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TAKEN FOR A RIDE

How UK public transport subsidies entrench inequality

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EXECUTIVE SUMMARY

Public transport is a significant and escalating cost for many people. But while transport may be a drain on the finances of some, for others the cost is far more debilitating. This matters, as it means the poorest in society are unable to travel as far or as often, limiting their ability to compete with the better off for jobs and decent pay.

This report reveals how this inequality is embedded within our transport system through government subsidies, further increasing overall economic inequality. Our analysis uses the National Travel Survey, the Effects of Taxes and Benefits on Household Incomes, the Living Costs and Food Survey and data from the Office for Rail Regulation to look at inequalities in transport usage, transport costs and government transport subsidy. It shows how government subsidy perpetuates inequality and calls for reform of the system.

We show that

- In total the richest ten per cent receives £977.4 million in transport subsidy; the poorest ten per cent receives just £296.7 million.
- Per household the richest ten per cent receives nearly double the subsidy of the poorest ten per cent, £294 per year compared to £162 for the poorest households.
- For the rail system a household in the richest ten per cent receives over three and a half times as much subsidy as the poorest ten per cent.
- Certain regions like Wales and the North East receive far lower rates of subsidy than regions like London and the South East. A household in London benefits almost four times as much from rail subsidy as a household in Wales. However, per journey rail travel in Wales is approximately twice as subsidised as rail travel in London.

Why this matters

- Transport costs can exceed wages for some on very low incomes, after tax and benefit withdrawal.
- A lack of affordability restricts the ability of households on low incomes to access good jobs and to exercise choice in health and education.
- Our transport system is a driver of inequality, and societies with high levels of economic inequality have worse health, more crime, less social mobility and lower levels of trust.

We recommend that

- All government departments should consider whether or not any new policy proposal increases inequality, as part of their cost-benefit evaluation process.
- The Department for Transport, and all other government departments, should review the net effect of their existing policies as a whole on inequality.
- The Government should commission the Office for Budget Responsibility (OBR) to estimate the net impact of its annual budget on UK inequality.

INTRODUCTION

The past 40 years have seen the UK become one of the most unequal countries in the developed world. The richest fifth of the population now gets 42% of the country's income, while the poorest fifth has just 8%.¹

The negative effects of our inequality are many and diverse, with research suggesting that more unequal societies experience shorter life expectancies² and higher rates of adult³ and infant mortality⁴, mental illness⁵ and obesity⁶. Inequality has also been linked with reduced social mobility⁷ and lower levels of trust, which in turn are associated with increased violence and higher homicide rates⁸. Such grave health and social outcomes affect everyone in unequal societies, as do the growth-weakening effects of inequality on the economy⁹.

Over recent years the price of essential goods and services has risen relatively quickly, but over the last decade the poorest 10 per cent of people have faced higher average annual inflation rates than any other income group¹⁰. This coupled with the fact that inflation-adjusted earnings have decreased every year since 2008¹¹, means household budgets are stretched to breaking point for many on low incomes.

One of the most important services for households is transport – it's vital to how we get to work, send our kids to school, how we shop and generally move around. In fact transport costs affect practically every household budget, and almost everyone feels the squeeze when fares are increased. But those on the lowest incomes have it far worse. Many are already priced out of most modes of transport; many more struggle to find the money for journeys on public transport that offer the better off opportunities for work, education and access to services. The result is that far from freeing people to undertake everyday activities, public transport has become, quite literally, a driver of inequality.

Given the wealth of evidence on how our extremely high levels of economic inequality damage our society and economy, we might expect government to be looking comprehensively at how policy contributes to inequality. But such reviews have not been forthcoming, despite strong public appetite for government action. More than 8 in 10 people say levels of economic inequality in the UK are now excessive and nearly 7 in 10 believe the government has a responsibility to reduce income differences. This is the highest number for 14 years¹².

Here we select just one area of policy – transport – to demonstrate the consequences of government failure to address inequality. This report sheds light on the little-understood system of government transport subsidies, explains how they serve to perpetuate inequality, and offers suggestions for what can be done about it. We conclude that inequality reduction needs to be embedded in decision-making processes at both departmental and national government level in order to tackle the problem in a meaningful way.

HOW PEOPLE WITH DIFFERENT INCOMES USE DIFFERENT FORMS OF TRANSPORT

To understand how transport subsidies are driving inequality, we first need to understand how people access and use different forms of transport. In the UK the average household spends £70.40 a week on transport costs. This represents 13.6% of the average household's outgoings, making it the biggest category of expenditure after housing and housing-related costs, like fuel and power¹³.

Most of that transport budget goes on cars and their maintenance, but an average of £3.90 per week pays for rail and tube fares, £1.60 for bus and coach fares and another 80 pence for combined fares¹⁴.

But clearly this average does not tell us about the variation in either transport use or transport spending by different income groups. Different households have different transport requirements depending on numerous factors including where they live, work and go to school; their caring commitments; and the distance to shops and public services.

Car access

Some people are especially reliant on public transport because of a lack of access to private transport. Access to a car offers great flexibility to many people, particularly where public transport links are limited, but access to a car itself varies considerably by household income¹.

¹ Unless otherwise stated all references to household income in this report are to post-tax, disposable income.

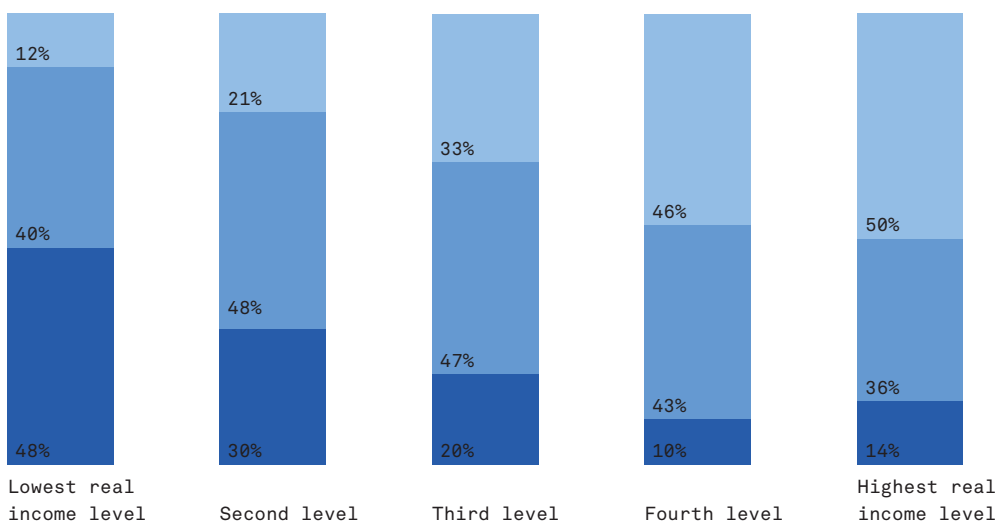
The most recent National Travel Survey found that only fourteen per cent of households in the richest fifth did not have access to a car, compared to almost half of those in the poorest fifth (48%). Half of households in the richest income group had two or more cars, compared with just 12% of households in the poorest income group. Being able to afford to buy a car is not the only barrier to access. Running costs can also be prohibitive, with fuel, insurance, tax and repair bills bringing the outlay to over £3,000 a year¹¹⁵.

¹¹⁵ This figure is based on the Minimum Income Standard, ratified by experts at the Centre for Research in Social Policy. Its 2014 budget summary estimates the cost of running a second-hand car for a couple with two children at £58.87 per week. At 52 weeks a year, the annual cost would be £3061.24.

