



STUCK IN THE SLOW LANE

Reforming the Department for Transport

By Tim Ambler

DISCUSSION PAPER

EXECUTIVE SUMMARY

- The Department for Transport (DfT) has responsibility for a number of functions that are currently performed inefficiently and represent poor value for taxpayer money;
- DfT should be structured as an HQ dealing with policy, legislation and all matters too small to need a specialist Executive Agency;
- All other matters should be handled by Executive Agencies and no other public bodies should be required;
- Network Rail is in dire need of significant reform and lacks transparency—a headcount reduction of 20,000 staff should be possible;
- The Office for Rail and Road devotes much of its staff time and resources to matters that should be left to rail management, therefore it should be closed;
- The Driver and Vehicle Licensing Agency (DVLA) and Driver and Vehicle Standards Agency (DVSA) should be merged, with a consequent reduction in staff numbers of 50% (5,000);
- The two bodies duplicate each other in record-keeping and online updating can be left to garages and drivers;
- Further improvements to departmental efficiency can be realised by merging other DfT arm's length bodies;
- Taken together, the recommendations in this report would produce a total headcount saving of nearly 30,000.

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ABOUT THIS SERIES

The UK government plans to reduce the civil service headcount by nearly 20%. We believe that deeper savings — bringing lower costs and greater efficiency — are easily possible. Whitehall has grown far more than 20% in the last seven years alone; and we have found most departments to be a confused clutter of overlapping functions and agencies. This series aims to cut through that clutter to suggest nimbler, lighter structures.

Whitehall departments have two functions: to manage policy and to provide services. We believe that services (such as passport provision) should be provided by executive agencies, without being swamped by the core department staff. We also believe that the cores could work, more effectively, with a fraction of their staff.

Deep staff reductions can be managed through natural turnover, early retirement, pausing non-essential recruitment and other methods. The result would be a slimmer, more focused civil service, better services for users and substantial savings for taxpayers.

DEPARTMENT FOR TRANSPORT: OVERVIEW

According to its annual report, Department for Transport (DfT) staff numbered 67,658 in March 2021 — some 3,145 in HQ, 6,890 in Agencies and 57,623 in 'other Delivery Bodies'.¹

ANOMALIES

There are, however, anomalies in these figures. The numbers in the annual report exclude the 4,510 Drivers and Vehicles Standards Agency (DVSA) staff on the grounds that the Office for National Statistics (ONS) has put it 'outside the accounting boundary'. The DVSA, however, suggests the opposite: "Following a decision by the Office of National Statistics in 2019 to re-classify DVSA as a central government entity for National Accounts purposes, trading fund status was revoked from 1 April 2021. DVSA will remain an executive agency of DfT and will in future be consolidated into DfT group reporting."² In other words, the DfT says the DVSA is outside and DVSA says it's inside.

The Cabinet Office should rule on these departmental classifications, not the ONS. Yet adding the DVSA to the Agency numbers (making Agencies 11,400) still does not square with the May 2022 payroll full-time equivalent staff numbers — 2,906 in HQ, 11,361 in Agencies and 2,174 in Executive Non-departmental Public Bodies ('quangos').

AGENCIES

The DfT has four executive agencies but again the staff numbers are elusive:

- Driver and Vehicle Licencing Agency (DVLA, 5,467 staff)³
- The Driver and Vehicle Standards Agency (DVSA, 4,510 staff⁴)
- Vehicle Certification Agency (285 staff, according to p.1 of the annual report, but 258 on p.55)⁵
- Maritime and Coastguard Agency (1,189 staff, according to payroll data).⁶

¹ Department for Transport, Annual Report and Accounts 2020–21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031059/dft-annual-report-and-accounts-2020-2021-web.pdf

² Drivers and Vehicles Standards Agency, Annual Report and Accounts 2020–21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002461/dvsa-annual-report-and-accounts-2020-to-2021.pdf

³ Driver and Vehicle Licensing Agency, Annual Report and Accounts 2020–21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002515/DVLA_annual_report_and_accounts_2020_to_2021.pdf

⁴ According to DVSA 2020/21 Annual Report.

