open.

Indicator 3

Ensure the rail industry produces Noise Action Plans, in accordance with the Environmental Noise Directive, and delivers in line with the agreed Plans

Not yet assessed

The Environmental Noise Directive (END) sets out a process for mapping and managing noise from transport and industrial sources. The first round of mapping, which has now been completed, required Member States to map noise in 23 major conurbations (agglomerations), airports and major roads and railways. For rail this required the modelling of noise on routes with more than 60,000 train movements per year and within agglomerations. The noise maps produced are available on Defra's website at noisemapping.defra.gov.uk

The Department is working with Defra and the rail industry to establish an action plan describing how rail noise will be managed. A draft action plan will be published for consultation by Defra in summer 2009. The current target is for the action plans to be adopted in 2010 and implemented thereafter.

Public Service Agreements

At the 2007 Comprehensive Spending Review (CSR07), HM Treasury agreed thirty Public Service Agreements (PSAs) with spending departments for the three years of the Review period. The Prime Minister's Delivery Unit (PMDU) monitors the PSAs.

CSR07 PSA5: Deliver reliable and efficient transport networks that support economic growth

Overall summary

Strong progress

Improvements have been reported on the two road congestion indicators and the rail capacity indicator. The fourth indicator (Value for Money) is not being assessed until the end of the CSR07 period.

Indicator 1: Journey time on main roads into urban areas

By 2010-11 the 10 largest urban areas in England will meet the congestion targets set in their local transport plans relating to movement on main roads into city centres. These are London, Manchester, West Midlands, West Yorkshire, South Yorkshire, Tyne and Wear, Merseyside, West of England (Bristol), Nottingham and Leicester. The target will be deemed to have been met if, on the target routes in these areas, an average increase in travel of 4.4 per cent is accommodated within an average increase of 3.6 per cent in person journey time per mile.

Improvement

Progress

The Department, together with National Statistics, published the latest performance data on 25 June 2009.[51] This included revised performance data up to the end of August 2008 for the urban congestion target.

This data showed that the average person journey time across all the target routes has fallen by 3.1 per cent between the baseline and 2007-08. This is against a trajectory which showed an expected increase in personal journey time of 1.7 per cent for this period. For illustration, this means that a typical 30-minute commute on target routes in the baseline period took 29 minutes and 4 seconds in 2007-08 whereas the trajectory anticipated that it would take 30 minutes and 31 seconds.

This performance is better than expected and may reflect the unexpected fall in traffic volumes. The average level of travel has fallen by 2.7 per cent across all the target routes since the baseline period, whereas an increase of 1.7 per cent by 2007-08 had been anticipated.

A trajectory for the PSA has been built from the individual targets for each of the 10 areas. The following chart shows the performance data for 2006-07 and 2007-08 against the national trajectories.

51 *Road Statistics 2008: Traffic, Speeds and Congestion*, SB (09) 18, 25 June 2009, www.dft.gov.uk/adobepdf/162469/221412/221546/224925/226956/261695/roadstats08tsc.pdf

Figure D1: **Urban congestion PSA indicator 5.1 – performance against trajectory**

* Baseline uses a mixture of 2004-05 and 2005-06 data

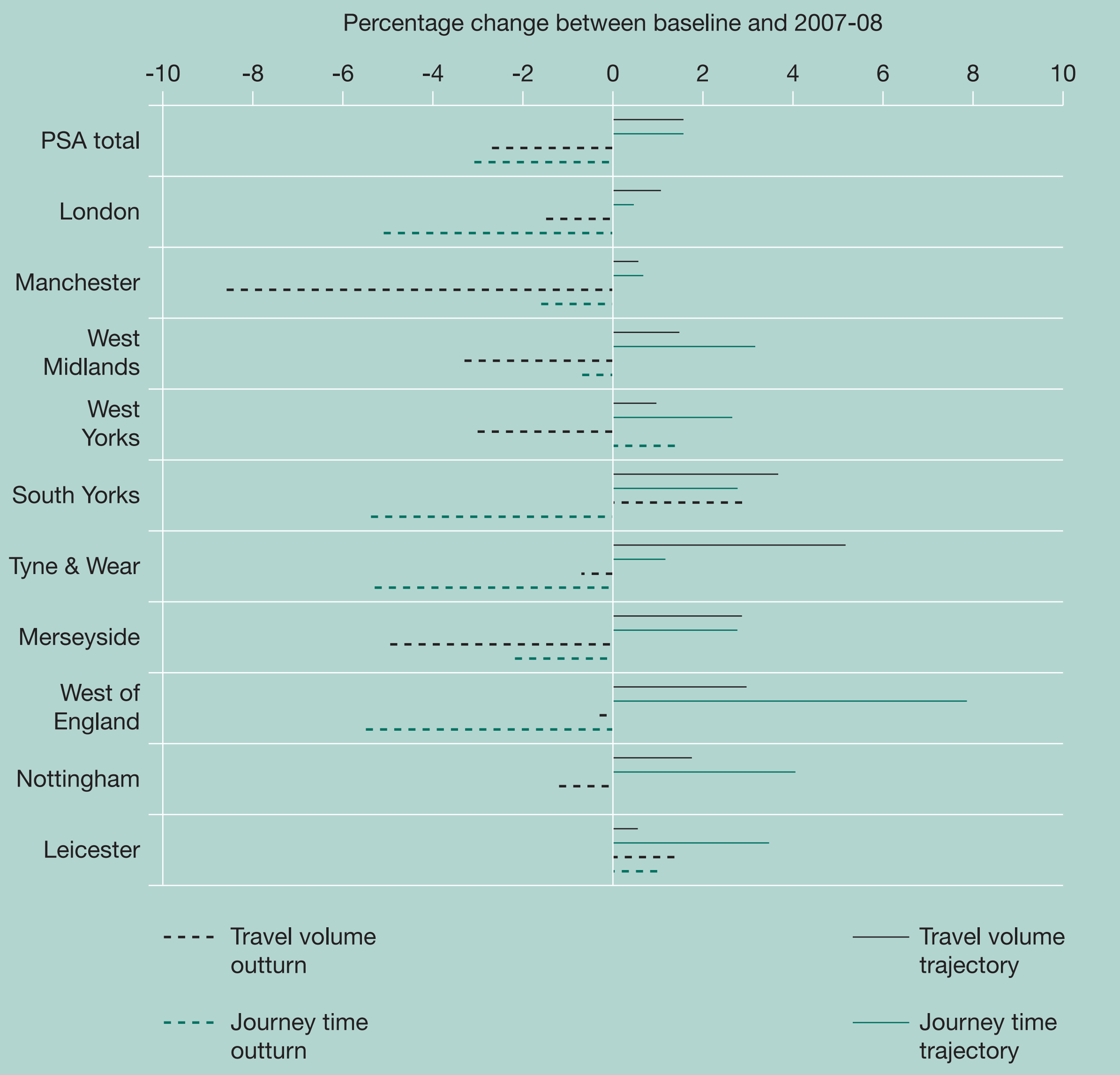
Progress across the 10 areas

Performance across the majority of the 10 urban areas followed the same pattern. Seven showed decreases in congestion, one showed no change and two had increases, as measured by person journey time. All were performing better than their predicted trajectories.

Similarly, eight areas showed a reduction in travel volume and two an increase, as measured by person miles. Only one area had an increase in travel volume greater than that anticipated in their predicted trajectory. It should be noted that percentage changes in individual areas less than two per cent are unlikely to be statistically significant, so may not be indicative of real changes in congestion.

Some of the changes in person journey time and travel volume were relatively large, which may indicate particular local circumstances – for example road works during the baseline period which have since been completed – or that the data show greater variability than expected. The following chart compares performance with the predicted trajectory for each of the ten urban areas individually, showing the percentage change between the baseline and 2007-08.

Figure D2: **Urban congestion, percentage change between baseline and 2007-08**



Performance indicator

More people are travelling in peak hours and with a largely fixed urban road network, the challenge for local authorities is to make best use of that capacity, for example, through traffic management and improvements in public transport. This will enable more people to travel without a significant rise in congestion and delays to their journeys.

Each of the 10 participating areas has agreed a person journey time target for 2010-11, against the predicted increase in travel volume, where journey time relates to the average journey time experienced by people rather than vehicles (see Figure D3). For example, a bus with 20 passengers will count 20 times within the target whereas a car with a single occupant will count only once. Travel volume is defined as person miles travelled on the target routes and is essentially traffic flow, adjusted to take account of vehicle occupancy.

Figure D3: **Urban congestion areas and targets**

Area	Local authorities	Percentage increase in travel	Percentage increase in journey time
London	–	3.0	1.5
Manchester	Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan	1.5	0.0
West Midlands	Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton	4.0	5.0
West Yorkshire	Bradford, Calderdale, Kirklees, Leeds, Wakefield	5.0	7.0
South Yorkshire	Barnsley, Doncaster, Rotherham, Sheffield	8.5	7.6
Tyne and Wear	Gateshead, Newcastle-upon-Tyne, North Tyneside, South Tyneside, Sunderland	12.1	7.0
Merseyside	Knowsley, Liverpool, Sefton, St Helens, Wirral	7.1	5.1
West of England	Bristol, Bath and North East Somerset, North Somerset, South Gloucestershire	7.0	14.0
Nottingham	Nottingham, Nottinghamshire	4.2	10.5
Leicester	Leicester, Leicestershire	1.5	6.25
PSA total		**4.4**	**3.6**

The local targets are based on key routes (excluding Highways Agency roads) across each area, providing a total of 166 within the national indicator. Journey times are calculated mainly for in-bound routes for the morning peak in school-term time. The baseline, against which the changes in personal journey time and travel are measured, uses a mixture of data mainly from 2004-05 and 2005-06.

Role of local authorities

The local authorities in the 10 areas are responsible for the delivery of their targets, which in turn comprise the national PSA target. The measures that local authorities are putting in place include:

- promoting alternatives to car use, for example seeking to expand use of public transport, working with major employers and schools to produce travel plans to lessen their impact during peak times, increased use of park and ride schemes, and measures to promote cycling and walking;
- better network management, for example in the form of improved technology for controlling urban traffic, allowing it to flow more freely, and measures to restrict parking on key routes;
- integrating transport, land use and parking policies;

- improved information to road users, for example through real-time bus information; and
- improvements to infrastructure, for example bus lanes or changes to junctions to improve traffic flow.

Delivery plans

All ten areas have produced a delivery plan which explains how they intend to meet their local targets and the options for exceeding them. The plans are used to manage performance against the target, and are adjusted as necessary in the light of actual performance and to reflect the financial incentives in place.

Role of the Department

While the delivery of the target is a matter for the urban areas, the Department provides support through four channels.

Guidance, challenge and support
The Department, working with colleagues in the Government Offices, supports the areas in delivering the targets and programmes set out in their delivery plans. This includes holding a series of workshops to support authorities in their work on urban congestion, facilitating the sharing of best practice and lessons learned, and producing a quarterly newsletter.

Financial support
The Congestion Performance Fund provides up to £60 million performance-related reward money over the four years of the target. To date almost £23 million has been awarded to the ten authorities as follows:

- In 2007-08 payments of £5 million were made to the 10 areas once they had produced their delivery plans.
- In 2008-09 payments of over £13.2 million were made to areas that exceeded their expected performance in 2006-07 and 2007-08.
- In 2009-10 payments of over £4.6 million will be made, based on the areas performance in 2006-07 and 2007-08.

Future payments, including a further £15 million in 2009-10, will reflect the extent to which an area exceeds its local target, based on the latest relevant data when it is published.

More generally, the Department is supporting local authorities through its encouragement of effective local transport plans and substantial funding support. £1.9 billion capital in the form of block grants has been allocated to the nine areas outside London for the current local transport plan period between 2006-07 and 2010-11. These nine areas have also benefited from further financial support from DfT for major local transport schemes (each costing more than £5 million). We now decide priorities for these, following advice from the regions.

Legislation
The Department provides the legal and regulatory framework for the local authorities to tackle congestion. For instance, the Local Transport Act 2008 gives local authorities greater scope to take local action to tackle local congestion where it is a problem, whilst new regulations relating to parking and street works came into force on 31 March 2008.

Data
The Department continues to provide support on the collection and use of data. The data sources that underpin the target have allowed authorities to build a detailed picture of the congestion problem in their area. As the Department moves to providing data more regularly and more quickly, authorities will be able to embed this regular information into their performance management processes.

Data quality

Journey time data for all vehicles other than buses are provided to local authorities by the Department. These data are derived from in-vehicle Global Positioning Satellite (GPS) tracking systems. Coverage varies from route to route and from section to section over individual routes. Journey times for each hour in the target are based on an annual weekday average, excluding school holidays.

Local authorities collect bus journey times as the Department's GPS data does not cover buses. They also collect traffic flows and vehicle occupancy rates for all vehicles. Guidance on data collection has been issued to local authorities to ensure consistency of methodology between authorities, and ongoing support is provided.

We have recently completed the process of moving to use of a new source of data for monitoring journey times. The new set of data has a vehicle mix that is more representative of traffic overall, and will continue to provide robust estimates of journey times. Work has been carried out to compare the two data sources and to ensure continuity in the measurement of the indicator. This has necessitated adjusting the original baseline to give a consistent time series. This work is described in more detail in the technical note that accompanies this indicator.[52]

52 Department for Transport Technical Note – PSA Indicator 5.1, updated March 2009; www.dft.gov.uk/about/howthedftworks/psa/spendingreview2004psatargets2

Indicator 2: Journey time reliability on the strategic road network

Minimise increases in delays between years ending March 2008 and March 2011 for the slowest 10 per cent of journeys in the context of traffic growing by 1-2 per cent a year.

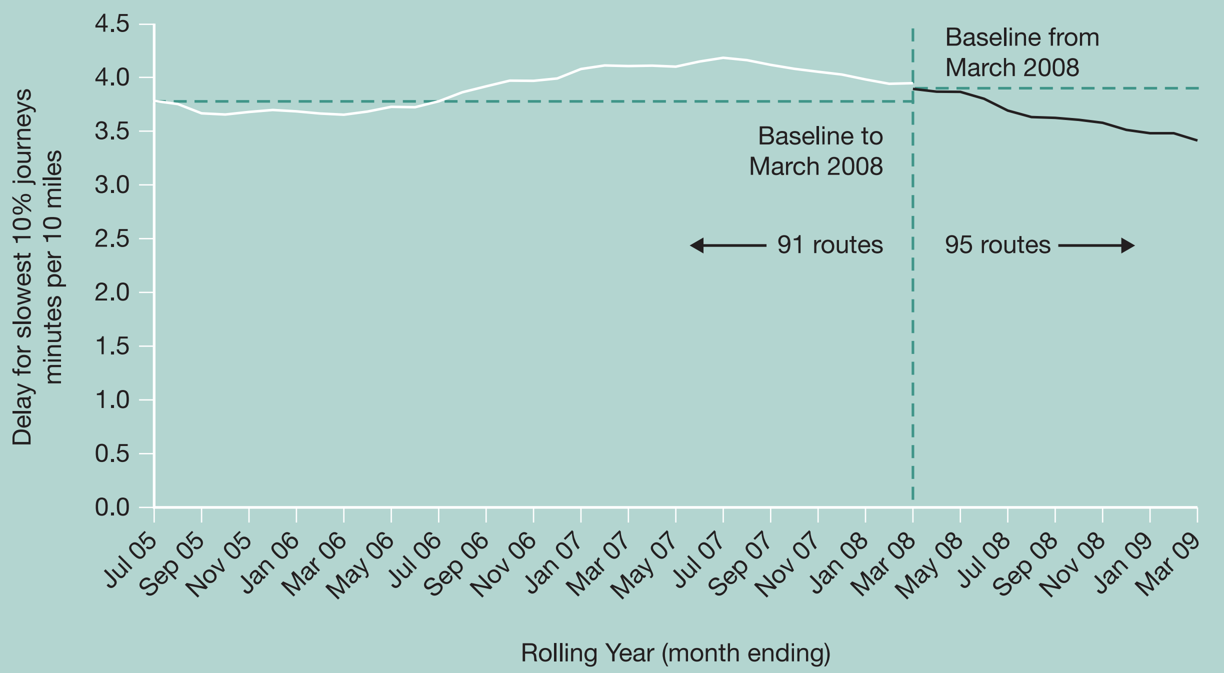
The SR04 PSA – Make journey times more reliable on the strategic network – has been subsumed into this indicator.

Improvement

Progress

Across the network the time lost in delays is at the lowest level since the indicator was first measured in July 2005. The figures for the year ending March 2009 show that average vehicle delay on the slowest 10 per cent of journeys across the 95 routes covered by the indicator has fallen to 3.42 from 3.90 minutes per 10 miles since the CSR07 baseline period (year ending March 2008). This is equivalent to an average saving of 29 seconds per 10 miles or the average speed of these routes rising from 44.3 mph to 45.9 mph for the slowest 10 per cent of journeys. This is in the context of an estimated fall in traffic on the strategic road network of around 2.9 per cent between the years ending March 2008 and March 2009. Figure D4 below shows the monthly trend in the journey time reliability measure.

Figure D4: **Journey time reliability measure on the strategic road network**



D

Performance indicator

Performance of the strategic road network is monitored against a baseline period, April 2007 to March 2008.

Following on from SR04, performance continues to be monitored in terms of the delays for the slowest 10 per cent of journeys. However, the target for performance is assessed from the successful delivery of a programme of measures. Delays will be considered to have been minimised if, over the period April 2008 to March 2011, the programme of interventions and their impacts set out in the Highways Agency's Reliability Delivery Plan have been delivered.

Delay is the difference between observed journey time and a reference journey time (the time that could theoretically be achieved when the traffic is free flowing).

For monitoring purposes, the strategic road network, comprising the motorways and trunk 'A' roads in England, has been split into 103 routes. The performance reported here includes 95 routes; the remaining routes have been excluded because of data quality considerations.

This is a slightly increased number of routes compared with those used to monitor progress under the SR04 PSA and leads to a small discontinuity, making comparisons with the measure before March 2008 inexact. The average vehicle delay for the slowest 10 per cent of journeys for the baseline year ending March 2008 is 3.90 minutes per 10 miles for the 95 routes, compared with 3.95 minutes for the 91 routes used to report performance for the SR04.

Further information on the routes included in the target can be found in the data quality section below.

Highways Agency's Reliability Delivery Plan

In line with best practice for all PSAs, the Highways Agency's Reliability Delivery Plan, agreed with ministers, detailed a full range of new and improved services aimed at delivering the target. There are over 30 measures in the Plan which are expected to save at least 1.7 million hours vehicle delay over the three-year period to March 2011. Twenty-four of the measures started to deliver some savings during 2008-09.

The Plan aimed to reduce average vehicle delays by 9.9 seconds per vehicle per 10 miles on the slowest 10 per cent of journeys. By the end of March 2009 the Plan delivered savings of 3.8 seconds per vehicle per 10 miles, a total annual saving of over 0.6 million hours of delay across the network. This includes the delay benefits of 2.0 seconds per vehicle per 10 miles from measures introduced in SR04 but which require ongoing funding to continue to achieve savings.

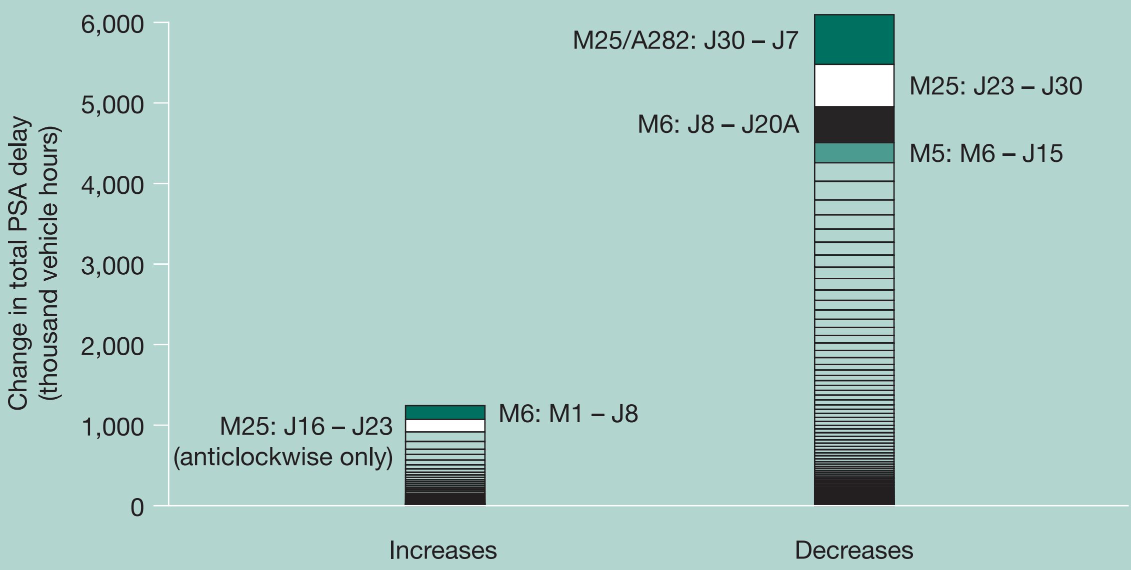
The Highways Agency continues to improve and optimise the Delivery Plan. Details of many of the interventions are described in the reliability section of Chapter 4.

Understanding reliability

The programme of measures to improve capacity and network operation will lead to an underlying reduction in delays but this is obscured by the varying impact of a range of factors. Traffic growth provides an underlying pressure across the network, though for 2008-09 the network has benefited from a reduction in traffic levels. Many factors are route specific, such as road works, schemes to improve infrastructure, accidents and weather. The changes in reliability can be more extreme when the factors coincide.

The improvement in reliability performance between the rolling year ending March 2008 and the rolling year ending March 2009 has been achieved through reductions in delays on most routes. Figure D5 shows the contribution to changes in delay for each of the 95 routes. It can be seen that the reductions in delay are greater in size and affect a greater number of routes than the increases in delay. While these reductions are, in part, a result of the interventions that the Highways Agency has undertaken across the strategic road network, the fall in traffic volume due to current economic conditions is also a factor.

Figure D5: **Increases and decreases in total PSA delay between the rolling years ending March 2008 and March 2009 by PSA route**



The net decrease in total delay for the slowest 10 per cent of journeys since the CSR07 baseline is 4.8 million vehicle hours. Around a third (30 per cent) of this decrease can be attributed to:

- two routes where improvement schemes have been completed, the M25 J23–J30 and the M25/A282 J30–J7;
- completion of the maintenance work impacting the M6 J8–J20a; and
- the M5:M6–J15, where there was severe flooding in both directions in July 2007. This led to a number of closures and severe delays on this route. Since the CSR07 baseline, these delays have now dropped out of the rolling year measure, as have those relating to a number of road traffic collisions in May and June 2007, including a serious coach crash.

Routes with the biggest increases in delay:

- **M25: J16–J23** (anti-clockwise only) As part of the M1 J6a–J10 widening scheme, which will deliver increased capacity and improved reliability on the M1, traffic management arrangements during the works were changed to aid their completion that affected the anti-clockwise traffic flow on the M25 J16–J23. The M1 J6a–J10 widening opened in December 2008.
- **M6 M1–J8** Works to repair the M6 between J5 and J6 over the Bromford viaduct were completed in August 2008. These works, together with emergency barrier repairs, caused significant delays in both directions on this route.

Work is continuing to improve understanding of the factors that affect reliability performance and their complex inter-relationship. Research helps to target investment on measures that achieve best value improvements.

Data quality

The measure is constructed from traffic data derived from four separate data sources, including the Highways Agency's National Traffic Control Centre cameras and MIDAS[53] loops under the road surface, as well as data from two external suppliers.

The database used to manage the Highways Agency network and calculate the PSA measure and other indicators is large and complex, and uses innovative data capture and processing techniques.

In August 2007 the statistics produced from the database were classified by the Department as 'experimental' National Statistics. In March 2008 the National Statistician and the Department's ministers agreed that assessment provided sufficient evidence of compliance with the National Statistics Code of Practice and fitness for purpose to elevate them to full National Statistics status.

As set out in the Annual Report 2007, the Highways Agency undertook a comprehensive data quality improvement programme, rectifying some problems identified in 2006. Following these improvements it was possible to increase the number of routes used for PSA monitoring purposes to 91. Further

53 Motorway incident detection and automatic signalling

improvements in data quality have now allowed an additional five routes to be included from March 2008 but data quality on one route (M1 J6a–J13) has deteriorated, leading to its temporary removal whilst improvements are made, resulting in inclusion of 95 routes in this report. The number of excluded routes has, therefore, been reduced from 12 to eight. A revised technical note[54] updated in December 2008 provides more detail on the data quality improvements and the routes incorporated in the target.

The quality of data on the routes has been monitored since the publication of the Annual Report 2007. It should be noted that, where one or more lanes are closed, for example because of road works or incidents, journey times are generally estimated from monitored data. However, sometimes the location of monitoring equipment and nature of the incident will mean that no flow is registered and, under these circumstances, journey times are infilled from other periods. Flow data used in delay calculations are the average for that time of the day and day of the week rather than actual flow as this would be affected by vehicles diverting off the network.

Data quality varies from route to route, and care should, therefore, be taken when looking at trends in the data for individual routes in isolation.

The decisions on which routes to include for monitoring purposes are informed by an assessment of the trends in the quality of the data available from the various sources and the consistency between different sources. The aim is to include as many routes as possible.

Indicator 3: Level of capacity and crowding on the rail network – overview

By 2013-14 increase rail capacity to accommodate an expected increase of 14.5 per cent in rail passenger kilometres from 2008-09 while achieving the train-load factors specified in the Government's High Level Output Specification (HLOS) for the railway.

The outcome will be an increase in the rail passenger-carrying capacity at times and places on the rail network where current capacity is insufficient to meet forecast demand. This extra capacity will be delivered in the major urban areas to cater for weekday morning commuter peaks. The extra capacity will primarily come from train lengthening but in some places it may also be cost-effective to run extra trains and/or re-scheduled trains. Stations, tracks and other rail infrastructure will be modified as necessary to enable enhanced passenger train services to operate.

Improvement

Progress

Indicator 3 is generally on programme to achieve the outcomes in 2013-14.

Negotiations started with Train Operating Companies to deliver additional carriages. To date 543 new rail vehicles have been ordered.

54 www.dft.gov.uk/162259/162469/221412/221546/226956/coll_congestiononthestrategicroa/csr07revised-baseline.pdf

By 2013-14 capacity will have been enhanced to accommodate an expected increase of 14.5 per cent in rail passenger kilometres from 2008-09 base, while achieving the train load factors specified in the Government's HLOS for the railway.

The Department is progressing with a number of simultaneous negotiations with its delivery partners which, when contracted, will meet the white paper commitments on the basis of current planning assumptions.

The breakdown of the vehicles on order is as follows:

- 92 vehicles for First Capital Connect;
- 8 vehicles for Chiltern;
- 120 vehicles for National Express East Anglia
- 217 vehicles for London Midland (combination of 148 EMUs and 69 DMUs); and
- 106 vehicles for West Coast.

Coverage: England and Wales

This PSA is specifically focused on the contribution that transport makes to economic growth. Indicator 3 aims to address the issues around the level of capacity and crowding on the rail network. The target is linked to the Government's High Level Output Specification (HLOS) for the rail network, which details the passenger demand to be accommodated on 23 strategic routes and the load factors forecast to be achieved on routes across the country and into key stations.

Indicator 4: Value for money of the Department's spending over the CSR07 period

There is no national target for this indicator. However, the Department's aim is to maintain the same proportion of spend in the High Value for Money category as achieved over the SR04 period. Success will be judged over the three-year CSR07 period.

Not yet assessed

Progress

Success will be judged over the three-year CSR07 period. It cannot be assessed, therefore, until the end of the spending review period (after March 2011). However, progress to date is on track for an improvement. In 2008-09, 99 per cent of approved spending was in the High Value for Money category, compared with the average in SR04 of 95 per cent.

Performance indicator

This indicator will report the amount of DfT spending approved over the CSR07 period that is subject to the Department's VfM process and the proportion in each VfM category (High/Medium/Low/Poor).

Projects count in the indicator in the financial year that final approval from ministers is given. The indicator includes information from each VfM assessment presented to ministers at the point that final spending decisions are sought (ie at the last approval before work commences or contracts are let).

Baseline

Figure D6: Value for money of Department for Transport spending

VfM Category	Baseline (SR04 period) £m		2008-09 £m	
High	£5,532	(95%)	£4,969	(99.4%)
Medium	£206	(4%)	£11	(0.2%)
Low	£63	(1%)	£21	(0.4%)
Poor	£0	(0%)	£0	(0%)
Total 'approved spending'	£5,801	(100%)	£5,001	(100%)
Number of 'approved schemes'	81		20	

Notes:

The table includes only spending decisions that are subject to the Department's VfM process.

'Approved spending' and 'approved schemes' refer to spending decisions and schemes that ministers have given final approval to within the period indicated. For example, ministers gave final approval to 81 schemes in the SR04 period covered by the Department's VfM process, though these projects may be delivered after that time.

Spending figures in this table refer to the 'cost to the Department' used in submissions seeking final approval by ministers. In some cases the cost to the Department does not represent the full cost of the scheme or intervention under consideration. Part of the cost might be covered by other public sector or private sector contributions. The cost represents the spending over the life of the project which, in many cases, extends beyond the spending review period.

Costs and/or benefits may change (from those presented to ministers for final approval) but remain within delegated limits. If they move beyond delegated limits, schemes are resubmitted to ministers. Secondly, precise costs and benefits can change when the Department negotiates delivery of projects with external delivery partners.

VfM categories are as follows: High: benefits are at least double the costs; Medium: benefits are 1.5 to 2 times the costs; Low: benefits are 1 to 1.5 times cost; Poor: benefits are less than costs.

Data quality

The indicator reports the Value for Money ratings presented to ministers when spending decisions are made, using the Department's VfM process. It also uses the estimate of cost to the Department of the spending decisions as presented to ministers when spending decisions are made.

Department's value for money process

The Department's VfM[55] was introduced in 2004 to assess the fuller impact of transport proposals consistently and present appraisal details coherently to ministers. The VfM assessment measures the expected benefits to each pound of spending covered by the process.

Typically, the current VfM process can be described in two parts:

- Firstly, scheme promoters use detailed published transport appraisal guidance referred to as the New Approach to Appraisal (NATA) to evaluate schemes and bid for funds. Some impacts are relatively easy to quantify and monetise. These are summarised in the NATA benefit cost ratio.

55 See Value for Money guidance at www.dft.gov.uk/about/howthedftworks/vfm

- Secondly, the Department scrutinises the NATA appraisals, including the benefit cost ratio and the wider set of economic, environmental and social impacts to provide a VfM assessment. The non-monetised impacts can be more important than the monetised ones but are not easily quantified in money units, hence hard to include in a single indicator.

The determination of VfM takes, therefore, the monetised benefit cost ratio and, using best available evidence on non-monetised impacts, places the scheme into one of the VfM categories.

VfM categories

When this indicator was introduced (at the start of the CSR07 period) VfM assessments placed interventions into one of four categories:

- **High VfM**: Benefits are at least double the costs.
- **Medium VfM**: Benefits are 1.5 to 2 times the costs.
- **Low VfM**: Benefits are 1 to 1.5 times costs.
- **Poor VfM**: Benefits are less than costs.

