

APPLRG / pteg: Light Rail and the City Regions

Transcript

Day 2 - 3 November 2009

Session 2 – Campaign for Better Transport (CBT)

Questions 102 - 113

Q102 Paul Rowen: Right, thanks very much Stephen. You're the Executive Director of the Campaign for Better Transport, and I think you're particularly going to talk to us about localism, devolution and trams. We'll start if you like, if you'd like to make an opening statement, and Graham and I will ask you a few questions.

Stephen Joseph: Yes, well we've submitted written evidence and I suppose the point we've made there is that if the government is serious about devolution and localism - these are terms being used not just by the government but by all parties now - then that needs to apply to trams and the funding for them. And up to now it hasn't, in that, when local authorities have said they want trams, the government have gone 'no, you don't really; you want buses.' And we've made some suggestions in here about ways in which that might be made real in terms of new sources of local revenue, about general government spending, about appraisal, which I know you're going to talk about later on, though we could go into that area. We've been involved in some new work on appraisal in the light of the government's changes to transport appraisal. And also some practical suggestions on the revision of major scheme guidance that would level the playing field between trams and other major schemes. So I suppose those are the main points that we made here.

Q103 Paul Rowen: Thank you for your submitting that; it was very interesting I have to say. Can you take us through, you know, Graham's just been made the Secretary of State for Transport, and he's just going to introduce a new devolved localised system, what are the step changes that would have to happen both in the centre and in the localities - in terms of responsibilities, rights and, and so on - that would deliver what you want to see? And how does that affect the balance of power?

Stephen Joseph: Firstly, as we've said in our evidence, that government's got to give much more weight to some of the factors that have led local authorities to propose trams in the first place. Transport appraisal tends to give weight to time-savings by motorists or by current, by transport users. If, and in some cases that is appropriate for trams, but in cases like Mersey Tram for instance, that scheme is predicated on giving existing public transport users who currently use bus, a much better service, in quality and quantity, to the service they've currently got. And that isn't scored at all in the way in which government look at things. So, so the first thing is to turn the Department of Transport from a Department of Transport industries to a Department of Transport users. In other words thinking about it from the users' perspective, transport from a user perspective, and shaping that in terms of trams being a better user perspective, better for users than buses. Secondly, we'd want to see, Graham as Secretary of State should be actively encouraging more of the sort of packages that his own city of Manchester have just done. Which is about putting together different forms of funding to create a package that has supported expansion in Light Rail across the city. And there are all sorts of issues around that: I think we'd want to see more London style bodies, maybe that provide more city region leadership on transport, with some of the powers that the Mayor of London has to bring together planning, transport and highways. But even without that, Manchester has shown that you can get packages of funding together. So much more of that - much more local funding packages and new forms of

revenue. Take the Crossrail package: what's good for Crossrail, supplementary business rates, ought to be good for other infrastructure projects, like trams, as well. The Nottingham workplace parking levy, without judging the levy itself - and we've supported it - but the point here is much more in the way of flexibility for local financing packages. So that's the second thing. The third area is changing the guidance on major schemes, and this is a practical thing, the government gives guidance to local authorities on major schemes. It was one of the things that tripped up the various tram schemes in 2004, the major scheme business case guidance was used to kind of reject some of those. And we made some suggestions in here about some of the sort of specifics in there that would need to be done, that would need to change. So at the moment for example most major transport schemes, there has to be a local contribution of ten per cent, with trams it's twenty-five per cent. The utilities pay eighteen per cent, with trams they pay seven point five per cent. So in other words there's an extra cost there. Cost overruns and risks of cost overruns, should be treated the same as with roads. This isn't asking for special pleading for trams, but equality.

Q104 Paul Rowen: But don't most road schemes ridiculously overrun?