⁵ Vehicle Certification Agency, Annual Report and Accounts 2020–21: <https://www.vehicle-certification-agency.gov.uk/wp-content/uploads/2022/02/VCA-Annual-Report-and-Accounts-2020-2021.pdf>

⁶ Maritime & Coastguard Agency, Annual Report and Accounts 2020–21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034996/MCA_annual_report_and_accounts_2020_to_2021.pdf

The total Agency staff count of around 11,436 is close to the Cabinet Office number of 11,230.⁷

QUANGOS

Likewise, there are nine executive Non-Departmental Public Bodies (NDPBs) according to the Cabinet Office, and eight (p.7) or nine (p.108) according to the DfT 2020/21 annual report. Yet there are only five in the February 2021 payroll data: Transport Focus, British Transport Police, Trinity House Lighthouses, Northern Lighthouses Board and HS2. The other four are: Commissioners of Irish Lights, East-West Railway Co, Traffic Commissioners and Directly Operated Railways.

OTHER BODIES

The DfT HQ and Arm's Length Bodies' (ALBs') headcounts, derived from Annex D of the annual report, are listed in Appendix A of this paper. The two largest 'Delivery Bodies' are Network and Highways England.

After reviewing the largest ALBs, we consider the DfT HQ and close with recommendations.

STRUCTURAL ANALYSIS OF THE DEPARTMENT

NETWORK RAIL

Network Rail, with 44,356 staff, publishes only a 'strategic' annual report, with limited management data such as objectives, performance, management and staffing information; and, separately, financial accounts. The annual report notes: "The pandemic significantly affected how we were able to operate...The number of staff able to work from home increased from 3,000 before the pandemic to 20,000 by April 2020.... All staff who could or wanted to, were able to work from home." (p.17)⁸

Network Rail, a not-for-profit company, operates 20 major stations and owns 2,500 other stations, which are leased to train operators.⁹ How much it devotes to its primary purpose of maintaining the track, bridges and infrastructure is hard to determine. The ('strategic') annual report 2020/21 tells us about the problems arising from late maintenance and timetabling but says nothing about how much maintenance is contracted out, nor the potential benefits of doing so.

Staff also get little attention. "Staff costs increased by £87 million (3%) largely due to increases to average employee numbers (5%)." (p.31) Quite why employee num-

⁷ Department for Transport, Headcount and payroll data for February 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/976263/dft-monthly-workforce-management-information-february-2021.csv/preview

⁸ Network Rail, Annual Report and Accounts 2020–2021, Strategic Report: <https://www.networkrail.co.uk/wp-content/uploads/2021/07/Annual-report-and-accounts-2021-Strategic-Report.pdf>

⁹ Network Rail, About Us: <https://www.networkrailconsulting.com/about-us/>

bers should increase when the number of passengers fell by up to 90% (p.15)¹⁰ during the pandemic was not explained. Page 72 mentions Network Rail's 43,850 staff, but only as a ratio of carbon emissions — not something management should be otherwise concerned with.

Extravagantly, p.85 claims that:

“Network Rail recognises the importance of great people and great teams. Our aim is to empower all our people to do their best work, delivering for our passengers, supported by the best leadership they have ever had. This vision underpins ongoing transformation and drives forward initiatives on diversity and inclusion and employee engagement. Our people strategy is key to ensuring Network Rail remains one of Britain's best employers.”

The published financial accounts are similarly disconnected from reality: “Under section 408 of the Companies Act 2006 the group has elected to take the exemption with regard to disclosing the company income statement. The company's result for the year was £nil (2020: £nil).” (p.149)¹¹ It reveals that “Full details of [Board] remuneration are included within the annual remuneration report on pages 122 to 133” (p.163), though these accounts start at p.137. Also, the staff numbers are 406 more than claimed by the strategic report. “One of Britain's best employers” does not seem to know how many people it employs.

Some call for all Britain's railways to be nationalised, but Network Rail (the part that *is* nationalised) is hardly a paradigm. The 2020/21 accounts show revenue at £9.6 billion, two-thirds of which comprises grants from the Exchequer. Under de-nationalisation, Network Rail was supposed to break even, the costs being covered by operator franchises. Inept DfT policy meant that operators lost money; and without the central subsidy, Network Rail would have lost £5bn last year too (in net profit terms).

In creating Great British Railways (which takes over next year), the DfT plainly recognise that all is not well with Network Rail. It is supposed to keep rails, bridges and 20 stations in top condition; but if it can do that with nearly 50% of its staff at home, it probably has 50% too many staff. The 2022 strikes have highlighted the inefficiencies. According to press reports, “Rail chiefs have vowed to ‘dump outdated working practices’ and cut 1,800 staff.”¹² That is probably a fraction of what is possible. New management would be required but, with new technologies, a 20,000 reduction should be possible — the same 20,000 that were ‘working at home’.