In April 2009 we changed this categorisation. A new 'Very High' category is now used if a scheme's VfM benefits are estimated to be greater than four times the costs. 'High' is now used if a scheme's VfM benefit cost ratio is between two and four. This is a simple and straightforward way of improving differentiation between schemes. However, for the purposes of reporting progress on this indicator we will continue to use the original four VfM categories throughout the CSR07 period.

NATA benefit cost ratio

The New Approach to Appraisal (NATA) benefit cost ratio is currently defined as 'net benefits (benefits minus costs) to users, business and private sector providers divided by Public Sector Cost' where benefits and costs are measured in present value terms (ie measured over 60 years and then discounted).[56]

Coverage of the VfM indicator

The VfM process covers all major schemes (whether funded from revenue or capital) that are subject to ministerial approval.

The process covers, therefore, amongst others:

- Highways Agency major schemes;
- local authority major schemes;
- major rail projects the Department is contributing to the costs of; and
- rail franchise support (changes in rail services provide through the renewal or alternation of train operating franchises).

56 See Department's transport appraisal guidance at www.webtag.org.uk/index.htm

The process does not cover, amongst others:

- regulatory settlements (such as our grant to Network Rail which is determined by ORR under the terms of the Railways Act);
- the Greater London Authority (GLA) transport grant for use by Transport for London (which under the terms of the Greater London Authority Act 1999 Transport for London may spend as it sees fit);
- small Highways Agency projects and all maintenance spend; and
- small local authority projects and all maintenance spend.

SR04 PSA: Road safety

Reduce the number of people killed or seriously injured in Great Britain in road accidents reported to the police by 40 per cent and the number of children killed or seriously injured by 50 per cent by 2010 compared with the average for 1994-98, tackling the significantly higher incidence in disadvantaged communities

On course

Progress

Police data indicates that the Department is on course to meet the targets.

Annual figures for performance against the road safety target in 2008 were published in June 2009.

The number of people killed or seriously injured in accidents reported to the police in 2008 was 40 per cent below the 1994-98 average (reported figures: 28,572 in 2008, compared with 30,720 in 2007 and an average of 47,656 per year in the baseline period 1994-99).

The number of children killed or seriously injured in accidents reported to the police in 2008 was 59 per cent below the 1994-98 average (reported figures: 2,807 in 2008 compared with 3,090 in 2007 and an average of 6,860 per year in the baseline period 1994-98).

The numbers of deaths in 2008 at 2,538 was 29 percent below the baseline and 14 per cent lower than in 2007.

The percentage drop in total casualties in districts in the 88 NRF areas for 2005 compared to the annual average for 1999-2001 was greater than the overall percentage drop for England, so this element of the target was met. However, the Department continues to monitor this element, the percentage drop in total casualties in districts in the 88 NRF areas for 2008 compared to the annual average for 1999-2001 was greater than the overall percentage drop for England (casualties fell by 31 per cent and 28 per cent respectively).

Further information, including the latest provisional casualty data, is on the Department's website.[57]

57 www.dft.gov.uk/pgr/statistics/datatablespublications/accidents/

The road safety strategy published in March 2000 set out a comprehensive range of measures to help achieve the casualty reduction targets to be achieved by 2010. Details are also on the DfT website.[58]

The second of the three-year reviews, which were promised in the strategy to check progress towards meeting the targets, was published in February 2007. It looks at progress to date and identifies the key areas on which we will focus for the remainder of the target period. Again details are on our website.[59]

Performance indicator

Total number of people killed or seriously injured in road accidents

Baseline: Average annual number of all killed or seriously injured in the period 1994-98 – 47,656 (measured through casualties reported to the police).

Total number of children killed or seriously injured in road accidents

Baseline: Average annual number of children (under 16) killed or seriously injured in the period 1994-98 – 6,860 (measured through casualties reported to the police).

Percentage reduction in the number of road deaths and injuries for the 88 local councils that are eligible to receive Neighbourhood Renewal Funding (NRF), compared to that for England as a whole

Baseline: Average for the period 1999-01 in 88 NRF – 118,345

Coverage: The 40 per cent and 50 per cent targets apply to Great Britain but the focus on disadvantaged communities applies to England only. The disadvantage element of the target was to be achieved by 2005 but the Department continues to monitor this indicator.

Data quality

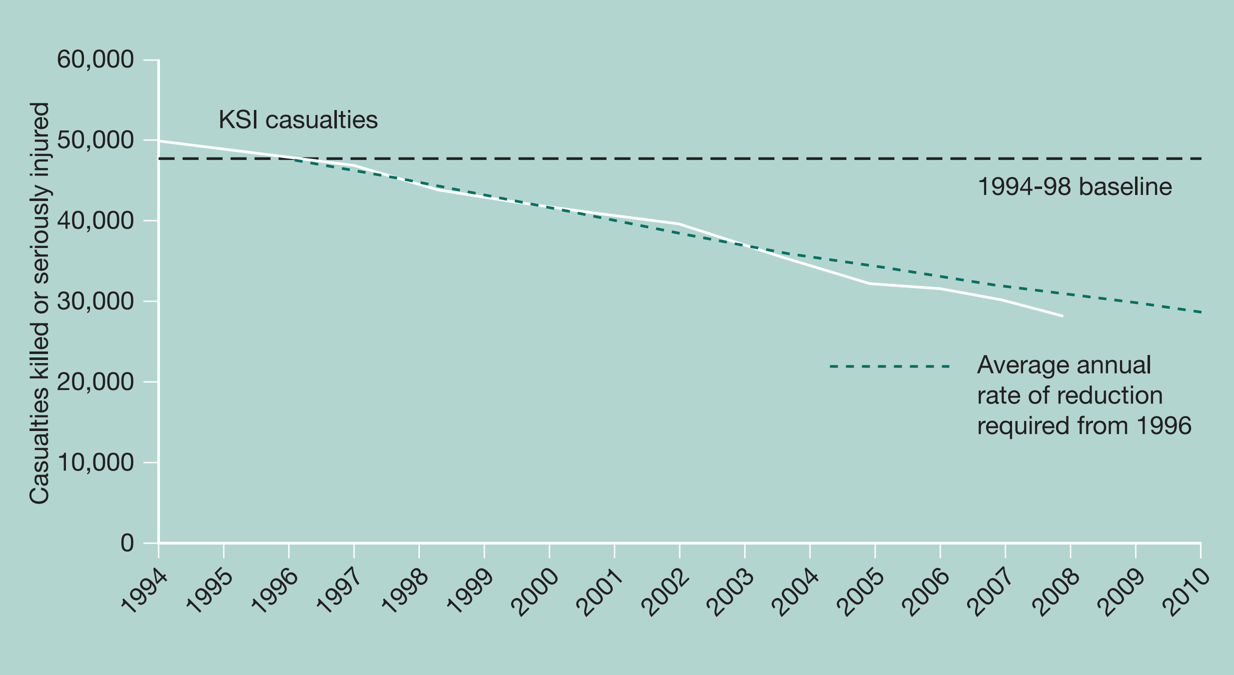
Performance is measured using police data on reported road accidents that involve human injury. Responsibilities and quality assurance procedures are well established. The Department applies considerable effort to ensure all police forces submit returns. It also clearly specifies the information required from the police forces, and mitigates the risk of errors arising in data collation/aggregation by operating a series of monitoring and validation checks, with clearly defined error tolerance levels and procedures for follow-up.

Very few, if any, fatal accidents do not become known to the Police. However, research conducted on behalf of the Department in the 1990s has shown that a significant proportion of non-fatal injury accidents are not reported to the Police. Some casualties reported to the Police are not recorded and the severity of injury tends to be underestimated. Comparisons with hospital admissions data raised questions about possible changes in levels of reporting. However, the hospital admissions data have been affected by administrative and other changes so need to be used with care for trend analysis. The Department is continuing to undertake research to give further insight into trends in road casualties

58 www.dft.gov.uk/pgr/roadsafety/strategytargetsperformance/ tomorrowsroadssaferforeveryone
59 www.dft.gov.uk/pgr/roadsafety/strategytargetsperformance/2ndreview/

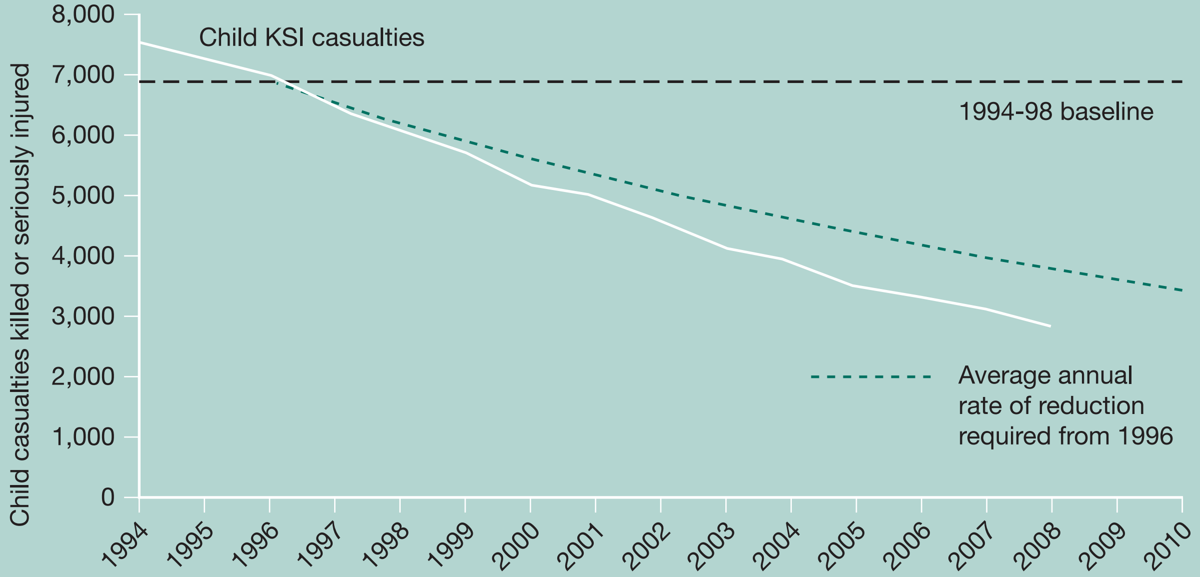
and levels of reporting in police road accident data. The most recent analysis and references to earlier work can be found in an article published in *Road Casualties Great Britain: 2007 – Annual report* (pages 66-78) which is also on our website.[60] The article includes initial analysis from the project, undertaken with the Office for National Statistics, to match individual police and hospital admissions.

Figure D7: **Killed or seriously injured casualties in accidents reported to the police: 1994-2008**



60 www.dft.gov.uk/pgr/statistics/datatablespublications/accidents/casualtiesgbar/

Figure D8: **Killed or seriously injured child (age 0-15) casualties in accidents reported to the police: 1994-2008**



PSA 26: Reduce the risk to the UK and its interests overseas from international terrorism

Performance against the PSA classified

One of the new 2008-11 Public Service Agreement (PSAs) covers counter-terrorism. PSA 26 has the same core aim as the UK's strategy for countering international terrorism (CONTEST) – to reduce the risk to the UK and its interests overseas from international terrorism. The Department for Transport is delivering on its contribution to the PROTECT outcome of PSA 26, which is co-ordinated by the Office for Security and Counter-Terrorism. However, PSA 26 will not be published as, by its nature, it contains information about the UK counter-terrorism effort that could potentially be useful to those who threaten the UK and its interests.

SR04 PSA: Air quality

Improve air quality by meeting the Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide (NO_2), particles (PM_{10}), sulphur dioxide (SO_2), benzene and 1,3-butadiene. This is a shared target with Defra

On course

Progress

This PSA is now subsumed in CSR07 PSA 28.

In April 2008 this target became an indicator as part of Defra's Natural Environment PSA. We have reported against this indicator in Chapter 6. Although the method of representing the information has changed between the two targets (particles and nitrogen dioxide are now illustrated as a proxy measurement for the other six pollutants), the overall objectives as set out in the Government's Air Quality Strategy have remained constant.

Similarly the actions that we are taking both nationally and locally to improve air quality are the same for both targets. The latest progress on this work can be found in Chapter 6.

SR04 PSA: Climate change

Reduce greenhouse gas emissions to 12.5 per cent below 1990 levels in line with our Kyoto commitment and move towards a 20 per cent reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. This is a joint target with DECC, Defra and BIS.

On course

Progress

The UK is on course to more than meet our Kyoto target of reducing annual greenhouse gas emissions by 12.5 per cent below 1990 levels by 2008-2012. On current projections we expect to achieve about 24.0 per cent greenhouse gas reductions by 2010. The 2010 domestic goal, to cut carbon dioxide (CO_2) emissions by 20 per cent on 1990 levels, was always designed to be stretching and looks increasingly difficult to achieve. We are making definite progress towards it, and current projections suggest about a 16 per cent reduction by 2010 (including the impact of the EU Emissions Trading System).

The Kyoto target is not directly comparable to the domestic target because the former covers a range of greenhouse gases which includes methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride as well as CO_2, while the second covers only CO_2.

Existing government policies in transport are expected to contribute to a substantial reduction in CO_2 emissions, below what they would otherwise have been. Without these policies, emissions from transport are projected to have been approximately 23 per cent higher, around 29 million tonnes CO_2, by 2020.

Coverage: United Kingdom

This legacy PSA is now subsumed in the new PSA27. For detailed information on how transport is contributing to overall action on climate change, please see Chapter 6 of this report.

D

Performance indicators

Carbon dioxide and other greenhouse gas emissions

CO_2 and other greenhouse gas emission estimates are published annually by Defra and are available on the Defra website.[61]

SR2004 PSA: Bus and light rail usage

By 2010, increase the use of public transport (bus and light rail) by more than 12 per cent in England compared with 2000 levels, with growth in every region.

The target was revised to include a commitment to growth in every region. Improvements to punctuality, reliability, and vehicle accessibility, though no longer mentioned in the target, remain as part of an overarching objective. Given the difficulty of achieving growth in all regions during the SR2004 period (April 2005 – March 2008), we decided to aim for year-on-year growth in every region during the final three years of the PSA target period (April 2008 – March 2011).

SR2002 PSA target

Secure improvements to the accessibility, punctuality and reliability of local public transport (bus and light rail) with an increase in the use of more than 12 per cent by 2010 compared with 2000 levels.

On course

Progress

The PSA is on course to achieve national patronage target and associated improvements to reliability and disabled access: target for growth in patronage in every region remains challenging.

Patronage

With bus and light rail patronage already at 19 per cent[62] above the baseline, well in excess of the target, we are on course to achieve the national patronage target. London is largely responsible for the achievement, although the introduction of free local concessionary fares in April 2006 generated a substantial uplift in patronage in other areas. A further increase in patronage is being experienced since the introduction of the national concessionary fares scheme on 1 April 2008.

Patronage outside London, especially in the non-metropolitan areas, rose substantially in 2006-07, largely as a result of the free local concessionary fare scheme of 1 April 2006, although patronage was slightly down in the subsequent year. Some local authority areas outside London are delivering increases in patronage, over and above those generated by the free concessionary fare scheme. In recent years, these have included the authorities of Brighton, Bath,

61 www.defra.gov.uk/environment/statistics/globatmos/gagccukem.htm

62 Annual Survey of Public Service Vehicle Operators www.dft.gov.uk/pgr/statistics/datatablespublications/public/annualbulletins/publictransportstats

York, West Sussex and Milton Keynes. A total of 4,530 million bus passenger journeys were made in England in 2007-08, up 1.3 per cent compared to 2006-07 and up 8 per cent compared to the 4,196 million journeys made in 2005-06. Bus patronage is 17.9 per cent above the 2000-01 baseline of 3,842 million after seven years.[63]

Patronage on the modern public transport light rail and tramway systems in England increased by 4 per cent in 2007-08, compared with the previous year, to 186 million passenger journeys. Increases have been largest in London with journeys on the Croydon Tramlink up by 11 per cent and up by 4 per cent on the Docklands Light Railway (DLR). In January 2009 the DLR system was extended to Woolwich Arsenal.[64]

There were also rises on the Tyne and Wear Metro, Sheffield Supertram and Nottingham Express Transit systems.

In May 2008 the Department announced £244.3 million funding to help Greater Manchester Passenger Transport Executive (GMPTE) to extend the Manchester Metrolink scheme to Rochdale, Oldham, Chorlton and Droylsden. The extensions which will be fully operational by 2012 could attract an extra 10 million passengers a year onto the system.

Combined bus and light rail patronage has increased by 18.9 per cent over the first seven years of the period to 4,716 million passenger journeys.[65] Following the introduction of free local concessionary fares in April 2006, combined bus and light rail patronage increased substantially in all regions in 2006-07. This increase in patronage was not sustained in all regions in 2007-08. The largest decreases in bus and light rail patronage were seen in the East Midlands, East of England and the North West. The largest rise in patronage was in London. In the seven years since the 2000-01 baseline, bus and light rail patronage has risen by 56 per cent in London, and fallen by 1.3 per cent overall in the rest of England. In the North East region, there was a fall of 11 per cent over the seven years, whilst in the South West and South East there was an increase of nine per cent.[66]

Accessibility of vehicles
Sixty-two per cent[67] of full-size buses in Great Britain were low-floor wheelchair accessible vehicles in 2007-08. All new light rail vehicles and systems are required to be accessible to disabled people, including wheelchair users.

Reliability
Bus reliability has improved from the baseline of 98.2 per cent in 2000-01 to 99.0 per cent in 2007-08.

Related information
www.dft.gov.uk/adobepdf/162469/221412/217792/421224/transportstatisticgreatbrit.pdf

63 Annual Survey of Public Service Vehicle Operators www.dft.gov.uk/pgr/statistics/datatablespublications/public/annualbulletins/publictransportstats

64 As above

65 As above

66 As above

67 As above

Performance indicators

Number of passenger journeys undertaken each year (bus and light rail)
Baseline year is 2000-01. 'Light rail' systems in England are the Docklands Light Railway, Tyne and Wear Metro, Croydon Tramlink, Manchester Metrolink, Sheffield Supertram, Nottingham NET, Midland Metro and Blackpool Tramway. Use is defined as patronage or the number of passenger journeys undertaken each year. This is measured annually using data from the Department's annual surveys of bus and light rail operators.[68]

Percentage of vehicles with low-floor wheelchair access
Annual data is available from the Department's survey of bus and coach operators on the percentage of local buses of low-floor construction. Figures show that 21 per cent[69] of local buses in Great Britain were low-floor vehicles in the baseline year 2000-01 (although some were not wheelchair accessible).

Bus reliability (percentage)
The Confederation of Passenger Transport (CPT) has agreed with the Department a target of 99.5 per cent reliability, defined as percentage of scheduled service actually run, excluding losses outside the operator's control. Reliability is not currently considered to be an area of concern with regard to light rail.

National Statistics on bus punctuality were published for the first time on 15 June 2006. A further punctuality survey was carried out in May/June 2007 and published in May 2008.

An important development is that a new performance regime is being developed based on partnership working between local authorities and operators. Consideration is being given as to how punctuality data can be effectively used in this process.

Further information can be found at:

www.dft.gov.uk/pgr/statistics/datatablespublications/public/buspunctuality/

Quality of data

Patronage
The data system for the bus area of the target comprises three separate measures covering bus passenger journeys, reliability and punctuality. Passenger journey and reliability data are obtained from two sources. For patronage, the Department conducts its own sample surveys of bus operators. Patronage figures for England outside London now include suitable adjustments for driver under-recording of passenger boardings. Data for the London area are based on that provided by Transport for London (TfL). The TfL data are based on ticket sale data matched with information about likely usage for each type of ticket. A quality review of bus patronage statistics will be undertaken in 2009.

68 Annual Survey of Public Service Vehicle Operators
www.dft.gov.uk/pgr/statistics/datatablespublications/public/annualbulletins/publictransportstats

69 As above.

Light rail
For the light rail part of the target, figures are based on an annual return provided by each of the companies or passenger transport executives operating light rail systems in Great Britain. These are required to provide information on light rail patronage including ticket sales, number of passenger journeys and sales revenue.

Patronage outturn figures are National Statistics.

Reliability
Reliability is assessed by the Department through a panel of all the largest operators outside London. TfL reports for its bus contractors in London. The resulting estimates of journey numbers and reliability are both National Statistics.[70]

Punctuality estimates are currently only available for England outside London. These are based on the traffic commissioner's guidelines on what constitutes a bus being 'on time' – 1 minute 0 seconds early to 5 minutes 59 seconds late. London estimates are prepared on a different basis, using differing definitions. In particular, TfL uses a punctuality window of 2 minutes and 30 seconds early to 4 minutes 59 seconds late. It is, therefore, difficult to produce punctuality estimates for England as a whole. The latest figures relate to 2007.

Accessibility of buses
The accessibility of buses is measured by annual data for the percentage of vehicles which meet PSV Accessibility Requirements (PSVAR). In practical terms this means low-floor buses with wheelchair access. Data are obtained from the Department's annual sample survey of bus operators. The Department's survey is designed to obtain good coverage and more detail from the larger operators, so it is considered to be a reliable source. It is not possible to obtain detailed information on vehicle design from the DVLA records.

All light rail vehicles and systems are built to be accessible to wheelchair users, so physical accessibility of light rail does not need to be monitored.

70 Quarterly Survey of Bus Reliability
www.dft.gov.uk/pgr/statistics/datatablespublications/public/buslightrail/

Appendix E

Procurement activity

Table E1: Ongoing major procurement projects[1,2]

Organisation	Project	Estimated value (£m)	Planned award date
HA	M25 widening	5,000	May 2009
DfT(C)	Intercity Express Programme (IEP)	7,200	September 2009
DfT(C)	South Central rail franchise	See note 3	June 2009
DfT(C)	Thameslink rolling stock	1,700	April 2010
MCA	SAR helicopter (in conjunction with the MoD)	200	April 2010

Notes:
1 Major projects for DfT(C) and HA are those estimated to cost over £40 million, whilst those for other agencies are estimated to cost over £5 million.
2 The table does not include projects funded by the Department or the agencies but undertaken by others eg local authorities.
3 2007-08 franchise revenue of around £480 million a year – contract term is for 5 years 10 months.

Table E2: Major procurement projects delivered 2008-09[1]

Organisation	Project	Value £m	Contract award date
HA	Managing agent contractor Area 8	85	11 April 2008
HA	M25 Bell Common tunnel refurbishment	91	10 June 2008
HA	Birmingham Motorway ATM box	93	22 July 2008
DfT(C)	Pendolino rolling stock	1,500	19 September 2008
DSA	Investigation services	15	1 December 2008
HA	Managing agent contractor Area 7	221	27 December 2008
HA	M53 Bidston Moss viaduct	40	23 January 2009
HA	Managing agent contractor Area 9	275	23 February 2009
HA	Managing agent contractor Area 12	202	6 March 2009

Notes:
1 Same cut-off values apply as for Table E1: for DfT(C) and HA those estimated to cost over £40 million, for other agencies those estimated to cost over £5 million.

Table E3: Contracts and frameworks let 2008-09

Organisation	Above OJEU[1]	Non-OJEU[2,3,4]	Frameworks[5]
DfT(C)	6	325	1
DVLA	11	15	0
DSA	4	88	0
HA	11	927[6]	4
MCA	5	89	9
VCA	0	2	0
VOSA	5	175	13
GCDA	2	0	0
Total	**44**	**1,621**	**27**

Notes:

1 Figure excludes those contracts listed in Table E1: Ongoing major procurement projects.

2 Figures exclude contracts let by the Communication Directorate and business units who typically have authority to award contracts below £75,000 off frameworks and £25,000 if non-framework in DfT(C). Lower limits may apply in some agencies.

3 Non-OJEU includes contracts let under framework agreements.

4 Figures exclude contract variations and extensions.

5 Frameworks are those ‘overarching agreements’ not the individual contracts let under the framework.

6 Figure includes task orders on all frameworks used by HA.

Table E4: Expenditure on consultancy and staff substitutes (£m)

Organisation	Consultancy[1]	Temporary staff[2]	Total
DfT(C)	56.28	9.30	65.58
DVLA[3]	12.83	1.91	14.74
DSA[4]	3.42	3.72	7.14
HA[5]	1.55	5.64	7.19
MCA	1.37	0.66	2.03
VCA[6]	0.02	1.22	1.24
VOSA	3.09[7]	4.96	8.05
GCDA	0.14	0.29	0.43
Total	**78.70**	**27.70**	**106.40**

Notes:

1 As defined by the Professional Services Forum and including general management consultancy, HR consultancy, financial consultancy, legal consultancy, IT consultancy and estates and property consultancy.

2 This includes temporary support, administrative, specialist professional, technical and technical support staff.

3 From 2008-09 there has been a reclassification of the treatment of work undertaken by DVLA’s PACT (Partners Achieving Change Together) partners. This is reflected in the 2008-09 figures shown above.

4 The consultancy figure for DSA excludes any capital expenditure such as project management, legal costs, specialist advice etc concerned with their property-related multi-purpose test centres project.

5 The figures exclude spend on technical transport-related consultancy. Expenditure on engineering consultancy is scored as outsourced procurement of specialist services.

6 Estimated figures for 2008-09 are not available from VCA so 2007-08 figures have been used.

7 Figure includes traffic commissioner costs of £1.46 million.

Table E5: Procurement staff numbers and cost

Staff	DfT(C)	DVLA	DSA	HA	MCA	VCA	VOSA	GCDA
Procurement[1]	44	10	11	104[2]	6	5	4.8	0
Contract management[3]	0	36	0	0	0	0	0	0
Support[4]	3	2	0	0	0	5	0	0
Total	**47**	**48**	**11**	**104**	**6**	**10**	**4.8**	**0**
Cost £m	2.65	1.82	0.37	3.85	0.18	0.30	0.16	0

Notes:

1 Procurement staff are those employed full time on procurement activity, including letting contracts, policy, governance, process and management.

2 This includes 13 interims covering permanent posts.

3 Contract management staff are those in the Procurement Directorate/team employed mainly on the contract management function.

4 Support staff are the administrative staff supporting the procurement function eg PA, data input staff.

Appendix F

Public Accounts Committee reports

Procurement of the National Roads Telecommunications Services (NRTS)

NAO Report: 4 April 2008 (HC 340 2007-2008)

PAC hearing: 12 May 2008

PAC 46th Report: 28 October 2008 (HC 558)

Treasury Minute: 17 December 2008 (Cm 7522)

Committee's key findings

- The procurement was marked by careful and thorough production of the bid documents and the draft contract which contributed to a £2 million fall in the bid price, without substantial changes to the allocation of risks.
- The rationale for the Public Private Partnership (PPP) was changed without being reassessed.
- The Public Sector Comparator used only one estimate of risks and this estimate was high, which arguably justified the case for a PPP.
- The procurement took longer than it should have (five years) and five times the original budget.
- Advisor fees increased by £10 million to £15.5 million; there were no efficiency incentives within the advisors' contract.
- Good negotiation practice delivered a PPP with fixed prices and in-built flexibility whilst transferring risks to the private sector.

Department's response

The scope of the project was increased to take a more strategic approach to the provision of telecommunications services, providing benefits through the contractor taking on end-to-end responsibility of the transmission network. The Highways Agency continued to check value for money by comparing against the equivalent cost of delivery within the public sector.

The Highways Agency used a single point estimate against the Public Sector Comparator and accepts that a range estimate could have been used. The Highways Agency also acknowledges that the risk ranges could have been better expressed but believes the results would not have led to a different procurement.

The scope of the project was also increased to support the Highways Agency's transformation to network operator, in particular to the introduction of the Traffic Officer Service. The very substantial change in scope meant that the procurement documents took longer to prepare than first estimated. There were no incentives within the advisors contract. The Highways Agency recognises the opportunity for better practice and is putting in place a replacement contract for the NRTS advisors that will impose tighter governance processes and use key performance indicators (KPIs) to monitor performance.

The Agency accepts that the changing position meant that the original cost and time estimates for the procurement process itself were not met but this does not mean that costs were not properly controlled or that value for money was compromised. Some risks have already materialised and been borne by the contractor rather than the taxpayer, and the fixed price flexible arrangements for additional services will be a vital contributor to delivering hard shoulder running schemes now in the programme of major schemes.

Reducing passenger rail delays by better management of incidents

NAO Report: 14 March 2008 (HC 308 2007-2008)

PAC hearing: 4 June 2008

PAC 57th Report: 18 November 2008 (HC 655)

Treasury Minute: 26 February 2009 (Cm 7545)

Committee's key findings

- Network Rail receives over half its funding from the taxpayer but is not directly accountable to Parliament.
- The Office of Rail Regulation (ORR) sets its targets for Network Rail for a five-year period and does not revise them within that period to reflect changes in circumstances.
- Relationships between the rail industry and the emergency services are fragmented.
- Passengers are not receiving the information they need during delays and are not always told how to claim compensation for delays.

Department's response

Under the Railways Act 2005, Network Rail's funding requirement is determined by the independent Office of Rail Regulation (ORR) within the context of the Government's High Level Output Specification and Statement of Funding Available. The company is also accountable to its members, selected from the rail industry and the wider public, who exercise a parallel function to that of shareholders in a PLC.

ORR sets targets for a five-year period and, should it become clear during that period, that these targets are no longer viable, they can reconsider them. The important thing is to set the right five-year targets and ORR's recently published determinations provide a much better breakdown of targets. Investment in the rail industry is a long-term activity and so targets must be set that enable steady and sustainable improvements that are not re-set lightly.

Network Rail is required to have in place arrangements for working with the emergency services and strives towards improving those arrangements. There are good examples of the two working together. For example, Network Rail and the London Fire Brigade have a joint programme on dealing with line-side fires but the Department will explore ways to develop closer relationships across the industry. The emergency services will be invited to participate with Train Operating Companies and Network Rail in emergency planning meetings and we will look again at the role of the British Transport Police.

An improved compensation system, known as Delay/Repay, is being introduced for passengers as rail franchises are replaced. The Association of Train Operating Companies (ATOC) is also looking at how to improve communication with passengers and has recently issued good practice guidelines. Passenger Focus champions compensation arrangements for passengers and reports any non-compliance to the Department.

Shared services in the Department for Transport and its agencies

NAO Report: 23 May 2008 (HC 481 2007-2008)

PAC hearing: 9 June 2008

PAC 57th Report: 16 December 2008 (HC 684)

Treasury Minute: 26 February 2009 (Cm 7545)

Committee's key findings

- The implementation was poorly managed and went considerably over budget.
- Plans were too optimistic and an ambitious timetable contributed to the problems.
- The Department used an existing contract rather than seeking value for money through open competition.
- Managers had insufficient experience and no one was sacked for underperformance.
- Users don't trust the system and the Shared Service Centre is failing to meet its performance targets.

Department's response

Shared Services is a long-term investment with a commitment over time to deliver significant benefits and further efficiencies. It was part of the Department's Gershon efficiency programme which, overall, delivered over target savings of £973 million in 2007-08. We accept, however, that there were deficiencies in the planning and implementation of this particular project, which has had an impact on the delivery of the original business case.

The initial timetable was set with the aim of delivering early savings. The Department accepts that, as a result of the timetable, there were weaknesses in the management of the programme. However, a prolonged programme would have led to organisational inertia and increased costs. The NAO acknowledged that the Department had already implemented structural changes to enhance programme oversight with more robust planning and control.

The Department believes that it adopted an appropriate procurement strategy. The framework agreement used for the Shared Services programme was previously awarded following open competition. It offered advantages in terms of speed, quality and access to expertise. In some aspects of delivery, supplier performance did not meet expected standards. Since 2007 the Department has tightened its contract management and relationship with the key supplier and secured improved commercial terms, and will continue to adopt appropriate procurement methods on future contracts.