Stephen Joseph: They do. One of the things that we, and this is an odd area, but one of the things that we have done a lot of, is digging out the fact that, while the department has been very down on trams because of the potential cost overruns, they've not actually done very much, if at all, about cost overruns on local authority road schemes, some of which have been astonishingly high, I mean much more than was ever thought to be the case for, for trams. So all of this is about an equality of treatment for trams and other major transport projects. And the major scheme business case guidance, which is being revised at the moment, is an opportunity to do that. And I suppose alongside that is, the government has been talking about much better option identifications - it's something the Eddington report talked about. And arguably, many of the authorities that wanted to pursue trams went through that process, and the government made them jump through even more hoops, and even when they went back, the local authorities went back and went 'yes, we really do mean trams' sort of thing, 'this is why trams are the best way of solving our problems,' the government wouldn't believe them. So our argument is that if the government is serious about looking, rather than just jumping for solutions, that we should look at the full range of options, we buy that argument but in cases where that has come up with Light Rail as the answer, the government should proceed with that. I suppose there's actually something else I should mention which is something we touched on with the last witnesses, which is about linking trams to, and Light Rail to, wider transport and other policies and making trams part of the solution to poorer air quality, to reducing carbon emissions and other environmental problems, as well as economic regeneration, getting people who are unemployed access to employment, education and training and so on. And at the moment trams aren't seen as part of that. They're seen as kind of a thing on its own and we need to look at those wider impacts and benefits.

Q105 Graham Stringer: You mentioned a level playing field in terms of appraisal. I agree with that. Do you think it is possible to have a level playing field in terms of comparing costs between buses and tram, Light Rail schemes? Because by and large the government see a huge number when they look at tram schemes. Half a billion here, three quarters of a billion there. They look at buses and they say two and a half billion across the country but that's one year.

Stephen Joseph: Yes.

Q106 Graham Stringer: Whereas trams are a long-term commitment to public transport. Do you know of any work that is being done to compare the cost of buses over twenty, twenty-five years with light rail, and do you think it would be a good thing to do?

Stephen Joseph: Yes, I think it would be a very good thing to do and I think in a way we're about

to get to a position where it will be possible to do proper comparisons between trams and guided bus. Because it wasn't just buses the government was talking about, it was guided buses the government was talking about as an alternative. And we're just about to see Cambridgeshire open its guided bus way which has taken over an old railway and I understand it's running substantially over budget but it will be possible to do a proper analysis comparing what happens in Cambridgeshire with what has happened with, say, Metrolink or any of the other tram schemes around the country and look at the full cost of these. Similarly Swansea is just about to have a big new bus network, part of which is guided which utilises the latest First groups FTR articulated buses. So it will be possible to look there at what that's bought in effect. So I think it will be possible very soon to do the kind of analysis you're talking about, look at the full, the actual capital costs as opposed to the ones that were being talked about at the time. And also, critically, see whether people have been attracted out of cars onto the guided buses in the way that they have been onto trams. And I should say we're not the Light Rail Transit Association, we're not campaigning for trams per se. What we're arguing for, as a group concerned with sustainable transport, is the best and most appropriate way of providing alternatives to cars for more journeys. And in some cases that will be buses but in many cases where you've got high flows, trams ought to be the appropriate option and ought to be considered. And we'll now be able to see, as I say, what those are. I think it would be possible, over time, to look at what a comparison between bus and tram but the problem is in a deregulated market, it's much more difficult to predict what the actual costs of buses is going to be over a twenty to twenty-five year period. And if you've done that with Metrolink and you haven't factored in say the cost of concessionary fares, your numbers will be completely out. So I think it will be much more difficult to do a straight bus versus tram comparison. But guided bus and tram ought to be quite easy to do.

Q107 Graham Stringer: That, that's interesting and I essentially agree with what you're saying. This is a difficult question I think, but when you look at what the Department of Transport hasn't done in terms of its analysis and assessment of tram versus buses or tram versus... I come to a conclusion that there is prejudice within the Department for Transport against Light Rail and tram schemes. I'd just be interested in whether you agreed with that and if you do, do you have a view as to why they're prejudiced against Light Rail schemes?

