



Department for Transport

From the Permanent Secretary

Great Minster House
33 Horseferry Road
London SW1P 4DR

E-Mail: bernadette.kelly@dft.gov.uk

Web site: www.dft.gov.uk

28th July 2020

Huw Merriman MP

Chair, Transport Select Committee
House of Commons
London
SW1A 0AA

Dear Chair,

2020-21 Main Estimate and memorandum

I am writing in response to your letter of 8th July 2020 setting out several questions on the Department for Transport's Main Estimate and memorandum of 2020-21. The material below provides further clarification on each of the points that you raised, in turn.

Response to the coronavirus pandemic

1. *The Department requested £2.8 billion of additional funding in the Main Estimates to support rail franchises as part of Emergency Funding Measures. How long is this additional funding expected to last? What plans are there to seek additional funding to deal with the pandemic in the Supplementary Estimates?*

1.1 The Chancellor previously announced £3.5 billion additional funding for DfT to cover the impact of Covid-19 on rail franchises under the emergency measures agreements, of which £2.9 billion was expected to fall in 2020-21 and DfT's Main Estimates include this sum. This figure was predicated on high level estimates of the impact of COVID-19 on industry revenue made at the outbreak of the crisis, before full lockdown was announced. The overall cost will depend on the impact that Covid-19 has on demand for passenger rail travel, so DfT will continue to engage with HMT on the Department's funding requirements as the situation develops and will provide an update to Parliament at Supplementary Estimates.

2. *The Department receives income from both rail franchises and tolled crossings. What has been the financial impact of the pandemic on these revenue streams?*

2.1 Following the onset of Covid-19, rail patronage has fallen significantly below normal operating levels. The Department has been directly exposed to the resulting fall in operator revenue following the move to the Emergency Measures Agreement and away from the underlying franchise terms. There are some signs of a gradual increase in passenger revenues, and while we hope this continues, passenger demand remains highly dependent on the wider public health guidance. Our expectation is that revenues will remain some way below their pre-Covid-19 levels for much of the rest of the financial year.

2.2 The Dartford crossing is the only tolled income the department receives. The Main Estimates for 2020-21 assumed we would receive £148.4 million from the crossing. Traffic volumes fell significantly at the beginning of lockdown to around 40% of their usual levels. As lockdown measures have started to ease we have seen traffic volumes increase and we will keep our forecast under review.

Decarbonising the Department

3. *The March 2020 Budget gave the Department £147 million to “improve air quality and reduce nitrogen dioxide emissions”. How is the Department planning to spend this money? How have these plans been affected by the pandemic?*

3.1 The £147 million that was allocated to Joint Air Quality Unit (JAQU) will be used to support and fund Local Authority plans to achieve compliance with legal limits of NO₂ as quickly as possible. Local Authorities have all submitted revised timelines this year to consider the effects of the pandemic and we remain confident that we will be able to spend the full £147 million this financial year. We have written to Local Authorities delivering clean air zones confirming the need to continue work towards these timelines.

4. *The March 2020 Budget allocated an additional £100 million to extend the Plug-in Car Grant and £26.5 million to extend the Plug-in Van and Motorcycle Grant. How much of these grants have already been allocated?*

4.1 Shortly after this funding was announced in the March 2020 Budget, the Government introduced lockdown measures and, as would be expected, order numbers for all the Plug in Vehicle grants dropped significantly in April and May. Since June order numbers have picked up again. The Plug-in Car Grant (PiCG), the largest scheme, is on track to meet expected levels of order numbers in July. In Quarter 1 Government received a total of 6490 orders for the PiCG, 672 for the Plug-in Van Grant (PiVG) and 261 for the Plug-in Motorcycle Grant (PiMG). This reflects roughly £20m for the PiCG, £4m for the PiVG and £220k for PiMG.

Aviation

5. *In 2019-20 the Department incurred costs relating to the collapse of Thomas Cook in September. Flybe collapsed in March 2020. Has the Department incurred any additional costs as a result of the collapse of Flybe? If so, in which financial year were they accounted for?*

5.1 Unlike Thomas Cook, Flybe were not part of the ATOL scheme so there were no costs for refunds of holidays booked but not yet taken, or repatriation of passengers. The Department did incur some costs (c.£327k covering both 2019-20 and 2020-21) as part of its due diligence work and preparation to communicate with passengers stranded at airports.

Buses

6. *The Department has sought over £200 million to deliver its Better Bus Strategy, with the aim to improve current services and restore lost services. The*

Government subsequently announced that it would support otherwise uneconomic bus services for key workers during and after the lockdown. How much of the £200 million intended for the Better Bus Strategy remains available for its original purpose?

6.1 In September 2019, the Government announced £220 million for A Better Deal for Bus Users. £70 million of funding originally for the 'Superbus' programme of low-fare, high-frequency bus networks was redirected to the Covid Bus Services Support Grant. Withdrawing £70 million from the 'Superbus' programme would allow for the continuation of the other two programmes – the £50 million All-Electric Bus Town and £20 million Rural Mobility Fund. These other schemes would benefit more locations than a single Superbus pilot. This leaves £150 million for six of the 'Better Deal for Bus Users' original commitments.

Yours sincerely,

A handwritten signature in black ink that reads "Bernadette Kelly". The signature is written in a cursive, flowing style.

**Bernadette Kelly CB
Permanent Secretary**