There have been consequences for individuals responsible for weaknesses but the Department has a duty of care to its employees so that the details are confidential. The NAO recognised that the Department had improved overall management of Shared Services, and had recruited experienced managers to improve the programme. The performance of the Shared Service Centre is improving strongly, as evidenced by recent key performance indicators.

The Department accepts that trust in the new system was initially very low. The Department has engaged well with users to gain their views on how to improve their experience. However, when considering user views, they need to be balanced against business needs. For example the potential benefits from standardised processes may not be popular at first. However, feedback suggests that the level of satisfaction has improved as familiarity with the systems has increased.

For full details of the PAC findings and the Department's response see the relevant documents at www.parliament.uk.

The original reports are available on the NAO website, www.nao.org.uk.

Appendix G

Departmental report on better regulation

Administrative burdens

The Department is committed to better regulation which, in practice, means that we strive to strike a balance between reducing existing regulatory burdens on business and local government and acting to protect the environment and ensure the safety of people using transport. We aim to regulate only when necessary and ensure a proportionate approach which targets real risks and does not impose unnecessary burdens.

Paul Clark is the Department's Better Regulation Minister and at Board level, Richard Hatfield, the Director General of the International Networks and Environment Group, champions the agenda. We have an active network of policy contacts who promote better regulation initiatives within the Department, our executive agencies and independent transport regulators – the Civil Aviation Authority (CAA) and Office of Rail Regulation (ORR).

Simplifying and modernising existing regulations

In December 2008 we published the second update to our Simplification Plan, *Transport: Lightening the Load*, part of a cross-government exercise[71] to reduce administrative burdens on business. It reports progress on the measures we are developing to simplify regulations and deliver policy and administrative savings for the private and public sectors.

The plan shows that we have delivered a further £270 million savings since the 2007 update (including a further £10 million administrative burdens reduction). Examples include:

- extending the approval process for radioactive packages to more European countries, an estimated saving for business of at least £100 million per year;
- completing the regulations to enable the introduction of digital tachographs for HGV and PSV drivers, an estimated saving for business of up to £25 million by 2010; and
- simplifying the Air Travel Organiser's Licence (ATOL) bonding scheme which provides protection to holidaymakers abroad, saving business over £30 million per year.

The measures in the plan will deliver savings approaching £735 million a year by 2010. This includes £141 million reduction in administrative burdens, which represents a 24 per cent reduction. There are items in progress where savings have yet have to be quantified and we will be working with stakeholders to develop more simplification ideas which will bring us beyond the 25 per cent

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71 Background to the Administrative Burdens Measurement Exercise can be found on the Department's website: www.dft.gov.uk/about/simplificationplan/secadminburdens/

target in 2010. We have tried to estimate the effect that new measures, due mainly from Europe, may have on our ability to deliver this target. At present we think that we can keep these new administrative burdens to around £5 million.

Some of the measures in the 2008 update show that we have worked effectively in EU and international negotiations to reduce burdens:

- **Road haulage** – We influenced the Commission and Member States to adopt a system of national registers which, from 2013, will enable the exchange of information about foreign operators and how often they have committed offences. This will facilitate risk-based, targeted checks on the highest risk hauliers when they work abroad – and correspondingly reduce inspection costs for hauliers with a strong safety record.
- **Airport Charges Directive** – We secured a number of amendments to improve the Directive and align it more closely with better regulation principles. For example, the scope of the Directive was reduced from all airports handling over one million passengers annually to apply only to those exceeding five million passengers annually, along with the largest airport in each Member State.

We continue to seek reforms that help small businesses, for example, deregulating the airworthiness requirements for microlight aircraft will provide benefits to the small businesses that supply these.

We continue to use the increased flexibility provided by the Legislative and Regulatory Reform Act 2006 to develop our programme of Legislative Reform Orders (LRO). Later this year, DVLA hopes to consult on an LRO which, among other benefits, will allow driving licences to be granted for longer periods to those with appropriate medical conditions. We hope to bring this into force in 2009-10.

Improving the design of new regulations and how they are communicated

In May 2007 the Better Regulation Executive launched the new Impact Assessment (IA) process which replaced the Regulatory Impact Assessment (RIA). One of the aims of introducing the new process was to strengthen the evaluation of the economic impacts of regulation. The Department's economists are working closely with central policy teams and our agencies to provide the appropriate support and economic expertise to develop high-quality impact assessments. We have also linked impact assessment to our already established value for money guidance and changed our internal sign-off procedures to raise awareness of the new process. Since the introduction of the new Impact Assessment, the Department's Better Regulation Unit has held training sessions for policy teams who are new to the process and they provide continuous support to teams as they develop their IAs for publication. We have also developed a calculator to help policy officials with the cost and benefit figures on the IA.

In 2008 Impact Assessments accompanied the 41 consultations that required them and final IAs were laid in Parliament with the 100 pieces of Secondary Legislation made in 2008 that affected business.

EU legislation is having an increasing impact on the regulation of transport. When negotiating in Europe we keep better regulation principles to the fore and insist that Commission proposals are accompanied by a robust impact assessment. We have been influential in ensuring that the Commission takes a less regulatory approach to transport policy and will continue to work closely with the European Commission to encourage a light-touch, non-regulatory approach as far as possible.

We have worked to ensure that the impact of new regulations on small businesses is proportionate. For example, during negotiations on new car CO_2 we sought to maintain a strong environmental outcome, whilst avoiding unfair competitive distortions between car manufacturers. Supported by an impact assessment containing thoroughly researched options, we defended the derogation for manufacturers who sell cars in only small volumes and successfully lobbied to add a provision to the regulation to ensure that 'niche' manufacturers are not unfairly penalised.

Changing attitudes and approaches to regulation to become more risk-based

Most of the regulatory functions of our executive agencies and the CAA are subject to the Regulators Compliance Code which came into force in April 2008. Developed in response to the Hampton report, *Reducing administrative burdens: effective inspection and enforcement*, the code aims to embed a risk-based, proportionate, targeted and flexible approach to regulatory inspection and enforcement among regulators. This approach will ensure that regulators are efficient and effective in their work, without imposing unnecessary burdens on those they regulate. The Department's Better Regulation Unit has been working with the agencies to help them prepare for their upcoming Hampton Implementation Reviews which will assess their progress in complying with the new code.

To help business and other stakeholders adapt to changes introduced by new or amended legislation we will endeavour to implement changes in legislation that arise from within the UK on two Common Commencement Dates each year: 6 April (the start of the tax year); and 1 October.

Listening to stakeholders is an important part of policy development. We maintain close relationships with industry and a wide range of other stakeholders. We gather their views through formal and informal networks, not only during key stages in policy development but also as part of routine business. This is particularly important when we are establishing a negotiating position on European and other international proposals.

We have strengthened our planning and management of stakeholder engagement throughout the organisation and by employing strategic communication managers in our Communication Directorate who are embedded in policy teams.

The Better Regulation Executive in BIS introduced a new Consultation Code of Practice in November 2008. The Department signed up to this from its introduction. We published 59 consultations during 2008 of which 43 were for 12 weeks or more. Ministerial approval is sought for consultations that are less than 12 weeks. Of these:

- five were to fit in with a European or Parliamentary timetable; and
- eleven had previously been consulted on for 12 weeks or were initial scoping consultations.

Appendix H

European Union

Developments in the EU Council of Ministers

Transport Council

The Council adopted a Resolution launching the development phase of the Single European Sky Air Traffic Management Research (SESAR) programme (the technical implementation of the Single European Sky) and subsequently agreed a Resolution on an air traffic management (ATM) Master Plan within the framework of SESAR.

Agreement was also reached on:

- a Directive on airport charges, which establishes a framework of common principles for airport operators when determining charges to airlines for the use of airport services; and
- a Regulation replacing Regulation 2299/89 on computerised reservation systems (CRSs) in air transport. This updates and simplifies the Code of Conduct and promotes competition between CRS providers, while maintaining safeguards against potential competitive abuses and ensuring the provision of neutral and comprehensive information to consumers.

In aviation external relations, the Council authorised the Commission to open negotiations with Tunisia, Algeria, Israel, Australia and New Zealand on comprehensive air transport agreements and with Lebanon on a Euro-Mediterranean aviation agreement. The negotiations on an EU/Canada aviation agreement were successful.

In rail transport, the Council adopted Conclusions on the Commission Communication, *Towards a rail network giving priority to freight*.

In road transport, agreement was reached on three legislative proposals: the recast Regulation on common rules for access to the international road haulage market; the Regulation on common rules concerning the conditions to be complied with to pursue the occupation of road transport operator; and the recast Regulation on common rules for access to the market for coach and bus services.

The Council also reached agreement on other road transport proposals: a recast Directive on roadworthiness tests for motor vehicles and their trailers; and a Directive on the promotion of clean and energy-efficient road transport vehicles.

The Council began work on an amending Directive on charging of heavy goods vehicles (the Eurovignette Directive). It aims to give Member States the flexibility to introduce charges for lorries, to internalise (ie bear) the costs of congestion, noise and air pollution.

A General Approach was reached on a Directive amending Directive 2002/15/EC on the organisation of the working time of persons performing mobile road transport activities.

The Council adopted Conclusions on the greening of transport, the Commission's strategy for the internalisation of external costs in transport and the reduction of rail noise on existing rolling stock.

Progress has been maintained on Galileo, the EU's global navigation satellite system. In April 2008 the project successfully launched its second test satellite and in July the Council adopted a regulation to establish the finance, governance and procurement procedures for the programme. A procurement competition to build and launch the satellites and the ground-based infrastructures is now underway, with the initial contracts expected to be signed in 2009. Full deployment of Galileo is scheduled for 2013.

The Council agreed on proposals for Directives on the responsibility of EU Member States which are Flag States and on the insurance requirements of ship owners. These are the final two elements of a package.

The Council made progress on a Regulation establishing the second Marco Polo programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system.

Conclusions were adopted following two Commission Communications:

- Strategic goals and recommendations for the EU maritime transport policy in the horizon 2008-2018; and
- an Action Plan with a view to establishing a European maritime transport space without barriers.

Environment Council

The Environment Council, the European Council (Heads of Government) and the European Parliament debated and agreed a climate change and renewable energy legislative package. The package implements the Europe-wide commitment to a 20 per cent reduction of greenhouse gas emissions from 1990 levels by 2020, rising to 30 per cent if a global deal is reached, and the Europe-wide commitment to 20 per cent of all energy to come from renewable sources, also by 2020.

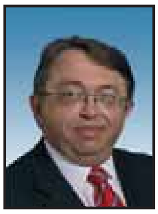
The Council also reached agreement on a draft regulation aimed at setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO_2 emissions from light-duty vehicles.

Appendix I

Ministers, Board and committees

Ministers

Andrew Adonis
Secretary of State for Transport



Paul Clark
Parliamentary Under Secretary

Sadiq Khan
Minister of State for Transport

Chris Mole
Parliamentary Under Secretary

Board

Robert Devereux
Permanent Secretary

Bronwyn Hill
Director General

David Hipple
Director General

Steve Gooding
Director General

Richard Hatfield
Director General

Mike Mitchell
Director General

Alan Cook
Non-Executive

Sally Davis
Non-Executive

Ed Smith
Non-Executive

Ministers and Board members at time of publication

Department for Transport Board

The role of the Board is to:

- ensure effective governance of the Department and its executive agencies, so we make the right decisions at the right time and properly manage risks;
- shape and direct a shared agenda for the Department as a whole, both to deliver ministers' priorities and to build our capability as a Department;
- monitor performance and risk, making choices (or recommendations to ministers) on priorities and appetite for risk; and
- oversee the health of our relations with our stakeholders and commercial partners.

The Board is chaired by the Permanent Secretary and is attended by the five directors general. It receives objective challenge from its non-executive members Alan Cook, Sally Davis and Ed Smith, and from Professor Brian Collins, DfT's Chief Scientific Adviser

It meets 10 times per year – usually once a month except in August and December. Some papers or submissions may be circulated to the Board for clearance by correspondence.

The DfT Board is supported by an Executive Committee and five sub-committees.

Committees

Executive Committee

The role of the Committee is to:

- conduct annual business planning, determine appropriate reporting arrangement in order to track progress on key deliverables and budgets and to identify key risks;
- assess progress and risks on the basis of that reporting, and assess the potential impact on plans of major new initiatives from ministers or beyond the Department (including revised plans for key public announcements);
- decide adjustments to plans and resources in light of this assessment, reporting the position and key issues arising for the Departmental Board;
- provide steers as necessary to Board sub-committees and progress any issues referred to it by the Board;
- manage succession planning and remuneration for senior staff across the Department; and
- lead the central Department (using the DfT(C) Management Committee to oversee and develop key initiatives to improve the way the central Department operates).

The Executive Committee is chaired by the Permanent Secretary and is attended by the five directors general and the Legal Services director. It meets once every week except in the week of a Board meeting and in August.

Sub-Committees to the DfT Board

Group Audit Committee

The DfT Principal Accounting Officer has established the Group Audit Committee as a sub-committee of the Board to support him in his responsibility for issues of risk control and governance, and associated assurance. The Committee meets at least four times a year to assess the comprehensiveness, reliability and integrity of assurances, through review and challenge of reports on process and policy from internal audit, external audit and management.

The Committee was chaired by Deborah Williams up to mid-February 2009, when Ed Smith took over the responsibility. The three members of the Group Audit Committee are currently Alex Jablonowski, the non-executive chair of the Highways Agency's Audit Committee; John Burdett, the non-executive chair of DVLA's Audit Committee; and John Mayhead, non-executive director on the Department's aviation programme board.

The Committee chair also leads the Department's Chairs of Audit Committees Forum, which meets quarterly to bring together issues and best practice from each of the Department's seven agencies' individual audit committees. The chair of the Group Audit Committee reports their views on the effectiveness of internal control to the Board regularly throughout the year.

Commercial Sub-Committee

This Sub-Committee is responsible to the Departmental Board for:

- keeping abreast of trends and developments in the commercial market, both in terms of the players and of the markets' preferences for the nature and structure of commercial deals;
- identifying and promoting best practice across the Department in terms of commercial and procurement processes;
- offering to colleagues a one-stop mechanism for advice and guidance on the inter-related issues around procurement, corporate finance, commercial deals and programme management;
- advising the DfT Board on how it could improve its commercial capability; and
- supporting the Department's handling of large and complex commercial transactions.

Change and Internal Communications Sub-Committee

This Sub-Committee is responsible to the Departmental Board for:

- maintaining an overview of the Departmental change projects planned or underway, to ensure that the change portfolio is manageable, structured and prioritised to achieve the vision for the Department;
- shaping the internal communications agenda for the Department and facilitating the effective delivery of key messages from the senior management; and
- assessing evidence from staff and stakeholders, and using this to inform the development and implementation of the change portfolio and the internal communications agenda.

Shared Services Sub-Committee

This Sub-Committee is responsible to the Departmental Board for reviewing the functions carried out via the shared services system and recommending the most efficient and effective means of carrying them out throughout the DfT family in the future.

Sustainable Transport Strategy Sub-Committee

This Sub-Committee is responsible to the Departmental Board for:

- leading strategy development for the Department, ensuring that our advice to ministers on transport strategy for the next 15 years (and beyond) is coherent and focused on the delivery of our five transport objectives;
- finding satisfactory ways to resolve potential contentions across transport networks and goals, in order to enable effective work on each area;
- challenging and driving forward the Department's strategic thinking; and
- ensuring that underpinning processes and tools are fit for purpose.

Other committees

Remuneration Committee

This Committee is responsible for:

- agreeing pay awards for senior civil servants and non-executive directors.

The Permanent Secretary chairs the Committee and it meets once or twice a year.

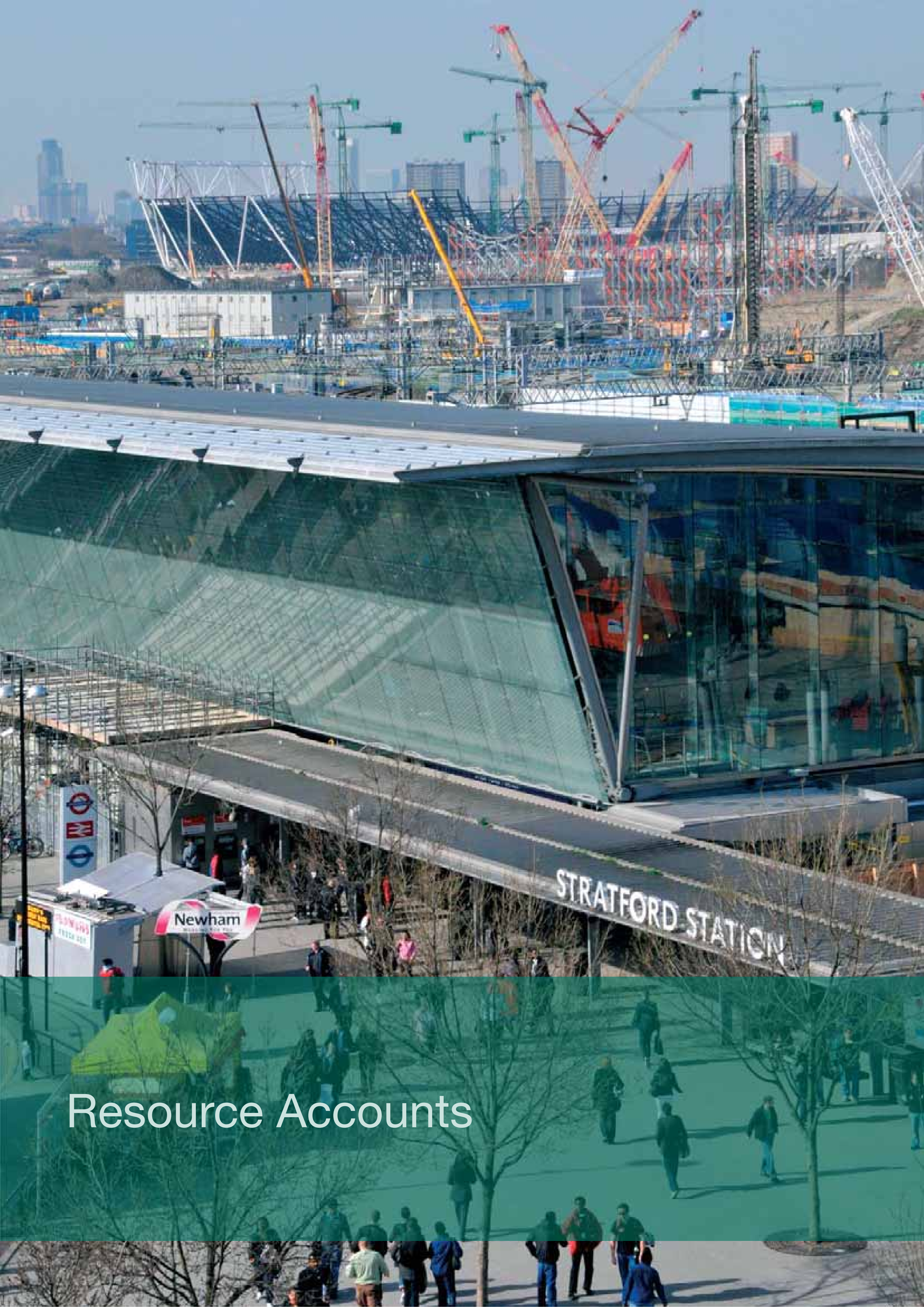
Management Committee

This Committee was set up in December 2007 to:

- improve and streamline decision making on DfT(C) management issues; and

- involve a wide group of managers in decisions affecting the management of the central Department.

The purpose of the Management Committee at that time was agreed to be to provide advice to the Executive Committee on ‘running the business’ and particularly DfT(C) management issues.



Resource Accounts

Resource Accounts

Annual report

Scope

Entities consolidated

The Annual Report and Resource Accounts present the consolidated results for the year ended 31 March 2009 for the following entities:

- Department for Transport and:
  - Highways Agency;
  - Maritime and Coastguard Agency;
  - Government Car and Despatch Agency; and
  - Vehicle Certification Agency.

A list of bodies included and those excluded from consolidation is set out in Note 36 to the accounts.

Departmental reporting cycle

The Department's Annual Report 2009 forms Part One of this publication. It provides a comprehensive review of the activities of the Department and its reporting bodies in 2008-09 and the following financial information:

- outturn for 2007-08; and
- expenditure plans for 2008-09 and 2009-10.

This part of the publication, Part Two, is the Department's Resource Accounts for 2008-09.

Management commentary

The Department for Transport is a central government department. Its main role, together with its agencies, is to implement government transport policy and to advise ministers. To achieve this, it works alongside the devolved administrations, local authorities, non-departmental public bodies and other government-sponsored organisations.

Most of its resources are provided by Parliament, which votes funding on an annual basis in the context of HM Treasury's Spending Reviews. It provides grant funding to local government (including the Greater London Authority), Network Rail and other entities that deliver major projects. It contracts with train-operating and freight companies to provide rail services on a franchised basis, maintains and improves motorways and major trunk roads, and develops and implements the Government's maritime safety and environmental protection strategy.

Aim and Departmental strategic plans

Our aim is 'Transport that works for everyone' as we look to promote the benefits of transport and make them available to all, and, at the same time, limit the negative impacts. This is discussed in more detail in Chapters 1 and 2 of the Annual Report.

Key objectives

Following the Eddington and Stern reports we committed ourselves to building a truly sustainable transport system which would continue to support economic growth in a low-carbon world. We set out our initial approach in 2007 in *Towards a Sustainable Transport System*. In November 2008 we published *Delivering a Sustainable Transport System* (DaSTS) which explains how we have developed this into a framework for delivery. We are putting this strategy into action in a way that both tackles our immediate problems and shapes our transport system to meet the longer term challenges.

Our strategic framework is reflected in the five clear goals which form our Departmental Strategic Objectives (DSOs):

- **DSO 1**: To support national economic competitiveness and growth, by delivering reliable and efficient transport networks;
- **DSO 2**: To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change;
- **DSO 3**: To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and through promoting travel modes are beneficial to health;
- **DSO 4**: To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society; and

- **DSO 5**: To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment.

These goals are not alternatives. Overall, we will be successful only if we deliver against all five. (See Appendix D for details of reporting against DSO indicators and Public Service Agreement targets).

The Department's objectives support government-wide objectives. In October 2007, as part of the Comprehensive Spending Review, the Government published thirty Public Service Agreements (PSAs), which set out its key priorities for the period from April 2008 to March 2011. The new set of PSAs replaces those agreed in previous spending reviews. The Department for Transport leads on one of these:

- **PSA 5**: To deliver reliable and efficient transport networks that support economic growth.

This PSA focuses on supporting sustainable economic growth but does not cover the full range of the Department's responsibilities. Wider priorities for transport policy are included in other cross-government PSAs. The Department will contribute to the delivery of many other PSAs during the CSR07 period. This involves our working with other government departments, including Defra, BIS, CLG, the Home Office and DCSF, on a wide range of issues such as climate change, regional economic performance, housing supply, counter-terrorism and the safety and life chances of children and young people. Details of our PSAs are outlined in Appendix D.

Financial performance

2008-09 Outturn versus Estimate
The Net Resource Outturn reported in Note 2 was £19.88 billion, which is £3.58 below the Estimate of £23.46 billion. The material components of this underspend by Estimate section are explained below.

A: Ports and Shipping Services – £41 million underspend
The majority of this underspend (£37 million) is due to a lower than expected impairment of the International Maritime Organization building.

C: Aviation Services – £20 million underspend
The dividend from the National Air Traffic Services (NATS) was £19 million higher than expected. The dividends were difficult to predict because of economic conditions and industrial relations. NATS is a private company that the Department does not control.

M: Railways – £256 million underspend
This underspend is predominantly due to movements on the Financial Guarantee Contracts provided by the Department to Network Rail. In addition to this, the Department received a non-cash credit in respect of the cost of capital charge on the liability of over £100 million which was not budgeted for.

P: Transformation, Licensing, Logistics and Sponsorship – £17 million overspend and
Q: Vehicle and Operator Services Agency trading fund – £12 million underspend
Enforcement expenditure (£12 million) is now shown against the central Department (Line P) and not VOSA. The remainder on Line P is made up of minor overspends on various programmes.

U: Research, Statistics, Publicity, Consultancies and Other Services for Roads and Local Transport – £35 million underspend
This largely comprises an unexpected Cost of Capital credit of £15 million and slippage of a number projects.

X: Other Transport Grants (Resource) – £25 million underspend
This is mainly due to the franchise payments for passenger rail services being estimated at £330 million, while final outturn was £316 million. Subsidy payments are dependent on revenue, and are, therefore, subject to significant variation.

Z: Highways Agency – £101 million underspend
This is due to revised forecasts in respect of impairments to the national roads network.

AA: Railways and Other Expenditure – £161 million underspend
The resource impact of the revaluation of FRS 17 railways pensions is particularly volatile and the actual amounts are known only at the end of the financial year following Actuarial assessment. Owing to market volatility, provision of £200 million was allowed, though actual outturn was £40 million resulting in an underspend of £160 million.

AB: Driver and Vehicle Licensing Agency trading fund – £39 million underspend
The majority of this variance (£28 million) is due to agreeing with the Treasury not to put forward non-cash adjustments in the Spring Supplementary. The remainder of £11 million is due to various underspends on other activities.

AF: Financial Instruments - £2,383 million underspend
Estimate cover was obtained during 2008-09 to address the Prior Year Adjustments that were anticipated following the first time adoption of FRS 25 and 26, as described in Note 37 under the heading ‘Change in Accounting Policy’. When estimate cover was sought, the expectation was that the Network Rail Financial Guarantee Contract, identified in Note 16.2, would require this coverage for the Prior Year Adjustment. In June, following discussions with the National Audit Office, agreement was reached, whereby the accounting treatment required for this Prior Year Adjustment did not give rise to a net liability. This meant that the estimate cover that had been arranged was not required. The large underspend reported against this Estimate Line has arisen as a consequence of this decision.

AG: London and Continental Railways – £486 million underspend
Estimate cover of £300 million had been arranged during 2008-09 to cover the in-year movements arising from the first time adoption of FRS 25 and 26 in relation to the London and Continental Railways Financial Guarantee Contract. The accounting treatment that had been anticipated when coverage had been sought indicated that an unwinding charge would arise for which estimate cover would be required. At the year end, the need for this cover proved unnecessary. Furthermore, the large Financial Liabilities that were reported in the Balance Sheet in 2008-09 gave rise to a cost of capital credit of £186 million against this estimate line.

Financial position
During the year, the Department's net assets increased by £3 billion. The Department's largest asset remains the strategic road network. Improvements to the road network are typically financed either directly (97.5 per cent of fixed assets by net book value are financed in this way) or via the Private Finance Initiative (PFI). To maximise value for money, the Department retains significant construction risks in relation to its strategic road PFI schemes: hence, they are generally recognised as being on the Department's Balance Sheet.

External stakeholders
The Department works with other government departments to achieve its own objectives and the wider objectives of the Government, such as crime reduction and social inclusion. It works with European Union partners to promote the development of efficient and competitive transport. Further details can be found under the Communications and Marketing section in Chapter 10.

Social responsibility and community relations
The Department is working to demonstrate more accountability and responsiveness to society. In the fourth year of operation of the Freedom of Information Act 2000, the Department responded to requests within the deadline in 91 per cent of the 1,949 cases received. We published responses of wider public interest on the Department's website.

The Department is working to reduce regulatory and enforcement burdens and, in December 2006, published a comprehensive simplification plan, *Transport: Lightening the Load*. This plan was formally updated in 2007 and 2008 as part of a cross-government exercise to reduce administrative burdens on business. The initial plan and its two updates can be reviewed on the Department's website at www.dft.gov.uk/about/simplificationplan/secsimplificationplan/.

The Department has produced and implemented an Equality Impact Assessment Toolkit to support the delivery of its disability, race and gender equality duties, so that potentially adverse impacts of policy and operations can be anticipated and addressed. We launched a new training programme for equality impact assessments this year.

Significant remote contingent liabilities
Government departments are required to report specifically on contingent liabilities arising from guarantees and letters of comfort. The Department has provided such guarantees and letters, where they would benefit the taxpayer and where the benefits outweigh the disadvantages, for example to support private-sector borrowing by Network Rail Limited and London and Continental Railways Limited, and to encourage rail franchisees to invest in new facilities, which would last beyond the franchise terms. Further disclosures are given in Note 32 of these accounts.

During the year, central government implemented the financial instruments standards, FRS 25 and FRS 26. These affect the accounting treatment for guarantees that relate to debt obligations. Such guarantees now need to be recognised on the Balance Sheet at fair value, even if the risk of the Department being required to honour the guarantees is remote. Further details of the changed accounting policies and the valuations of these guarantees are given in Note 1: Accounting Policies, Note 16.2: Financial Liabilities and Note 37: Restatement of Prior Year Balances. This change in accounting treatment does not affect the Department's exposure under the guarantees themselves.

The Department has also adopted FRS 29 for the first time. This Financial Reporting Standard determines the minimal disclosure required for the nature and extent of risk that an entity faces. Further details of this change in accounting policy can be reviewed within Note 1: Accounting Policies and Note 30: Financial Instruments.

Events affecting performance this year
In last year's Resource Accounts, we announced plans to procure a new fleet of rolling stock for the East Coast Mainline and Great Western routes. During the year we awarded the contract to the Agility Consortium. The new rolling stock will come into service from 2015. The Department announced the incorporation of Diesel Trains Limited, to procure new diesel rolling stock to relieve overcrowding in the Thames Valley, around Bristol and on longer distances in northern England, from 2012 onwards. It is expected that this procurement will be taken on by the market in due course. The rail sector committed to acquiring additional rolling stock in other regions, including the lengthening of West Coast Mainline Pendolinos. Congestion in the South East will be alleviated by making the Channel Tunnel Rail Link available to domestic services from late 2009.

In May 2008 Royal Assent was received for legislation – the Channel Tunnel Rail Link (Supplementary Powers) Act – giving necessary powers to undertake the restructuring and sale of London and Continental Railways (LCR) The Department sought State Aid permission from the European Commission for the restructuring process and was, at 31 March 2009, awaiting its response (see Note 41, Post Balance Sheet events). These developments were considered in the context of the carrying values of the associated existing financial guarantees given to the LCR and the holders of the debt issued to support the construction of Channel Tunnel Rail Link which was renamed High Speed One (see Note 31).

The Crossrail Hybrid Bill passed into legislation, giving the Department and Transport for London the powers to deliver this project. Work has already begun, with the acquisition of properties required for construction of the tunnel and the instruction of key technical advisers. Crossrail will provide a high-frequency service, which will need to be integrated into existing Underground, rail and Docklands Light Railway services. This will present significant technical challenges over the next few years.

Last summer customers of XL were left stranded following the collapse of the company. Those covered by the new ATOL charging regime were successfully repatriated and compensated by the Air Travel Trust, with the Department standing ready to assist where required.

Elsewhere in the aviation sector, the Department approved proposals to expand Heathrow, including the construction of a third runway, subject to certain conditions on pollution levels.

The Department has continued to transfer support functions to the Shared Service Centre in Swansea, with the core Department itself starting to use the Centre in April 2008. At the end of the year, the Shared Service Centre, previously directed by DVLA, was transferred to the core Department.

Events affecting future performance

The delivery of transport investment projects will be affected by the current economic downturn. The Department will be bringing forward £700 million investment from 2010-11 into 2009-10 to contribute to its fiscal stimulus programme. Projects brought forward include the acquisition of rolling stock through Diesel Trains Ltd (discussed above), the upgrading of the A46 between Newark and Widmerpool and the start of advanced works for the Highways Agency's managed motorways programme.