Stephen Joseph: Yes, I think you're right that there is prejudice and there certainly has been, though it's worth saying that's changing. I notice that one of your last witnesses said that it would be very good if it would be possible to kind of look at rail and tram together. And the group may have noticed that last week the department announced a proposal to convert St Albans Abbey to Watford junction line which is currently part of the national rail network to tram operation and hand it over to Hertfordshire county council to run. I know a bit about that because we as an organisation have been pursuing an area wide quality bus partnership in St Albans with Hertfordshire county council and the district council. And it seems that the government is taking exactly the view that your previous witness was suggesting, which is that in the future there will be a cost to replacing the trains on that line and that if that cost were to be put into buying second hand German trams, then it would be possible to provide a much better service on that line and put in a passing grid as well so you'd be able to buy another train, improve the service, potentially extend the line into the town centres at either end and so on. So I think that's a ground breaking thing actually because previously the department have been thinking of trains and trams as completely separate, and haven't been prepared to think about any of this sort of thing. So I think there has been prejudice against trams and I think it's because, fundamentally, a point I alluded to in my introductory comments, the benefits of trams don't appear on the Department for Transport's horizon. Because the way in which they appraise things and also because of issues around regeneration. The Department for Transport tends to take quite a narrow view of regeneration in transport and doesn't tend to look at the benefits that trams bring to regenerating an area. And in particular they don't take a view, in the way that other European countries do, about what we might call public transport centred development and I read a piece not long ago about Rotterdam. And Rotterdam's had an area for regeneration, very similar to those around

Manchester and so on which has been run down and which they regenerated. And the first thing they did was to extend their tram into that area and they apparently said that for the first few months they didn't have anybody on the tram. And the reason they said that was because they wanted the trams there as a magnet for development and before anybody started working or living there, because they wanted to, when people arrived, they wanted to be a good public transport option there for them so the people would develop public transport using habits, rather than driving everywhere. Now that's so contrary to the way the Department for Transport approaches things here. I hate to think what the benefit cost ratio of running empty trams for three months would look like. It wouldn't be very good. And it's, that concept and that approach and that argument is completely foreign. I actually say this from personal experience, we tripped over this, I was on the government's eco towns challenge group. The Department for Transport just couldn't see the point of having high quality public transport as a magnet for development, as the centre for it. And the only place I know in this country which has really managed to do that has been the guided bus operation in Kent, where the guided bus was the first line on the map for the Kent Thameside development and all the development happened around it and it was framed around lots of rather restricted car parking and traffic. And that was because Kent county council and the district council insisted that that was the way it was going to be developed and managed to get development funding, not Department for Transport funding, to make that happen. And they went for guided bus because they thought that trams were just never going to happen for all the reasons that we've talked about. So that's the only place I know in this country where that approach of having a high quality public transport in there to start with, before anybody arrives, has been thought about. That's an approach that's completely foreign and I think it's partly because that in this country planning and transport have been divorced even when John Prescott was running the Department of Environment, Transport and the Regions, they really didn't talk to each other very much. And I think for a lot of good reasons we've got to talk, to get better at joining up planning, transport and economic development for environmental and economic reasons and also for competitiveness reasons, because otherwise our cities are going to lose out against other cities in other European and as I say in some cases US cities, which do it better than us because they join them all up. There is, incidentally, this is new for this group, I understand today the Department for Transport and the cabinet office are publishing a new report on urban transport which actually makes some of these points. And crucially does it from the concepts of health and use of space and not just about traffic and congestion and, although I think it doesn't refer directly to Light Rail, it does say that British cities, in general, have fallen behind their equivalents in other European countries because of a lack of joining up integration and trams, I think, are a symptom of that.

