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Mr Peter Apostolou  
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08 March 2007

Dear Peter

**Re: Draft Guidance for Local Authority Promoters Considering a Light Rail Scheme**

This letter responds to the Department for Transport request for consultee's views on the draft guidance ("Guidance") for Local Authority promoters considering a light rail scheme published 14<sup>th</sup> December 2006 on behalf of UK Tram.

UKTram has been set up as a best practice body to represent the tram industry (public and private sector) in its dealings with the Government and other agencies. Its founder members are the Passenger Transport Executives Group, the Confederation of Passenger Transport, the Light Rapid Transit Forum and London Trams, and it is currently addressing a number of issues that are holding back the successful development of tram schemes in the UK. It has set up a series of Activity Teams, comprising industry experts in the appropriate fields, to investigate specific problem areas and make recommendations for change and has worked with the Department, with whom there is a Memorandum of Understanding concerning research funding, to prioritise the associated Work Streams.

The Passenger Transport Executive Group brings together and promotes the interests of the six Passenger Transport Executives (PTEs) in England. Strathclyde Partnership for Transport and Transport for London are associate members.

The Confederation of Passenger Transport represents the main tram, bus and coach operators in the UK, including the operators of all 6 current UK tram systems in Manchester, West Midlands, Sheffield, Nottingham, Croydon, and Blackpool.

The Light Rapid Transit Forum represents a wide range of private sector interests in the UK tram industry, including financiers, construction companies, operators, concessionaires, rolling stock companies, and engineering and other consultancies.

London Trams, a division of TfL's Surface Transport directorate, was the promoter of Croydon Tramlink, and has plans for a number of other tram schemes in London.

The Guidance was circulated to all members of UK Tram requesting comments to a central point of contact. The views of members were then assembled into one response and debated at a Steering Group meeting of UK Tram, before being finalised.

In addition representatives of the Light Rapid Transit Forum and of the Confederation of Passenger Transport attended a meeting with the Department on 14 February 2007 at which a number of comments were provided.

We have a number of serious concerns with the Guidance in relation to its general tone, which appears to be very strongly biased against light rail development, and in relation to the funding and appraisal aspects, which we consider will preclude the taking forward of light rail schemes and which do not take into account the many benefits of light rail. For example the guidance does not contain mode shift examples or cases where significant regeneration has occurred. The Guidance appears to be overly concerned with affordability, which is an important consideration, but one that should be addressed in other, over-arching strategy papers and in national and regional financial planning. The attached annex sets out these concerns in more detail and responds to the specific questions in the consultation.

Further to Peter Adams conversation with Helen Smith, UK Tram's members are keen to provide further resources to work with the Department in taking forward the Guidance with the aim of providing "Guidance to provide practical help to local authority promoters considering a light rail rapid transit scheme". We shall prepare a "track changed" version of the Guidance as a starting point for that debate. We cannot deliver this for the 9<sup>th</sup> March deadline for

consultation responses, but undertake to do so as soon as practicably possible, and to work with the Department to deliver final Guidance by Summer 2007.

Yours sincerely

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## **ANNEX – DETAILED CONCERNS AND RESPONSES**

The structure of this response first responds to the four questions outlined in the covering letter and is then followed by a number of more general points on the Draft Guidance.

### **1) Is the information contained within the guidance likely to be helpful to promoters seeking a light rail scheme?**

The Draft Guidance appears to be drafted to point promoters away from Light Rail and is therefore likely to be unhelpful for its suggested target audience of local authority promoters considering a Light Rail scheme. This is exemplified in a quote from paragraph 1.4.2 “bus options are likely to offer the most cost-effective solutions on most corridors”. It is unhelpful and not particularly relevant to suggest the most cost effective solutions to most corridors are likely to be bus options in a guidance paper for promoters seeking a light rail scheme. Many sections of the Guidance are similar in tone and style and we suggest that the document is subjected to a thorough re-editing process to remove this apparent bias against Light Rail. It is very important that in considering any public transport infrastructure projects all options should be carefully considered, but this should be stated at a higher level.