During 2009-10 the Southern franchise comes up for renewal. As ticket price increases are limited to fixed amounts over RPI, the recent falls in RPI will limit train operators' revenues and this may not be encouraging to potential new franchisees.

The Competition Commission published its final decision on BAA on 19 March, requiring the airport operator to sell Gatwick, Stansted and either Edinburgh or Glasgow within two years. The sale of Gatwick is already underway.

The Maritime and Coastguard Agency is continuing to work with the MoD to let a PFI contract for a harmonised search and rescue service.

International Financial Reporting Standards

The March 2008 Budget announced that central government would implement International Financial Reporting Standards (IFRS) in 2009-10, with the financial instruments standards (FRSs 25, 26 and 29, equivalent to International Standards IASs 32, 39 and IFRS 7) being implemented in 2008-09. HM Treasury issued a detailed timetable for transition with key dates over this year and next year. All departments, executive agencies, non-departmental public bodies and trading funds are required to prepare shadow IFRS-based accounts for 2008-09 and any necessary changes to budgets as a result of the switch to IFRS should be made in Winter Supplementary Estimates 2009. During the year, the Department met the deadline for preparing its opening IFRS Balance Sheet (as at 31 March 2008) and currently has every expectation of meeting subsequent deadlines, including that for the preparation of the shadow IFRS-based accounts later in 2009.

Public interest

Equal opportunities and recruitment
The Department values equality and diversity in employment and a socially inclusive transport system. It is committed to recruiting, retaining and promoting the best people. Our aim is to ensure that all staff and job applicants are treated equally and fairly, regardless of their sex, gender identity, disability status, marital status, race, ethnic or national origin, sexual orientation, age, religion or belief, employment status, working patterns, caring responsibility and trade union membership, union office or trade union activities. All the Department's advertised jobs are open to part-time working or job-sharing arrangements, unless explicitly stated otherwise in the job advertisement. Wherever possible, we aim to advertise posts in a cross section of media, on the Department's website (www.dft.gov.uk) and, for existing civil servants, on the Civil Service Recruitment Gateway website. Selection and appointment is on merit and in accordance with the guidance laid down in the Civil Service Commissioners Recruitment Code.

Staff relations
The Department has been the subject of strike action during the year, because of pay and job security issues. Two one-day strikes took place which affected the Department and its agencies. The Department continues to manage its pay remit within the bounds of the wider public sector pay policy and has an extremely good record of not implementing compulsory redundancy schemes. Regular meetings take place with its Trade Union side. The Department has reviewed and re-issued the management of sickness absence policies. The policies clearly define line-management responsibilities and include a reduction in sick absence trigger points to ensure action is now taken earlier. The Department has access to occupational health advisers to assist in managing sick absence cases. Employee assistance programmes are available to all staff to help with personal and work-related issues.

Payment of suppliers
The Department's policy is to comply with the Prompt Payment Code. In line with the rest of government, the Department (including its executive agencies) works toward paying 98 per cent of valid, undisputed bills on time (within 30 days of the date of receipt of the invoice at the Shared Service Centre, or within the contractual term, if less). For the year 2008-09, the Department paid 79.39 per cent of invoices on time, a decrease from 2007-08 when 92.90 per cent of bills were paid on time.

The primary reason for this decline was that, on1 April 2008, the Department moved onto a new accounting system and a new purchase to pay (P2P) system based on the concept of self-service, with the expectation that the order and receipt of goods and services would be decentralised. This was a major cultural, process and technical change for the Department and required new ways of working.

As a result of a P2P process review in September 2008, we have introduced various initiatives covering governance and ownership, process, training, reporting and systems. The result has been a steady increase in the number of invoices paid on time, culminating in the Department's seeing over 98 per cent of invoices paid within 30 days during both February and March.

In line with the Prime Minister's directive to attempt to pay small – and medium-sized businesses within 10 days, the Department is working towards settling all invoices within this target. Further measures, together with the improvements identified above, will help improve the capability of the Department in doing so.

Environmental policy

A good transport system is central to a prosperous economy, providing access to goods and services and supporting people's desire for mobility. But measures to support increasing demand for travel must work in tandem with our goals of protecting the environment and improving the quality of life for everyone, whether or not they are travelling. This means seeking solutions that meet our long-term economic, social and environmental goals. We are working to tackle climate change, improve air quality, address wider quality of life issues, limit noise and improve planning, to support better environmental outcomes. More details about our work can be found in Chapter 6 of the Annual Report section.

Euro preparations

Government policy on entry to the Euro continues to be 'prepare and decide', thereby ensuring that the UK retains a genuine option to join the single currency, if the Government, Parliament and the people, in a referendum, decide to do so. The Department has developed and maintained its changeover plan in accordance with HM Treasury's requirements.

Auditors

The Comptroller and Auditor General carries out the audit of the Department's accounts, including agencies, under the Government Resources and Accounts Act 2000, at an annual notional cost of £751,000. The prior year figure was £737,000.

The Department, at HM Treasury's direction, is required to produce the 2009-10 Resource Accounts using International Financial Reporting Standards (IFRS) rather than UK GAAP. In order to satisfy this requirement, it has had to produce a 2007-08 closing Balance Sheet and an entire 'shadow' Resource Account for 2008-09 based upon IFRS. These steps are necessary to enable the Department to produce IFRS-based comparatives for the 2009-10 Resource Accounts. The IFRS-based information it has produced has been subject to review by the

Comptroller and Auditor General and this has led to an additional, annual notional cost of £99,500 being incurred. This cost covers the IFRS-based audit work completed within the Department and its agencies.

The National Audit Office also performs other statutory audit activity, including value for money and assurance work, at no cost to the Department.

Reconciliation of resource expenditure between Estimates, accounts and budgets

	Note	2008-09 £000	2007-08 £000
Net Resource Outturn (Estimates)	3.1	**19,882,067**	**16,115,337**
Adjustments to additionally include:			
Consolidated Fund Extra Receipts in the Operating Cost Statement	3.1	(45,968)	(36,968)
Prior year adjustments (FRS Financial Instruments)	16.2	(5,348,965)	
Prior year adjustments (Other)		180,509	
Net Operating Cost (Accounts)[1]	3.1	**14,667,643**	**16,078,369**
Adjustments to remove:			
Gains/losses from sale of capital assets		–	42
Capital grants		(5,630,739)	(4,264,184)
European Union income related to capital grants		24,603	14,075
Voted expenditure outside the budget		(199,326)	–
Adjustments to additionally include:			
Other Consolidated Fund Extra Receipts		–	2,329
Resource consumption of non departmental public bodies		402,346	16,318
Metronet Grant to Transport for London		–	(1,700,000)
Other adjustments		(16,972)	166,891
Resource Budget Outturn (Budget)		**9,247,555**	**10,313,840**
of which			
Departmental Expenditure Limit (DEL)		5,518,013	6,799,499
Annually Managed Expenditure (AME)		3,729,542	3,514,341

1 The prior year Net Operating Costs have not been restated in line with Note 3 to the financial statements.

Personal data related incidents

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office				
Statement on information risk	I am aware that the handling of information and data is a key risk to the Department. I have issued guidance to all staff on the subject of data handling and I have emphasised the importance of the requirements contained within this guidance. In line with Cabinet Office guidance, information asset owners (IAOs) have been appointed across the Department and data handling is being taken extremely seriously. All staff will undertake a course of training on Protecting Information by the end of 2009 and IAOs and senior managers will have further training to equip them fully to carry out their key roles.			
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
Since 2003	Unauthorised disclosure of paper documents	Names, bank names (in 3 cases), bank account numbers, credit card number (in two cases)	10	Ministers and individuals notified
May	Unauthorised disclosure of paper documents	Name, business address, business risk score	3	Ministers informed
Further action on information risk	The Department will continue to monitor and assess its information risks in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems. Following the Cabinet Office's publication of *Data Handling Procedures in Government: Final Report* in June 2008, we implemented new, mandatory minimum measures in relation to data protection across the Department, its agencies and suppliers. We identified information assets and appointed IAOs to manage them. A quarterly risk assessment process ensures that information risks are identified, managed and escalated where necessary, with the senior information risk owner fully involved and reporting to the DfT Board. All staff have completed, or will this year undertake, training on Protecting Information.			

Incidents deemed by the data controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Department, are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Summary of other protected personal data related incidents in 2008-09		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	3
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	3
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	2
IV	Unauthorised disclosure	14
V	Other	1

Remuneration Report

Remuneration policy

Senior Civil Service (SCS) pay and conditions are not delegated to individual departments. The SCS is a corporate resource, employed with a common framework of terms and conditions.

SCS remuneration is determined following independent advice from the Review Body on Senior Salaries in an annual report to the Prime Minister. Further information about their work and copies of the annual reports can be found on the Office of Manpower Economics website at www.ome.uk.com.

The Cabinet Office sends the Government's decisions on SCS remuneration to the Department. The Department's SCS Remuneration Committee takes annual pay review decisions for individual members of the SCS within the key pay parameters communicated by the Cabinet Office.

Pay system and performance management

The Department has three levels of senior civil servant below the Permanent Secretary. These are underpinned by a tailored job evaluation scheme, (JESP – Job Evaluation for Senior Posts), which provides a consistent basis for comparing the relative value of jobs within and across departments. Each of these three levels has a pay range.

The base salary rewards value or contribution which is determined using three criteria:

- individual's overall growth in competence;
- challenge associated with the job; informed by job weight and departmental priorities; and
- confidence in the individual's future performance, based on sustained past performance or rigorous assessment of potential.

Individual annual pay award decisions take into account:

- whether there are anomalies between individuals in the SCS that can and should be addressed;
- the full range of possible awards, to reflect and reinforce important messages about contribution;
- that, over time, the strongest contributors should usually be paid higher in the pay band than others; and
- when an individual's pay is at or above an appropriate level in the pay band for their contribution, it is reasonable to consider whether any pay increase is appropriate or not.

Delivery of in-year performance against objectives is rewarded through non-consolidated pay. Individuals who make the biggest contributions receive the largest payments. Individuals who make the weakest contributions receive the smallest payments or none at all.

In order to determine relative performance, SCS members are ranked from strongest to weakest. The rank is then divided into four performance groups:

- **Group 1**: top 25 per cent of performers;
- **Group 2**: next 40 per cent of performers;
- **Group 3**: next 20-25 per cent of performers; and
- **Group 4**: bottom 5-10 per cent of performers. This group should not receive a bonus and have action taken to address under performance or ongoing poor performance, including the drawing up of a performance improvement plan.

All base pay and non-consolidated pay decisions are monitored by gender, ethnicity, disability and working pattern to guard against bias.

Remuneration Committee

This Committee comprises the Department for Transport's Permanent Secretary (as Chairman), all directors general, and a non-executive Board member. For the year to 31 March 2009, its members were:

Robert Devereux	Permanent Secretary, Department for Transport
Steve Gooding (from 2 March 2009)	Director General, Motoring and Freight Services
Richard Hatfield (from 26 August 2008)	Director General, International Networks and Environment
Stephen Hickey (to 25 July 2008)	Director General, Safety, Service Delivery and Logistics
Simon Webb (to 2 March 2009)	Director General, International Networks and Environment
Bronwyn Hill	Director General, City and Regional Networks
Mike Mitchell	Director General, National Networks
Barbara Moorhouse	Director General, Corporate Resources
Anne Hemingway (to 31 July 2008)	Non-Executive Director
Deborah Williams (when the Committee met on 9 December 2008)	Non-Executive Director

The Committee makes pay decisions for directors and divisional managers. The Permanent Secretary decides on pay for directors general, with advice from the Committee's non-executive director.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit, on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Official	Contract period
Archie Robertson[1]	24 November 2006 to 01 July 2008
Mike Mitchell[2]	3 May 2005 to 2 May 2008
	3 May 2008 to 31 December 2010

Notes:

1 Archie Robertson's fixed-term contract expired in year.

2 Mike Mitchell is subject to the termination agreements/notice periods as laid out in the standard Senior Civil Service contract for fixed-term appointments.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and Pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (ie Board members) of the Department and the remainder of this Remuneration Report has been audited.

Remuneration

Ministers	2008-09 £	2007-08 (restated) £
Geoff Hoon MP – Secretary of State	32,648	
(from 4 October 2008)		
Full-year equivalent	78,356	
Ruth Kelly MP – Secretary of State	39,810	58,710*
(from 29 June 2007 to 3 October 2008)		
Full-year equivalent	78,356	77,509
Lord Adonis – Minister of State	34,601	
(from 5 October 2008)		
Full-year equivalent	83,043	
Rosie Winterton MP – Minister of State	23,710	30,344*
(from 30 June 2007 to 5 October 2008)		
Full-year equivalent	40,646	40,207

Ministers	2008-09 £	2007-08 (restated) £
Paul Clark MP – Parliamentary Under Secretary of State (from 5 October 2008)	Unpaid	
Tom Harris MP – Parliamentary Under Secretary of State (from 7 September 2006 to 5 October 2008)	15,840	30,518*
Full-year equivalent	30,851	30,518
Jim Fitzpatrick MP – Parliamentary Under Secretary of State (from 30 June 2007)	30,851	23,032*
Full-year equivalent		30,518

* Prior year figures have been restated by £1,395 for these individuals to reflect remuneration that is owed to them.

Officials	2008-09 £000	2007-08 (restated) £000
Robert Devereux – Permanent Secretary (from 31 May 2007)	160 – 165	165 – 170
Richard Hatfield – Director General (from 26 August 2008)	80 – 85	
Full-year equivalent	145 – 150	
Stephen Hickey – Director General[1] (from 2 January 2003 to 25 July 2008)	40 – 45	125 – 130
Full-year equivalent	125 – 130	
Simon Webb – Director General (from 27 September 2004 to 2 March 2009)	140 – 145	155 – 160
Full-year equivalent	150 – 155	
Mike Mitchell – Director General[2] (from 3 May 2005)	230 – 235	220 – 225
Bronwyn Hill – Director General (from 25 June 2007)	145 – 150	100 – 105
Full-year equivalent		130 – 135
Barbara Moorhouse – Director General (from 30 July 2007)	195 – 200	135 – 140
Full-year equivalent		205 – 210
Steve Gooding – Director General (from 2 January 2009)	25 – 30	
Full-year equivalent	115 – 120	
Archie Robertson – Chief Executive[3] (from 24 November 2003 to 1 July 2008)		

Notes:

1 Stephen Hickey received £63,009.61 in compensation on taking early retirement.

2 Mike Mitchell's salary now includes contractual benefits that had previously been classified as benefits in kind. The prior year salary figure has also been restated.

3 Archie Robertson's remuneration is disclosed separately in the Highways Agency accounts.

Benefits in kind are disclosed separately below.

The non-executive directors of the Board received the following remuneration for their services during the year:

Non-executive director	2008-09 £000	2007-08 (Restated) £000
Ed Smith[1] (from 1 January 2009)	5 – 10	
Full-year equivalent	20 – 25	
Alan Cook (from 1 January 2009)	5 – 10	
Full-year equivalent	20 – 25	
Sally Davis (from 1 January 2009)	5 – 10	
Full-year equivalent	20 – 25	
Anne Hemingway[2] (from 5 July 2003 to 31 July 2008)	5 – 10	10 – 15
Full-year equivalent	15 – 20	
Deborah Williams[3] (from 10 October 2005)	20 – 25	20 – 25

Notes:

1 Ed Smith was recruited to be Chair of the Audit Committee. He took over his responsibility on 24 February 2009. His remuneration includes a fee for holding this position.

2 Ann Hemmingway's remuneration includes £2,300 (2007-08: £3,570) additional fees for extra responsibilities, including attendance at the Efficiency Programme Board.

3 Deborah Williams was Chair of the Audit Committee through to the 23 February 2009 and remained on the Board in an advisory capacity. Her remuneration includes a fee for this additional responsibility.

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£63,291 from 1 April 2008, £61,820 from 1 November 2007, £61,181 from 1 April 2007) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different, in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is, therefore, shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary is allowed the private use of a Government car and driver in the circumstances permitted by the Civil Service Management Code. Robert Devereux's benefit relating to the use of this car for the period was £8,753 (2007-08: Robert Devereux £5,710; Sir David Rowlands £1,008). The amounts quoted above include the tax and national insurance liability paid on behalf of the individual by the Department to HM Revenue and Customs. The prior year figures differ to those stated in the 2007-08 Resource Account as they include the tax and national insurance liability. No other ministers or officials received any benefits in kind.

Pension benefits

Ministers	Accrued pension at pension age as at 31/03/09 £000	Real increase in pension at pension age £000	CETV at 31/03/09 £000	CETV at 31/03/08[1] £000	Real increase in CETV £000
Geoff Hoon MP – Secretary of State (from 4 October 2008)	15 – 20	0 – 2.5	257	228	18
Ruth Kelly MP – Secretary of State (from 29 June 2007 to 3 October 2008)	5 – 10	0 – 2.5	72	62	3
Lord Adonis – Minister of State (from 5 October 2008)	5 – 10	0 – 2.5	78	67	5
Rosie Winterton MP – Minister of State (from 30 June 2007 to 5 October 2008)	5 – 10	0 – 2.5	84	74	4
Paul Clark MP – Parliamentary Under Secretary of State (from 5 October 2008)[2]					
Tom Harris MP – Parliamentary Under Secretary of State (from 7 September 2006 to 5 October 2008)	0 – 5	0 – 2.5	20	12	5
Jim Fitzpatrick MP – Parliamentary Under Secretary of State (from 30 June 2007)	5 – 10	0 – 2.5	83	69	7

Notes:

1 The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

2 Unpaid minister therefore no pension disclosure required

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for ministers provide benefits on an 'average salary' basis, taking account of all service as a minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those who chose to backdate the change) but ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for ministers are payable at the same time as their benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the RPI. Members pay contributions of six per cent of their ministerial salary, if they have opted for the 1/50th accrual rate or 10 per cent of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer, representing the balance of cost as advised by the Government Actuary. This is 26.8 per cent of the ministerial salary.

The accrued pension quoted is the pension the minister is entitled to receive when he/she reaches 65, or immediately on ceasing to be an active member of the scheme if he/she is already 65.

Cash Equivalent Transfer Value (CETV)
This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement, when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in value of CETV
This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister, and is calculated using common market valuation factors for the start and end of the period.

Officials	Accrued pension at pension age as at 31/03/09 £000	Real increase in pension at pension age £000	CETV at 31/03/09 £000	CETV at 31/03/08[1] £000	Real increase in CETV £000
Robert Devereux – Permanent Secretary (from 31 May 2007)	55 – 60 plus 170 – 175 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	1,098	989	33
Richard Hatfield – Director General (from 26 August 2008)	60 – 65 plus 185 – 190 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	1,335	1,258	2
Stephen Hickey – Director General (from 2 January 2003 to 25 July 2008)	55 – 60 plus 165 – 170 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	1,311	1,202	47
Simon Webb – Director General (from 27 September 2004)	60 – 65 plus 190 – 195 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	1,410	1,318	4
Mike Mitchell – Director General (from 3 May 2005)	5 – 10	0 – 2.5	151	111	34
Bronwyn Hill – Director General (from 25 June 2007)	40 – 45 plus 130 – 135 lump sum	2.5 – 5 plus 10 – 12.5 lump sum	720	615	55
Barbara Moorhouse – Director General (from 30 July 2007)	5 – 10	0 – 2.5	119	85	25
Steve Gooding – Director General (from 2 January 2009)	35 – 40 plus 75 – 80 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	606	566	27

Notes:

1 The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007 civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (**classic**, **premium** or **classic plus**) or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the RPI. Members who joined from October 2002 could opt for either the appropriate, defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for **classic** and 3.5 per cent for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** members builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website at www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement, when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in value of CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Statement regarding the disclosure of information to the auditors

As Accounting Officer, I have taken all of the necessary steps to make myself aware of any relevant audit information and to establish that the National Audit Office has been made aware of that information in connection with its audit.

Insofar as I know, there is no relevant audit information of which the National Audit Office is not aware.

Robert Devereux 7th July 2009
Permanent Secretary and Accounting Officer
Department for Transport

Statement of Accounting Officer's responsibilities

Under s5 of the Government Resources and Accounts Act 2000, the Department for Transport is required to prepare resource accounts for each financial year, in conformity with a direction from HM Treasury, detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* (*FReM*) and, in particular, to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *FReM*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on an ongoing basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding the Department's assets, are set out in the *Accounting Officer's Memorandum* issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

2 The Department's three trading funds (the Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle and Operator Services Agency), the four executive non-Departmental public bodies, which are referred to as NDPBs (Passenger Focus – formerly the Rail Passengers Council, the Railway Heritage Committee, the British Transport Police and the Renewable Fuels Agency) and the British Railways Board (Residuary) Ltd all fall outside the Departmental accounting boundary and their accounts are not consolidated within the Departmental Resource Account. The direct responsibility for maintaining the system of internal control within these organisations rests with the relevant body. However, should significant control weaknesses arise, it would be reported within this Statement on Internal Control.

3 The Department is connected to a number of public corporations and limited companies. These organisations are listed in Note 36 of these accounts. These organisations contribute to the Department's objectives but weaknesses within their control framework, should any exist, are not commented upon within this the Department's Statement on Internal Control. The annual accounts produced by these bodies are not consolidated within the Departmental Resource Account.

4 The organisations that are within the Department's accounting boundary are the four executive agencies (the Maritime and Coastguard Agency, the Vehicle Certification Agency, the Government Car and Despatch Agency and the Highways Agency), together with the Department's two advisory NDPBs (Commission for Integrated Transport and the Disabled Persons Transport Advisory Committee) and the Department's only tribunal NDPB (Traffic Commissioners and Licensing Authorities).

5 The chief executives of the executive agencies are responsible for the maintenance and operation of their systems of internal control. Each chief executive has signed a Statement on Internal Control relating to that system. These Statements are reproduced in the relevant body's annual accounts. Each agency's annual accounts are consolidated in the Department's Resource Accounts. This Statement reports agency control issues only where they are significant in the context of the whole Department.

6 The Director General of the Safety, Service Delivery and Logistics (SSDL) Group is an Additional Accounting Officer. This group will be known as the Motoring and Freight Services (MFS) Directorate from the beginning of 2009-10. The Group comprises the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA), the Vehicle Certification Agency (VCA), the Vehicle and Operator Services Agency (VOSA) and the Government Car and Despatch Agency (GCDA). The Group does not produce separate financial statements but provides an additional layer of assurance via the activity of the Additional Accounting Officer.

7 The Director General of the National Networks (NN) Group is an Additional Accounting Officer with responsibility for the resources provided to the NN Group. The focus of the Group is on improving connectivity along national networks; the routes that provide essential transport links between the country's major cities and conurbations. The Group is responsible for implementing the Government's strategy for the country's railways, for letting contracts for train franchises and for securing improved performance and value for money on the rail network. The NN Group also undertakes the sponsorship function for the Highways Agency. The Group does not produce separate financial statements but provides an additional layer of assurance through the operation of its Management Board.

Purpose of the system of internal control

8 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve Departmental policies, aims and objectives; it can, therefore, provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

9 Leadership on risk management is provided by the Department's Board, which monitors performance and risk, making choices (or recommendations to ministers) on priorities and risk appetite across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. At the end of 2008-09, the Department's Board included the five directors general in the central Department and four non-executive members. The following forums help ensure that risks are effectively managed:

- an Executive Committee, which assesses progress on and risks to key deliverables and budgets, and assesses the potential impact on plans of major new initiatives from Ministers or beyond the Department;
- the Management Board of the Safety, Service Delivery and Logistics (SSDL) Group, which monitors delivery against key objectives across the SSDL Group agencies, including risks to their achievement;
- the Management Board of the National Networks Group, which monitors delivery against key objectives across the Group, including the Highways Agency, and the controls for risk management;
- the Management Boards of the Cities and Regional Networks Group and the International Networks and the Environment Group, which monitor delivery against key objectives, including risks to their achievement;
- Directors Group meetings within the Corporate Resource Group (CRG), which are chaired by the CRG Director General and review risk; and
- the Boards of the Maritime and Coastguard Agency, the Highways Agency, the Vehicle and Operator Services Agency, Government Car and Despatch Agency, the Driver and Vehicle Licensing Agency, the Driving Standards Agency and the Vehicle Certification Agency, which monitor and review risks to the delivery of their objectives.

10 The Department's Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes a non-executive chair, who is also a member of the Board, and three further non-executive members from the wider DfT family. Each Agency has its own Audit Committee, which fulfils a similar function.

11 Officials consult ministers regularly on risk. Submissions to ministers incorporate assessments of key risks including, for example, to the operation of the transport system, including public perceptions, and to the successful delivery of new policies.

12 During 2008-09, a new overall DfT Group Risk Management Framework was agreed by the Executive Committee. This Framework included revised criteria for Board-level risks and specified the responsibilities for each of the director general groups in relation to improving risk management within their groups. Resource Management Planning Teams (RMPTs), embedded within each director general group, have continued to support their respective director general on implementing and updating policies and procedures to improve the identification and mitigation of Board – and group-level risks.

13 Along with the new Risk Management Framework, the risk management guidance was updated and made available to staff on Transnet (the Department's intranet system). The RMPTs have also been responsible for ensuring that the appropriate support and training on risk management is

available to staff within the central Department. A new e-learning Risk Management package is currently being developed for release Department wide.

14 Each agency chief executive is responsible for ensuring that appropriate risk management guidance, support and training arrangements are in place within his or her agency which is consistent with the relevant DG Group Risk Management Policy and DfT Group Risk Management Framework.

Risk and control framework

15 The Treasury published its *Code of Good Practice on Corporate Governance in Central Government Departments* in July 2005; the Department's practices are consistent with the principles set out in this Code.

16 The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of agency chief executives, directors general and directors; and the in-year and end-of-year reporting arrangements. The Corporate Governance Framework includes the risk management framework which is described in paragraph 12; detailing how risks are escalated to the Department's Board for attention. The Framework is supported by delegations from the Accounting Officer to directors general to maintain effective accountability and management of resources.

17 The Department and its agencies have a number of well established programmes for involving the public in managing the risks associated with transport. These include road safety campaigns and work by the Maritime and Coastguard Agency to communicate with the public on improving maritime safety. The Department has also identified its ability to manage major transport disruptions as a key corporate risk, and has in place an active programme, working with partners, to ensure that adequate contingency and emergency plans are maintained, developed and reviewed.

Capability Review

18 In 2006-07 the Department underwent an external assessment by the Cabinet Office, referred to as a Capability Review. The purpose of this review was to determine how well placed the Department was in terms of leadership, strategy and delivery, to meet current and future challenges. The results of this review were published in June 2007 by the Cabinet Office. This year the Department underwent a full external Capability re-Review assessment. The report will be published later this month.

Information and data handling

19 I am aware that the handling of information and data is a key risk to the Department. This is taken extremely seriously and the Department has made significant progress in this area over the last year. I have issued guidance to all staff on the subject of data handling and I have emphasised

the importance of the requirements contained within this guidance. In line with Cabinet Office guidance information asset owners (IAOs) have been appointed across the Department and data handling is being taken extremely seriously. All staff will undertake a course of training on Protecting Information by the end of 2009 and IAOs and senior managers will have further training to equip them fully to carry out their key roles. A full disclosure of incidents that have occurred in 2008-09 can be reviewed within the management commentary.

Review of effectiveness

20 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

21 The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government's Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon its analysis of the risks to which the Department is exposed and by what the Group Audit Committee identify the key risks to be. The annual audit plan was discussed and endorsed by the Department's Group Audit Committee and approved by me. The work completed in connection with the annual audit plan provides me, as the Department's Principal Accounting Officer, with an independent opinion on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

22 Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The HIA opinion for 2008-09 concluded that the DfT Group's arrangements for governance, risk management and internal control have been adequate and effective throughout the year. However, two matters of significance were brought to my attention:

- An adequate and effective system of internal control had not been operational at the Department's Shared Service Centre (SSC) throughout the year. The HIA has informed me that the compensating controls introduced by the customers of the SSC throughout the year have mitigated the control weaknesses identified at the SSC; and
- The HIA at VOSA had reported a weak level of assurance based on the programme of system audits undertaken. The Statement on Internal Control contained within the VOSA financial accounts provides further detail on the weakening level of assurance that was highlighted by the HIA and explains that strategies have been developed to improve this situation. I have been informed that no material implications on the financial statements have been identified as a result of these weaknesses.

23 The Group Audit Committee receives summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance. The Chair of the Group Audit Committee reports regularly to the Departmental Board the Committee's views on the effectiveness of internal control.

24 Directors general and directors have reviewed internal control within their areas of responsibility within the central Department and have completed assurance returns which have been communicated to the Group Audit Committee.

25 All DfT agencies have reviewed the effectiveness of their systems of internal control and prepared Statements on Internal Control. Other than those noted in paragraph 22 above, no significant weaknesses have been identified.

Shared Service Centre

26 In my Statement on Internal Control in 2006-07 I identified that, over the following three years, the Department would be completing the transfer of its financial and HR services to a new shared services platform. Two years into the implementation the central Department together with DVLA and DSA have transferred their financial and HR services onto the new platform. On 1 January 2009 the payroll function of VCA transferred onto the shared service platform and on 1 April 2009 the HR service and the payroll function of HA transferred. A plan is in place to transfer other elements of the Department.

27 Since inception the Shared Service Centre (SSC) has been subject to a comprehensive and continuous programme of internal audit and specialist review. In the first year of operation of the SSC (2007-08) this audit and review activity identified process weaknesses, which represented serious but not fundamental failures in the control framework. The Department's Board and DVLA and DSA's Accounting Officers committed to implementing fully all of the control recommendations from these reviews. It was

recognised that the action the Departments SSC programme had taken to address the identified causes of the weaknesses was ongoing and would continue through 2008-09.

28 During 2007-08 system limitations had a temporary impact on DVLA and DSA's abilities to exercise full financial control and to carry out management reporting. In order to mitigate risks ensuing from these inefficiencies, the Agencies implemented additional extra-systems control processes and detailed monitoring of financial management information. These measures ensured that effective internal controls were maintained within the Agencies throughout the year. During 2008-09 DVLA and DSA continued to employ extra-systems controls in order to maintain effective internal control. Both Agencies recognised that improvements have been achieved during 2008-09 but considered that these improvements were not sufficient to justify the removal of these extra controls.

29 The central Department, in its first year on the shared service platform, identified weaknesses in the financial control and management reporting functions and introduced extra-system controls to mitigate these weaknesses. A programme of improvement during the year has addressed a number of the weaknesses that were identified but the central Department continued to employ manual controls through to the year end in order to reduce the possibility of material error entering the system.

30 In 2008-09, Internal Audit has continued the comprehensive programme of reviews over the SSC's internal control, governance and risk management processes. The reports from this work, provided to the SSC Programme Board and incorporated into the quarterly assurance statements prepared by the Director for Shared Services to the customers of the SSC, have provided assurance that the SSC has actions in place to address the gaps identified in the internal control environment. A number of control weaknesses which internal audit identified as serious during the year were addressed by SSC programme by the year end. No material implications on the financial statements have been identified as a result of these weaknesses.

31 In addition, a number of other assurance mechanisms have been put in place with respect to the SSC during 2008-09 which contribute to the overall assurance provided over the improvement of the internal control environment.