One consequence of having no access to a car is an increased reliance on taxis, which tend to be more expensive per mile than other options. The poorest fifth of households take more taxi journeys than any other income group¹⁶ – putting a strain on household budgets. Not being able to pay the upfront costs of owning a car and therefore having to spend on taxis is similar to the 'poverty premium' faced by the poorest when paying more for other essential goods and services.¹⁷

Figure 1.1
Car availability
by household income
quintile¹⁸ (percentage
of households)

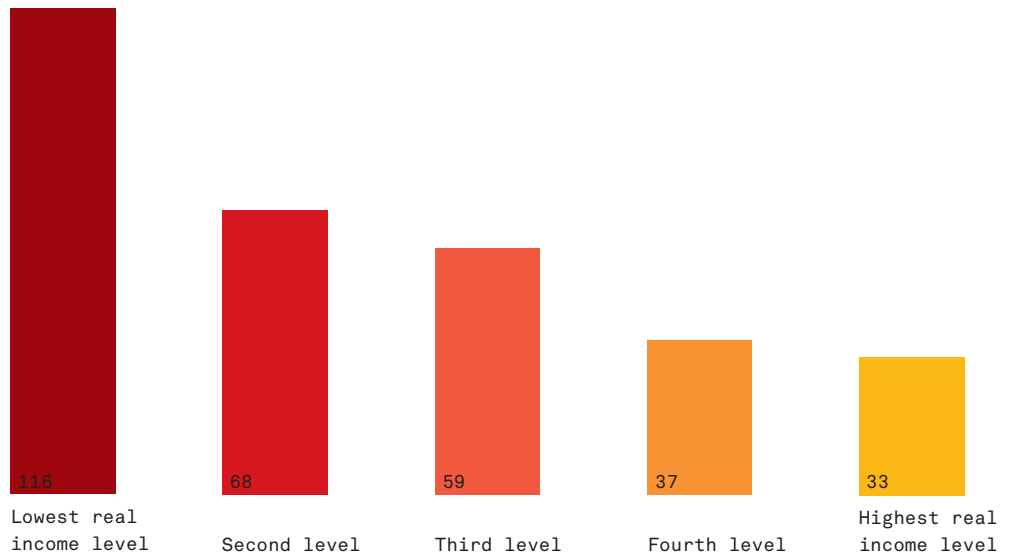
- no car/van
- one car/no van
- two more cars/no vans



Bus usage

The relative affordability of bus travel compared to other forms of transport makes it particularly important for those on low incomes. With the irregular working hours of some low-paid jobs requiring travel at less popular times, bus services operating very early and very late may also be the only choice for those who need to get to work. The figure below illustrates how people in the lowest income group use bus services more than three times as often as those in the highest income group. Across the spectrum, bus use decreases as incomes rise, however it is notable that the poorest fifth take nearly twice as many trips as the second poorest fifth.

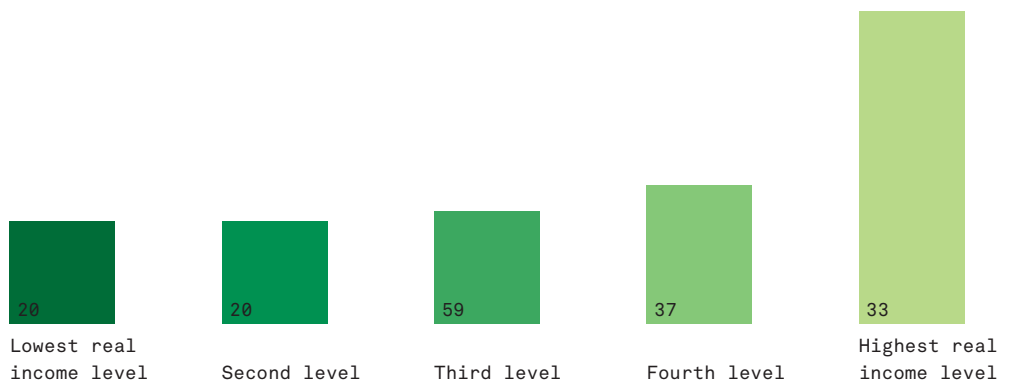
Figure 1.2
Bus trips per person per year by household income quintile¹⁹ (local and non-local bus trips)



Train usage

Train usage is far more consistent across income groups than bus usage, with the exception of usage amongst those in the richest fifth of households. The poorest 80 per cent take a similar number of journeys by train, at between 20 and 30 trips per year, though roughly as incomes rise so do train trips. However the graph below shows that people in the richest 20 per cent take three times the number of trips of those on the lowest incomes, with an average of 61 journeys per year. A similar pattern is seen when we consider the distance travelled by train, with the richest fifth travelling almost four times as far as those on low incomes.²⁰

Figure 1.3
Train trips per person per year by household income quintile²¹



Plane usage

Air travel is technically considered a form of public transport but is not considered in our analysis because there is insufficient data on government transport subsidies. However, there is some evidence it too shows signs of widening inequality within transport usage.

Air travel is clearly no longer the preserve of the rich and famous. But despite the boom in budget airlines over recent years, government surveys on air travel indicate that, like other areas of transport, how rich you are determines how often you fly²². While two thirds of those earning over £26,000 (just under the national average for full time workers) had flown at least once in the 12 months up to March 2014, more than 70 per cent of those with a gross income under £8,319 did not fly at all in that time.

The data here is limited in that it focuses on the lowest half of the income scale and does not further categorise people with an annual gross income of £26,000 or more, but it helps to illustrate an economic disparity in another important area of public transport.

