Dear Bernadette

2017-18 Annual Report and Accounts

I am writing regarding the Department for Transport’s 2017-18 annual report and accounts published in September 2018. The report was well presented with useful information on the work of the Department in 2017-18. Nevertheless, there are some areas where the Committee would like some further information. I have also included a few questions related to the Budget.

Lower passenger income and numbers

1. In 2017-18 net income from passenger rail services was down 40% (a £511 million fall) compared to 2016-17. The annual report notes one factor is lower passenger numbers which fell by 1.4%. However, because ticket prices increased passenger revenue actually grew in 2017-18 (by 2.3%).¹ Can you explain why you received so much less income in 2017-18 from Train Operating Companies given that overall passenger revenues were up?

Staffing

2. The Department spends a relatively high amount on consultants and temporary staff, at £62.9 million it stands at around £27k per permanent staff member. What projects are these consultants involved in and is there any reason this work couldn’t be done by in-house staff?

3. The highest paid member of the staff at the Department is paid £260k but is not on the board. Cabinet Office data on “high earners” suggests that this this is Peter Wilkinson, Managing Director Passenger Services. Why is the highest paid member of staff not on the board?
   - Why is Mr Wilkinson paid around £100k more than the permanent secretary and double the FTE salary of the board members responsible for Rail?

¹ ORR, Passenger Rail Usage 2017-18 Q4 Statistical Release, 14 June 2018
The Cabinet Office ‘high earners’ dataset for 2017 (detailing central government staff paid over £150k) shows that the number of these high paid staff in the Departmental group stood at 146, around a third of all the high earners and a 30% increase on 2016. What is driving the significant increase in the numbers of high earners in the transport sector?

- Is there any evidence that staff are moving between public sector organisations (e.g. Network Rail, HS2, TfL) and getting significant pay rises as they move?

5. Recent media reports on HS2 pay note that number of staff paid over £150k has doubled and now stands at 112 (up from 51 in 2017) and that around quarter of staff at HS2 are paid over £100k. Are these reports correct?

- What controls does the Department have in place to ensure the pay levels at HS2 are appropriate?

Performance information and trends

6. The Annual Report notes that “DfT’s appraised project spend assessed to be high or very high value for money” has fallen (from 95% in 2016 to 71% in 2017). What were the lower value for money projects in 2017 that caused this to fall?

7. One of your performance measures relates to greenhouse gas (GHG) emissions from transport which the most recent data in the annual report shows rose last year. When do you expect GHG emissions from transport to start falling?

- Currently just under 2% of new car registrations are for ultra-low emission vehicles (ULEVs). If this total increased to, say 10%, what would be the impact on GHG emissions?

- What will be the impact on GHG emissions of the new runway at Heathrow airport?

8. The number of serious road accidents and fatalities rose in 2017, particularly amongst pedestrians (up 680, +18%) and pedal cyclists (up 260, +9.6%). Do you know what caused these increases?

Network Rail property sale

9. The accounts note the sale of a Network Rail property portfolio for £1.46 billion. What proportion of the properties were being let and what was the annual profit and yield (gross and net) that Network Rail were receiving from these properties before they were sold?

- Do tenants have any legal protections against significant rent rises?

- What effect will the sale have on Network Rail’s operations and its ability to develop land around stations or above railway lines?

- Within the terms of the sale, has Network Rail retained any rights over the properties?

---

2 “One in four HS2 workers on six-figure salaries”, Sky news, 8 August 2018
<https://news.sky.com/story/quarter-of-hs2-workers-on-pay-deals-over-100k-11465148>
The annual report notes that the delay to electrification on the Great Western line means the Department is making a loss of £42 million a year on the privately financed Intercity Express trains – paying for trains that are not ready or cannot be used. Can you provide more detail, beyond that contained in the annual report, about the reason for this loss and if these costs were factored in when the decision to delay the electrification was taken?

- Is the Department receiving a discount of any kind on its lease payments given that the trains will not have to be serviced and maintained?

11. The 2014 NAO report, procuring new trains, estimated that the total contract payments per carriage for the Intercity Express Great Western (IEGW) would amount to £4.1 billion (present value), amounting to £11.1 million per carriage. What do you currently estimate the contract payments for the IEGW trains will be in total and per carriage? (Please provide the answers in both nominal cash terms and present value terms)

- How does this compare to the cost per carriage of the publicly financed Crossrail rolling stock?

**Budget announcements**

12. The Chancellor announced that there will be an £500 million for local authority road maintenance in 2018-19. How do you expect local authorities to get value for money from these additional funds given they have been announced so late in the financial year?

- What proportion of these funds do you expect will be used in 2018-19?

- If the funds are not used will local authorities be able to use them next year?

13. The Budget announced that all English Vehicle Excise Duty (VED) will be allocated for a new National Roads Fund. What is the benefit of hypothecating VED as opposed to HM Treasury providing a long-term budget settlement for roads in England?

- How will average annual spending on roads from the new Fund compare with current levels of spending?

- Will Highways England have any influence over the annual VED increases and the amount levied on different vehicles?

- Will Highways England be allowed to borrow against the VED revenue stream?

---

3 C&AG’s report, Procuring new trains, HC 531, 2014-15
The Chancellor abolished the use of PFI and PF2 for new projects given the poor value for money and lack of genuine risk transfer in these deals. Does this mean that the Department will not use private finance to procure new trains in the future?

- Were the Intercity Express Trains procured using a PFI type contract? If not what sort of contract was this and how did it differ from PFI?

15. Highways England were planning to finance two road projects using PF2 – this would have resulted in Highways England having to commit a significant proportion of its annual Resource DEL budget to these 25-year contracts, leaving less for other work. Will HM Treasury now be providing Highways England with additional capital funding for these projects? If not, how will these projects be financed?

I look forward to your response in due course.

Yours sincerely,

[Signature]

Lilian Greenwood MP
Chair of the Transport Select Committee

---

4 HC Deb, 29 October 2018, col. 659 [Commons Chamber]