In this process, the Draft Guidance should be amended to include reference to the many benefits of Light Rail investment. For example, the PTEG document “What Modern Trams can do for Cities” sets out the wide range of benefits trams provide, particularly in its demonstrable ability to attract motorists out of their cars - “at least one in five peak hour travellers on trams in the UK formerly commuted by car”. The environmental benefits of reduced air quality pollution and carbon emissions, at point of use should also be highlighted, with reference to the recent Stern Report.

As another example, what is rather negatively pointed out by the Draft Guidance in section 1.4.3 as “the relatively high cost of light rail” can be offset by the major redevelopment and investment a light rail route attracts. This is clearly demonstrated by the Salford Quays Metrolink extension which cost £150 million but created over 3000 permanent jobs, stimulated £60 million of investment by business and boosted the Greater Manchester economy by £70million a year.

The additional benefits of Light Rail in aiding agglomeration and increasing business activity and productivity within urban centres should also be highlighted, picking up on other themes of the Eddington Report. The environmental and social benefits of light rail in providing sustainable and accessible transport also need to be fully captured.

We agree that all alternatives need to be thoroughly examined when choosing the most appropriate mode to solve a transport problem, but also that we have to guard against the unsubstantiated assumption that with simple bus-based schemes we can get 80 per cent of the benefits for 20 per cent of the costs.

## **2) Is the level of detail about right?**

The level of detail is generally considered appropriate. Areas where more detail would be helpful are:-

2.1.9 The guidance needs expanding to give promoters further sources of advice on whole life costs associated with bus schemes.

2.2 Requires expansion in the light of the Stern, Barker and Eddington reports.

3.6 The Guidance should cover in greater detail the possibilities for tram-train replacement of franchised rail operations, as proposed in the Leeds City Region and in the Tees Valley. This is an important example of how a specific scheme might fit into wider objectives and priorities.

## **3) Are there any additional issues which you would like to see covered in the guidance?**

No comments

## **4) Could any sections of the draft guidance benefit from greater clarity?**

2.1.5 There are several intermediate categories of bus-based systems that could be included, as a generic example it is suggested the term “Enhanced Bus – non guided” should be added to the list here.

2.4 The Transport Innovation Fund (TIF) section requires greater clarity, especially in respect of how schemes are appraised within a TIF package, where there are serious issues over the assessment of decongestion benefits and how they are split between road pricing and infrastructure improvements. Processes for approval of major projects should be shorter and the amount of detail required to be provided should be less within TIF projects in post-charging period and these projects should ideally be taken forward via a local approvals process once TIF is in place.

3.3.2 & 3.5.3 The wording of paragraph 3.3.2 is too strong and is unhelpful. While park and ride is important it should not be introduced at the expense of maximising the potential of passengers who live near the route from getting easy access to stops. Walk and ride should be a substantial part of any traffic

generated if the scheme is properly designed. There is also a balance between Feeder Bus and Park and Ride provision, where carefully re-modelled bus services may obviate the need for car parks on the route, dependent upon scheme specific characteristics. Poorly implemented Park and Ride can have detrimental impacts on the overall objectives of schemes and Park and Ride must be considered in light of local transport policies.

3.5.1 In Section 3.5.1 the mention of QPA seems to conflict with what was said in 3.2.1. The issue of not sharing a market will remain a barrier preventing for example a tram operator agreeing to accept the tickets of a bus service on a parallel route or to providing an overnight bus service when trams are not running. These are examples where competition law is not operating in the public interest.

Under “Quality Contracts” in the same paragraph the assumption is made that passengers will always prefer to remain on the vehicle and avoid interchange. This is not universally true; on good public transport systems most passengers will readily change vehicle to get a faster journey. The Department is encouraging good interchange whereas the resistance to changing vehicles applies to the “bad practice” situation where each transport system works independently of the other and the passenger takes a risk in making such a change.

3.8 The use of car restraint measures to increase the usage of the high quality public transport offered by Light Rail is welcomed, however, the Department’s current appraisal methodologies are such that the effects of such restraint measures are a disbenefit to the scheme. It is suggested that greater clarity and revised assessment methodologies are provided in respect of this very important point.