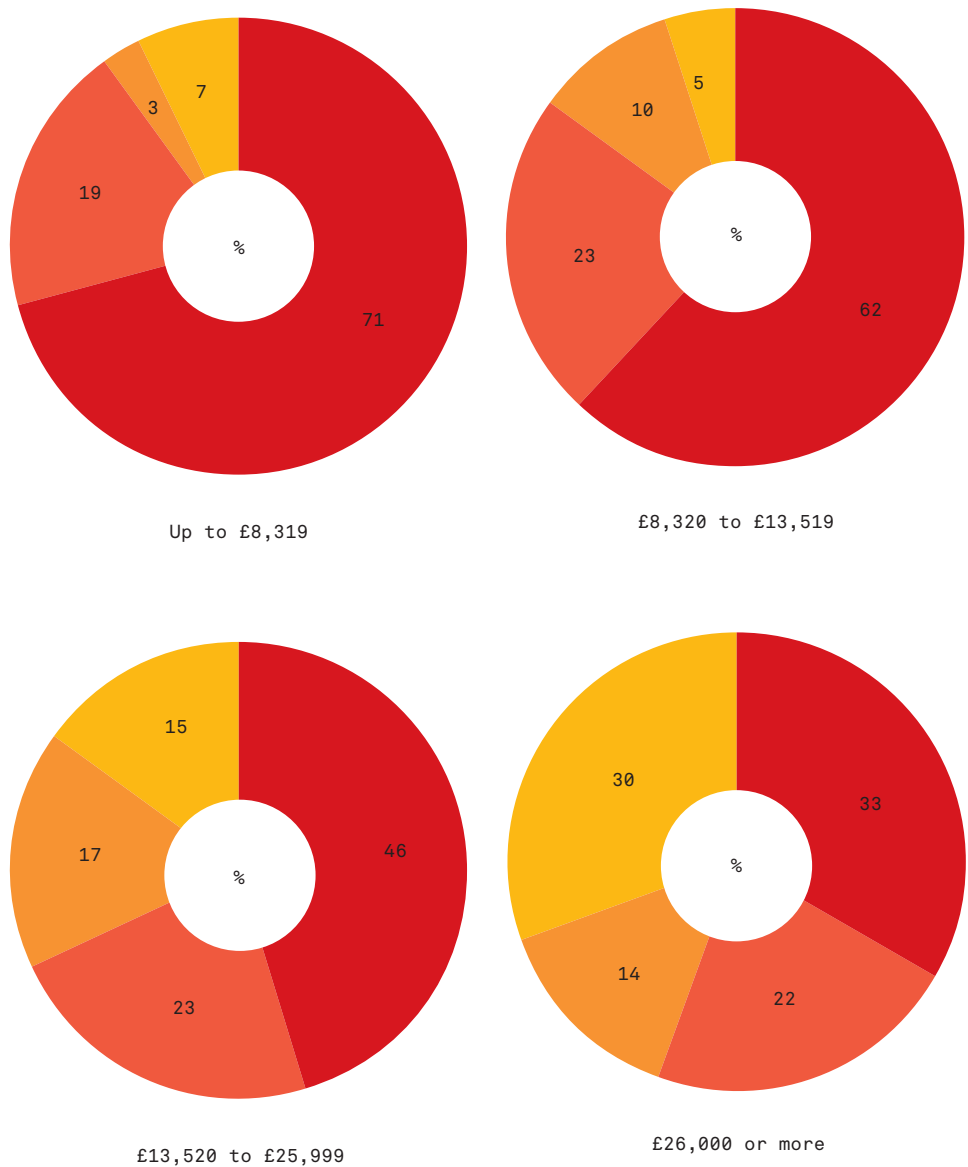


Figure 1.4
Number of flights taken
in last year by income²³

- none
- one
- two
- three or more

Household spending on transport

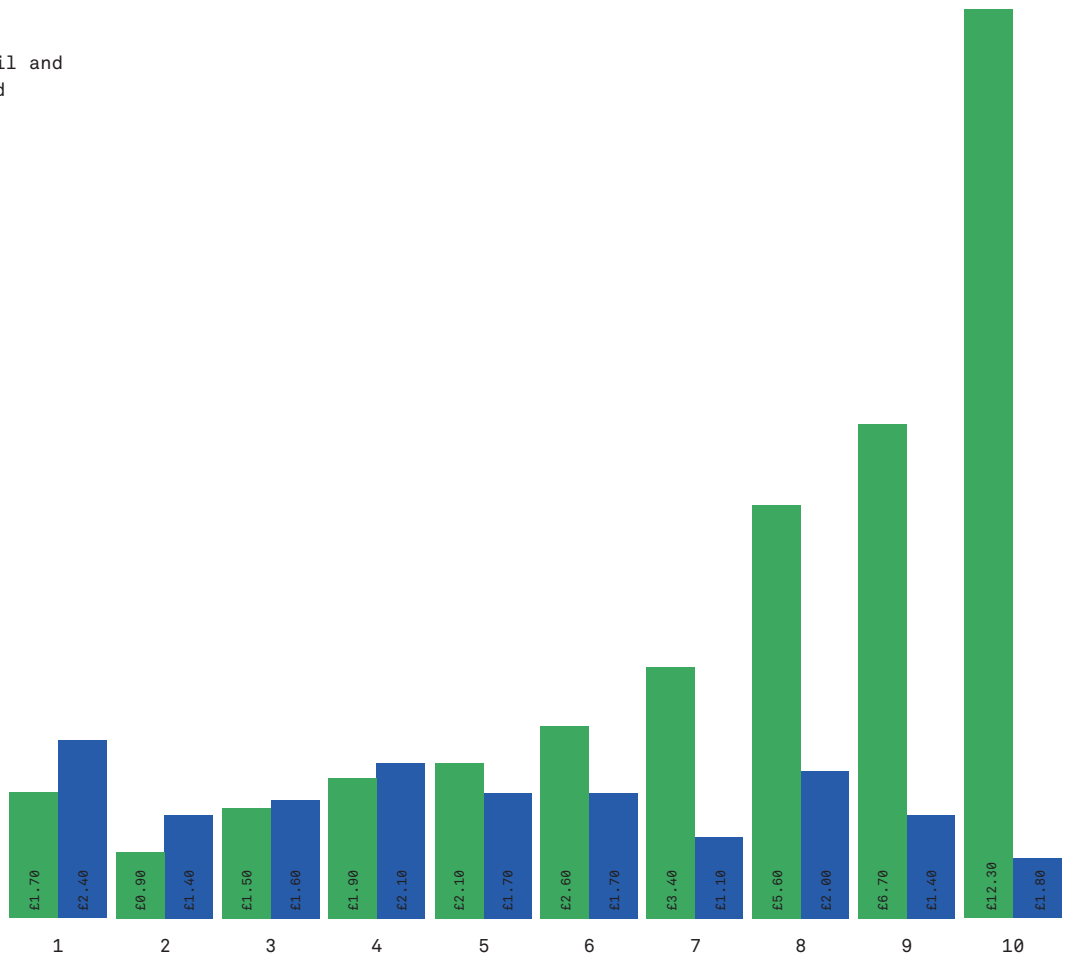
It is clear that a household’s economic status will influence how often they use various modes of transport. But to understand how transport subsidies penalise the poorest, we need to know how much different income groups actually spend on travelling by train and bus.

In 2013-14, train companies’ average passenger income (amount received from passengers) per journey was £5.14²⁴. But the figure below shows the striking variance in different income groups’ household expenditure on rail and tube fares. For rail, spending broadly increases with income, rising at a steady rate from the poorest ten per cent until the second richest ten per cent (ninth decile). However, at this point the gap jumps dramatically with the richest ten per cent then spending almost twice as much on train fares as the next richest group.

For buses the trend is somewhat reversed. Those in the poorest ten per cent spend £2.40 per week on bus fares compared to the £1.60 weekly average across all households. The richest ten per cent spend the least of all the groups on buses, at just 80 pence per week. However, as the graph below shows, although the poorest spend the most and the richest spend the least, there is no clear relationship between income and spending on buses across all households. This is unexpected given there is a clear link between income and the number of journeys taken, suggesting the richest spend more per journey.

Figure 1.5
Weekly household expenditure on rail and bus by equivalised disposable income decile²⁵

- rail and tube
- bus and coach



HOW TRANSPORT IS SUBSIDISED

Public transport is expensive to run and in order for fares to be kept lower than they otherwise would be, the government provides a subsidy to train and bus companies. In 2012/13 this subsidy was £5.4bn²⁶, more than double the amount spent on NHS Accident and Emergency services²⁷.

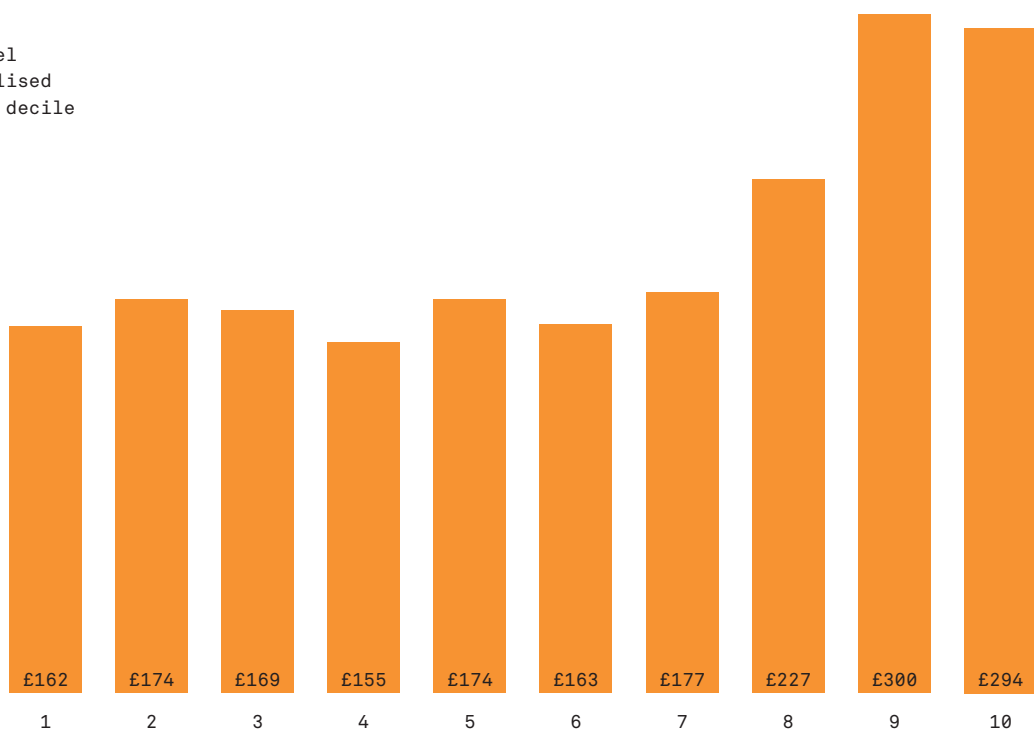
This subsidy is comprised of several parts. Bus service operators receive a service operators' grant, funding in order to run specific services that would not otherwise be viable, and concessionary travel funding for groups such as pensioners and those with disabilities. Rail service operators also benefit from individual grants, as well as a government grant to Network Rail, which maintains the track on which they operate. These subsidies are intended to lower costs and so widen access to public transport, but in practice the different grants benefit low-income and high-income households differently.

The Office for National Statistics (ONS) in its 'Effects of Taxes and Benefits on Household Incomes'²⁸ publication looks what these subsidies mean for the average household at different points in the income distribution^{III}. As you can see in Figure 2.1, the net effect of the combined subsidy for bus and rail is that households with the lowest incomes benefit far less than high-income households. A household in the poorest ten per cent receives on average the equivalent of £162 a year in subsidy for their travel, but a household in the richest ten per cent gets £294 per year, almost twice as much. In total this amounts to £296.7m going to the bottom decile and £977.4m going to the top decile^{IV}.

^{III} The ONS does this by combining the results of the Living Costs and Food survey with government subsidy information, allocating subsidy to households based on their reported travel spending whilst also making allowances for business use, tourist and transport use by those not living in private households (e.g. people in care homes).

^{IV} Unlike other figures in this document this is for non-equivalised income deciles in order to better represent the amount government actually spends on each decile. This also represents an underestimate of total amount spent due to differences between administrative and survey data. Survey data totals £5.3bn of subsidy whilst administrative data tells us that there is £5.4bn.