Robert Devereux 7th July 2009
Accounting Officer
Department for Transport

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department for Transport for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Management Commentary, chapter 6 and chapter 11 is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This contains the remaining information from the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Management Commentary, chapter 6 and chapter 11 included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

- In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

13th July 2009

The maintenance and integrity of the Department for Transport's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Statement of Parliamentary Supply

for the year ended 31 March 2009

Summary of Resources Outturn 2008-09

								2008-09 £000	2007-08 £000
		Estimate			Outturn				Outturn
	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources 1	2	24,412,964	(954,375)	23,458,589	20,805,862	(923,795)	19,882,067	3,576,522	16,115,337
Total resources	3	24,412,964	(954,375)	23,458,589	20,805,862	(923,795)	19,882,067	3,576,522	16,115,337
Non-operating cost A in A	7			(31,157)			(31,157)	–	(70,191)

Net Cash Requirement 2008-09

				2008-09 £000	2007-08 £000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	4	12,561,157	12,347,695	213,462	13,239,444

Summary of the income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund.

		Forecast 2008-09 £000		Outturn 2008-09 £000	
	Note	Income	Receipts	Income	Receipts
Total	5	130,807	*130,807*	201,774	*174,824*

Explanations of variances between Estimate and Outturn are given in the Management Commentary.

The notes on pages 335 to 392 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2009

				2008-09 £000					2007-08 £000
		Core Department			Consolidated			Core Department (restated)	Consolidated (restated)
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Total	Total
Administration Costs									
Staff costs	9	94,989			161,912			90,106	163,001
Other administration costs	10		99,286			144,053		103,582	146,464
Operating income	12			(5,442)			(29,106)	(3,998)	(25,956)
Programme Costs									
Staff costs	9	25,562			140,444			25,233	127,123
Programme costs	11		9,796,681			15,216,167		10,654,380	16,040,126
Income	12			(758,487)			(874,170)	(395,662)	(489,271)
EU Income	12			(25,799)			(27,959)	–	(1,830)
EU Income (acting as agency)	12			–			–	(14,075)	(14,075)
Dividend receivable	12			(26,433)			(26,433)	(5,273)	(5,273)
Interest receivable	12			(22,667)			(37,265)	(36,173)	(43,698)
Totals		120,551	9,895,967	(838,828)	302,356	15,360,220	(994,933)	10,418,120	15,896,611
Net Operating Cost	3, 13			9,177,690			14,667,643	10,418,120	15,896,611

The notes on pages 335 to 392 form part of these accounts.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

		2008-09 £000		2007-08 £000	
	Note	Core Department	Consolidated	Core Department (restated)	Consolidated (restated)
Net gain on revaluation of tangible/intangible fixed assets	23	(22,100)	3,915,479	(2,610)	3,604,867
Reversionary interest on M6 toll road	22	–	18,746	–	7,240
Actuarial gain recognised in pension scheme	22	(1,055,200)	(1,055,200)	(175,100)	(175,100)
Prior year adjustment	22, 23	27,000	(214,083)	–	225,279
Recognised gains and losses for the financial year		**(1,050,300)**	**(2,664,942)**	**(177,710)**	**(3,662,286)**

The notes on pages 335 to 392 form part of these accounts.

Balance Sheet

as at 31 March 2009

	Note	2008-09 £000 Core Department	2008-09 £000 Consolidated	2007-08 £000 Core Department (restated)	2007-08 £000 Consolidated (restated)
Fixed assets:					
Tangible assets	14	2,080,195	90,477,368	2,062,265	86,607,404
Intangible assets	15	21,781	27,676	23,476	30,179
Investments	16	647,682	647,682	624,901	624,901
		2,749,658	91,152,726	2,710,642	87,262,484
Debtors falling due after more than one year	18	2,980,844	3,245,915	2,930,580	3,154,481
Current assets:					
Stocks	17	37,223	68,103	–	24,029
Debtors	18	62,797	195,034	88,493	205,363
Cash at bank and in hand	19	163,892	219,254	155,702	101,932
		263,912	482,391	244,195	331,324
Creditors (amounts falling due within one year)	20	(793,847)	(1,458,867)	(833,217)	(1,328,542)
Net current liabilities		(529,935)	(976,476)	(589,022)	(997,218)
Total assets less current liabilities		**5,200,567**	**93,422,165**	**5,052,200**	**89,419,747**
Financial Liabilities	16	(8,333,613)	(8,333,613)	(8,281,538)	(8,281,538)
Creditors (amounts falling due after more than one year)	20	(2,002,938)	(3,304,274)	(1,944,551)	(3,263,552)
Provisions for liabilities and charges	21	(428,103)	(1,068,879)	(520,857)	(1,208,179)
Pension liability	39	(1,299,743)	(1,299,743)	(251,139)	(251,139)
Total		**(6,863,830)**	**79,415,656**	**(5,945,885)**	**76,415,339**
Taxpayers' equity:					
General Fund	22	(6,864,196)	32,008,906	(5,969,985)	32,730,972
Revaluation Reserve	23	366	47,406,750	24,100	43,684,367
Total		**(6,863,830)**	**79,415,656**	**(5,945,885)**	**76,415,339**

Note:
The comparative figures have been restated following the detrunking of non-core roads to local authorities (see Note 37).

Robert Devereux
Permanent Secretary and Accounting Officer
Department for Transport

7th July 2009

The notes on pages 335 to 392 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	24.1	(11,217,845)	(12,118,818)
Cost of servicing of finance: interest element of PFI payments		–	–
Capital expenditure and financial investment	24.2	(1,059,543)	(1,006,197)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		152,585	155,864
Payments of amounts due to the Consolidated Fund		(224,082)	(176,389)
Financing	24.4	12,466,207	13,055,535
Increase/(Decrease) in cash in the period	24.5	117,322	(90,005)

The notes on pages 335 to 392 form part of these accounts.

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

			2008-09 £000			2007-08 (restated) £000
	Gross	Income	Net	Gross	Income	Net
Aim[1]						
Objective 1	8,159,006	(486,308)	7,672,698	9,637,156	(285,777)	9,351,379
Objective 2	1,319,777	(26,892)	1,292,885	801,035	(16,872)	784,163
Objective 3	3,509,748	(93,188)	3,416,560	3,474,215	(75,985)	3,398,230
Objective 4	2,536,987	(334,998)	2,201,989	2,510,393	(156,367)	2,354,026
Objective 5	137,058	(53,547)	83,511	53,915	(45,102)	8,813
Net operating costs	**15,662,576**	**(994,933)**	**14,667,643**	**16,476,714**	**(580,103)**	**15,896,611**

Notes:
[1] The Departmental Strategic Objectives changed for 2008-09. The prior year information has been restated in line with these new objectives. This change is described on page 297 of the management commentary.

The Departmental Strategic Objectives are as follows:

- **DSO 1**: To support national economic competitiveness and growth, by delivering reliable and efficient transport networks;
- **DSO 2**: To reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of avoiding dangerous climate change;
- **DSO 3**: To contribute to better safety, security and health and longer life-expectancy through reducing the risk of death, injury or illness arising from transport, and through promoting travel modes are beneficial to health;
- **DSO 4**: To promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society; and
- **DSO 5**: To improve quality of life for transport users and non-transport users, and to promote a healthy natural environment.

It should be noted that, although spend is allocated in accordance with its primary objective within this statement, a lot of the Departmental spend achieves more than one objective at any one time.

The notes on pages 335 to 392 form part of these accounts.

Notes to the Departmental Resource Accounts

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual* (*FReM*) issued by HM Treasury. The accounting policies contained in the *FReM* follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement. The Consolidated Statement of Operating Costs by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention
These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks, where material, at their value to the business by reference to their current costs.

1.2 Basis of consolidation
These accounts comprise a consolidation of the core Department, and those entities that fall within the Departmental boundary, as defined in the *FReM* issued by HM Treasury and as listed in Note 36. Transactions between entities included in the consolidation are eliminated.

1.3 Tangible fixed assets
Tangible fixed assets are categorised as network assets and non-network assets. Network assets comprise motorways and trunk roads in England and Wales, which form an integrated network infrastructure. The network consists of carriageways, including earthworks; tunnelling and road pavements; roadside communications; bridges and other structures; and land and buildings within the perimeter of highways. Non-network assets include land and buildings; plant and equipment; and information technology.

The core Department's capitalisation threshold is £5,000. The thresholds in the agencies range from £1,000 to £2,000 for individual or grouped assets; except for land, for which there is no minimum value, and infrastructure construction schemes in the Highways Agency, for which the minimum is £100,000. Assets usually comprise single items. However, those assets included within the road network, ring-fenced relocation projects, or computer equipment which, in substance, form a single asset, are capitalised as grouped assets.

Operating software is capitalised, with the value of the hardware supporting it, as a tangible fixed asset. Applications software is capitalised separately as an intangible fixed asset.

Legal title to the freehold land and buildings shown in the accounts is held in the name of the Secretary of State.

1.4 Valuation

Fixed assets are expressed at their current value through the application of Modified Historic Cost Accounting.

Network assets, which are intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, are valued at depreciated replacement cost. Between valuations, the assets are adjusted annually using ROCOS (resource cost index of road construction) and Valuation Office Agency property market reports. Network assets are valued by reference to internal costings and physical asset records. The estimated unexpired life of the network is reassessed annually and the valuation adjusted, if required.

Freehold land and buildings are restated to current value using professional valuations, in accordance with FRS 15. Such valuations are undertaken every five years. In intervening years, values are adjusted using appropriate methods, including indices, except the freehold land on which the Channel Tunnel Rail Link has been constructed, which has been leased to the operator for 90 years. Reflecting this usage, the land has been valued at the net present value of the lease income, since the land is not unencumbered and the Department's rights are, to that extent, constrained. The reversionary interest of the land and the Link constructed upon it are valued at nil.

Assets held for resale (dwellings), being land and property released from road schemes, are valued at open market value, less provision for selling costs. All other tangible fixed assets are restated to current value each year, using appropriate indices, except database development assets which are stated at cost.

1.5 Depreciation

Network assets (Infrastructure assets)

A modified version of renewals accounting, as described in the *FReM*, is applied, where appropriate. The following network asset components are subject to renewals accounting: surface layer of flexible pavements; sub-pavement layer of determinate life pavements; fencing, drainage, lighting signage, kerbs, footways; road markings and studs; and rigid concrete pavements.

Assets that qualify for renewals accounting are not depreciated. Instead, expenditure incurred in maintaining the operating capacity of assets is expensed as a proxy for depreciation. Further details are disclosed within the accounts of the Highways Agency.

The following network components are considered to have an indefinite life and are not depreciated: freehold land; sub-pavement layer of long-life pavements; and earthworks.

All other network assets and definable components, with determinable finite lives, are depreciated at rates calculated to write off the assets over their expected useful lives on a straight-line basis, as follows (for national trunk roads):

Road bridges, tunnels and underpasses, road culverts, retaining walls and gantries	20 to 120 years
Road communications assets	15 to 50 years

Non-network assets

Freehold land is not depreciated. Assets in the course of construction and residual interests in off-Balance Sheet PFI contract assets are not depreciated until the relevant asset is brought into use or reverts to the Department, respectively. Depreciation is provided at rates calculated to write off the value of freehold buildings and other tangible fixed assets on a straight-line basis. Asset lives are normally in the following ranges:

Asset group	Asset life
Land and buildings, including dwellings	up to 60 years or length of lease
Plant and machinery	3 to 25 years
Furniture and fittings	2 to 10 years
Transport equipment	3 to 10 years
Information technology	3 to 10 years
Assets under construction	no depreciation

Assets in storage (for example overhead gantries) become a network asset once issued from stores. These items are kept in controlled conditions and do not deteriorate. They have a design life in excess of 60 years. While not depreciated, they are subject to an annual impairment review.

1.6 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets. These items are valued at historic cost and are normally amortised over two to five years on a straight-line basis over their useful lives. Expenditure on research is not capitalised. Expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, is capitalised if it meets the criteria specified in the *FReM*. Other development expenditure is capitalised if it meets the criteria specified in the *FReM*. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

1.7 Financial assets and liabilities
Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are typically cash or rights to receive cash or equity instruments in another entity. Financial liabilities are typically obligations to transfer cash. A contractual right to exchange financial assets or financial liabilities with other entities will also be a financial asset or liability, depending on whether the conditions are potentially favourable or adverse to the reporting entity.

Financial assets
The Department classifies its financial assets in the following categories: assets available for sale and loans and receivables. Management determines the classification of financial assets and liabilities at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for sale. Where the debtor is a public sector entity outside the consolidation boundary, such assets are recognised initially at cost; otherwise, assets are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method.

Assets available for sale
Available-for-sale financial assets are non-derivative financial assets that are not held for trading, are not loans and receivables or quoted financial assets with fixed or determinable payment dates that the Department intends to hold to maturity. Such assets, typically shares, are generally recognised initially at fair value. However, in accordance with the requirements of the *FReM*, interests in public sector entities, including shares and Public Dividend Capital, are recognised initially at cost. Special or 'golden' shares, being those shares retained in businesses that have been privatised but in which the Department wishes to retain a regulatory interest or reserve power, are not be recognised on the Balance Sheet. Available-for-sale financial assets initially recognised at fair value are subsequently re-measured to fair value at each Balance Sheet date, with any increase recognised in reserves.

Financial liabilities
Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Financial guarantees
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs, because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. The Department's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the operating cost statement any income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the Balance Sheet date, in accordance with FRS 12.

Any increase in the liability relating to guarantees to reflect the amount required to settle any obligation arising as a result of the guarantees is recognised in the operating cost statement as Provisions provided for in-year.

Embedded derivatives
Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the operating cost statement. The Department has carried out a review of its contracts and has determined that, as at 31 March 2009, it had no arrangements meeting the criteria to require bifurcation.

Determining fair value
Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined by reference to a quoted market price for that instrument or by using a valuation model. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are shown at cost.

Valuation models are constructed to make greatest use of market inputs wherever possible. For financial guarantee contracts, the preferred approach is to determine the value placed on the guarantee by market participants, measured at the differential between the terms obtained by borrowers for guaranteed debt and the terms that would be obtained for unguaranteed debt. Otherwise, the methodology is to calculate the expected cash flows under the guarantee.

Impairment of financial assets
The Department assesses at each Balance Sheet date whether there is objective evidence that loans and receivables or available-for-sale financial investments are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the

Balance Sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

For loans and receivables, the Department first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Department determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the operating cost statement.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, overdue status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted, based on current observable data, to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is also considered in determining whether impairment exists. Where there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or because it is an interest in a public sector entity outside the consolidation boundary, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Reversals of impairment of equity shares are not recognised in the operating cost statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

1.8 Financing costs payable and receivable
Interest receivable and payable arising from financial assets and liabilities is calculated using the effective interest method. This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of a financial asset or financial liability. In the calculation of the effective interest rate, the Department estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit loses.

Amounts recognised as amortisation of financial guarantee contracts in the operating cost statement reflect the amount earned as fee income under the guarantee during the period. Where no fee is receivable under the guarantee contract, amortisation reflects the portion of the amount initially recognised that can be derecognised at the end of the period, reflecting the reduction in expected cash out flows.

Where the time value of money is material, liabilities under financial guarantee contracts and fees receivable are discounted. Adjustments to the values of asset and liability balances due to the unwinding of the discount are recognised in the operating cost statement.

1.9 Stocks and work in progress
Stock is valued at cost, or replacement cost, if materially different. Long-term stock holdings for special structures (such as tunnels and bridges), where there are no recent purchases, are valued at estimated replacement cost. Where excess or obsolete stock holdings have been identified, a provision has been made to reduce the carrying value to the estimated net realisable value. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.10 Research and development expenditure
Expenditure on research and development has been treated as programme expenditure in the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category, if the asset is to be used for subsequent production work.

1.11 Operating income

Operating income is income that relates directly to the operating activities of the Department. It includes not only income appropriated in aid of the Estimate, but also income payable to the Consolidated Fund, authorised by HM Treasury to be treated as operating income. It is stated net of VAT.

1.12 Administration and programme expenditure

The Operating Cost Statement is segmented into programme and non-programme expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. Both the Maritime and Coastguard Agency and the Vehicle Certification Agency have programme expenditure only.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- tangible and intangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions;
  - disposals as valued in the opening Balance Sheet (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction of the opening Balance Sheet value (plus any subsequent capital expenditure); and
  - depreciation of tangible, and amortisation of intangible, fixed assets.
- cash balances with the Office of the Paymaster General, where the charge is nil; and
- the Department's investments and loans, where the charge is between 3.5 and 7.875 per cent, based on the rate of return on the investment with the exception of the Humber Bridge Board Loan, where the capital charge is set at 7.75 per cent and the interest rate charged on the loan is 4.25 per cent.

1.14 Pensions

Past and present employees of the Department and its Agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is described in Note 9. The defined benefit scheme is unfunded and is non-contributory, except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis.

Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

Pension benefits to ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Further details are provided in the Remuneration Report. Other schemes are accounted for in accordance with FRS 17.

The Department is also responsible for funding any shortfalls in a small number of historic funded pension arrangements, which relate almost entirely to individuals drawing pensions. Where it is considered more likely than not that the Department has an obligation to make contributions in respect of any deficit, the value of such contributions is recognised as a provision.

The Department has also undertaken to fund the pension of a small number of special post holders including the PPP Arbiter.

1.15 Leases
Rentals under operating leases are charged to the Operating Cost Statement on a straight line basis over the term of the lease. Where the substantial risks and rewards of ownership are borne by the Department, the asset is recorded as a tangible fixed asset and a creditor to the lessor is recorded of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding.

1.16 Private Finance Initiative (PFI) contracts
PFI transactions have been accounted for in accordance with HM Treasury's *Technical Note No 1 Revised; How to Account for PFI Transactions*.

Where the substance of the transaction is that the risks and rewards of ownership remain with the Department, the assets and liabilities are reported on the Department's Balance Sheet. Unitary charges in respect of on-Balance Sheet PFI deals are apportioned between reduction in the capital obligation and charges to the Operating Cost Statement for service performance and finance cost. Where the balance of risks and rewards of ownership of the PFI property is borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets that result in lower service charge payments, a prepayment for their fair value is recognised and subsequently charged as an operating cost over the life of the PFI contract.

1.17 Grants payable
Grants payable are recognised in the period in which the underlying event or activity giving entitlement to the grant occurs. Where conditions, such as a specific milestone attaching to a grant, are waived then the amount is recognised as expenditure.

1.18 Provisions
The Department makes provision for liabilities and charges in accordance with FRS 12 where, at the Balance Sheet date, a legal or constructive liability (ie a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate can be made. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the HM Treasury model.

1.19 Contingent liabilities
In accordance with FRS 12, the Department discloses as contingent liabilities potential future obligations arising from past obligating events, where the existence of such obligations remains uncertain pending the outcome of future events outside of the Department's control, unless their likelihood is considered to be remote.

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department also discloses for Parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under FRS 12, are stated at discounted amounts and the amount reported to Parliament is noted separately. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.20 Value added tax
Irrecoverable VAT is charged to the relevant category or, if appropriate, capitalised with additions to fixed assets. Income and expenditure is otherwise shown net of VAT.

1.21 Prior year adjustments
Material adjustments applicable to prior periods arising from machinery of government changes, accounting policy changes, or from the correction of fundamental errors are accounted for as prior year adjustments. Due to trunking and detrunking of the Highways Agency's road network, opening balances and comparative figures for the previous period have been restated.

1.22 Rail franchise agreements
Franchise agreements provide for each train operating company to either pay franchise premia or to receive subsidy in each franchise year. Franchise agreements include mechanisms to adjust the level of premia/subsidy dependent on performance and agreed events. All transactions in respect of premium generating franchises are accounted for wholly through income, all transactions in respect of subsidy-paying franchises are accounted for wholly through programme costs.

1.23 Early departure costs
The Department is required to pay the additional cost of benefits, beyond the normal PCSPS benefits, in respect of employees who retire early, unless the retirements are on approved medical grounds. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years.

1.24 Significant estimation techniques
Significant estimation techniques include the valuation of the national trunk road network; the recognition and valuation of provisions; the method of apportionment of lease rentals between capital, interest and service elements of PFI contracts; and, for those pension schemes for which FRS 17 applies, the expected return on scheme assets, as advised by independent actuaries.

2 Analysis of Net Resource Outturn by Section

										2008-09 £000	2007-08 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total (restated)
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
A	Ports and shipping services		43,647	–	43,647	(1,777)	41,870	83,187	41,317	8,852
B	Maritime and Coastguard Agency		148,181	–	148,181	(16,875)	131,306	129,030	(2,276)	128,560
C	Aviation services, Transport Security and Royal Travel		42,135	56,787	98,922	(72,489)	26,433	46,233	19,800	30,576
D	Accident Investigation Branches		16,472	–	16,472	(93)	16,379	17,533	1,154	14,760
E	Trans–European network payments for transport projects (net)		–	–	–	–	–	3	3	(8)
F	Cleaner Fuels and Vehicles		8,930	7,026	15,956	–	15,956	20,647	4,691	16,357
G	Bus Service Operators Grant		435,877	–	435,877	–	435,877	430,008	(5,869)	409,993
H	Tolled River Crossings		26,103	–	26,103	(84,371)	(58,268)	(60,400)	(2,132)	(57,244)
I	Accessibility & Equalities		1,408	3,569	4,977	–	4,977	8,660	3,683	5,929
J	Support construction of venues and infrastructure related to the Olympic Games		–	75,027	75,027	–	75,027	75,400	373	–
K	Commission for Integrated Transport & Transport Direct		11,723	–	11,723	(666)	11,057	16,796	5,739	942
L	Highways Agency	90,161	1,694,732	–	1,784,893	(75,056)	1,709,837	1,700,325	(9,512)	1,809,917
M	Railways		(30,512)	4,230,902	4,200,390	(605,096)	3,595,294	3,851,328	256,034	3,810,286

		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	2008-09 £000 Net Total compared with Estimate	2007-08 £000 Net Total (restated)
N	Government Car & Despatch Agency	21,409	–	–	21,409	(21,271)	138	(196)	(334)	339
O	Freight grants		22,520	(866)	21,654	(1,152)	20,502	29,832	9,330	16,103
P	Transformation, Licensing, Logistics & Sponsorship		23,074	2,000	25,074	(498)	24,576	7,373	(17,203)	15,009
Q	Vehicle and Operator Service Agency trading fund		4,376	–	4,376	(4,098)	278	12,700	12,422	3,265
R	Driving Standards Agency trading fund		2,594	–	2,594	(3,003)	(409)	(1,500)	(1,091)	2,134
S	Vehicle Certification Agency		12,712	–	12,712	(13,498)	(786)	(100)	686	722
T	Central administration	196,681	9,635	–	206,316	(6,510)	199,806	209,127	9,321	218,277
U	Research, statistics, publicity, consultancies & other services for roads and local transport		45,864	1,230	47,094	(962)	46,132	80,830	34,698	52,877
	Support for Local Authorities									
V	Area Based Grants		69	254,501	254,570	–	254,570	249,334	(5,236)	–
W	GLA transport grants (resource)		–	2,505,080	2,505,080	–	2,505,080	2,512,080	7,000	2,396,500
X	Other transport grants (resource)		272	601,206	601,478	–	601,478	626,968	25,490	577,393
Y	Other transport grants (capital)		–	862,847	862,847	–	862,847	859,708	(3,139)	930,388
	Other Grants to GLA									150,000
	Spending in Annually Managed Expenditure (AME)									
	Central Government spending									
Z	Highways Agency		3,678,862	–	3,678,862	–	3,678,862	3,779,603	100,741	3,561,318
A A	Railways and other expenditure		47,600	–	47,600	–	47,600	208,101	160,501	(47,154)

									2008-09 £000	2007-08 £000
		Admin	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total compared with Estimate	Net Total (restated)
	Non-Budget									
A B	Driver and Vehicle Licensing Agency (trading fund)		1,485	224,334	225,819	(4,924)	220,895	260,200	39,305	225,547
A C	Grant in Aid funding of non-departmental public bodies and public corporations		–	5,964	5,964	(4,931)	1,033	23,120	22,087	133,699
A D	Other Grants to GLA		–	431,000	431,000	–	431,000	431,000	–	1,700,000
A E	Cross London Rail Links Ltd		–	6,525	6,525	(6,525)	–	–	–	–
A F	Financial Instruments		5,168,456	–	5,168,456	–	5,168,456	7,551,659	2,383,203	–
	Spending in Departmental Expenditure Limits (DEL)									
	Central Government spending									
A G	London & Continental Railways		(185,736)	–	(185,736)	–	(185,736)	300,000	485,736	
	Total	**308,251**	**11,230,479**	**9,267,132**	**20,805,862**	**(923,795)**	**19,882,067**	**23,458,589**	**3,576,522**	**16,115,337**

Detailed explanations of significant variances between Estimate and Net Resources Outturn are shown in the management commentary.

3 Reconciliation of Outturn to Net Operating Cost and against Administration Budget

3.1 Reconciliation of Net Resource Outturn to Net Operating Cost

				2008-09 £000	2007-08 (restated) £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	19,882,067	23,458,589	3,576,522	16,115,337
Prior period adjustments		(5,168,456)	(7,551,659)	(2,383,203)	(181,758)
Non-supply income (CFERs)	5	(45,968)	(18,996)	26,972	(36,968)
Net Operating Cost		14,667,643	15,887,934	1,220,291	15,896,611

3.2 Outturn against Administration Budget

	2008-09 £000		2007-08 £000
	Budget	Outturn	Outturn
Gross Administration Budget	316,430	308,251	306,764
Income allowable against the Administration Budget	(23,304)	(26,397)	(25,756)
Net Outturn against Administration Budget	293,126	281,854	281,008

4 Reconciliation of Resources to Cash Requirement

		2008-09 £000			2007-08 £000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Resource Outturn	2	23,458,589	19,882,067	3,576,522	16,115,337
Capital Expenditure	14, 15	1,228,955	1,169,582	59,373	1,128,701
Investments	16	–	37,000	(37,000)	53,800
Non-Operating A in A					
Proceeds from fixed asset disposals		(31,157)	(21,194)	(9,963)	(7,751)
Repayments of investments		–	(11,173)	11,173	(101,535)
Excess Non-Operating A-in-A		–	1,210	(1,210)	39,095
Accruals adjustments:					
Non-cash items	10, 11, 12, 37	(12,433,260)	(8,941,531)	(3,491,729)	(3,970,789)
Changes in working capital other than cash		142,740	60,654	82,086	(194,772)
Use of provision	21	195,290	275,677	(80,387)	328,197
Non-cash movement in provisions		–	(111,695)	111,695	(142,095)
Increase/(decrease) in third-party balances	20	–	(2,228)	2,228	(10,738)
Detrunkings		–	9,326	(9,326)	1,994
Net Cash Requirement		12,561,157	12,347,695	213,462	13,239,444

Notes:
The 2007-08 figures have not been restated as these numbers were previously reported to Parliament.

5 Analysis of income payable to the Consolidated Fund

In addition to Appropriation in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund.

		Forecast 2008-09 £000		Outturn 2008-09 £000	
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – Excess A in A		–	–	–	–
Other operating income and receipts not classified as A in A		18,996	*18,996*	45,968	*19,018*
		18,996	*18,996*	45,968	*19,018*
Non-operating income and receipts – Excess A in A	7	–	–	1,210	*1,210*
Other non-operating income and receipts not classified as A in A	8	1,811	*1,811*	2,011	*2,011*
Other amounts collectable on behalf of the Consolidated Fund		110,000	*110,000*	152,585	*152,585*
		130,807	***130,807***	**201,774**	***174,824***

6 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

		2008-09	2007-08
	Note	£000	£000
Operating income	12	994,933	580,103
Income authorised to be Appropriated in Aid	2	(923,795)	(528,424)
Income netted off within Note 2 section Y		(24,602)	(14,075)
Interest to be paid to the National Loans Fund		(568)	(636)
Operating income payable to the Consolidated Fund	5	45,968	36,968

7 Non-operating income – Excess A in A

	2008-09	2007-08
	£000	£000
Principal repayments of Voted loans	11,174	101,535
Proceeds on disposals of fixed assets	21,193	7,751
less Non-Operating A in A Cover in Estimate	(31,157)	(70,191)
Non-operating Income – Excess A in A	1,210	39,095

8 Non-operating income not classified as A in A

	Income	Receipts
	£000	£000
Humber Bridge	200	200
Mersey Tunnel	1,811	1,811
Total	2,011	2,011

9 Staff Numbers and Costs

9.1 Staff Costs

Staff costs comprise:

				2008-09	2007-08
	Total	Permanently Employed Staff	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000
Wages and salaries	234,421	234,127	184	110	224,457
Social security costs	19,631	19,602	16	13	19,703
Other pension costs	45,348	45,316	–	32	46,591
	299,400	299,045	200	155	290,751
Agency and contracted out staff	17,842	17,842			14,121
Inward secondments	1,329	1,329			131
	318,571	318,216	200	155	305,003
Less: amount capitalised	(16,214)	(16,214)			(14,879)
Total Net Costs	302,357	302,002	200	155	290,124
Of which:					
Core Department	120,551	120,196	200	155	115,339

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £45,075,979.35 were payable to the PCSPS (2007-08 £41,252,839) at one of four rates in the range 17.1 to 25.5 per cent (2007-08: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £265,922 (2007-08 £198,652) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent (2007-08: 3.0 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £13,855 (0.8 per cent; 2007-08: £9,393, 0.8 per cent) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Ten persons (2007-08: **five** persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £14,219.84 (2007-08: £8,428).

9.2 Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in agencies and other bodies included within the consolidated departmental resource account:

					2008-09 Number	2007-08 Number (restated)
	Total	Permanent Staff	Other Staff	Ministers	Special Advisers	Total
Objective[1]						
1	2,905.62	2,647.76	256.69	0.80	0.37	3,559.21
2	522.40	450.70	70.53	0.80	0.37	303.87
3	3,314.82	3,168.35	145.30	0.80	0.37	3,221.82
4	393.18	379.83	12.18	0.80	0.37	390.47
5	50.41	41.45	7.79	0.80	0.37	17.76
Total	**7,186.43**	**6,688.09**	**492.49**	**4.00**	**1.85**	**7,493.13**
Of which:						
Core Department	1,930.43	1,620.09	304.49	4.00	1.85	2,325.60

1 The Departmental Objectives changed for 2008-09. The prior year information has been restated in line with these new objectives. This change is described on Page 297 of the management commentary.

10 Other Administration Costs

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department (restated) £000	Consolidated (restated) £000
Rentals under operating leases	17,551	25,281	15,070	23,008
Research and development expenditure	375	405	517	541
Communication and information technology	10,638	12,753	8,910	10,467
Consultancy and professional services[1]	38,064	39,794	49,891	52,060
Accommodation	6,262	14,652	8,439	16,310
Support services	8,570	8,570	5,914	5,914
Travel and subsistence	3,104	6,779	2,989	6,856
Vehicle costs and services	558	4,874	402	3,923
Other costs	10,162	16,088	9,251	15,826
Subtotal – Cash items	**95,284**	**129,196**	**101,383**	**134,905**
Non-cash items:				
Depreciation	3,355	6,612	3,318	7,310
Amortisation	377	1,181	408	1,336
Impairment of fixed assets	–	24	–	5
Write down in value of fixed assets	–	–	–	–
Loss on disposal of fixed assets	132	1,124	112	186
Cost of capital charges	(988)	(520)	(794)	6
Auditors remuneration and expenses	365	851	300	737
Provisions provided for in year	792	5,553	(1,177)	1,883
Provision for bad and doubtful debts	(31)	32	32	96
Subtotal – Non-cash items	**4,002**	**14,857**	**2,199**	**11,559**
Operating Cost Statement	**99,286**	**144,053**	**103,582**	**146,464**

Notes:

1 For both the Core and the Consolidated columns, consultancy costs and professional services cost lines have been combined to form a single line titled 'Consultancy and professional services'.