4.7.4 Comments regarding bus competition need to be reviewed in the light of section 3.5. Where integration is good this will not happen and it is hoped legislation referred to in 3.5.2 will reduce this possibility.

4.10.2 The last sentence says “Promoters should consider how the mitigation measures that are likely to be demanded will increase scheme costs”. Should this not say “reasonably required” instead of “demanded”.

4.10.5 As stated earlier, it is considered that further guidance is required on how to quantify appropriately the wider economic benefits of light rail systems to reflect their full value to society.

6.4.1 Greater clarity is required over the phrase “submit a valid business case” (a point which has been raised in meetings with the Department). We understand that this means a properly submitted business case. In general the approvals process could be better defined, preferably with a flow chart or diagram illustrating the process.

7.6 This section outlines the new ROGS regulations. Since this guidance would apply to both tramways and light railways such as Docklands, there should be separate paragraphs. For railways, ROGS currently applies in full. For tramways, there are the exemptions described in 7.6.4. The Safety Verification system for tramways after October 2008 is currently being discussed in UKTram and with ORR. HMRI Guidance (ORR Railway Safety Publication 2 – Guidance on Tramways) in respect of design standards and guidance needs mentioning in this section.

In 7.6.7, the Guidance should differentiate between railways and light rail schemes, which require their Safety Management System to be approved by HMRI, and tramways, which don't.

8.2.2 Clarification of IOBC is required; this is the first use of the term in the document.

### **General Comments**

The Guidance title suggests it is to focus on light rail, however many of the contents apply equally to other rapid transit modes such as Bus Rapid Transit. It is suggested that the document could be expanded to embrace all forms of rapid transit

There is a conflict between section 3.7.2 which refers to the situation in London yet section 1.1.3 specifically states this is guidance for promoters outside London. The guidance should either be for all promoters, or should exclude London entirely.

### **Financial Issues**

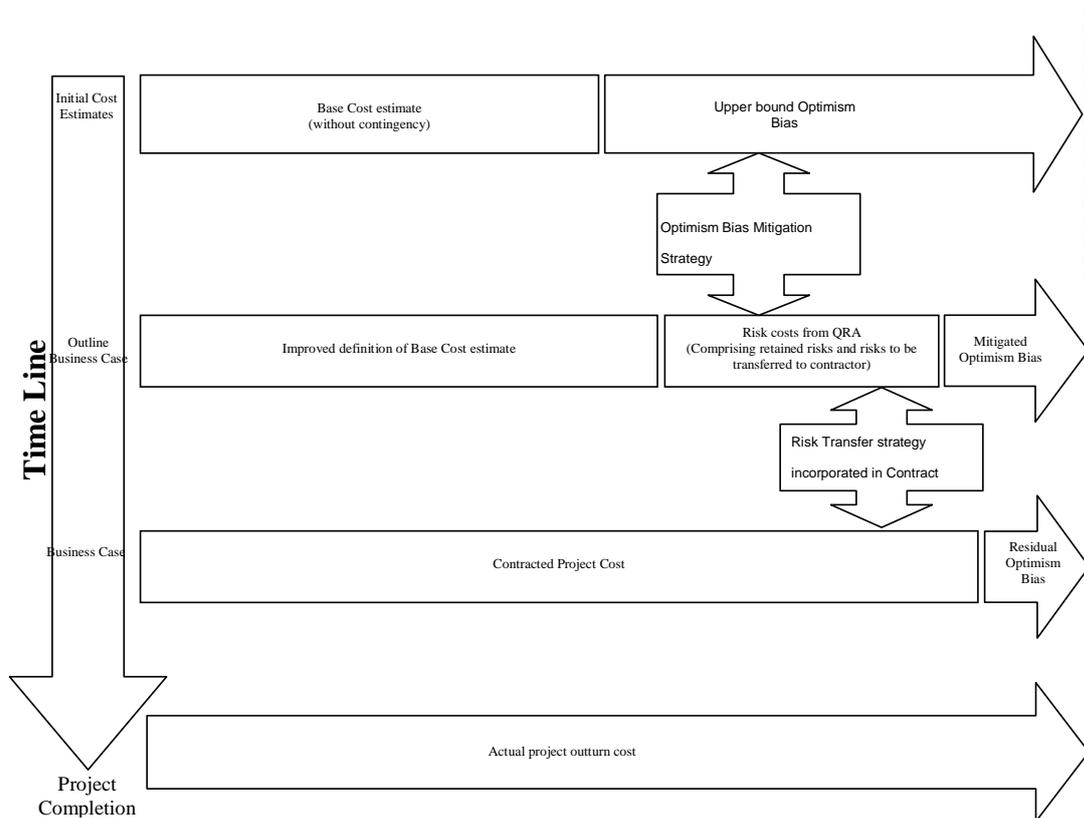
The Guidance gives rise to serious concerns over financial issues and the extent of local contribution required for Light Rail projects. The suggested capping of project costs at the very early stage of programme entry is unhelpful and we consider this should be revisited.