Figure 2.1²⁹
Bus and rail travel subsidy by equivalised disposable income decile

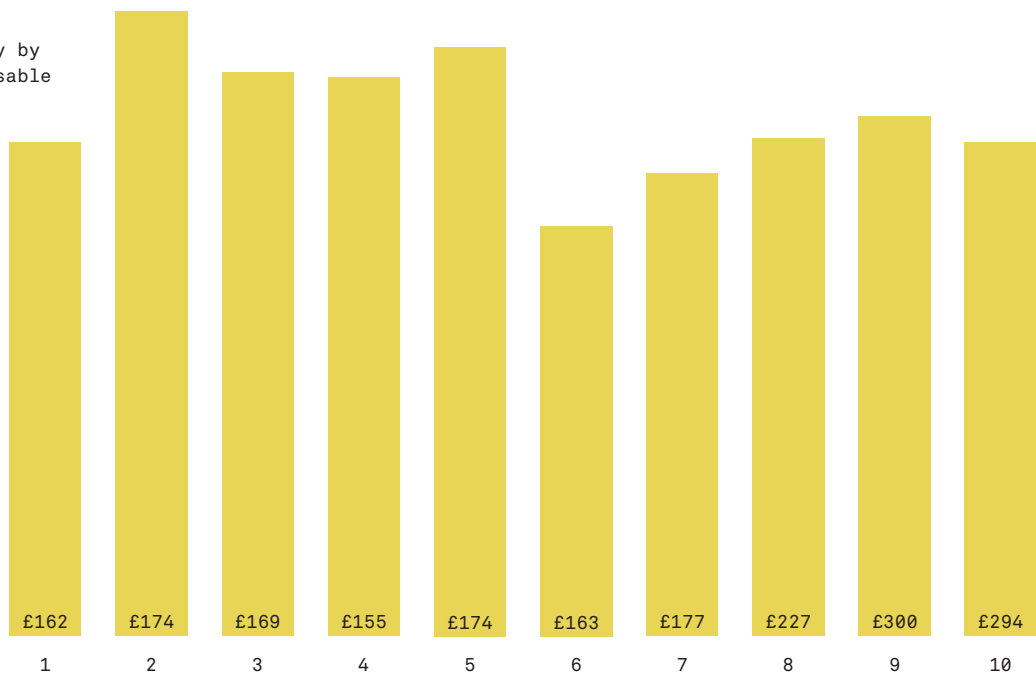


Whilst the overall travel subsidy is regressive, with more benefit going to the richest twenty per cent than any other group on the income spectrum, when broken down by type of transport the picture is quite different.

Bus subsidy

Figure 2.2 shows that the bus travel subsidy is more evenly shared across the income spectrum than would be suggested when looking at the overall subsidy. A household in the poorest ten per cent on average benefits from the equivalent of £113 a year in subsidy and a household in the richest ten per cent also receives £113 a year. There is a small variation between groups. The group benefitting the most is the second poorest ten per cent (second decile), receiving £143. The group benefitting least, the sixth decile, receives just £94 a year.

Figure 2.2³⁰
Bus travel subsidy by
equivalised disposable
income decile



The picture for rail subsidy alone is quite a different picture, as shown in figure 2.3. Households in the richest ten per cent get the equivalent on average of £181 of subsidy a year, over three and a half times as much as households in the bottom 10% (who get £49 a year).

Figure 2.3³¹
Rail travel subsidy by
equivalised disposable
income decile

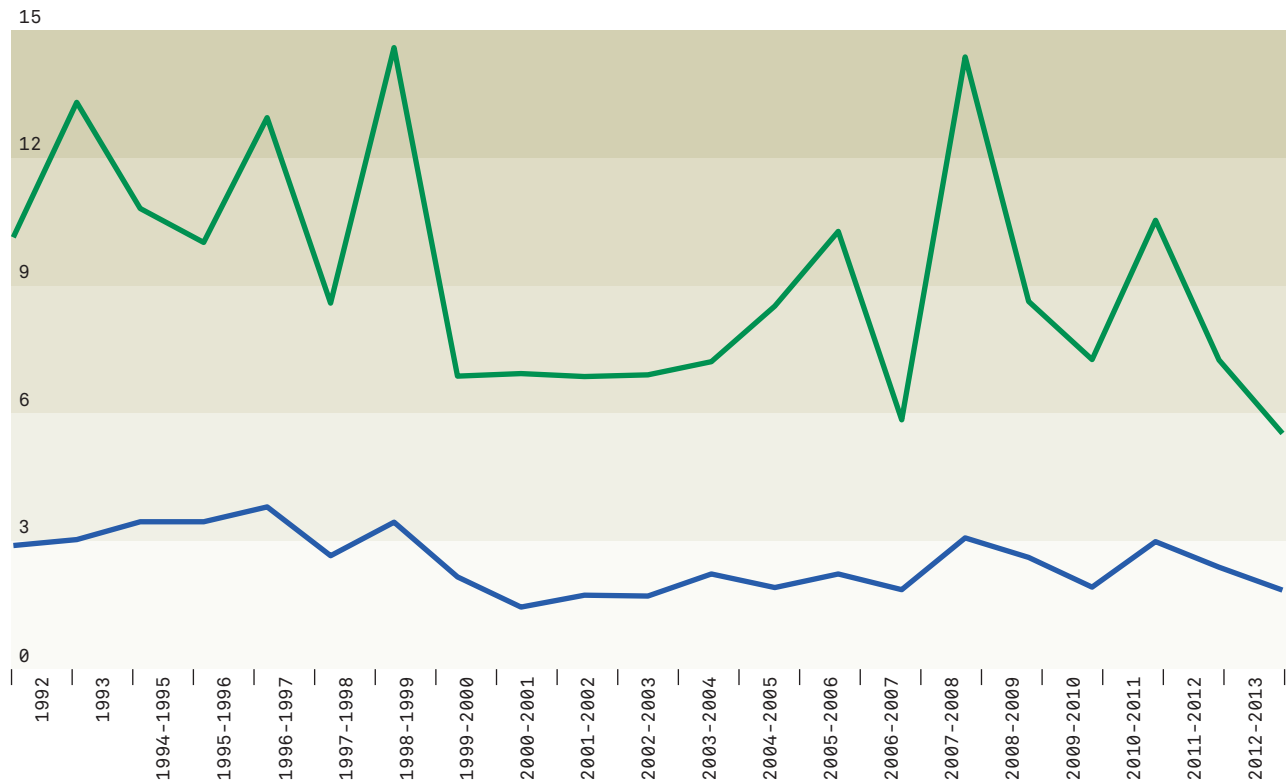


There are various methodological changes which have changed how subsidy is calculated at various points over this data series. For example from 2010/11 the rail subsidy began including the government grant to National Rail. However, at each point the bottom and top decile are calculated in the same way, allowing a broad-brush continuity.

This inequality of travel subsidy is not just a recent trend. Looking back at the last 20 years of subsidy suggests that the difference between subsidy received by those on high and low incomes has remained high, with the current state of affairs actually representing a relative low. As you can see from Figure 2.4, for most of the last 20 years the richest ten per cent has received over four times the level of subsidy of the poorest ten per cent, and for many years received over double the level of total subsidy.

Figure 2.4³² The ratio between subsidy received by top and bottom decile since 1992

- total subsidy ratio
- rail subsidy ratio



Why are transport subsidies so unequal?

There are several reasons why households with different incomes receive different amounts of subsidy. As outlined in section 1, people with different incomes travel using different types of transport. Households with higher incomes are more likely to contain more adults who go to work and use public transport in order to do so, which would explain some of their higher subsidy. Although subsidies do offset some of the costs of travelling to work, prices remain too high for the poorest to take advantage of. As a result, subsidies are not just rewarding the hard-working rich; they are locking the poorest out of work by preventing them from travelling to higher paying jobs.

Additionally, different regions contain different proportions of households with different levels of income and with different levels of transport subsidy, which is explored in more detail in section 3.

Comparing the data from the 'Effects of Taxes and Benefits on Household Incomes' and the National Travel Survey³³ allows us to estimate the subsidy per mile and per trip for rail and bus for those at different points in the income spectrum^{vi}. For both rail and bus subsidy, those in the poorest twenty per cent receive less subsidy per trip and per mile than those in the richest twenty per cent. This suggests that people in high income households make greater use of subsidised services, and that the services they use are more subsidised than those used by low income households.

^{vi} These two publications use two different surveys and have methodological differences which mean that an equivalised quintile for one will not be the same for the other. These should be viewed as broad estimates rather than analysis of how subsidy is used per km or per trip by actual households. Per person subsidy is found by adjusting subsidy for household size.

^{vii} Looking at transport spending by equivalised disposable income deciles comparing against the Effects of Taxes and Benefits subsidy per decile.

When compared with data from the Living Costs and Food Survey^{vii}³⁴, there are very different results for bus than for rail. For rail it's clear that the higher subsidy received by the richest households is a result of those households spending more than low income households. This presents a clear picture of subsidy locked behind a pay wall, preventing those on low incomes from being able to afford access it. For buses, however, the richest ten per cent spends far less than the poorest ten per cent and so it is even harder to justify or explain how they receive the same level of subsidy. This can only partly be explained by how different bus services operate in different regions, as discussed in the next section.