The introduction of a new SAP accounting system at the beginning of 2008-09 led the Department to undertake a review of how expenditure should be allocated within this Note. This review led to minor changes being introduced. These changes have been reflected in the prior year figures.

11 Programme Costs

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department (restated) £000	Consolidated (restated) £000
Rentals under operating leases	812	1,068	1,153	1,403
Interest charges	24,268	24,784	(36,263)	(36,263)
Interest credits due pension movements	–	–	–	–
PFI service charges	–	72,127	–	74,885
Research and development expenditure	29,571	40,920	28,772	42,564

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department (restated) £000	Consolidated (restated) £000
Metronet Grant to TfL	–	–	1,700,000	1,700,000
Capital grants	5,606,138	5,606,138	4,351,215	4,351,215
Current grants	3,066,406	3,066,406	2,948,759	2,948,759
Grant in Aid	241,901	241,901	221,158	221,158
EU capital grants	24,603	24,603	14,075	14,075
Subsidies	477,893	477,893	467,377	467,377
Support for passenger rail services[1]	330,672	330,672	935,061	935,061
Road network capital maintenance	–	498,237	–	488,572
Road network current maintenance	–	531,487	–	534,713
PFI contract shadow tolls	–	180,646	–	160,528
Eurocontrol payments	47,919	47,919	43,103	43,103
Search and rescue helicopters	–	25,135	–	22,756
Emergency towing vessls	–	11,037	–	11,254
Civil hydrography	–	5,883	–	5,430
Weather bulletins and navigational warnings	–	5,197	–	860
Communication and information technology	9,622	43,336	8,873	16,146
Consultancy and professional services[2]	64,522	67,026	84,913	87,362
Accommodation	1,887	12,567	2,260	11,719
Publicity	30,269	30,269	26,656	26,656
Support services	25,348	25,348	33,146	33,146
Travel and subsistence	2,409	7,172	1,448	5,830
Other costs	25,019	76,523	10,550	93,192
Subtotal – Cash items	**10,009,259**	**11,454,294**	**10,842,256**	**12,261,501**
Non-cash items:				
Depreciation	5,236	311,540	8,271	322,668
Amortisation	414	1,894	414	1,083
Impairment of fixed assets	23,476	34,957	–	1,122
Downward revaluation of fixed assets	–	2,780	–	2,364
Write down in value of fixed assets	–	681,533	–	684,213
Loss on disposal of fixed assets	–	4,083	75	926
Cost of capital charges	(255,063)	2,704,108	(181,218)	2,653,996
Auditors remuneration and expenses	–	–	–	–
Provisions provided for in year	13,244	19,211	(20,912)	105,173
Unwinding of discount on provisions	–	–	–	–
Financial Guarantee charged in year	(242,854)	(242,854)	(237,401)	(237,401)
Unwinding of discount on financial guarantees	242,966	242,966	242,895	242,895
Provision for bad and doubtful debts	3	1,655	–	1,586
Subtotal – Non-cash items	**(212,578)**	**3,761,873**	**(187,876)**	**3,778,625**
Operating Cost Statement	**9,796,681**	**15,216,167**	**10,654,380**	**16,040,126**

Notes:

1 This figure includes income from Train Operating Companies of £1,257 million (2007-08: £600 million). The income relates to a rebate arising from the payment of additional Capital grant from DfT to Network Rail that resulted in a rebate of Track Access Charges from Network Rail to the Train Operating Companies, and subsequently back to the DfT as a rebate on subsidy paid. This is presented in line with HMT guidance.

2 The consultancy costs and professional services cost lines have been combined to form a single line titled 'Consultancy and professional services'.

The introduction of a new SAP accounting system at the beginning of 2008-09 led the Department to undertake a review of how expenditure should be allocated within this Note. This review led to minor changes being introduced. These changes have been reflected in the prior year figures.

12 Income

12.1 Income

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Rental income	1,804	6,301	1,846	5,467
Fees and charges to other government departments	10,676	37,074	4,180	26,555
Fees and charges to external customers	93,387	168,743	1,656	55,457
EU income	25,799	27,959	14,075	15,904
Eurocontrol receipts	51,226	51,226	45,109	45,109
Dividends receivable	26,433	26,433	5,273	5,273
Interest receivable	22,667	37,265	36,173	43,698
Dartford road crossing user charges	69,360	69,360	68,902	68,902
Speed and red-light camera enforcement[1]	–	–	2,813	4,689
Vehicle excise duty	–	–	–	–
Claims for damages to road network	–	16,715	–	12,993
Income from train operating companies[2]	415,947	415,947	129,797	129,797
Transport for Scotland – Service Level Agreement receipt[3]	–	–	139,083	139,083
Profit on disposal of fixed assets (non-cash)	–	3,654	14	1,153
Other	121,529	134,256	6,260	26,023
Operating Cost Statement	**838,828**	**994,933**	**455,181**	**580,103**

Notes:

1 Prior to 2007-08 penalties were collected via the Department for the speed and red light camera enforcement programme. The funds that the Department collected were then transferred to the Treasury. In 2007-08 the process changed with funds being transferred directly to the Treasury.

2 This figure includes expenditure of £2.5 million (2007-08: £2.3 million) being amounts due to Train Operating Companies in respect of operational performance during the financial year. This is presented in line with the accounting policy at Note 1.21.

3 Income from Transport Scotland is no longer reported within the Departmental Resource Accounts. In previous years, both the income from Transport Scotland and the offsetting expenditure made by the Department, on behalf of Transport Scotland, were recognised through the Operating Cost Statement. This change in approach is in accordance with HMT guidance.

12.2 Fees and Charges Information

	2008-09 Income £000	2008-09 Full Cost £000	2008-09 Surplus/ (deficit) £000	2007-08 Income £000	2007-08 Full Cost £000	2007-08 Surplus/ (deficit) £000
Department for Transport						
IT services to Department for Communities and Local Government	–	–	–	994	994	–
Government Car and Despatch Agency						
Government car service	14,955	12,877	2,078	13,806	14,154	(348)
InterDespatch services	5,405	4,189	1,216	4,688	4,623	65
Government mail services	277	182	95	236	236	–
Highways Agency						
Road damage claims	16,715	17,594	(879)	12,993	13,676	(683)
Road contract income (s278 schemes)	21,188	21,188	–	18,218	18,218	–
Rental income	4,497	3,796	701	3,622	4,066	(444)
Maritime and Coastguard Agency						
Marine survey	5,193	3,241	1,952	4,669	5,069	(400)
Registration of ships	1,162	939	223	1,451	870	581
Seafarers' examination and certification	2,453	2,005	448	2,657	2,174	483
Wider market initiatives and EU twinning projects	1,528	973	555	1,234	839	395
Vehicle Certification Agency						
Product certification	6,831	4,645	2,186	5,309	4,054	1,255
Management system certification	1,316	1,645	(329)	1,208	1,395	(187)
	81,520	**73,274**	**8,246**	**71,085**	**70,368**	**717**

Notes:
Additional Information regarding these fees and charges can be found in the published accounts for each of the individual agencies above.

13 Analysis of Net Operating Cost by spending body

	2008-09 Budget	2008-09 £000 Outturn	2007-08 (restated) £000 Outturn
Spending body:			
Core Department	5,322,349	4,287,982	4,297,006
Government Car and Despatch Agency	(196)	138	339
Highways Agency	5,464,191	5,373,378	5,352,202
Maritime and Coastguard Agency	128,080	130,159	127,417
Vehicle Certification Agency	(100)	(786)	722
Non-departmental public bodies	283,320	221,928	359,246
Local Authorities	4,679,090	4,654,975	5,754,281
Other bodies	11,200	(131)	5,398
Operating Cost Statement	**15,887,934**	**14,667,643**	**15,896,611**

Notes:
The prior year figures have been restated following a review in the current year.

14 Tangible Fixed Assets

Cost or valuation	Infrastructure Assets (restated) £000	Assets under Construction £000	Land and Buildings excluding Dwellings £000	Dwellings £000	Plant and Machinery £000	Furniture and Fittings £000	Transport Equipment £000	Information Technology £000	Total (restated) £000
Balance at 1 April 2008	96,681,252	557,758	2,338,312	49,690	137,692	2,494	5,701	186,773	99,959,672
Detrunkings	(1,115,590)	–	–	–	–	–	–	–	(1,115,590)
Restated balance at 1 April 2008	95,565,662	557,758	2,338,312	49,690	137,692	2,494	5,701	186,773	98,844,082
Prior year balance adjustment	(338,839)	18,746	(634)	131	(3,440)	18	(594)	(464)	(325,076)
Additions	–	1,155,049	2,810	680	2,586	531	1,315	8,848	1,171,819
Write down of capital additions	–	(681,533)	–	–	–	–	–	–	(681,533)
Disposals	–	–	(14,691)	(6,598)	(7,467)	–	(615)	(9,907)	(39,278)
Impairment	–	–	(31,640)	(3,000)	(7)	–	(5)	(332)	(34,984)
Transfers	616,764	(646,571)	2,522	1,982	11,589	–	–	13,714	–
Reclassifications	–	(48,296)	46,824	1,817	184	(173)	4	534	894
Revaluation	5,646,725	–	(57,368)	852	2,249	56	107	(1,302)	5,591,319
CTRL land revaluation	–	–	61,100	–	–	–	–	–	61,100
Balance at 31 March 2009	101,490,312	355,153	2,347,235	45,554	143,386	2,926	5,913	197,864	104,588,343
Depreciation									
Balance at 1 April 2008	12,080,415	–	39,778	–	99,804	1,340	2,989	122,888	12,347,214
Detrunkings	(110,536)	–	–	–	–	–	–	–	(110,536)
Restated balance at 1 April 2008	11,969,879	–	39,778	–	99,804	1,340	2,989	122,888	12,236,678
Prior year balance adjustment	(97,486)	–	(1,253)	–	(3,513)	10	(574)	(325)	(103,141)
Provided in year	274,740	–	8,636	–	6,549	331	1,082	26,814	318,152
Disposals	–	–	(356)	–	(6,994)	–	(405)	(8,799)	(16,554)
Transfers	–	–	–	–	–	–	–	–	–
Revaluation	1,677,382	–	(1,137)	–	985	31	1	(1,422)	1,675,840
Balance at 31 March 2009	13,824,515	–	45,668	–	96,831	1,712	3,093	139,156	14,110,975
NBV at 31 March 2009	**87,665,797**	**355,153**	**2,301,567**	**45,554**	**46,555**	**1,214**	**2,820**	**58,708**	**90,477,368**
NBV at 31 March 2008	**83,595,783**	**557,758**	**2,298,534**	**49,690**	**37,888**	**1,154**	**2,712**	**63,885**	**86,607,404**
Asset financing:									
Freehold	85,582,472	217,514	2,299,872	45,554	46,555	1,214	2,820	46,989	88,242,990
Short-term lease	–	–	–	–	–	–	–	–	–
On-balance sheet PFI contracts	2,083,325	–	1,695	–	–	–	–	11,719	2,096,739
PFI reversionary interest	–	137,639	–	–	–	–	–	–	137,639
NBV at 31 March 2009	**87,665,797**	**355,153**	**2,301,567**	**45,554**	**46,555**	**1,214**	**2,820**	**58,708**	**90,477,368**

Analysis of Tangible Fixed Assets

The net book value at 31 March of tangible fixed assets comprises:

Core Department 2009	£2,080,195,000
Agencies 2009	£88,397,173,000
Core Department 2008	£2,062,265,000
Agencies 2008	£84,545,139,000

14.1 Land and Buildings includes the valuation of the land underneath High Speed One (formerly Channel Tunnel Rail Link – CTRL) (£1,995.9 million). The Department retains the freehold interest in the land on which High Speed One has been constructed. This value is matched exactly by a liability for deferred income, being lease payments due from 2030 to 2086 from the owners of Sections 1 and 2 of the CTRL (See Note 29 for further details). The contract start date for the Development Agreement of High Speed One was 28 February 1996 and the end date of the concession period is 29 July 2086.

14.2 The Department recognises the Transport Direct web portal as a fixed asset, as it is used to deliver a service to the public. Transport Direct became fully functional in January 2005.

14.3 The trunk road network balances at 1 April 2008 have been restated to:

(i) remove the value of trunk road network assets that have been detrunked and transferred to local authorities. Further information is shown in Note 37; and

(ii) reflect amendments to records held on the Highways Agency's road asset databases. These adjustments are routine in nature and do not arise from changes in accounting policy or from corrections of fundamental errors. They comprise:

- a dimensional variance – an adjustment reflecting better information on the dimensions of individual bridges and other structures: (£296.6 million);
- a re-referencing variance to reflect changes arising from a number of schemes capitalised in prior years: £26.4 million; and
- a route variation adjustment due to changes in route management responsibilities: £28.8 million.

14.4 The Assets under Construction balance at 1 April 2008 has been adjusted by £18.7 million, being reversionary interest, based on the current book value (which is projected forward then discounted back) of the M6 toll road.

15 Intangible Fixed Assets

	Software licences £000	Development costs £000	Total £000
Cost or valuation			
At 1 April 2008	20,061	18,934	38,995
Additions	368	1,123	1,491
Transfers	87	(982)	(895)
Disposals	(1,109)	–	(1,109)
At 31 March 2009	**19,407**	**19,705**	**38,482**
Amortisation			
At 1 April 2008	8,816	–	8,816
Charged in year	3,075	–	3,075
Disposals	(1,085)	–	(1,085)
At 31 March 2009	**10,806**	**–**	**10,806**
Net book value:			
31 March 2009 – Balance Sheet	8,601	19,075	27,676
31 March 2008 – Balance Sheet	11,245	18,934	30,179

Analysis of Intangible Fixed Assets

The net book value at 31 March of Intangible Fixed Assets comprises:

Core Department 2009	£21,781,000
Agencies 2009	£5,895,000
Core Department 2008	£23,476,000
Agencies 2008	£6,703,000

16 Investments

16.1 Investments

Public Dividend Capital

	Vehicle and Operator Services Agency £000	Driver and Vehicle Licensing Agency £000	Driving Standards Agency £000	Total £000
Balance at 1 April 2007	28,984	19,048	3,475	51,507
Balance at 31 March 2008	28,984	19,048	3,475	51,507
Balance at 31 March 2009	**28,984**	**19,048**	**3,475**	**51,507**

Loans

	Vehicle and Operator Services Agency £000	Driving Standards Agency £000	Humber Bridge Board £000	Mersey Tunnel £000	NATS Group £000	Total £000
Balance at 1 April 2007	71,537	35,626	333,355	11,635	94,339	546,492
Advances (see Note 24.2)	23,000	30,800	–	–	–	53,800
Repayments (see Note 24.2)	(5,145)	(2,050)	(533)	(1,663)	(94,339)	(103,730)
Balance at 31 March 2008	89,392	64,376	332,822	9,972	–	496,562
Advances (see Note 24.2)	20,000	17,000	–	–	–	37,000
Repayments (see Note 24.2)	(6,678)	(4,496)	(200)	(1,811)	–	(13,185)
Balance at 31 March 2009	**102,714**	**76,880**	**332,622**	**8,161**	**–**	**520,377**

Share Investment

	National Air Traffic Holdings Ltd £000	Total £000
Balance at 1 April 2007	68,761	68,761
Disposals	–	–
Balance at 31 March 2008	68,761	68,761
Disposals	–	–
Balance at 31 March 2009	**68,761**	**68,761**

National Loans Fund	Civil Aviation Authority £000	Kings Lynn Harbour Conservancy £000	Total £000
Balance at 1 April 2007	9,075	47	9,122
Loans repayable within one year transferred to debtors	(1,048)	(3)	(1,051)
Balance at 31 March 2008	8,027	44	8,071
Loans repayable within one year transferred to debtors	(1,030)	(4)	(1,034)
Balance at 31 March 2009	**6,997**	**40**	**7,037**

	£000
Total Investments at 31 March 2009 – Balance Sheet	**647,682**
Total Investments at 31 March 2008 – Balance Sheet	**624,901**
Total Investments at 31 March 2007 – Balance Sheet	**675,882**

The following share investments have not been consolidated into the Department's Resource Accounts because they are outside the Department's consolidation boundary (see Note 36). These investments have been shown at historic cost less any impairment:

- 49 per cent of the share capital in National Air Traffic Services Holdings Limited (NATS). On 26 July 2001, the government sold 46 per cent of the shares in NATS Holdings Limited to the Airline Group Limited. An additional 5 per cent of the shareholding was transferred to the Employee Share Ownership Trust;
- 100 per cent of the issued share capital in SRA Investment Company Limited (SICL), which was purchased at its nominal value of £100. SICL is a holding company for the Secretary of State's 50 per cent shareholding (nominal value £1) in Cross London Rail Links Limited (CLRL). The remaining 50 per cent shareholding in CLRL is held by Transport Trading Limited, a subsidiary of Transport for London;
- one share in British Railways Board (Residuary) Limited (nominal value £1); and
- 100 per cent of the issued share capital in the following companies:
  - Goldings Rail Limited;
  - Hays Rail Limited;
  - OQS Rail Limited;
  - Strutton Rail Limited;
  - Abbey Rail Limited;
  - Orchard Rail Limited;
  - Broadway Rail Limited; and
  - Westminster Rail Limited.

16.2 Financial Liabilities

Financial Guarantee Contracts

	London & Continental Railways £000	Network Rail £000	Other Financial Guarantees £000	Total £000
Balance at 1 April 2007	(5,348,965)	(2,874,146)	–	(8,223,111)
Prior period adjustments	–	–	–	–
Charged in year	–	–	(3,371)	(3,371)
Released	240,772	91,667	–	332,439
Unwinding of the discount	(242,895)	(144,600)	–	(387,495)
Balance at 31 March 2008	(5,351,088)	(2,927,079)	(3,371)	(8,281,538)
Prior period adjustments	–	–	–	–
Charged in year	–	–	–	–
Released	241,387	91,667	1,467	334,521
Unwinding of the discount	(242,966)	(143,630)	–	(386,596)
Balance at 31 March 2009	**(5,352,667)**	**(2,979,042)**	**(1,904)**	**(8,333,613)**

The items above are valued initially at fair value and, thereafter, at the higher of the amortised initial cost or the best estimate of the expenditure required to settle any financial obligation, as described in Note 1. This valuation does not affect the Department's potential exposure under the guarantees or any amounts previously reported to Parliament. The Department's maximum potential exposure and any amounts previously reported to Parliament are disclosed in Note 32.

16.3 Other investments

The Secretary of State holds the following shares.

- One special share of £1 in NATS Holdings Limited, which confers certain rights upon the Secretary of State, restricting the creation, issuing, purchase and redemption of shares, and any changes to the rights of the issued share capital, entitling the special shareholder to certain rights on the winding up of the company and preventing the removal of any director appointed by a Crown representative. All the shares are held directly.
- One redeemable special share of £1 in Eurostar (UK) Limited (EUKL). The special share provides the Secretary of State with certain consent rights in respect of EUKL, including amendments to its Memorandum and Articles of Association which affect such rights, resolutions for the winding up of EUKL, the carrying on of any business other than the management and operation of international passenger train services through the Channel Tunnel, and the entry into any agreements by EUKL, which would or might breach the ringfencing obligations in respect of EUKL.
- One special share of 25p in London and Continental Railways Limited (LCR). The share confers certain rights in relation to LCR and its group, including certain changes to the LCR Memorandum and Articles of Association, winding-up processes, payment of distributions, transfers and issues of shares in LCR and variations to share rights. The special share allows the

Secretary of State to require a sale or listing of all of the shares in LCR. The special share also entitles the Secretary of State to appoint a director to the Board of LCR and LCR Finance plc.

- One redeemable special share of £1 in HS1 Ltd (formerly Union Railways (North) Limited), which is a subsidiary of LCR. The share carries the right to appoint a director and certain prior consent rights in relation to the business of HS1 Ltd. This share was transferred from Railtrack Group plc in summer 2002, as a result of a restructuring of the Channel Tunnel Rail Link arrangements.
- One redeemable special participating share of £1 in Inter-Capital and Regional Rail Limited (which is the manager of the Eurostar UK business). The share carries the right to five per cent of the dividends or other distributions declared as payable on the ordinary shares of that company.

The Secretary of State is a member of Network Rail and has certain special membership rights under Network Rail's Articles of Association. As a company limited by guarantee, Network Rail has no share capital and, therefore, no shareholders. Members of Network Rail do not receive dividends (Note 38).

Further information about all of the Department's investments can be found in each entity's audited annual reports and accounts.

16.4 Humber Bridge Loan
The Secretary of State for Transport provided debt finance for the construction of the Humber Bridge, which is owned and managed by the Humber Bridge Board (a joint local authority board). The bridge was completed in 1981. In 1998 the Department agreed to a restructuring of the loan arrangement with the Board so that, under the Humber Bridge (Debts) Order 1998, interest on £240 million of the £359 million principal due was suspended on 1 April 1998; thereafter, the proportion of the debt being charged with interest increased each year until the whole principal again became subject to the interest charge, which would happen on 1 April 2014. At 31 March 2006, the amount of suspended debt was £153 million out of a total of £334 million.

Under the Humber Bridge (Debts) Order 2007 (No: 1828), the rate of interest was set at 4.25 per cent effective from 1 April 2006. A five-yearly review will take place to inform a new order from 1 April 2011.

17 Stocks and work in progress

	2008-09 Consolidated £000	2007-08 Consolidated £000
Stocks	67,869	23,996
Work-in-progress	234	33
Total – Balance Sheet	**68,103**	**24,029**

18 Debtors

18.1 Analysis by type

	2008-09		2007-08	
	Core Department	Consolidated	Core Department (restated)	Consolidated (restated)
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	6,305	20,505	4,508	16,623
Deposits and advances	764	8,461	597	9,110
VAT debtors	9,209	89,144	6,881	92,111
Other debtors	2,853	13,848	9,000	11,292
Prepayments and accrued income	42,632	62,042	66,455	74,719
Current part of National Loans Fund loan	1,034	1,034	1,052	1,052
Amount due from Consolidated Fund – supply not drawn down	–	–	–	–
Amounts due in respect of Consolidated Fund Extra Receipts	–	–	–	456
Total – Balance Sheet	**62,797**	**195,034**	**88,493**	**205,363**
Amounts falling due after more than one year:				
Deposits and advances	–	67	–	71
Other debtors	2,980,844	3,207,785	2,930,580	3,123,911
Prepayments and accrued income	–	38,063	–	30,499
Total – Balance Sheet	**2,980,844**	**3,245,915**	**2,930,580**	**3,154,481**

18.2 Intra-governmental balances

	2008-09	2007-08	2008-09	2007-08 (restated)
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with:				
Other central government bodies	94,877	107,258	1,800	3,500
Local authorities	1,659	1,894	–	–
NHS trusts	81	807	–	–
Public corporations and trading funds	203	3,073	–	–
Bodies external to government	98,214	92,331	3,244,115	3,150,981
Total debtors at 31 March – Balance Sheet	**195,034**	**205,363**	**3,245,915**	**3,154,481**

19 Cash at bank in hand

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	155,702	101,932	190,705	191,937
Net change in cash balances	8,190	117,322	(35,003)	(90,005)
Balance at 31 March – Balance Sheet	**163,892**	**219,254**	**155,702**	**101,932**
The following balances at 31 March were held at:				
Office of HM Paymaster General	163,756	216,851	155,561	99,815
Commercial banks and cash in hand	136	2,403	141	2,117
Balance at 31 March – Balance Sheet	**163,892**	**219,254**	**155,702**	**101,932**

20 Creditors

20.1 Analysis by type

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year:				
VAT creditor	–	653	–	566
Other taxation and social security	2,456	2,816	2,490	2,775
Trade creditors	46,418	131,588	174	22,838
Other creditors	50,202	57,215	14,770	21,034
Accruals and deferred income	510,459	987,040	643,721	1,125,697
Current part of imputed finance lease element of on-balance sheet PFI contracts	–	52,164	–	49,167
Current part of National Loans Fund loan	1,034	1,034	1,052	1,052
Third-party creditors	1	1	2,228	2,229
Central payroll	7,104	7,104	–	–
Amounts owed to the Contingency Fund	–	–	3,500	3,500
Amounts issued from the Consolidated Fund for Supply but not spent at 31 March	172,638	206,315	108,636	34,004
Amounts issued from the Consolidated Fund for Supply not authorised but spent at 31 March	–	–	3,025	3,025
Consolidated Fund Extra Receipts and other amounts not yet paid to the Consolidated Fund:				
Received	3,535	12,937	53,621	62,199
Receivable	–	–	–	456
Total – Balance Sheet	**793,847**	**1,458,867**	**833,217**	**1,328,542**
Amounts falling due after more than one year:				
Imputed finance lease element of on-balance sheet PFI contracts	–	1,107,591	–	1,159,830
National Loans Fund loans	7,038	7,038	8,071	8,071
Consolidated Fund Extra Receipts creditors	–	82,181	–	54,775
Other creditors	–	111,564	1,680	106,076
Channel Tunnel Rail Link land creditor	1,995,900	1,995,900	1,934,800	1,934,800
Total – Balance Sheet	**2,002,938**	**3,304,274**	**1,944,551**	**3,263,552**

20.2 Intra-governmental balances

	2008-09	2007-08 (restated)	2008-09	2007-08
	Amounts falling due within one year		Amounts falling due after more than one year	
	£000	£000	£000	£000
Balances with:				
Other central government bodies	222,496	135,392	177,919	155,061
Local authorities	347,282	366,706	–	–
NHS trusts	–	1	–	–
Public corporations and trading funds	4,677	1,138	7,038	–
Bodies external to government	884,412	825,305	3,119,317	3,108,491
Total creditors at 31 March – Balance Sheet	**1,458,867**	**1,328,542**	**3,304,274**	**3,263,552**

20.3 National Loans Fund (NLF) loans

	2008-09			2007-08
	Civil Aviation Authority Fixed Rates	Kings Lynn Harbour Conservancy Fixed Rates	Total	Total
	£000	£000	£000	£000
Within one year	1,030	4	1,034	1,051
Over one and under two years	1,007	5	1,012	1,033
Over two and under five years	3,477	16	3,493	3,261
More than five years	2,513	19	2,532	3,777
Total	**8,027**	**44**	**8,071**	**9,122**

The loans are repayable at interest rates varying between 4.3 per cent and 7.875 per cent.

21 Provisions for liabilities and charges

	Early Departure	Greater London Authority	National Freight Company	Channel Tunnel Rail	Highways Schemes	Other	Total
	1	2	3	4	5	6	
	£000	£000	£000	£000	£000	£000	£000
Core Department							
Balance at 1 April 2008	26,944	124,000	59,700	238,220	–	71,993	520,857
Prior year adjustment	–	–	–	(4,300)	–	4,300	–
Provided in year	849	–	3,269	27,201	–	1,706	33,025
Provisions released	(2,670)	–	–	(14,844)	–	(1,473)	(18,987)
Provisions utilised in year	(4,662)	(62,000)	(7,769)	(29,056)	–	(3,305)	(106,792)
Unwinding of discount	–	–	–	–	–	–	–
Provisions reclassified	–	–	–	–	–	–	–
Balance at 31 March 2009	**20,461**	**62,000**	**55,200**	**217,221**	**–**	**73,221**	**428,103**

	Early Departure	Greater London Authority	National Freight Company	Channel Tunnel Rail	Highways Schemes	Other	Total
	1	2	3	4	5	6	
	£000	£000	£000	£000	£000	£000	£000
Consolidated							
Balance at 1 April 2008	32,747	124,000	59,700	238,220	666,077	87,435	1,208,179
Prior year adjustment	(56)	–	–	(4,300)	–	4,273	(83)
Provided in year	1,013	–	3,269	27,201	169,803	6,761	208,047
Provisions released	(2,670)	–	–	(14,844)	(52,377)	(1,783)	(71,674)
Provisions utilised in year	(7,216)	(62,000)	(7,769)	(29,056)	(163,636)	(6,000)	(275,677)
Unwinding of discount	–	–	–	–	–	–	–
Provisions reclassified	87	–	–	–	8,966	(8,966)	87
Balance at 31 March 2009	**23,905**	**62,000**	**55,200**	**217,221**	**628,833**	**81,720**	**1,068,879**

1 Early departure
These amounts relate to former staff who left the Department's employment before their formal retirement age of 60, and in respect of whom the Department and its agencies are responsible for making payments until their retirement age. It is assumed that all recipients will survive to their retirement age.

2 Greater London Authority
In 2003, the then Secretary of State gave a commitment to TfL to take account of the need to meet shortfalls in the valuation of the London Regional Transport/London Underground pension schemes and the costs of pension administration. This was reflected in TfL's Spending Review 2004 settlement. A provision was recognised for this element of the grant, as reported to Parliament in the Department's Spring Supplementary Estimate 2007 and set out in the Appropriation Act 2007.

In accordance with the profile set out in the grant, disbursements of £124 million were made in 2006-07 and 2007-08, and a disbursement of £62 million was made in 2008-09 a further £62 million should be made in 2009-10.

3 National Freight Company

- National Freight Company plc (NFC) pension trustee (1 April 2008 – £42.7 million; 31 March 2009 – £39.8 million) – reimbursement to NFC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980).
- NFC travel concession (1 April 2008 – £17 million; 31 March 2009 – £15.4 million) – reimbursements to NFC and its subsidiaries for providing travel concession to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

4 Channel Tunnel Rail Link

- De-risked grants (1 April 2008 – £190 million; 31 March 2009 – £217.2 million) – grants payable to London and Continental Railways Limited (LCR) up to 2022, as a result of the 2003 Securitisation Framework Agreement between the Secretary of State for Transport and CTRL UK Ltd., to facilitate the raising of finance by LCR.
- Schedule 2 (1 April 2008 – £48.2 million; 31 March 2009 – £0) – relates to claims on both sections of the Channel Tunnel Rail Link route that are made by contractors and other parties under the main construction agreement for Section 1 and Section 2 of the rail link. All known claims have now been settled, and the remaining provision released during the financial year. There remains a possibility of future claims and is therefore disclosed as a contingent liability.

5 Highways Schemes

This provision covers planning blight, resulting from the announcement of plans to enhance the road network; discretionary and compulsory acquisition of property required for road schemes and compensation for property owners arising from construction of a road scheme; disputed contractual claims, including compensation for delays, prolongation, liquidated damages, employer's changes, specification issues and the cost of work necessary following the opening of roads for traffic; and work to strengthen bridges in order to comply with minimum legal requirements of 40 tonnes, as established by European Union legislation.

6 Other

This heading covers a range of smaller provisions, including:

- Southeastern Trains (SET) (1 April 2008 – £14.8 million; 31 March 2009 – £13.5 million) – covers the potential liability faced by the Department upon the transfer of the previous SET franchise to the incoming franchisee, Govia;
- British Railways Board's ex-employees' pensions (1 April 2008 – £22.4 million; 31 March 2009 – £21.6 million) – reimbursement to trustees of railway pension schemes in respect of pension payments, covering the unfunded proportion of pensions deriving from service with British Railways Board before 1 January 1975 (Part III, Transport Act 1980);
- dilapidations of core Department buildings (1 April 2008 – £8.6 million; 31 March 2009 – £8.678 million) – the Department recognises as a provision its best estimate as at the Balance Sheet date of the costs of reversing the accumulated wear and tear on the properties it occupies as a tenant, where this is a requirement under the relevant tenancy agreements; and
- Highways Agency compensation claims (1 April 2008 – £3.4 million; 31 March 2009 – £3.1 million) – third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to the Highways Agency for compensation.