In principle we believe that the 25% local contribution for Light Rail should be reduced to 10% as for other major transport projects. The benefits and costs are considered equally between modes in the transport appraisal process, and the additional local cost penalty for taking forward Light Rail is a severe disincentive to local authority promoters considering a project and may mean that the considerable benefits of Light Rail are not provided due to artificially biased funding arrangements that penalise local authorities.

Section 6.5 of the Draft Guidance also raises serious concerns over its financial implications in respect of the treatment of optimism bias. To

understand this it is necessary to recollect the basis for Optimism Bias, which should reduce as a project progresses through its life as illustrated overleaf.

Outturn Cost



If the “Additional Risk Layer” suggested in the Draft Guidance is set too early in the life of a project, it can be seen that it will represent a considerable proportion of the expected project cost. This will mean that the local contribution could be far more than the 25% suggested in the Guidance. The simplified numerical example below illustrates this concern.

*Anytown Tramway IOBC Submission*

	£m	Local Costs	DfT Costs
Prep Costs	20	10	10
Base Cost	200	50	150
Optimism Bias (40%)	80	40	40
<b>Total</b>	<b>300</b>	<b>100</b>	<b>200</b>
		<b>30%</b>	<b>70%</b>

If the approach is to set a cap for expenditure at IOBC and incentivise promoters to keep costs under control then some form of mechanism along the lines suggested in the Draft Guidance is appropriate, however as illustrated above this mechanism is flawed. One option could be to increase the 25% share of the Quantified Cost Estimate to a figure that gives an overall 25:75 share as shown in the re-worked example below.

### *Anytown Tramway IOBC Submission*

	<b>£m</b>	<b>Local Costs</b>	<b>DfT Costs</b>
Prep Costs	20	10	10
Base Cost (87.5%)	200	25 (12.5%)	175
Optimism Bias (40%)	80	40	40
<b>Total</b>	<b>300</b>	<b>75</b> <b>25%</b>	<b>225</b> <b>75%</b>

A more sensible approach would be to defer capping until OBC stage when the major risks associated with the TWA process and design development had been refined and confirmed.

The financial issues also fail to consider the impacts of inflation and changes to programme outside the promoters control. This is another powerful argument against capping schemes too early in their lifecycle.

The diagram in section 6.5.2 should also include preparation costs for completeness and the Draft Guidance should make clear that these are counted as part of the local contribution to the project.

In addition to the above, it should be made clear within the Guidance that repeated and costly re-examination of next best and lower cost alternatives should be avoided once a clear choice of preferred mode has been made at Programme Entry.

### **State Aid Issues**

Section 7.4.5 raises serious concerns over the implication that any LRT scheme displacing bus services would constitute possible state aid. It is difficult to imagine a project where a new Light Rail service would not lead to reductions in bus services, and where the operators are different this has potentially serious consequences.

## **Minor Issues**

There are a number of minor changes some of which have been raised in meetings with the Department, others which have been noted below and minor typographical errors which can be picked up in a track changes version.

5.2.6 EU not EC

5.3.10 considerations should “be” given.

2.1.7 distinctive not “destinctive”.

Appendix B – No longer Andrew Gardner.

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