¹⁰ Network Rail, Annual Report and Accounts 2020–2021, Strategic Report: <https://www.networkrail.co.uk/wp-content/uploads/2021/07/Annual-report-and-accounts-2021-Strategic-Report.pdf>

¹¹ Network Rail, Annual Report and Accounts 2020–2021, Financial Statements: <https://www.networkrail.co.uk/wp-content/uploads/2021/07/Annual-report-and-accounts-2021-Financial-statements.pdf>

¹² The Telegraph, Network Rail letter to unions: We will dump your ‘outdated working practices’: <https://www.telegraph.co.uk/business/2022/06/21/rail-chiefs-vow-dump-outdated-working-practices-amid-standoff/>

Ever since the Rail Regulator was set up in 1993, the DfT has been interfering — insisting, for example, that DfT sets rail fares, not the regulator. Ten years on, the one-person regulator became a nine-person board of a new Office of Rail Regulation. Two years later, it was given “safety jurisdiction” even though passenger safety was already a priority for rail companies and workplace safety was already regulated by the Department of Work and Pensions. Roads were added in 2015 (the same time that all the members of the Network Rail board were sacked, save only the Secretary of State).¹³

The annual report and accounts 2020/21 show how much the 309 of the ORR’s 325 staff spend their time on matters that should be left to rail management — without a word on ORR’s primary purpose, namely to allocate rail costs equitably between government grants and train operators. The ORR cost the taxpayer £32 million in 2020/21 to no apparent benefit.¹⁴

Indeed, Network Rail and ORR reports both reveal a smug complacency, but no effort to provide value for money for taxpayers or rail users. ORR, for example, does not publish its evidence and calculations. Network Rail could use contracting out to obtain competitive prices but it does not; it does not even show cost comparisons between its different regions, which should be a key tool for understanding and controlling expenditure.

ORR should be abolished and the management of Network Rail should be reviewed by the National Audit Office.

HIGHWAYS ENGLAND

The average number of Highways England full-time equivalent staff in 2020/21 was 5,810, representing 1,628 traffic officers, 1,864 in support to front line projects and services and 2,318 assigned to capital projects.¹⁵ The comparative figures for 2015/16 were 3,831, 729 and 1,183.¹⁶ These last two have more than doubled, which suggests that between 1,000 and 2,000 staff savings should be available. However, the impact on road building and repairs would need to be considered: according to the NAO (p.6),¹⁷ Highways England road building increased by about 50% during that interval, so the lower level of savings seems sensible.

¹³ Wikipedia, Office of Rail and Road: https://en.wikipedia.org/wiki/Office_of_Rail_and_Road#:~:text=History%20ORR%20was%20established%20as%20the%20Office%20of,for%20National%20Highways%20under%20the%20Infrastructure%20Act%202015.

¹⁴ Office of Rail and Road, Annual Report and Accounts 2020-21: <https://www.orr.gov.uk/sites/default/files/2021-06/orr-annual-report-and-accounts-2020-21-web.pdf>

¹⁵ Highways England, Annual Report and Accounts 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002845/Highways_AR21_Interactive.pdf

¹⁶ Highways England, Annual Report and Accounts 2015-2016: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/537571/S150670_Highways_England_Annual_Report_Final.pdf

¹⁷ National Audit Office, Department for Transport Departmental Overview 2019-20: <https://www.nao.org.uk/wp-content/uploads/2020/11/Departmental-Overview-2019-20-Department-for-Transport.pdf>

An analyst engaged in streamlining bureaucracies will often recommend that two units doing similar work be merged; but this does not necessarily reduce the total headcount. Parkinson's Law has to be reversed¹⁸ as well, by eliminating duplication, improving working practices and/or simply reducing headcount so that staff focus on the tasks that really matter.

In terms of duplication, the primary business of both is maintaining the records of drivers and vehicles allowed to, or disqualified from, driving on UK roads. Whether the agencies are formally merged or not, we need only *one* set of driver records and *one* set of vehicle records.

In terms of working practices, online service should be boosted. Last winter there was an outcry from people unable to renew their driving licences because DVLA staff were supposedly working from home; those renewing online had no such difficulties. Annual MOT data is now entered online by the garage conducting the MOT and no DVSA staff are involved. This would seem an ideal opportunity to reduce staff numbers by 50% (about 5,000, see Appendix A) by halving the record sets and leaving updating mostly to drivers and garages online.