22 General Fund

	2008-09		2007-08	
	Core Department £000	Consolidated £000	Core Department (restated) £000	Consolidated (restated) £000
Balance at 1 April	(5,969,985)	33,370,488	(5,670,589)	33,854,476
Prior period adjustment				
Detrunking (see Note 37)	–	(639,516)	–	(480,895)
Restated opening balance	**(5,969,985)**	**32,730,972**	**(5,670,589)**	**33,373,581**
Net Parliamentary Funding				
Drawn down	9,642,750	12,520,000	10,463,000	13,103,000
Deemed	108,636	34,004	183,715	170,447
Deemed – Unauthorised 2007-08	3,025	3,025	–	–
Contingencies Fund	–	–	(3,500)	(3,500)
Year end adjustment:				
Supply creditor/debtor – current year	(172,638)	(206,315)	(108,636)	(34,004)
Supply creditor – Unauthorised supply	–	–	(3,025)	(3,025)
Net transfer from operating activities:				
Net Operating Cost	(9,177,690)	(14,667,643)	(10,418,120)	(15,896,611)
CFERs repayable to Consolidated Fund	(19,787)	(49,189)	(56,021)	(78,259)
Non-cash charges:				
Cost of capital	(256,051)	2,703,588	(182,012)	2,654,002
Auditor's remuneration	365	851	300	737
Transfer from Revaluation Reserve	1,634	109,010	–	99,743
In-year adjustments relating to prior year transactions:				
Reversionary interest on M6 toll road	–	18,746	–	7,240
Road network	–	–	–	155,917
Non-network assets	–	–	–	–
Highways Agency stock	–	–	–	–
Prior period adjustments – Financial Guarantees	–	–	–	–
Other prior year adjustments	27,000	(127,217)	–	(3,062)
In-year spend on detrunked roads	–	(9,326)	–	(1,994)
Actuarial gain recognised in pension scheme	(1,055,200)	(1,055,200)	(175,100)	(175,100)
Other movements	3,745	3,600	3	1,376
Total – Balance Sheet	**(6,864,196)**	**32,008,906**	**(5,969,985)**	**33,370,488**

23 Revaluation Reserve

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	24,100	44,049,905	26,710	40,744,866
Prior period adjustment				
Detrunking (see Note 37)	–	(365,538)	–	(274,873)
Restated opening balance	**24,100**	**43,684,367**	**26,710**	**40,469,993**
Arising on revaluation during year – net	(22,100)	3,915,479	(2,610)	3,604,867
Amounts released to Operating Cost Statement	–	2,780	–	2,364
In-year adjustments relating to prior year transactions:				
Road network	–	–	–	89,120
Other prior year adjustments	–	(86,866)	–	(16,696)
Transferred to General Fund in respect of realised element of Revaluation Reserve	(1,634)	(109,010)	–	(99,743)
Total – Balance Sheet	**366**	**47,406,750**	**24,100**	**44,049,905**

24 Notes to the Cash Flow Statement

24.1 Reconciliation of operating cost to operating cash flows

	Note	2008-09	2007-08
		£000	£000
Net Operating Cost		(14,667,643)	(15,896,611)
Adjustment for non-cash transactions	10, 11, 12	3,773,076	3,789,031
Adjustment for non-cash transactions related to pension schemes		20,400	(40,000)
(Increase)/decrease in stock		(44,074)	3,405
Decrease in debtors		(81,105)	42,178
less: movements in debtors relating to items not passing through the Operating Cost Statement		50,130	(4,228)
Increase in creditors		171,047	251,847
less: movements in creditors relating to items not passing through the Operating Cost Statement		(204,002)	(58,986)
Use of provision	21	(275,677)	(328,197)
Non-cash movement in classification of provision	21	87	78,256
In-year spend on detrunkings		(9,326)	(1,994)
Adjustment for capital and interest element of PFI payments		49,242	46,481
Net cash flow from operating activities		**(11,217,845)**	**(12,118,818)**

24.2 Reconciliation of capital expenditure and financial investment

	Note	2008-09	2007-08
		£000	£000
Tangible fixed asset additions	14	(1,168,104)	(1,124,174)
Intangible fixed asset additions	15	(1,476)	(4,527)
Proceeds of disposal of fixed assets		21,193	7,751
Capital element of lands provision		111,608	63,839
Advances of investments	16	(37,000)	(53,800)
Repayments of investments	16	13,185	103,730
Repayments of loans for National Loans Fund		1,051	984
Net cash flow from capital expenditure and financial investment		**(1,059,543)**	**(1,006,197)**

24.3 Analysis of the Department's capital expenditure, and financial investment and associated appropriations in aid

				2008-09
	Capital Expenditure	Loans	Appropriation in Aid	Net Total
	£000	£000	£000	£000
Request for Resources 1	1,173,310	37,000	(31,157)	1,179,153
Total	**1,173,310**	**37,000**	**(31,157)**	**1,179,153**
				2007-08
Request for Resources 1	1,128,701	(49,930)	(7,751)	1,071,020
Total	**1,128,701**	**(49,930)**	**(7,751)**	**1,071,020**

24.4 Analysis of financing

	2008-09	2007-08
	£000	£000
From Consolidated Fund (Supply): current year	12,520,000	13,103,000
Advances from the Contingencies Fund	1,500,000	1,700,000
Repayments to the Contingencies Fund	(1,503,500)	(1,700,000)
Loans received from the National Loans Fund	–	–
Repayments of loans from the National Loans Fund	(1,051)	(984)
Capital element of payments in respect of on-balance sheet PFI contracts	(49,242)	(46,481)
Net Financing	**12,466,207**	**13,055,535**

24.5 Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2008-09	2007-08
	£000	£000
Net Cash Requirement (see Note 4)	(12,347,695)	(13,239,444)
From the Consolidated Fund (Supply) – current year	12,520,000	13,103,000
From the Contingencies Fund	(3,500)	–
Amounts due to the Consolidated Fund – received in a prior year and paid over	(53,791)	(5,022)
Amounts due to the Consolidated Fund – received in a prior year and not paid over	(8,401)	–
Amounts due to the Consolidated Fund – received and not paid over	12,937	62,199
Decrease in third party balances	(2,228)	(10,738)
Decrease in cash	**117,322**	**(90,005)**

25 Notes to the Statement of Operating Costs by Departmental Aim and Objectives

25.1 Programme grants and other current expenditure have been allocated as follows:

	2008-09	2007-08 (restated)
	£000	£000
Main objective[1]		
Objective 1	7,867,158	9,379,173
Objective 2	1,323,200	796,898
Objective 3	3,386,364	3,335,815
Objective 4	2,501,390	2,474,360
Objective 5	138,055	53,880
	15,216,167	**16,040,126**

Notes:

1 The Departmental Objectives changed for 2008-09. The prior year information has been restated in line with these new objectives. This change is described on Page 297 of the management commentary.

25.2 Capital employed by Departmental aim and objectives during the year

	2008-09	2007-08 (restated)
	£000	£000
Main objective[1]		
Objective 1	38,010,085	35,543,770
Objective 2	2,543,106	2,464,733
Objective 3	39,756,506	38,799,799
Objective 4	(906,211)	(395,368)
Objective 5	12,170	2,403
	79,415,656	**76,415,337**

Notes:

1 The Departmental Objectives changed for 2008-09. The prior year information has been restated in line with these new objectives, described in the management commentary, and the restatement of prior year balances, described in Note 37.

26 Capital commitments

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Contracted capital commitments at 31 March for which no provision has been made	–	1,141,263	483	1,118,126
	–	**1,141,263**	**483**	**1,118,126**

27 Commitments under leases

27.1 Operating leases

Commitments under operating leases to pay rentals during the following year are analysed according to the period in which the lease expires, as follows:

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated (restated)
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	169	829	290	1,614
Expiry after 1 year but within 5 years	3,132	5,460	3,173	4,477
Expiry thereafter	10,228	20,416	10,363	20,289
	13,529	26,705	13,826	26,380
Other:				
Expiry within 1 year		570		733
Expiry after 1 year but within 5 years		1,588		2,924
Expiry thereafter		–		–
		2,158		**3,657**

27.2 Finance leases

Obligations under finance leases are as follows

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Obligation under finance leases comprise:				
Rental due within 1 year	–	174	–	–
Rental due between 1 to 5 years	–	1,804	–	–
Rental due thereafter	–	1,107	–	–
	–	3,085	–	–
Less interest element	–	(107)	–	–
		2,978		

28 Commitments under PFI contracts

28.1 On-Balance Sheet
The Highways Agency has entered into the following on – Balance Sheet PFI contracts for the design, build, finance and operation of sections of the network:

M1-A1	Yorkshire link
A1 (M)	Alconbury to Peterborough
A419/A417	Swindon to Gloucester
A50/A564	Stoke-Derby link
M40	Junctions 1-15
A19	Dishforth to Tyne Tunnel
A30/A35	Exeter to Bere Regis
A69	Carlisle to Newcastle
A1(M)	Darrington to Dishforth
A249	Iwade to Queenborough
	National Traffic Control Centre
	National Roads Telecommunications Services

The substance of the PFI contract is that the Highways Agency has a finance lease, with the asset being recognised as a fixed asset of that Agency. Payments under PFI contracts comprise two elements – imputed finance lease charges and services charges.

	2008-09	2007-08
	£000	£000
Imputed finance lease obligation under on-Balance Sheet PFI contracts comprise:		
Rentals due within 1 year	121,369	121,246
Rentals due after 1 year but not more than 5 years	450,688	456,540
Rentals due after 5 years	1,364,167	1,552,885
	1,936,224	**2,130,671**
Interest element	(776,469)	(921,674)
	1,159,755	**1,208,997**

28.2 Charges to the Operating Cost Statement and future commitments
The total amount charged in the Operating Cost Statement in respect of the service element of on – Balance Sheet PFI transactions was £180.6 million (2007-08: £160.5 million).

Service elements to which the Highways Agency is committed during 2008-09 are shown in the table below, analysed by the period during which the commitment expires.

	2008-09	2007-08
	£000	£000
Expiry within 2 to 5 years	20,706	20,706
Expiry within 6 to 15 years	52,428	52,428
Expiry within 16 to 20 years	127,707	127,586
Expiry within 21 to 25 years	4,039	–
Expiry within 26 to 30 years	6,150	10,190
	211,030	**210,910**

29 Other financial commitments

In accordance with the Deed of Grant agreed in December 2008, the Department is committed to paying a grant of £16,582 million to Network Rail spread over the financial years 2009-10 – 2013-14.

At 31 March 2009, 17 franchise agreements had been entered into for the provision of train services. The Strategic Rail Authority had entered into 12 of these agreements, which have been transferred to the Department. Subsequent to this transfer, the Department has entered into five franchise agreements with train operating companies for the provision of train services.

The amounts falling due in the year to 31 March 2009 are as follows:

	2008-09	2007-08
	£000	£000
Expiry within 1 year	4,667,676	3,873,695
Expiry after 1 year but within 5 years	16,584,300	4,578,462
Expiry thereafter	62,681	113,239
	21,314,657	**8,565,396**

30 Financial instruments

FRS 29, which supersedes the requirements of FRS 13 and FRS 25, requires specified minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the Department faces in undertaking its activities.

Owing to the largely non-trading nature of its activities and the way in which government departments are financed, the Department is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 mainly applies. The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

Credit risk
Credit risk is the risk of suffering financial loss, should any of the Department's customers or counterparties fail to fulfil their contractual obligations to the Department.

A significant number of the Department's customers and counterparties are other public sector organisations. No credit risk arises from these organisations.

For those customers and counter parties that are not public sector organisations, the Department has policies and procedures in place to ensure credit risk is kept to a minimum.

The Department is not exposed to material Credit Risk.

Liquidity risk
This is the risk that the Department is unable to meet its obligations when they fall due and to replace funds when they are withdrawn.

The Department is a central government organisation and this risk is, therefore, negligible.

Short-term liquidity is managed by the draw-down of funds from the Office of the Paymaster General.

Market risk
Some of the Department's rights and obligations under its financial instruments are linked to movements in the RPI. These are the Domestic Capacity Charge provision, payable to London and Continental Railways, and the Financial Indemnity memorandum (and related fee) in respect of Network Rail. In addition, part of the debt covered by the financial guarantee contract to London and Continental Railways is also index-linked.

Under central government funding regimes, increases in a liability owing to an increase in RPI score as expenditure, and this expenditure needs to be funded through the Estimates process. The Department manages this risk by recalculating these liabilities at prevailing RPI rates before each Estimate and by making prudent forecasts about expected changes in RPI for the remainder of that year.

The Department has minimal transactions or balances that are either denominated in foreign currency, linked to a floating interest rate, or linked to any other market price. It considers, therefore, that changes in exchange rates, interest rates or other market prices would represent a negligible risk.

31 Contingent liabilities

In accordance with government policy, no buildings included in tangible fixed assets in the Balance Sheet are insured. Other contingent liabilities are shown below.

The value shown is the best estimate of the expected cost of settling the liability, in the unlikely event that the contingent liability becomes an actual liability.

	31 March 2009	31 March 2008
	£m	£m
31.1 Channel Tunnel Rail Link – Government guarantee in respect of bonds issued by London and Continental Railways Limited (LCR). The bonds are repayable in 2010, 2028, 2038 and 2051. The risk of a call on the guarantee depends on LCR's financial performance.	3,750	3,750
31.2 Channel Tunnel Rail Link – Guarantee issued in respect of track access payments, to support securitisation of this revenue stream to finance Section 2. Track access charges are payable over approximately 50 years. The probability of a call will depend on LCR's cash flow performance over that period.	1,527	630
31.3 Other contingent liabilities.[1, 2]	1,006	1,213
31.4 Possible obligations in relation to land and property acquisition.	362	391
31.5 Possible obligations in relation to engineering and construction services.	5	8
31.6 Third-party claims.	9	8
31.7 General Lighthouse Authorities' pension fund deficiency.	348	348

Notes:

1 This includes contingent liabilities where disclosure of details could prejudice the outcome of the case.

2 A contingent liability of £760 million for the metrication of traffic signs (speed and distance) lapsed when EU Directive 2009/3/EC came into force on 27 May 2009 amending Council Directive 80/181/EEC on the approximation of the laws of the Member States relating to units of measurement.

The Department has responsibility for a number of legacy pension schemes formerly part of the British Railways Board. The Department is required to fund the employer's share of any deficits arising on these schemes (see Note 39).

Some of the amounts above relate to guarantees that are financial guarantee contracts. For these guarantees, the fair values, as calculated in accordance with the accounting policies note, are disclosed in note 16.2. These valuations do not affect the Department's potential exposure or the amounts previously reported to Parliament, which are given above.

32 Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability

	1 April 2008	Increase/ (decrease) in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount reported to Parliament[1]
	£000	£000	£000	£000	£000	£000
Guarantees (listed)	160,000		–	–	160,000	Unquantified
Letters of comfort (listed)	7,900,000	1,800,000	–	(5,700,000)	4,000,000	Unquantified
Indemnity (listed)	14,800,000	8,230,000	–	–	23,030,000	22,730,000

Notes:

1 Note that not all quantifiable items were quantified when the item was reported to Parliament. See below for more details.

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these items is a contingent liability within the meaning of FRS 12 and the amounts shown are as reported to Parliament.

32.1 Quantifiable guarantees and indemnities

	31 March 2009	31 March 2008	Amount reported to Parliament by Departmental minute
	£m	£m	£m
Guarantees			
Should the International Maritime Organization building be partially or completely destroyed, the Government would be obliged to reconstruct the building, suspend or reduce the rent for a period of three years and fund alternative accommodation.	69	69	Unquantified
A guarantee has been offered to the Air Travel Trust Fund to enable the trustees to borrow to meet the claims of package holiday makers in the event of the failure of tour operators.	31	31	31
A guarantee in respect of lease obligations of Eurostar (UK) Limited at Ashford International Passenger Station to 2022.	60	60	133
Letters of comfort			
Letters of comfort were originally issued to the Strategic Rail Authority in relation to financial support for Network Rail's borrowing. Subsequently, these responsibilities transferred to the Secretary of State. The credit support arrangements comprise standby credit facilities and financial indemnity in support of Network Rail's Debt Issuance Programme. As at 31 March 2009, the arrangements supported Network Rail's net debt of £22.3 billion (prior year restated from £19.8 billion to £18.7 billion as per prior year breakdown provided).			
A standby credit facility and related agreements to enable Network Rail to raise medium-term notes for its short and medium-term financing requirements. The support arrangements expired on 31 March 2009.	0	3,900	10,000
A standby credit facility, with a term of 50 years, to act as a long-term contingency buffer.	4,000	4,000	4,000
Letters of indemnity have been issued in respect of non-statutory liabilities incurred by staff appointed as directors of Cross London Rail Links Limited (CLRL) and as a director or company secretary of SRA Investment Company Limited.	–	–	Unquantified
Indemnity			
The Department has provided a financial indemnity in support of Network Rail's Debt Issuance Programme.	22,300	14,800	22,000
Indemnities in respect of Crossrail funding arrangements set out in the Crossrail Sponsors' Agreement and the Project Development Agreement.	730	0	730

Some of the amounts above relate to guarantees that are financial guarantee contracts. For these guarantees, the fair values, as calculated in accordance with the accounting policies note, are disclosed in Note 16.2. These valuations do not affect the Department's potential exposure or the amounts previously reported to Parliament, which are given above.

Non-statutory liabilities in respect of Crossrail agreements
In 2008 the Secretary of State entered into quantifiable and unquantifiable contingent liabilities on signing the Crossrail Sponsors' Agreement (between DfT and TfL) and the Project Development agreement (setting out the relationship between DfT and TfL as joint sponsors and Cross London Rail Links, the Project Delivery Agent (now re-named Crossrail Limited)).

Elements of the Crossrail funding package envisage that monies will be raised through developers under existing legislation and the new Community Infrastructure Levy (CIL), which requires new secondary legislation to be implemented. There are risks associated with the implementation of new legislation and should legislation enabling the GLA to raise funds under the CIL not be put in place by an agreed date or if it impinges on the GLA's ability to raise funds under the existing developer contributions arrangements the Government would be liable for any funding shortfall, over the period the funding is to be raised. The Government's obligation to fund any shortfall where legislation is not in place by an agreed date is capped at £300 million. Where the Government is called upon to meet a funding shortfall relating to CIL, there are arrangements in the Sponsors' Agreement for TfL to reimburse or procure the reimbursement of the Government.

In addition, direct contributions towards project costs have been agreed with some of the project's key beneficiaries in line with the Government's position that those benefitting from the Crossrail Project should make a contribution accordingly. If contributions are not received or secured in full the Government would also be liable for the funding shortfall for the City of London Corporation and voluntary contributions from London businesses (up to a limit of £250 million) and BAA contributions (up to £180 million).

Some of the amounts above relate to guarantees that are financial guarantee contracts. For these guarantees, the fair values, as calculated in accordance with the accounting policies (Note 1), are disclosed in Note 16.2. These valuations do not affect the Department's potential exposure or the amounts previously reported to Parliament, which are given above.

32.2 Unquantifiable guarantees and indemnities
Statutory guarantees
Agreements were entered into by the Director of Passenger Rail Franchising (novated to the Strategic Rail Authority and then to the Department), prior to the privatisation of each of the three rolling-stock companies (ROSCOs). It is not possible to quantify the liabilities associated with these agreements because they will depend on the circumstances that arise at the time.

Guarantees were given by the Strategic Rail Authority (and previously by the Director of Passenger Rail Franchising), and novated to the Department, in relation to new, replacement and extended passenger rail franchise agreements. It is not possible to quantify the potential liability that might arise as a result of these undertakings.

Guarantees were given in respect of certain legacy pension schemes from the British Railways Board that any shortfalls would be met. Details are disclosed in Note 39.

Non-statutory liabilities in respect of Crossrail agreements
Both sponsors of the project have reserved the right to review whether or not to proceed with the project at defined review points. In these circumstances, the financial consequences of the decision not to proceed would fall on DfT and TfL.

Subsequent to the project passing these review points the Crossrail sponsors, TfL and DfT have reserved certain rights which, when exercised, could expose the Government to additional liabilities. In certain circumstances, these rights provide for government to take control of the project through taking back (or having put to government) ownership of Crossrail Limited, in which circumstances it is likely that the Government would acquire substantial liabilities associated with the project. If it proves necessary or appropriate for the Government to take over full control of the project, and Government were to elect to abandon the project after having taken full control, the Department for Transport would also be responsible for funding winding down costs.

Elements of the Crossrail funding package also envisage that monies will be raised by the GLA through Business Rate Supplements (BRS). There are risks associated with the BRS legislation and should any legislation enabling the GLA to raise the BRS necessary to fund Crossrail not be in place by an agreed date, or if the legislation contains certain restrictions, the Government would, in certain circumstances, be liable for the funding shortfall. Where the Government is called upon to meet a funding shortfall, there are arrangements in the Sponsors' Agreement for TfL to reimburse or procure the reimbursement of the Government.

Letters of comfort
Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, following major transport disasters.

A letter of comfort is in issuance in support of the London Underground PPP Tubelines contract, clarifying the Secretary of State's role in relation to the Greater London Authority and Transport for London.

A letter of comfort has been issued to the British Transport Police Authority in relation to a pension liability indentified in their accounts.

Other
The Department has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the Tunnel will not be resumed in the near future, he shall take the necessary steps to ensure that the land is left in a suitable condition in accordance with the scheme.

Details on restricted contingent liabilities are not shown due to their sensitivity to commercial confidentiality and national security.

33 Losses and special payments

33.1 Losses statement

	2008-09	2007-08
Total number of cases	3,011	3,847
	£000	£000
Total amount	8,355	9,203

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £250,000 in total and those that, individually, exceed £250,000.

In 2008-09 there was one case in excess of £250,000. This is recorded in the Highways Agency accounts. It was a book-keeping error of £430,663 relating to an advance made for work carried out by a local authority.

33.2 Special payments

	2008-09	2007-08
Total number of cases	29	41
	£000	£000
Total amount	178	786

34 Related party transactions

The Department is the parent of the Highways Agency, the Maritime and Coastguard Agency, the Government Car and Despatch Agency, the Vehicle Certification Agency and a number of sponsored bodies listed in Note 36. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a small number of transactions with other government departments, principally the Communities and Local Government, Treasury Solicitors, the Department of Constitutional Affairs, the Department for Trade and Industry, the Valuation Office Agency, the Ministry of Defence, NATS Holdings Limited, Cross London Rail Link and a number of local authorities.

Some Board members and key managerial staff, within agencies that have been consolidated into these accounts, are related to persons employed by bodies with which it has had financial dealings. These related party relationships, although between two organisations which have had financial dealings, do not in themselves involve any personal financial gain by the individuals concerned. No Board members or key managerial staff had any direct interest in organisations or suppliers in receipt of grants or other payments.

No Board members, key managerial staff or other related parties have undertaken any material transactions with the Department during the year other than those reported.

35 Third-party assets

The Highways Agency, under Section 278 of the Highways Act 1980, receives payment in advance of works. These amounts are paid into interest bearing Escrow Accounts at Lloyds TSB Bank.

The Highways Agency is acting as a co-ordinator for a new Co-ordination Action under the EU Sixth Framework Programme. It holds a Euro Lloyds TSB bank account where funding from the EU is deposited and subsequently distributed to eleven partners across Europe. Over the three year duration of the project total funding provided by Brussels will be up to 2.5 million euros. A small portion of the funding will be to reimburse costs incurred by the Highways Agency in this collaboration action.

Monies are drawn down from the Escrow accounts by the Highways Agency as work progresses.

These are not Agency assets and are not, therefore, included in the accounts.

The amounts held are shown in the table below:

	31 March 2008	Gross Inflows	Gross Outflows	31 March 2009
	£000	£000	£000	£000
Lloyds TSB Escrow bank accounts	14,446	4,192	10,233	8,405
Lloyds TSB Euro bank account	275	500	740	35
	14,721	**4,692**	**10,973**	**8,440**

36 Entities within and outside the Departmental boundary

36.1 The following executive agencies, advisory bodies and tribunals have been consolidated within these accounts:

Executive agencies
Highways Agency
Maritime and Coastguard Agency
Government Car and Despatch Agency
Vehicle Certification Agency

Advisory bodies
Commission for Integrated Transport
Disabled Persons' Transport Advisory Committee

Advisory NDPBs are expert bodies normally established to advise ministers and officials on specific policy areas for which expertise does not exist within the Department. Most members of such bodies are unpaid, although chairmen and members of several bodies' receive a daily fee for attendance at meetings and other work.

Tribunals
Traffic Commissioners and Licensing Authorities (Traffic Areas).

36.2 The following bodies have not been consolidated within the accounts for the Department. Financial information for these bodies can be obtained from their separately published annual reports and accounts.

Trading funds
Driving Standards Agency
Driver and Vehicle Licensing Agency
Vehicle and Operator Services Agency

Public corporations
Aberdeen Harbour Board
Civil Aviation Authority
Dover Harbour Board
General Lighthouse Fund, incorporating:
- Commissioner for Irish Lights;
- Northern Lighthouse Board; and
- Trinity House Lighthouse Service

Milford Haven Port Authority
Poole Harbour Commissioners
Port of London Authority
Port of Tyne Authority
Shoreham Port Authority

Executive non-Departmental public bodies
British Transport Police
Passenger Focus
Railway Heritage Committee
Renewable Fuels Agency

Other entities
British Railways Board (Residuary) Limited
Channel Tunnel Rail Link Complaints Commissioner
Cross London Rail Links Limited
London and Continental Railways Limited
Marine and Aviation Insurance (War Risks) Fund
NATS Holdings Limited
Network Rail Limited
Office of the PPP Arbiter
SRA Investments Company Limited

37 Restatement of prior year balances

Highways Agency
The trunk road network balance at 1 April 2008 has been restated by £1,005 million due to detrunking of parts of the road network, in accordance with merger accounting principles.

These prior year adjustments gave rise to the following restatement of balances at 31 March 2008:

	As previously stated	Adjustment	As restated
	£000	£000	£000
Trunk road network – cost	96,681,252	(1,115,590)	95,565,662
Trunk road network – depreciation	(12,080,415)	110,536	(11,969,879)
	84,600,837	**(1,005,054)**	**83,595,783**
General Fund	33,370,488	(639,516)	32,730,972
Revaluation Reserve	44,049,905	(365,538)	43,684,367

Change in accounting policy

FRSs 25 and 26, which deal with financial instruments, have been implemented from 1 April 2007. The adoption of new accounting standards is recognised as a change in accounting policy and in accordance with the requirements of FRS 18 has been applied to the preceding year. The impact of this change on the Balance Sheet as at 1 April 2007 is as follows:

	1 April 2007 Before restatement	Accounting policy change	1 April 2007 As restated
	£m	£m	£m
Debtors: amounts falling due after more than one year	227	2,874	3,101
Financial Liabilities	0	(8,223)	(8,223)
General fund	39,203	(5,349)	33,854

The accounting policy change reflects the following specific changes:

- the recognition of financial guarantee contracts as liabilities (rather than disclosure as contingent liabilities) at fair value, adjusted for subsequent amortisation and to include amounts expected to be paid to settle the Department's obligations;
- the recognition of financial guarantee premia as financial assets; and
- remeasurement of debtors using the effective interest rate method.

38 Network Rail

38.1 Body outside the consolidation boundary

Many functions of the Strategic Rail Authority transferred to the Department in 2005-06. This included a transfer of the lead responsibility for the Government's relationship with Network Rail Limited (Network Rail), a private company limited by guarantee, which is the parent company of the Network Rail Group of companies. Network Rail owns and operates the main rail network in Great Britain. Its primary aim is to provide a safe, reliable and efficient rail infrastructure. The main focus of Network Rail is on the operation, maintenance and renewal of Britain's railway, and facilitating enhancements. Whilst operating on a commercial basis, Network Rail is a not-for-dividend company and all profits made are reinvested in the industry. Its members include the train operating companies and other stakeholders. The Secretary of State is a Special Member. The Secretary of State has no rights to any dividend or other distribution.

The Department's principal financial interest in Network Rail arises from indemnities issued in support of Network Rail's debt. Agreements were made between the Department and Network Rail in connection with the acquisition of Railtrack plc by Network Rail, which relate to the financial support provided to Network Rail, together with its output and enhancement obligations. These agreements operate alongside the contractual arrangements that exist between the Department and Network Rail. The Department considers that the likelihood of Network Rail having to rely upon these letters for financial support is remote. Consequently, these agreements represent contingent liabilities and are disclosed under Note 32, Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability.

The support facilities for Network Rail's borrowings consist of a financial indemnity mechanism (FIM) in respect of borrowings of Network Rail Infrastructure Finance PLC (NRIF) under which £22.3 billion had been borrowed at 31 March 2009. The FIM is available until 2052. The indemnity also covers guarantees provided by NRIF in respect of certain financial obligations of Network Rail Infrastructure Limited.

Network Rail is outside the Department's resource accounting boundary and is not consolidated in these accounts. In order to maintain openness and transparency regarding the relationship between the Department and Network Rail, the summary results and other details concerning Network Rail are shown below. For further details, of Network Rail, copies of the financial statements of Network Rail Limited can be obtained from the Company Secretary, Kings Place, 90 York Way, London, N1 9AG. In addition, Network Rail's annual report and financial statements are available by visiting www.networkrail.co.uk

Network Rail reports to its members in the manner of a listed PLC and therefore follows European Union regulations requiring companies listed in any member state to adopt International Financial Reporting Standards (IFRS) for financial years commencing on or after 1 January 2005. Therefore, the financial information shown below taken directly from Network Rail's accounts is prepared and presented in accordance with the requirements of IFRS. The figures shown below are an extract from the published accounts of Network Rail.

38.2 Key financial figures

Profit and loss account for year ended 31 March 2009.

	2008-09	2007-08
	£m	£m
Revenue[1]	6,160	5,960
Operating costs	(3,604)	(3,536)
Operating profit	2,556	2,424
Revaluation gains and profits on disposals of properties	(138)	34
Net investment and finance costs	(906)	(870)
Profit/(loss) before tax	1,512	1,588
Taxation	(911)	(405)
Profit/(loss) for the year	**601**	**1,183**

Notes:

1 Turnover includes £3,899m (2008: £3,050 million) received directly from the Department for Transport and £1,781 million (2008: £2,301 million) received from train operating companies (TOCs) for access charges.

Balance Sheet as at 31 March 2009.

	2008-09	2007-08
	£m	£m
Non-current assets		
Intangible assets	73	74
Property plant and equipment – the railway network	34,925	31,443
Investment property	700	949
Financial assets	783	110
	36,481	32,576
Current assets	3,257	1,656
Current liabilities	(5,534)	(7,547)
Non-current liabilities	(27,582)	(20,134)
Net assets	**6,622**	**6,551**
Equity		
Revaluation reserve	3,657	3,870
Retained earnings	3,034	2,504
Other reserves	(69)	177
	6,622	**6,551**

39 Pension schemes

The Department participates in the following defined benefit pension schemes. Some of the Department's employees are members of the BR Shared Cost Section of the Railways Pension Scheme. The Department is the scheme employer for the 1994 Section of the Railways Pension Scheme. It applies FRS 17 to these sections. It has also offered a guarantee to the British Railways Superannuation Fund, a legacy defined benefit scheme from the British Railways Board (BRB), in which the Department has no employees participating. It applies FRS 17 to any scheme that is in deficit. In accordance with FRS 17, the share of any deficits or recoverable surplus in the pension funds is recognised on the Balance Sheet. Interim valuations have been carried out as at 31 March 2009 by the Government Actuary's Department on the Department's defined benefit schemes, for the purpose of providing these disclosures.