Bus and rail subsidies may be the tip of the iceberg, as other forms of transport also receive subsidies. Air travel for example receives approximately £8bn in subsidy. Given people on low incomes are far less likely to use planes, this subsidy is almost certain to mainly benefit the better off. However there is unfortunately no comprehensive distributional data on how air travel subsidies affect people at different points in the income spectrum, and as such we have not included further analysis in this report.

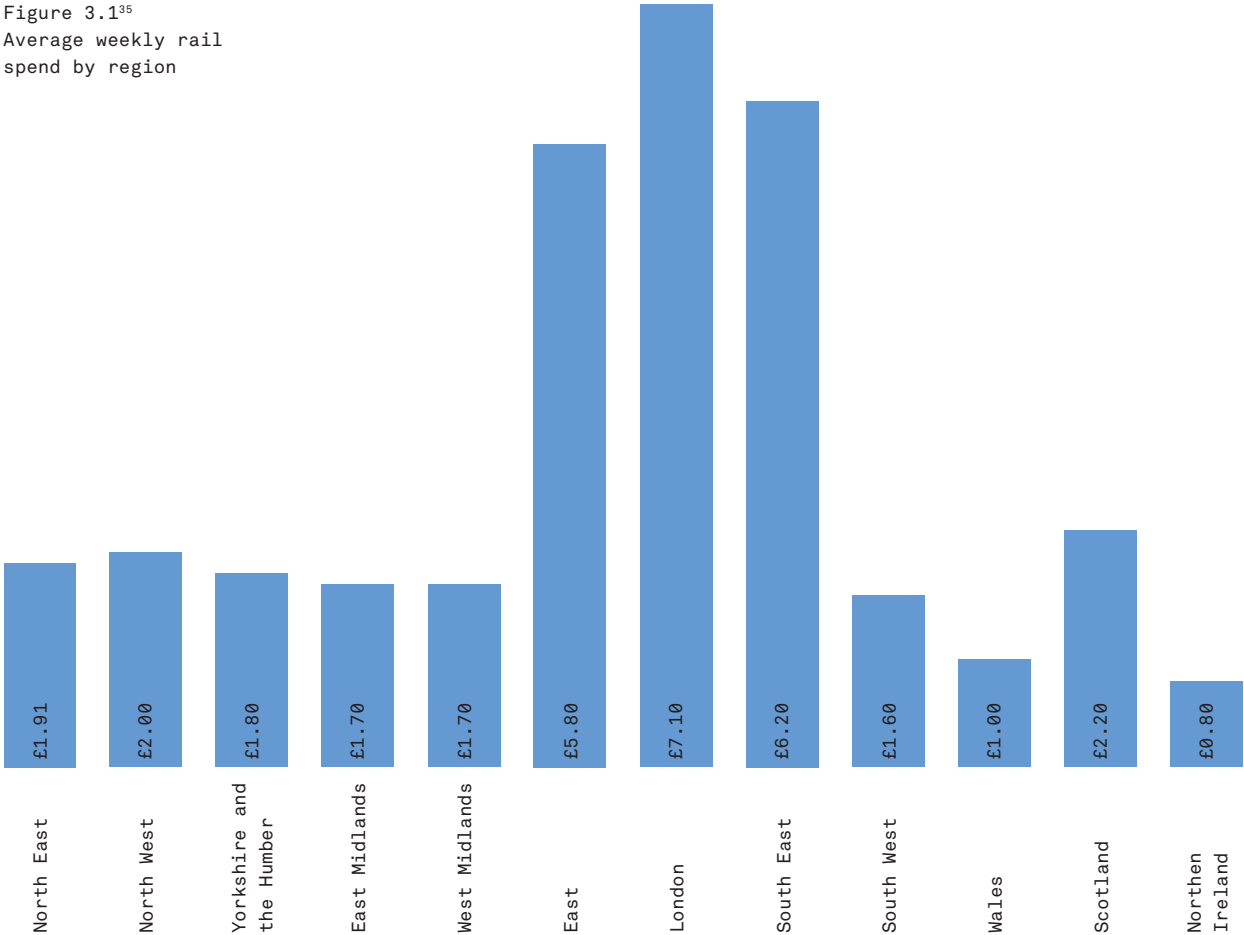
THE REGIONAL PICTURE

A large part of the inequality of how subsidies are allocated can be explained by regional variation. However, regional variation does not alone explain the subsidy inequality and is more complicated than any single statistic or graph can show. There is considerable difference between the regional variation in subsidy for rail and for bus travel, as well as different data sources, which provide information on the two forms of transport.

Rail

As with rail subsidy inequality across the whole UK, regional inequality in rail subsidy is mostly based on use and spend. Figure 3.1 shows how households in the East, London and the South East spend far more on rail than households in other regions..

Figure 3.1³⁵
Average weekly rail spend by region



The Office for Rail Regulation produces an annual summary of government subsidy going to different train operating companies on different train routes. Figure 3.2 shows the total government funding going to each rail route. Figure 3.3 then breaks that down by passenger journey. As you can see from Figure 3.2, London receives a large amount of total government funding. But Figure 3.3 shows it receives comparably less than many other regions on a per-journey basis. In contrast the per-journey funding for Wales and Scotland is particularly high, but these regions receive only a small portion of total government funding.