VEHICLE CERTIFICATION AGENCY

The Vehicle Certification Agency (VCA) is a small ALB (267 staff) which ensures that UK vehicles are safe to drive on UK and other countries' roads, and that non-UK vehicles are safe to drive in the UK. For example, it is designated as the UK authority for the certification of bulk containers used for the transport of dangerous goods. In addition to its HQ in Bristol, it has two UK office sites and seven around the world.¹⁹

The VCA last made a £4m loss on £18m income. It should be required to break even, with a corresponding small reduction in staff to 200, but beyond that, no change is suggested.

BRITISH TRANSPORT POLICE

The British Transport Police numbered 5,193 in 2021 (*DfT Annual Report 2020/21*, pg.331). Its performance is hard to compare with that of other police forces as standards requirements differ. A 2020 inspection was broadly positive²⁰ and the

¹⁸ This process involves discovering what will not be done in the event of a drastic headcount reduction (before any redundancies take place) and easing numbers up until all essential work, and only that, is covered.

¹⁹ Vehicle Certification Agency, Annual Report and Accounts 2020-2021: <https://www.vehicle-certification-agency.gov.uk/wp-content/uploads/2022/02/VCA-Annual-Report-and-Accounts-2020-2021.pdf>

²⁰ Department for Transport, 'An inspection of British Transport Police's ability to minimise disruption on the rail network', 2020: <https://www.gov.uk/government/publications/ability-of-the-british-transport-police-to-minimise-disruption-on-the-rail-network/an-inspection-of-british-transport-polices-ability-to-minimise-disruption-on-the-rail-network>

Great British Railways plan envisages business as usual for the police.²¹ No change is recommended.

HS2

HS2 Ltd is a company limited by guarantee, wholly funded by the DfT. It has a single shareholder, the Secretary of State for Transport. It is classified as a Non-Departmental Public Body (NDPB) by the Cabinet Office and is treated as part of the central Government sector by the Office for National Statistics.²² It should be an Executive Agency.

According to the HS2 2020/21 Annual Report, net expenditure was £109m but according to the DfT Annual Report (Annex D) it was £4m less — though both agreed that employees numbered 1,479.

HS2 will presumably follow the process of HS1, namely selling off all the assets once it is up and running. London and Continental Railways Ltd is still owned by DfT but with some staff selling trackside land. HS1 itself has been privatised with track and bridge maintenance contracted to a subsidiary of Network Rail. Staff savings will take their course.

THE GENERAL LIGHTHOUSE FUND (GLF)

The GLF was created by statute in 1898 to provide funding for the three General Lighthouse Authorities (GLAs): Trinity House (TH), the Commissioners of Northern Lighthouses (known as the Northern Lighthouse Board or NLB) and the Commissioners of Irish Lights (known as Irish Lights or IL).²³ Merger seems overdue: the GLF is, in effect, the parent company of the three GLAs, with their 626 personnel, and reducing the four ALBs to one could produce a headcount saving of around 100 staff.

OTHER ALBs

The **Office for Zero Emission Vehicles**, the **Centre for Connected and Autonomous Vehicles** and the **Accident & Investigation Branches** all do important work but produce no annual reports and have too few employees to justify ALB status. They should be simply teams within the DfT core.

The same logic applies to the other seven ALBs listed in Annex D of the DfT annual report but not mentioned above. A total 165 staff are involved (100 saved) excluding East West Rail with 100 staff, which is a borderline case. Appendix B lists the 10 Executive Agencies recommended to continue; no other ALBs should continue.

²¹ Department for Transport, Great British Railways: The Williams-Shapps Plan for Rail, 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994603/gbr-williams-shapps-plan-for-rail.pdf

²² HS2, Annual Report and Accounts 2020-2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1011180/HS2_Annual_Report_2021_Accessible.pdf

²³ General Lighthouse Fund, Annual Report and Account 2020-21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1028425/general-lighthouse-fund-annual-report-and-accounts-for-year-ended-march-2021-web-version.pdf

The DfT top level organogram gives a clear indication of managerial excess.²⁴ The top management structure of DfT seems to be a complete muddle and an expensive one at that.