Analysis of pension liability recognised on the Balance Sheet

The Department is responsible for funding the British Railways Superannuation Fund (BRSF), which for the first time moved into deficit at the most recent actuarial valuation as at 31 March 2009. In accordance with FRS 17, disclosures were not required for the BRSF in previous years while the scheme was in surplus. The 2008-09 opening balance of the Department's deficit (on the table below) has been restated to include the BRSF surplus balance of £27 million as at 31 March 2008 (the time of the last actuarial valuation).

	Restated 2008-09	2007-08
	£m	£m
Deficit at beginning of period	(224.2)	(116.0)
Contributions paid	4.0	3.9
Current service cost	(0.7)	(0.8)
Other finance income	(23.7)	36.9
Employees share of deficit	–	–
Actuarial gain	(1,055.2)	(175.1)
Deficit at end of period	**(1,299.8)**	**(251.1)**

The deficit comprises the following balances:

	2008-09	2007-08
	£m	£m
Scheme:		
BR Shared Cost Section	(13.6)	0.3
1974 Section	(13.0)	(15.1)
1994 Section	(1,237.9)	(236.0)
Great Western Railway Salaried Staff Widows' and Orphans' Pension Society	(0.3)	(0.3)
British Railways Superannuation Fund (BRSF)	(35.0)	27.0
Total deficit at the end of the period	**(1,299.8)**	**(224.1)**

1994 Section

The 1994 Pensioners Section is a defined benefit scheme representing the majority, by value, of the Department's financial relationships with pension schemes.

Pensioners and deferred pensioners in the BR Pension Scheme on 30 September 2004 were transferred into a separate section of the RPS – the 1994 Pensioners Section. On 30 December 2000 there was a transfer of pensioners and deferred pensioners from the BR Section to the 1994 Pensioners Section. On 31 July 2007 members from seven historic railway pension schemes were transferred into the 1994 Section. All the assets and the liability to pay pensions from these historic schemes were also transferred to the 1994 Pensioners Section. Six of these schemes (The London and North Western Railway Provident Society for providing pensions for widows and orphans of the salaried staff; Great Western Railway Supplemental Pensions Reserve Fund; The Great Western Railway Salaried Staff Widows' and Orphans' Pension Society; The Great Northern Railway Superannuation Fund; and The Great Western Railway Inspectors and Foremen's Special Pension Fund) formerly benefited from a guarantee from the Department. These schemes have now been wound up. Where a member had rights under one of the historic funds and also had supplementary pension rights under the 1974 Fund, those rights under the 1974 Fund were also transferred into the 1994 Pensioners Section.

Although the 1994 Pensioners Section is part of the industry-wide RPS, its assets and liabilities are identified separately from the remainder of the scheme. Further details are shown below.

The last actuarial review for funding purposes is being carried out as at 31 December 2007 by the RPS Scheme Actuary, Watson Wyatt Partners. Assets and accrued liabilities were valued using the market-related method.

Financial assumptions

The latest actuarial valuation for the section as at 31 December 2007 was updated to 31 March 2009 by the Government Actuary's Department:

The amounts recognised in the balance sheet are as follows:

	31 March 2009	31 March 2008
	£m	£m
Present value of funded obligations	4,452	4,785
Fair value of plan assets	(3,215)	(4,550)
Net liability	1,237	235
Amounts in the balance sheet		
Liabilities	1,237	235
Assets	–	–
Net liability	1,237	235

The amounts recognised in the operating cost statement are as follows:

	31 March 2009	31 March 2008
	£m	£m
Interest on obligation	316	260
Expected return on plan assets	(294)	(297)
Total	22	(37)
Actual return on plan assets	(1,221)	(257)

The amounts recognised in the Statement of Recognised Gains and Losses are as follows:

	31 March 2009	31 March 2008
	£m	£m
Gain/(loss) on assets	(1,221)	(257)
Experience gain/(loss) on liabilities	12	111
Gain/(loss) on change of assumptions	230	(30)
Total gain/(loss)	(979)	(176)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2009	31 March 2008
	£m	£m
Opening defined benefit obligation	4,785	5,015
Interest cost	316	260
Experience gain/(loss) on liabilities	(12)	(111)
Actuarial gain/(loss)	(637)	(379)
Closing defined benefit obligation	4,452	4,785

Changes in the fair value of plan assets are as follows:

	31 March 2009	31 March 2008
	£m	£m
Opening fair value of plan assets	4,549	4,918
Expected return	294	297
Gain/(loss) on assets	(1,221)	(256)
Contributions by employer	–	–
Actuarial gain/(loss)	(407)	(409)
Closing fair value of plan assets	3,215	4,550

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 March 2009	31 March 2008
	£m	£m
Equities	1,362	2,201
Bonds	1,241	1,616
Properties	248	322
Other	364	411
	3,215	4,550

Principal actuarial assumptions at the balance sheet date (expressed as weighted average):

	31 March 2009	31 March 2008
Discount rate at 31 March	6.9%	6.9%
Expected return on plan assets at 31 March	*	6.8%
Future pension increases	3.0%	3.7%
Inflation	3.0%	3.7%
Rate of increase for deferred pensions	3.0%	3.7%

*In the opinion of the actuaries, the volatility of market conditions as at 31 March 2009 precludes the calculation of a meaningful Expected Rate of Return. On this basis, no figure has been included in the above table.

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Defined benefit obligation	(4,452)	(4,785)	(5,015)	(5,245)	(5,080)
Plan assets	3,215	4,549	4,918	4,899	4,450
Surplus/(deficit)	(1,237)	(236)	(97)	(346)	(630)
Experience adjustments on plan liabilities	12	111	(67)	(39)	(63)
Experience adjustments on plan assets	(1,221)	(258)	112	545	92

Other schemes
The Department's relationships with other schemes are described below. Given the relatively low value of the balances and transactions in respect of these schemes, detailed disclosures are not provided.

Railways Pension Scheme: BR Shared Cost Section
The BR Shared Cost Section of the RPS is a defined benefit scheme that covers most of BRB (Residuary) Limited's employees and some former Strategic Rail Authority employees. In March 2007 the OPRAF Shared Cost Section covering some of the former Strategic Rail Authority's employees, primarily those who were formerly employed by the franchising director was merged with the BR Shared Cost Section, by transferring the assets and liabilities of the OPRAF Section into the BR Section.

The last actuarial review for funding purposes was performed at 31 December 2007 by the RPS Scheme Actuary, Watson Wyatt Partners, using the projected unit method. Assets and accrued liabilities were valued using the market-related method.

The market value of assets, net of additional voluntary contribution (AVC) amounts, of the BR Section at 31 December 2004 was £34.192 million. This is approximately 1.5 per cent lower than the corresponding value of the projected accrued liabilities (after allowing for future salary increases but before allowing for agreed future contribution reductions and AVC matching by the Department). In this calculation, an investment return of 6.8 per cent on existing assets was assumed over the 20 year future mean term of liabilities.

The actuary estimated the ongoing funding cost of the BR Section for future years to be met by both the employees and the employer at 29.3 per cent of Section pay, defined as pensionable pay, less 150 per cent of the basic state pension. Over the eight months to 30 November 2006, member contributions were 9.2 per cent of Section Pay, and employer contributions were suspended on actuarial advice. Over the four months to 31 March 2007, member contributions were 12.0 per cent of Section Pay, and employer contributions were 18.0 per cent of Section Pay, in respect of most members.

The Fund is closed to new members.

British Railways Superannuation Fund
The Department is also responsible for funding the British Railways Superannuation Fund. This is a defined benefit scheme which the Department has inherited from the BRB. The Department has no employees participating in it. The latest actuarial valuation of this fund was carried out 31 December 2004 by the Scheme Actuary, Watson Wyatt Partners.

40 Shared Service Centre

The Department for Transport (DfT) Shared Service Centre (SSC) is based in Swansea and was set up during 2006-07. The SSC provides a range of human resources, finance and payroll services to the core Department and a number of its agencies.

Throughout 2008-09 DVLA has taken the lead on maintaining the accounting records for the SSC. In this year, as in the prior year, revenue and capital costs were ring-fenced within the DVLA ledgers, with the DVLA receiving funding from the Department or user agencies via Service Level Agreements. A summary of this information can be found within a Note within the DVLA accounts.

From its inception through to October 2008 the Shared Service Centre operated as a directorate of DVLA. Since October 2008 the governance arrangements surrounding the SSC have changed with the Shared Service Customer Board (attended by Accounting Officers of agencies using the SSC or their representatives) taking over responsibility for the governance of the Centre, with line responsibility for SSC management passing directly to the DfT Director General for Resources.

Moving forward, the intention is for the governance and reporting framework to be specifically overseen by the Shared Services Customer Board or an evolution of such a Board.

At 31 March 2008 SSC assets were recognised in DVLA's accounts. As part of the changes in governance referred to above, these were transferred to DfT on 31 March 2009. Given that the governance arrangements continued to evolve throughout 2008-09, the income and expenditure associated with the Shared Services Centre has been accounted for on a consistent basis with the 2007-08 accounts in the Department for Transport, DVLA and DSA. The accounting treatment for reporting the shared service costs will be reviewed in the context of the new governance arrangements, when finalised.

41 Post Balance Sheet events

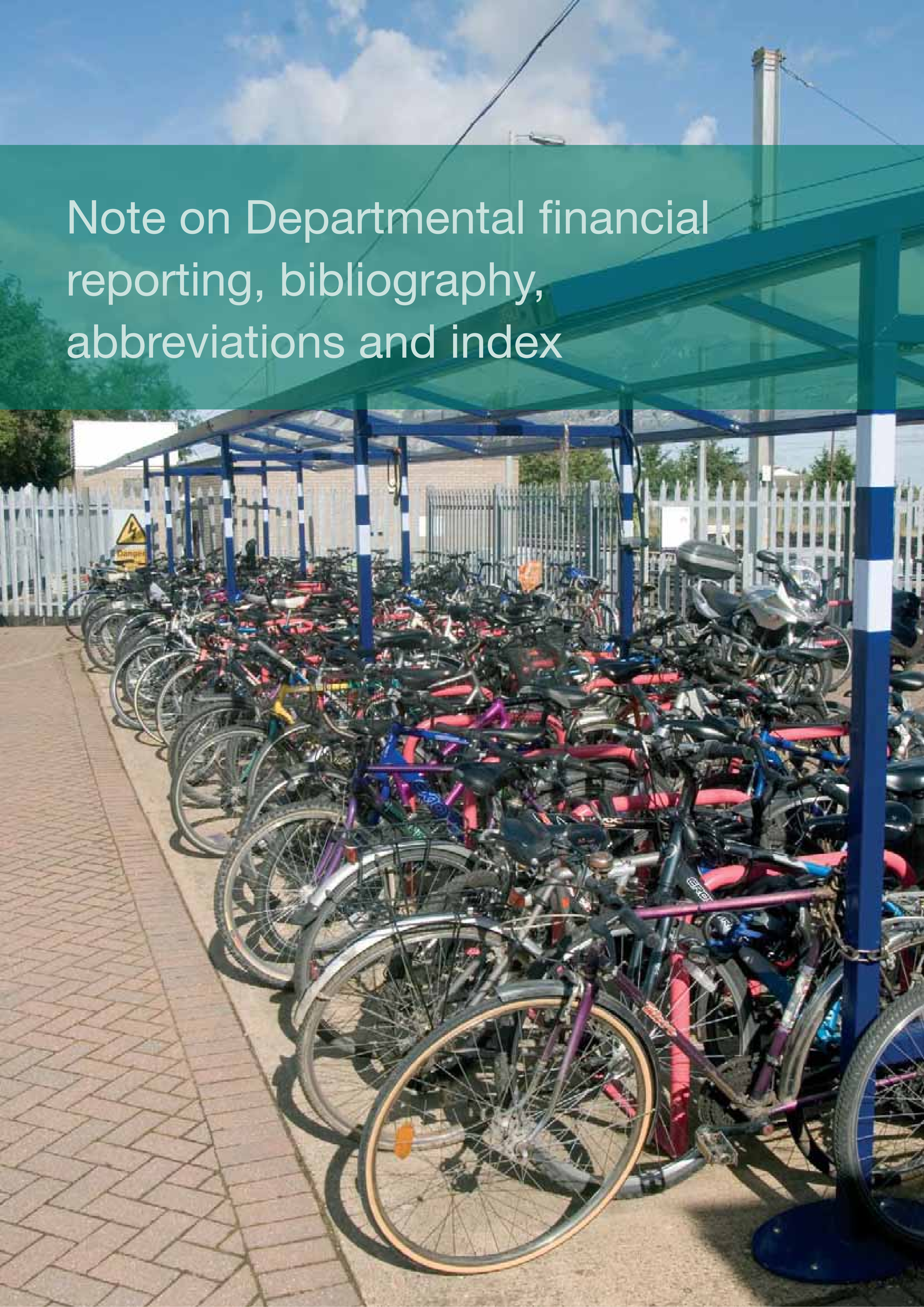
Non-adjusting post-Balance Sheet event: Restructuring of London and Continental Railways Ltd
On 14 May 2009, the European Commission gave the UK Government State Aid Clearance for a financial restructuring of London and Continental Railways Ltd (LCR), the owner and operator of High Speed One (formerly the Channel Tunnel Rail Link) and the UK operator of the Eurostar passenger services through the Channel Tunnel. On 6 June 2009, this restructuring process was commenced. Ownership of LCR's finance subsidiaries, which are together liable for £5.169 billion of debt in the form of bonds and securitised notes, has been transferred to the Department. The obligations of LCR and its other subsidiaries to the finance companies, under inter-company loan and other agreements, were novated to the Department. Separately, the Department purchased, for a nominal sum, the shares of LCR taking it into direct government ownership. As part of the suite of contractual arrangements involved in these transactions, various guarantees previously issued to LCR have been cancelled.

The effect of these arrangements is to replace the existing financial guarantee contract liabilities and the FRS 12 provisions for other guarantees issued with respect to LCR with liabilities to provide the finance subsidiaries with resources to meet debt repayments. As LCR was already classified as a Public Corporation for National Accounts purposes, the restructuring of the company and its liabilities has no impact on Public Sector Net Debt. As the transaction had not occurred as at the Balance Sheet date, the Department has not recognised the shareholdings in LCR and in the finance subsidiaries as assets as at the Balance Sheet date. However, as the decision to acquire the finance subsidiaries was made because the Department had evidence that LCR could not support their liabilities, the Department has therefore valued its financial guarantees to LCR at the value of the finance subsidiaries' outstanding debt as at the Balance Sheet date.

The aim of the restructuring is to separate HS1 Ltd (the infrastructure operator) and Eurostar UK Ltd (the service operator) from the construction liabilities for High Speed One. This will enable both companies to operate on a sustainable commercial basis, meaning that the best return for the taxpayer from previous public investment can be realised through the intended sale of a long-term concession in High Speed One. It will also mean that use of High Speed One can be opened up to more competition, resulting in further benefits for passengers in terms of more and new products and services.

Authorised for issue
These Financial Statements are laid before the Houses of Parliament by the HM Treasury. Financial Reporting Standard (FRS) 21 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date that the Comptroller and Auditor General signs the audit certificate. The authorised date for issue is 13 July 2009.

Note on Departmental financial reporting, bibliography, abbreviations and index



Note on Departmental financial reporting

For the first time the Department has combined its Annual Report and Resource Accounts.

The reader should be aware that the financial information in this publication is shown from two different perspectives and figures may, therefore, differ between Parts One and Two.

The table below shows the entities included in the figures in each part.

Part One: Annual Report shows budgetary spend for the following:	Part Two: Resource Accounts shows consolidated accounts for the following:
The central (core) Department – DfT(C)	The central (core) Department – DfT(C)
Executive agencies:	**Executive agencies**:
■ Government Car and Despatch Agency	■ Government Car and Despatch Agency
■ Highways Agency	■ Highways Agency
■ Maritime and Coastguard Agency	■ Maritime and Coastguard Agency
■ Vehicle Certification Agency	■ Vehicle Certification Agency
Advisory non-departmental public bodies (NDPBs):	**Advisory non-departmental public bodies (NDPBs)**:
■ Commission for Integrated Transport	■ Commission for Integrated Transport
■ Disabled Persons Transport Advisory Committee	■ Disabled Persons Transport Advisory Committee
Tribunals:	**Tribunals**:
■ Traffic Commissioners and Licensing Authorities (Traffic Areas)	■ Traffic Commissioners and Licensing Authorities (Traffic Areas)
Trading funds:	
■ Driver and Vehicle Licensing Agency	
Executive non-departmental public bodies (NDPBs):	
■ British Transport Police Authority	
■ Passenger Focus	
■ Railway Heritage Committee	
■ Renewable Fuels Agency	
Public corporations:	
■ London and Continental Railways Limited	

There are other bodies which are also part of the Departmental family but who are not included in either the budgetary spend or the resource accounts, except if cash payments are made to them. They are:

- **Trading funds**:
  - Driving Standards Agency
  - Vehicle and Operator Services Agency
- **Public corporations**:
  - Harbour boards
  - Civil Aviation Authority
- **Other entities**:
  - British Railways Board (Residuary) Limited
  - Channel Tunnel Rail Link Complaints Commissioner
  - Cross London Rail Links Limited
  - General Lighthouse Fund
  - Marine and Aviation Insurance (Ware Risks) Fund
  - NATS Holdings Limited
  - Network Rail Limited
  - Office of the PPP Arbiter
  - SRA Investment Company Limited
  - Trust Ports

The information for the budgetary spend and the resource accounts comes from the same financial systems for those bodies which are common to both and the cut-off point for inclusion is the same – 31 March.

The National Audit Office audits the Department's Resource Accounts on behalf of the Comptroller and Auditor General and the same core data is used to produce the budget outturn.

How the funding works

The Departmental family delivers on its objectives through its budgets and is ultimately responsible for these resources and the bodies who spend them.

The Government sets its spending plans through spending reviews, usually for the following three years. The most recent review, CSR07, established the Department's budgets for the period: 2007-08, 2008-09 and 2009-10, determining its overall control total or Total Managed Expenditure (TME).

The Departmental family measures and manages its TME through two types of budget:

- Departmental Expenditure Limit (DEL), which is set annually within the context of the three-year spending plan. The Department can largely control this budget, although some elements may be demand-led. Our DEL budget for 2008-09 was £14,113 million (2007-08 £14,081 million); and
- Annually Managed Expenditure (AME), which is demand-led, volatile and, therefore, difficult to predict. The Department sets AME budgets in consultation with HM Treasury through twice-yearly reviews. The majority of the Department's AME expenditure relates to the Highways Agency road programmes. The AME budget amounted to £3,988 million (2007-08 £3,697 million).

DEL and AME are broken down further into:

- resource budgets:
  - administration budget
  - programme budget; and
- capital budgets.

Having established the resources it needs to deliver its objectives in the forthcoming year, the Department formally requests funds (known as the Main Estimates) from Parliament in April or May.

The Main Estimates are made up of:

- DEL and AME – requests for expenditure and income recorded in the Statement of Parliamentary Supply in the Resource Accounts (see page 329); and
- 'non-budget' requests – transactions which largely relate to grant in aid, which the Department uses to fund its NDPBs.

The Estimates follow a standard format, with:

- a request for resources (RfR), which sets a limit on the resources required for each main Departmental activity;
- a request for capital funding; and
- a net cash requirement (NCR), which represents the actual cash flowing out of the Exchequer in order to fund the Department's activities.

Adjustments are required to reconcile the different types of resources included in the Department's Estimates, accounts and budgets. The table below includes the following reconciliations:

- **Estimates to accounts** – how the Net Resource Outturn (voted by Parliament), shown in the Statement of Parliamentary Supply on page 329 is reconciled to the Net Operating Cost which is shown in the Operating Cost Statement in the Resource Accounts on page 330; and

- Accounts to budgets – how the Net Operating Cost is reconciled to the Resource Budget Outturn shown in Annex A.

The Department allocates budgets in March each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated on financial systems. Financial information, including actual spend, budgets and forecasts are reported to the Board of the Department monthly.

Reconciliation Estimates, Accounts and Budgets

	2008-09 £000	2007-08 £000
Net Resource Outturn (Estimates)[1]	19,882,067	16,115,337
Adjustments to additionally include:		
Consolidated Funds Extra Receipts in the OCS[2]	(45,968)	(36,968)
Prior year adjustment (Other)	180,509	
Prior year adjustments (FRS Financial Instruments)	(5,348,965)	–
Net Operating Cost (Accounts)[3]	**14,667,643**	**16,078,369**
Adjustments to remove:		
Gains/losses from sale of capital assets	–	42
Capital grants	(5,630,739)	(4,264,184)
European Union income related to capital grants	24,603	14,075
Voted expenditure outside the budget	(199,326)	–
Adjustments to additionally include		
Other Consolidated Fund Extra Receipts	–	2,329
Resource consumption of non departmental bodies	402,346	16,318
Metronet Grant to Transport for London		(1,700,000)
Other Adjustments	(16,972)	166,891
Resource Budget Outturn (Budget)	**9,247,555**	**10,313,840**
of which		
Departmental Expenditure Limit (DEL)	5,518,013	6,799,499
Annually Managed Expenditure (AME)	3,729,542	3,514,341

Notes:
1 Disclosed in the Statement of Parliamentary Supply in Part 2, page 329
2 See Note 6 in Part 2, page 350
3 Disclosed in the Operating Cost Statement in Part 2, page 330

The Department's Estimate is reconciled to the Net Operating Cost through an adjustment to include Consolidated Fund Extra Receipts (CFERs) which are classified as operating income and, therefore, included in Net Operating Cost. These CFERs arise from the operating activities of the Department but are not authorised for use by the Department and are not classified as income for Estimates purposes ie not included in Net Resource Outturn. The receipts are paid directly to HM Treasury. In all other respects the Estimate is the same as the Resource Accounts.

Prior year adjustments attributable to changes in accounting policy must be approved by Parliament and are, therefore, included within the Estimate but this not included in current year operating cost.

The Net Operating Cost of the Department in the reporting period is reconciled to the Department's budget through the removal of cash payments to the Department's NDPBs (mainly grant in aid), adjusting for capital grants; and the inclusion of the NDPBs' income and expenditure on an accruals basis (resource consumption). A further adjustment is made to eliminate those CFERs that are classed as being outside of the budgeting boundary.

The primary statements on Part Two comprise: the Statement of Parliamentary Supply; the Operating Cost Statement; the Statement of Recognised Gains and Losses; the Balance Sheet; The Consolidated Cash Flow Statement; and the Consolidated Statement of Operating Costs by Departmental Aim and Objectives. Full details are provided with the Resource Accounts section.

Bibliography

This bibliography lists significant publications that have been produced during the past year, together with some earlier key documents that are referred to frequently in the text. We have included internet addresses with entries where appropriate.

Individual entries show where publications are available. Main addresses are listed below.

DfT Publications
PO Box 236, Wetherby, West Yorkshire LS23 7NB
Tel: 0870 1226 236
Fax: 0870 1226 237
Email: dftinf@capita.co.uk

The Stationery Office (TSO)
TSO, PO Box 29, Norwich NR3 1GN
Tel: 0870 600 5522 (general enquiries)
Email: customer.services@tso.co.uk
Website: www.tsoshop.co.uk

When ordering, whether by phone, letter or email, please give the title of the publication, its product code or ISBN and the address to which it should be sent.

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List of abbreviations

A

A in A	appropriations in aid
AAIB	Air Accidents Investigation Branch
AC	alternating current
ACoRP	Association of Community Rail Partnerships
AIS	Automatic Identification System
ALSF	Aggregates Levy Sustainability Fund
AME	Annually Managed Expenditure
ANPR	Automatic numbering plate recognition
ASSI	Air Safety Support International
ATM	active traffic management or air traffic management
ATOL	Air Travel Organiser's Licence

B

BAA	BAA plc (formerly British Airports Authority)
BEA-TT	Bureau d'Enquêtes sur les Accidents de Transport Terrestre
BIS	(Department for) Business, Innovation and Skills
BRBR	BRB (Residuary) Ltd
BRS	Business Rate Supplements
BSOG	Bus Service Operators Grant
BTP	British Transport Police

C

CAA	Civil Aviation Authority
CBT	Compulsory basic training
CCTV	closed circuit television
CERS	Consolidated European Reporting System
CETV	Cash Equivalent Transfer Value
CFER	Consolidated Fund Extra Receipts
CfIT	Commission for Integrated Transport
CIPFA	Chartered Institute of Public Finance and Accountancy

CLG	(Department for) Communities and Local Government
COINS	Combined On-line Information System (HM Treasury)
CONTEST	Counter-Terrorism Strategy
CPC	Certificate of Professional Competence
CPT	Confederation of Passenger Transport
CRS	computerised reservation system
CSR07	Comprehensive Spending Review 2007

D

DAB	Digital Audio Broadcasting
DAS	Direct Access Scheme
DaSTS	Delivering a Sustainable Transport System
dBA	‘A’-weighted decibels
DCSF	Department for Children, Schools and Families
DECC	Department of Energy and Climate Change
Defra	Department for the Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DfT	Department for Transport
DfT(C)	Department for Transport (Central)
DH	Department of Health
DLR	Docklands Light Railway
DMU	diesel multiple unit
DPTAC	Disabled Persons Transport Advisory Committee
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency

E

EASA	European Aviation Safety Agency
EC	European Community
ECAC	European Civil Aviation Conference
EMSA	European Maritime Safety Agency
EUKL	Eurostar (UK) Limited

EMU	electrical multiple unit
END	Environmental Noise Directive
ERA	European Railway Agency
ESC	electronic stability control
ESRC	Economic and Social Research Council
ETS	Emissions Trading System
EU	European Union
Euro NCAP	European New Car Assessment Programme
EVL	Electronic Vehicle Licensing

F

FAB	functional airspace block
FBP	Freight Best Practice (programme)
FFG	Freight Facilities Grant
FIM	Financial Indemnity Mechanism
FITS	Future Intelligent Transport Systems
FoI	Freedom of Information
FReM	Finance Reporting Manual
FRS	Financial Reporting Standard(s)
FTE	full-time equivalent

G

GFCD	Group Financial Control Division
GCDA	Government Car and Despatch Agency
GFSE	Group Finance Strategy and Efficiency
GLA	General Lighthouse Authority/Greater London Authority
GMPTE	Greater Manchester Passenger Transport Executive
GOE	Government Olympic Executive
GPS	global positioning system

H

HA	Highways Agency
HAIL	Highways Agency Information Line

HAIP	Highways Agency Information Point
HGV	heavy goods vehicle
HIA	Head of Internal Audit
HLOS	High Level Output Specification
HMRC	HM Revenue and Customs
HMT	HM Treasury
HOV	high occupancy vehicle (lane)
HR	human resources

I

IA	impact assessment
IAO	information asset owner
ICAO	International Civil Aviation Organisation
IFRS	International Financial Reporting Standard(s)
ILO	International Labour Organization
IMO	International Maritime Organization
IT	information technology
ITS	intelligent transport systems
ITSO	Integrated Transport Smartcard Organisation

J

JESP	Job Evaluation System for Senior Posts

K

kph	kilometre(s) per hour

L

LAA	local area agreement
LCR	London and Continental Railways Ltd
LCTIS	Low Carbon Transport Innovation Strategy
LEZ	Low Emission Zone
LRO	Legislative Reform Order
LSD	Legal Services Directorate
LTP	local transport plan
LUL	London Underground Limited

M

MAIB	Marine Accident Investigation Branch
MARPOL	Marine Pollution Convention
MCA	Maritime and Coastguard Agency
MEPC	Marine Environment Protection Committee
MIDAS	motorway incident detection and automatic signalling
MoD	Ministry of Defence
mph	mile(s) per hour
MPTC	Multi-Purpose Test Centres
MSA	motorway service area
Mt	million tonnes
Mt CO_2	million tonnes of carbon dioxide

N

NAO	National Audit Office
NASC	National Aviation Security Committee
NATA	New Approach to Appraisal
NATS	National Air Traffic Services
NBTN	National Business Travel Network
NDPB	non-departmental public body
NFC	National Freight Company
NLF	National Loans Fund
NMC	National Motorcycle Council
NPS	national policy statement
NRF	Neighbourhood Renewal Fund
NRIF	Network Rail Infrastructure Finance plc
NRTS	National Roads Telecommunications Services
NSIP	nationally significant infrastructure project

O

ODA	Olympic Delivery Authority
OGC	Office of Government Commerce

ORN	Olympic Route Network
ORR	Office of Rail Regulation
OSD	Olympic Security Directorate (Home Office)

P

P2P	purchase to pay
PAC	Public Accounts Committee
PFI	Private Finance Initiative
PHV	private hire vehicle
PMSC	Port Marine Safety Code
PPM	programme and project management
PPP	Public Private Partnership
PRM TSI	Persons with Reduced Mobility – Technical Specification for Interoperability
PSA	Public Service Agreement
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principle Civil Service Pension Scheme
PSV	public service vehicle
PSVAR	Public Service Vehicle Accessibility Regulations
PTE	Passenger Transport Executive

R

RAIB	Rail Accident Investigation Branch
RBSG	Rural Bus Subsidy Grant
RCC	Regional Control Centre
REPS	Rail Environmental Benefit Procurement Scheme
RFA	Renewable Fuels Agency
RIA	Regulatory Impact Assessment
RICA	Research Institute for Consumer Affairs
RMPT	Resource Management and Planning team
ROCOS	Resource Cost Index of Road Construction
RPI	Retail Price Index
RPMT	Register of Post-Test Motorcycle Trainers

RTFO	Renewable Transport Fuel Obligation
RVAR	Rail Vehicle Accessibility Regulations

S

SAFED	safe and fuel efficient driving
SAR	search and rescue
SDAP	sustainable development action plan
SES	Single European Sky
SESAR	Single European Sky Air Traffic Management Research
SET	Southeastern Trains
SHARP	Safety Helmet Assessment and Ratings Programme
SICL	SRA Investment Company Limited
SOFA	Statement of Funds Available
SORN	statutory off-road notification
SOSREP	Secretary of State's Representative (for Maritime Intervention and Salvage)
SPAD	signal passed at danger
sq km	square kilometre
SR04	Spending Review 2004
SRA	Strategic Rail Authority
SSC	Shared Service Centre
STOP	Safer Travel on (Buses and Coaches) Panel
SVD	Single Vessel Database

T

TAO	Traffic Area Office
TaSTS	Towards a Sustainable Transport System
TechMAC	Technology Managing Agent Contractors
TEU	twenty-foot equivalent (container) unit
TfL	Transport for London
TIF	Transport Innovation Fund
TME	Total Managed Expenditure
TOC	train operating company

TPWS	train protection and warning system
TRANSEC	Transport Security and Contingencies Directorate
TSO	The Stationery Office

U

UK GAAP	UK Generally Accepted Accounting Principles
URN	Union Railways (North) Ltd

V

VCA	Vehicle Certification Agency
VED	Vehicle Excise Duty
VfM	value for money
VOSA	Vehicle and Operator Services Agency

W

WEEE	Waste Electrical and Electronic Equipment (Directive)
WFG	Waterborne Freight Grant

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