Figure 3.2³⁶
Total government funding by rail route

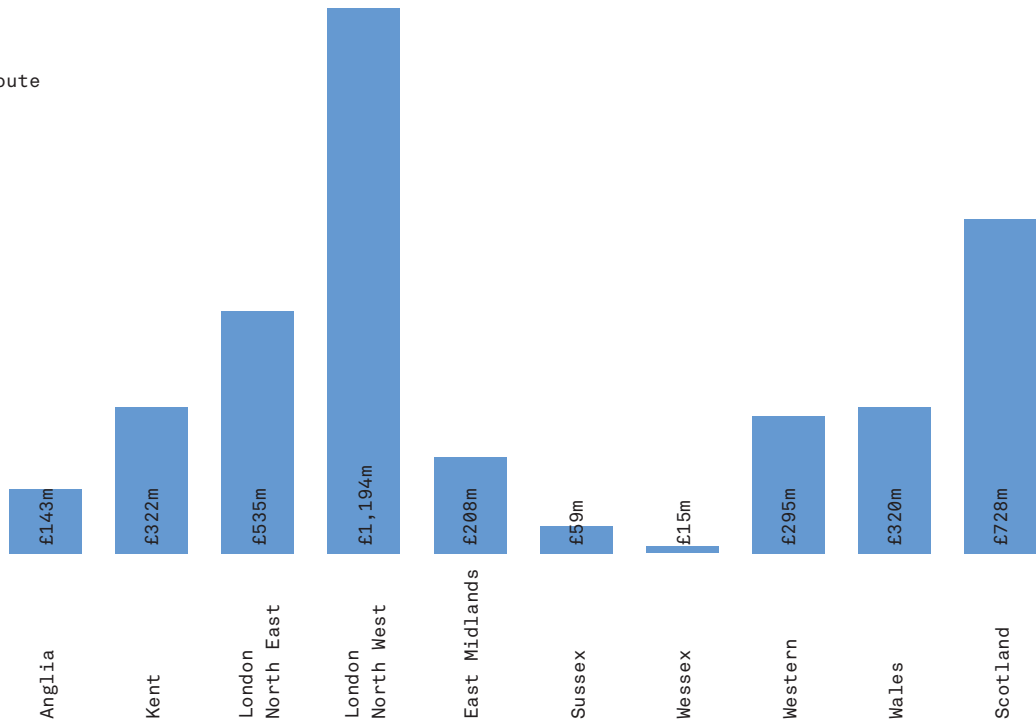


Figure 3.3³⁷
Government funding per passenger journey by rail route

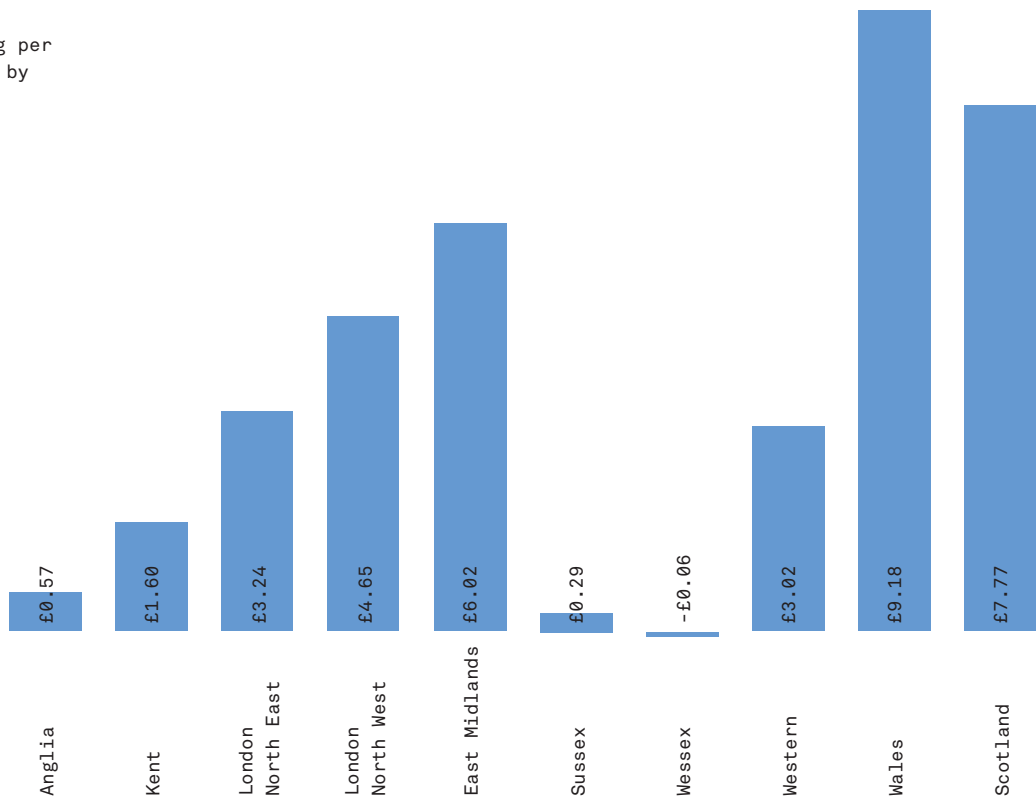
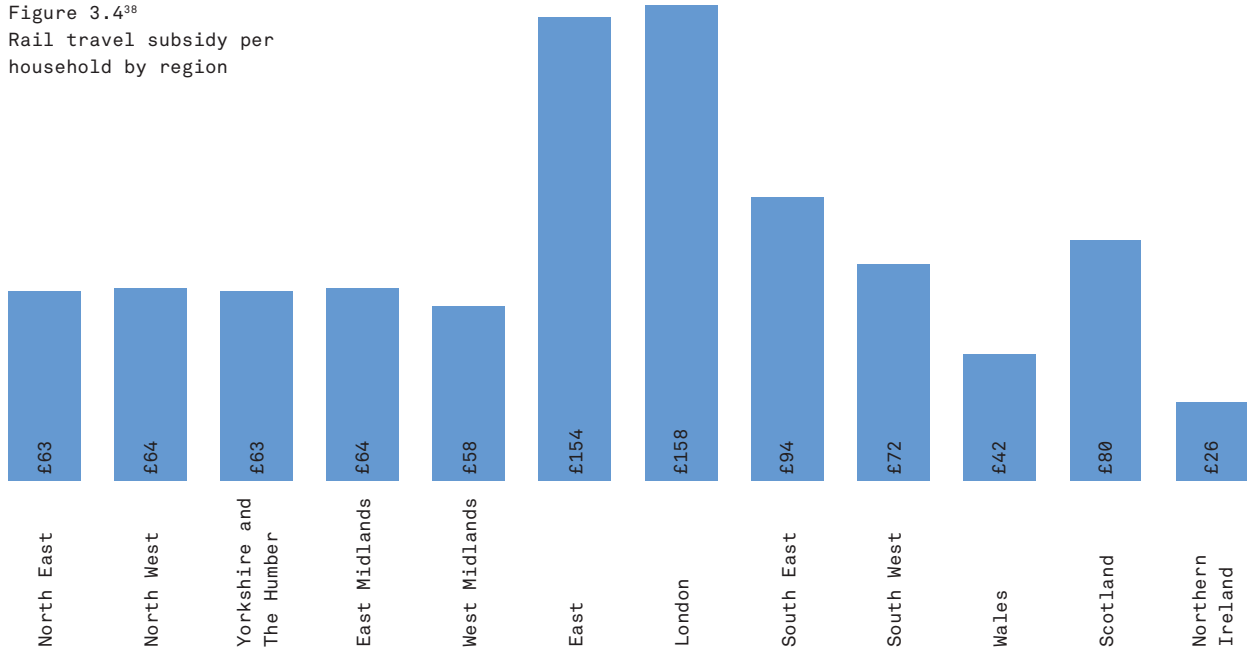


Figure 3.4 presents this total subsidy on a per household basis using geographic regions. This makes it overwhelmingly clear that households in London and the East receive the most rail subsidy.

Figure 3.4³⁸
Rail travel subsidy per household by region



Whilst households in London benefit from a large amount of government funding, they also have to put in a large amount of their own funding to access that extra subsidy. The important implication of this is that poorer households in London with less to spend are probably unable to access, and therefore benefit from, that subsidy.

Bus

Figure 3.5 shows that household spending on buses is fairly even between regions. However, figure 3.6 shows that households in London benefit from a far higher level of bus subsidy per household than households in other regions.