DIRECTOR-GENERAL LED GROUPS

The DfT HQ has six Director-General led groups:

- Aviation, Maritime, International and Security
- Corporate
- Roads, places and environment
- High Speed Rail (being micromanaged by four HQ groups plus 1,479 staff in the ALB)
- Rail Infrastructure (with five HQ groups micromanaging that, plus Network Rail)
- Rail Strategy and services (being micromanaged by 12 HQ groups, even though train operators are mostly privatised)

Instead of the three rail groups, there should be a single rail strategy unit in the HQ with executive functions handled by Executive Agencies. This would reduce Director-General led groups from six to four.

ARM'S LENGTH BODIES

In addition to the existing six HQ groups, DfT arm's length bodies include (p.108) four non-ministerial departments, five public corporations, four executive agencies (see above), four "non-classified public bodies" (Network Rail, Highway England and the two residual HS1 bodies — though the General Lighthouse Fund is not here regarded as part of central government and nor is the Civil Aviation Authority) plus nine executive non-departmental public bodies.

ROLE AND FOCUS

The DfT says that it "plays a vital role in increasing the UK's impact and leadership across the global transport system" (p.63). This is a grandiose ambition for a department whose main role is to take care of UK road, rail, maritime and air transport, and to form reciprocal agreements with other countries. It should focus on that role, not try to lead the world. This should require no more than 1,000 of the present 2,813. Implementation should be delegated to the 10 Executive Agencies in Appendix B.

²⁴ Department for Transport, Organisational Chart, 2022: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056867/dft-organisation-chart.pdf

- The DfT should be structured as an HQ dealing with policy, legislation and all matters too small to need a specialist Executive Agency. All other matters should be handled by Executive Agencies. No other public bodies should be required.
- Departmental classifications should be matters for the Cabinet Office, not the ONS.
- New Network Rail management would be required but, with new technologies too, a 20,000 headcount reduction should be possible.
- The Office for Rail and Road makes little useful contribution and should be closed.
- Highways England is basically fit for purpose but growth in staff numbers since 2016 indicates 1,000 could be trimmed.
- DVLA and DVSA should be merged reducing staff numbers by 50% (5,000) by halving the sets of records and leaving updating mostly to drivers and garages online.
- The Vehicle Certification Agency is a respected body but spread around the world. It should reach break-even financially with some trimming.
- The 1898 merger of the three lighthouse bodies into the General Lighthouse Fund should now be carried through to completion.
- There should be a single rail strategy unit in HQ, rather than three, with executive functions handled by Executive Agencies.

Appendix A shows a potential headcount saving of 28,538 from DfT's 70,021. Appendix B shows the 10 Executive Agencies that should continue.

DfT HQ AND ALBs

UNIT	INCOME £M	NET EXPENDITURE £M	EMPLOYEES	RECOMMENDATION	STAFF SAVING
HQ	613	17,766	2,813	Trim	1,813
DVLA	554	(158)	5,468	Merge to DVL&SA	5,000
DVSA ²⁵	305	54	4,510	See above	-
VCA	12	371	1,155	Move to break even	200
Network Rail	4,089	7,492	44,356	Modernise	20,000
ORR ²⁶	32	3	325	Close	325
Highways England	58	2,311	5,810	Trim	1,000
High Speed 2	0	105	1,479	Evolve as HS1	-
BT Police	220	165	5,193	No change	-
Trinity House	35	5	308	Merge into General Lighthouse Fund	
Northern Lighthouse	24	0	187	Merge into General Lighthouse Fund	100
Irish Lights	2	0	123	Merge into General Lighthouse Fund	
East West Rail	0	36	100	No change	-
Other bodies with <100 staff	22	170	165	DfT HQ to handle	100
Total	5,984	28,318	70,021		28,538

Current figures from Annex D of Department for Transport Annual Report 2020-21²⁷ unless otherwise referenced.

²⁵ Driver and Vehicle Licensing Agency, Annual Report and Accounts 2020-21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002515/DVLA_annual_report_and_accounts_2020_to_2021.pdf

²⁶ Office of Rail and Road, Annual Report and Accounts 2020-21: <https://www.orr.gov.uk/sites/default/files/2021-06/orr-annual-report-and-accounts-2020-21-web.pdf>

²⁷ Department for Transport, Annual Report and Accounts 2020-21: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031059/dft-annual-report-and-accounts-2020-2021-web.pdf

EXECUTIVE AGENCIES RECOMMENDED TO CONTINUE

British Transport Police
Civil Aviation Authority
Driver and Vehicle Licencing and Standards Agency
East West Rail
General Lighthouse Fund
Highways England
HS2
Maritime and Coastguard Agency
Network Rail
Vehicle Certification Agency