Figure 3.5³⁹
Average weekly bus spend per household by region

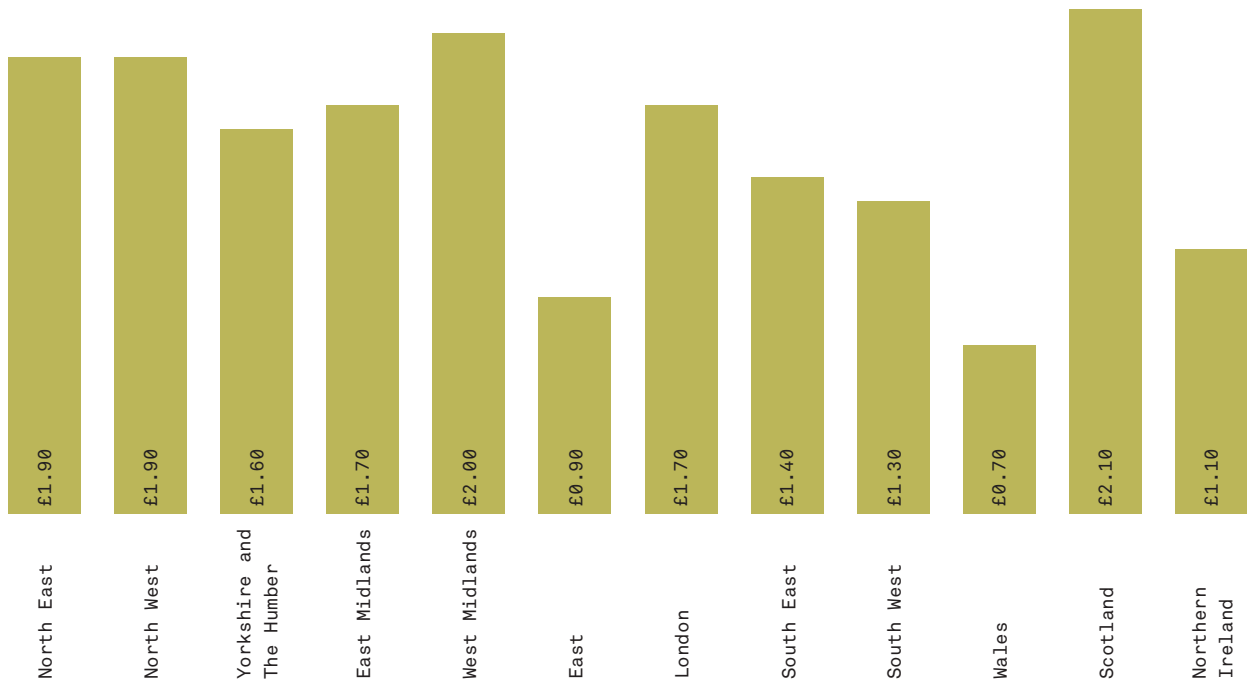


Figure 3.6⁴⁰
Average bus travel
subsidy per household
by region

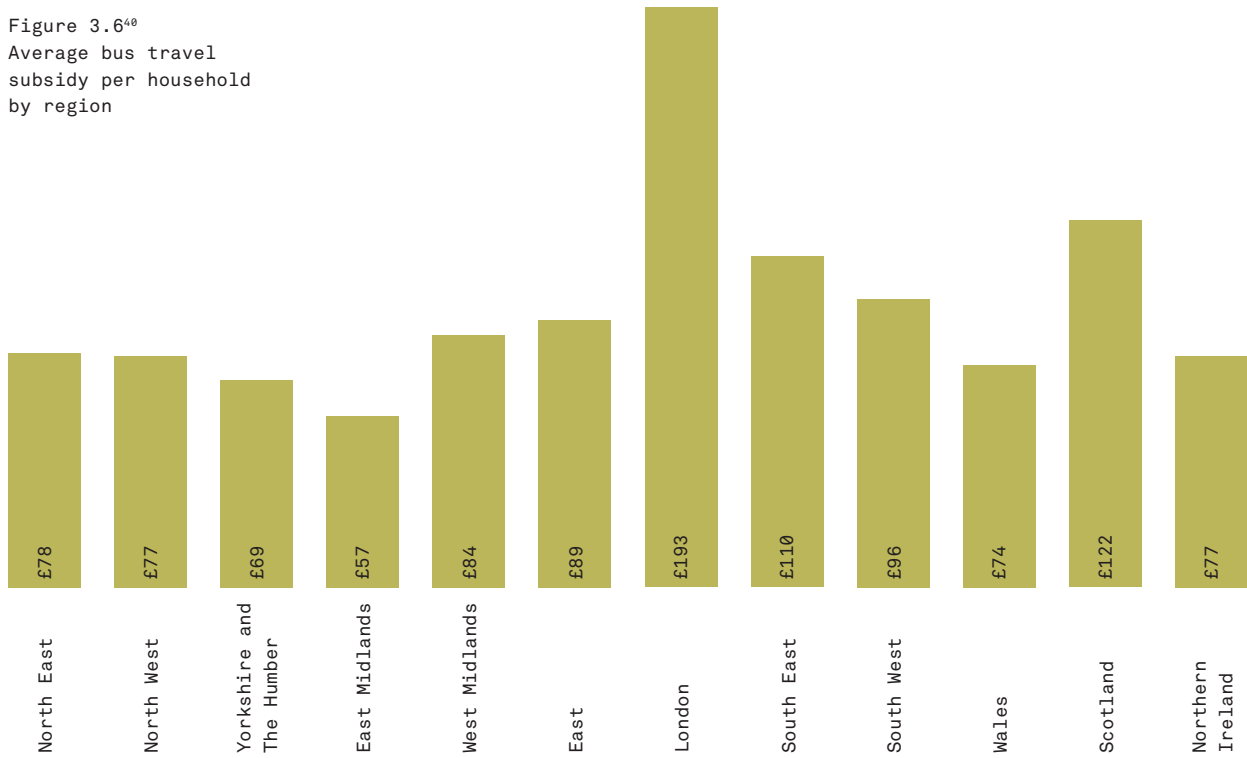
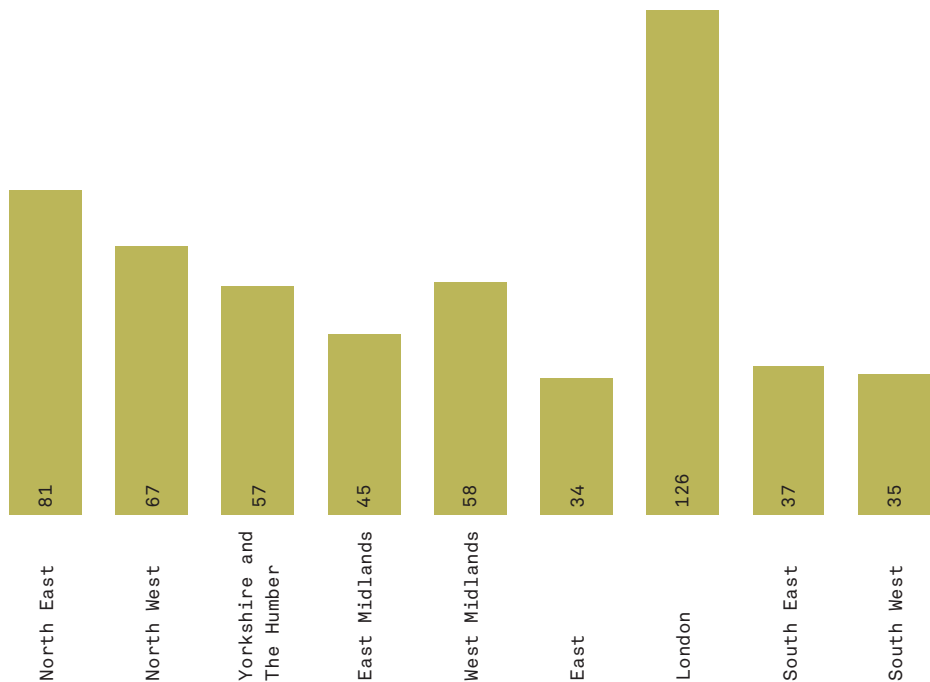


Figure 3.7 highlights the large per-household bus subsidy in London, with Londoners taking far more bus trips than those in other regions. Households in London therefore receive a greater proportion of the overall subsidy as they take more bus trips; but they also pay far less for them.

^{viii} Spend from Living Costs and Food Survey, journey numbers from the National Travel Survey adjusted for household size

The average spend per journey^{viii} in London is less than half that of any other region. However an estimate of subsidy per trip suggests Londoners receive no more subsidy per trip than a household in the West Midlands, for example, which in turn suggests that the bus service in London is more efficient and that the large extra subsidy in London is a result of more households using it. Additionally, because the cost is so low it suggests that more low-income households in London can afford to take advantage of this subsidy than is the case with rail.

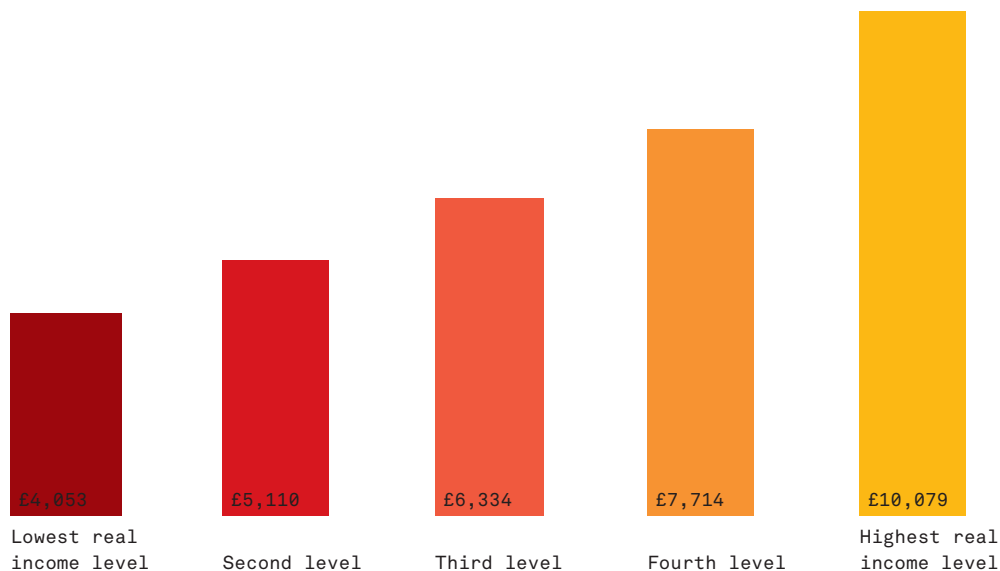
Figure 3.7⁴¹
Average number of bus
trips per person by
region



THE CONSEQUENCES OF AN UNFAIR TRANSPORT SYSTEM

The inequality embedded within our current system of transport subsidies has a significant detrimental effect on people's lives. The richer someone is, the further they will travel in a year, when all forms of transport are taken into account (the poorest travel less than half as far as the richest, according to the National Travel Survey). For those less well off, finances can severely restrict the distance they can travel and/or their frequency of travel, thereby limiting opportunities for work, access to services and social activities.

Figure 4.1⁴²
Distance travelled per
year by household income
quintile



A public transport system that better supports those on the lowest incomes would reduce inequality. In doing so it would also indirectly benefit our overall health and wellbeing, given more unequal societies suffer from a higher incidence of a range of social ills like drug abuse, obesity and crime⁴³.

Employment

A more equal distribution of transport subsidies could drastically improve the ability of those on low incomes to access employment. In one study a fifth of workers had turned down a job because of poor bus services, and half felt that a better bus service would give them access to a better job⁴⁴. Around 40 per cent of jobseekers said lack of personal transport, or inadequate public transport, were key barriers to them getting a job⁴⁵. Current welfare policy also requires jobseekers to search and apply for jobs within a 90-minute travel radius⁴⁶, so reliable public transport is essential. This radius still applies even if the work is part-time, which means in some cases transport costs might exceed wages.

Those on the lowest incomes are the most reliant on buses, which maintain a reputation for unreliability. At local authority level, punctuality can vary substantially, ranging from 64% to 97% of buses being on time, in different locations. In areas of poor reliability, it is those on the lowest incomes who are most affected by delays.

The problem of access to transport is not simply a personal one. The fact that people may be excluded from the workplace because of excessive transport costs or unreliable services may well affect the income distribution within entire towns, cities and regions.

Education

Although children are entitled to free transport if they live more than two or three miles away from school (depending on their age), that only applies to the nearest suitable school, meaning low-income parents are limited in the choices they can make about their children's education⁴⁷. Affordable transport through a better targeted subsidy reduces the chance that poorer children will be limited to certain schools in nearby areas. In doing so, such a system would help to reduce social segregation, another effect of inequality.

Health

More accessible public transport helps to improve access to health services like hospital and doctor's appointments, especially for the many low-income households without a car. This is particularly important in helping to address the existing and pronounced health inequalities between rich and poor, as acknowledged by the Marmot Review⁴⁸. Better transport links would also help to increase the choice of GP surgeries and dental practices that people can attend, particularly important given that government policy places emphasis on patient choice in the NHS as a way of improving standards⁴⁹.

A Department for Transport report⁵⁰ also confirmed some of the indirect benefits of greater transport accessibility, including health improvements from lower pollution levels, fewer road accidents and increased physical activity; reduced risk of social and economic exclusion and increased opportunities for greater socioeconomic mobility of children from low-income families.

Social and cultural activities

Just as crucial to a rich and rewarding life, inaccessible transport can also limit the social and cultural activities in which people can participate. Those without cars are more than twice as likely to find it difficult to get to leisure centres and libraries and to see friends or family, for example⁵¹. Participation in leisure activities has been shown to increase general wellbeing and life satisfaction, and lack of social relationships is now understood to be similar to other mortality risk factors like smoking⁵². Being unable to travel to meet others or attend events means people cannot participate in their existing social networks or hope to create new ones, making it harder to meet other policy goals like reducing crime and uniting communities. Transport policy should not exacerbate the problems of social exclusion already disproportionately faced by the poorest in society.

Local economies

There are also economic consequences of our unequal transport system. Lord Heseltine's review of factors affecting economic growth stated that 'national and regional interconnectivity is critical to our future prosperity' and areas with limited infrastructure are less likely to grow⁵³. Without more equal investment in infrastructure, some areas will always struggle to attract businesses that provide much-needed jobs. The CBI found that nearly two thirds of firms and 82 per cent of multinationals say domestic transport links affect their investment decisions, with a recent 21 percentage point-leap in dissatisfaction with existing links⁵⁴.

According to the Northern Economic Futures Commission, research has shown 'a consistent correlation between areas that have experienced the strongest productivity growth during the past decade and their degree of connectivity.'⁵⁵ And as the World Bank highlights, investments in road networks and other trade infrastructure like ports, highway corridors and railways 'reduce the cost of delivered goods, facilitate the physical mobility of people and products, and remove productivity constraints,'⁵⁶ with growth also driven by creation of the necessary construction jobs⁵⁷.

POLICY RECOMMENDATIONS

1. POLICY PROPOSALS

Government cost-benefit evaluation process should consider the proposal's effect on inequality

^{ix} The Transport Analysis Guidance system provides the framework under which the Civil Service's Green Book Principles on cost-benefit analysis are applied to transport decisions.

To understand why transport policy exacerbates inequality, it is important to understand how initial decisions are made on where transport should be built. The decisions of where to build transport infrastructure are taken using a cost benefit analysis^{ix} following the same broad principles used by other departments. These weigh up the potential benefits of a transport project against other theoretical potential uses of government money. There are however basic problems with this method. It tends to overvalue reduced travel times, which make up 80% of all benefits according to one study, and undervalue benefits such as affordability and accessibility⁵⁸.

Although the methodology does weight the preferences of people with low incomes more highly, it can still (and often does) lead to projects that increase inequalities. This is because where sufficient numbers of people on high incomes benefit from a project, and people on low incomes aren't seen to be significantly negatively affected by it, the project can still pass the test.

For the relevant civil servants to determine whether or not a policy proposal favours those on high incomes more than those on low incomes, it would require no extra data gathering beyond what is used for the existing cost benefit analysis. Where income group breakdowns take place for cost benefit analysis (as is the case for transport infrastructure) government should measure whether or not the proposal would increase inequality.

2. DEPARTMENTAL REVIEW

All government departments should review the net effect of all policies on inequality

There has been insufficient analysis of how transport policy exacerbates inequality and what policy changes could be taken in order to reduce inequality. More broadly, there is currently a distinct lack of joined up thinking about overall inequality created within specific policy areas.

In the Department for Transport this can be seen in the lack of a clear link between decisions made on infrastructure spending and decisions made on transport subsidies. One of the drivers of economic inequality is our country's significant regional inequality⁵⁹. This is in part a result of uneven spending on infrastructure, including transport. Whilst it could be argued that for efficiency's sake infrastructure should be built in a way that maximises economic potential, it makes sense for government to seek to redress any resulting inequality with other policies. However, as this report has highlighted, instead of redressing inequalities caused by where infrastructure is built, transport subsidies perpetuate inequality by favouring high-income households. Government should therefore look beyond single projects and examine how the whole transport strategy is planned and evaluated⁶⁰.

A transport policy that focused on tackling inequality could take many different forms⁶¹. It could involve continuing to build new transport projects along the lines of existing business cases but then address inequality by offering reduced subsidy to operators and instead offering subsidy directly to low income households in the form of railcards or vouchers. A further option would be for government to focus on providing transport used more equally across the income spectrum, for example by providing more support to buses than it does to rail. Alternatively, government could build infrastructure projects focusing on increasing economic activity in low-income areas and offer subsidy to use these services as necessary to keep them viable.

This report is not recommending any one of these specific courses of action or any combination of them, but instead pointing out that the government is not short of ways it can address inequality through transport policy.

3. NATIONAL AUDITING

The government should commission the OBR to estimate the net impact of its annual budget on UK inequality

A final problem for government is the lack of joined up thinking in how the policies of different departments interact in relation to inequality.

The role of government, and government departments, is often seen to be to maximise efficiency, rather than to be redistributive or to address existing inequalities. But this fails to take into account for example, our tax system, which as a whole can be regressive in its effect⁶². Defenders of our tax system suggest that it is justifiable because it is efficient and that redistribution should be done via spending⁶³. But if neither our tax system nor government departmental spending is redistributive, then it seems that there is very little actual redistribution. This prevents government from effectively tackling inequality, when it could and should be embedding inequality reduction into its decision-making processes.

To counter this, as The Equality Trust has previously recommended⁶⁴, the government should set a clear target to reduce inequality. Not only should it consider how each government department can contribute to this goal, it should also commission regular audits of its annual budget to forecast the effects of the government's tax and spending decisions on inequality.

CONCLUSION

Public transport is vital to the health of a country's economy and society. Not only does it allow people access to jobs, education and healthcare, it also quite literally binds our country together. But the UK's current transport system is failing to deliver these benefits for all. Instead government subsidies are disproportionately benefitting those on higher incomes, with the poorest suffering personal and economic consequences that further the gap between them and the better off.

This matters because we know such inequality has a profound effect on our society. The UK is one of the most unequal countries in the developed world and that inequality is damaging our society, economy and democracy. Extreme inequality damages trust and social participation, encourages crime, decreases social mobility, shortens life expectancy and increases debt⁶⁵.

In the case of transport, initial planning decisions fail to sufficiently consider effects on inequality. This is then compounded by how government provides subsidies, which mainly benefit those on high incomes. It is essential that government acts to prevent transport subsidies from further exacerbating the UK's extreme inequality. But this alone will not be enough.

The problems for transport policy are reflective of broader problems with UK policy making and a repeated failure to take potential inequality into account when making government decisions. This happens both when initial decisions are made about infrastructure and investment, and afterwards in how government allocates continued spending.

For a fairer transport system, and a more prosperous, healthy and happy society, we need government to commit to the reduction of inequality as a key national target, and as a fundamental consideration throughout the policymaking process.

ABOUT THE EQUALITY TRUST

The Equality Trust is a charity that works to improve the quality of life in the UK through reduced economic inequality.

We conduct robust research and analysis of the scale, drivers and effects of economic inequality in order to increase understanding of economic inequality among policy-makers, business and the public.

The Equality Trust was launched in 2009 by Bill Kerry, Richard Wilkinson and Kate Pickett. It is primarily funded by the Network for Social Change and the Joseph Rowntree Charitable Trust with additional support from many generous individuals, organisations and groups.

For more information about our work, please visit our website at <http://www.equalitytrust.org.uk/>

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