Q108 Graham Stringer: The point you're making about the report that's out today is a point that pteg, various people have made from Manchester, Leeds, most of English regional cities have made the case that we are part of Britain's competitiveness and we're falling behind other European cities. One of the reasons isn't just not joined-upness, it's also that Manchester compared to Munich perhaps has, I don't know the figures, but forty per cent of the amount of money per capita spent on public transport. I'm going to a depressing point really, that when you look at what's going to happen to public expenditure, whoever's in government over the next five, eight years, then there are going to be cuts. And if you protect health, education, the armed forces, there's not going to be a lot left for transport. And when you look from a regional perspective of the money going into cross rail, Thameslink and the BPP and we can talk as much as we like about trams in Manchester and Leeds, we're going to be left with nothing. My view, and I'd be interested in your comments on this, is that if there is going to be any money going into English regional cities, then cross rail has to be cancelled because it's very expensive. And compared to the money going into the tube, will deliver less benefits. I'd be very interested in your criticism, comments, agreement, disagreement with both the analysis and the solution there.

Stephen Joseph: That's interesting. Firstly, I agree with you about Munich. I think it's not just about the level of government money going in, it's, I think, the fact that Munich can raise much

more of its own revenue than Manchester can so the business rates are centralised, where they're not in Munich or other cities like them. So I think, and no party has yet said that it will, in the next parliament repatriate business rates to cities and allow urban changes, but it's the sort of thing that other European cities take for granted. So, because what that means is that if there's uplift in property values as a result of building trams, the city can't benefit from that. That's why, you know, say Paris is building these trams because it's got a local transport tax which is employees payroll tax. Which is in effect recognition that employers as a whole benefit from having high quality public transport. so its been building, you know, lots of trams in Paris and lots of trams in cities like Bordeaux and so on because its been able to, cities have been able to tap those kinds of revenue sources. And I think, you know, whatever happens at the next election, the next government is going to have to look at that kind of thing if it's not going to let cities fall by the wayside. Hence... and we went as far as we thought might be reasonable in the evidence saying about using things like Milton Keynes, Greater Manchester, Nottingham as examples of where practically people have started down this road. Actually a good example, in a way the point about London and as well as Scotland and Wales is you've seen lots of public transport spending and you've seen lots of rail re-openings in Scotland and Wales, partly because once you give local decision making, its seen as something that is actually important and actually its part of the local strategy. So, okay, you could argue about the Scottish and Welsh financial settlements, but they have used that money. So the first point is yes, we need new finance assistance. The point about cross rail is interesting. I think there's a danger that if you cancel cross rail I'm not sure the money would go into the cities, I think it would just go into the banks or, you know, a black hole. So there isn't any sense that I've got that cancelling cross rail would lead to that. And secondly, precisely because they have got lots of other forms of financing, actually it's not certain however many billions you've actually saved from that because it's, five billion or whatever it is, because they have actually used lots of extra money from other sources in a way that hasn't been allowed elsewhere. So I think our view is that we wouldn't go to the stake for cross rail but we wouldn't want, without some kind of guarantee that the cross rail money went actually to those other cities, levelling things out. I think we'd be cautious about advocating cancelling cross rail. And secondly there is a case that what the tube upgrade makes the current system work better and, you know, there is a capacity issue on any kind of transport in London which cross rail is a way of coping with and expanding the existing tube lines is quite difficult to do. There's one other point I'd make though, Tees Valley have come up with a proposal for making better use of the network they've got by turning some of it over to Light Rail, Tees Valley metro, that seems to be getting somewhere as well. But also I think there's quite a lot that could be done but trying to use Light Rail to make better use of the systems that are there at the moment. So I think there's innovative things to be done with financing there, using the rail financing pot which is a bit more ring fenced than anything else.

Q109 Paul Rowen: But they don't do that do they? The ten million subsidy for the Oldham Rochdale loop line has now disappeared.

Stephen Joseph: Yes, well that's why I'm saying the St Albans Abbey thing is a bit of a breakthrough because it actually looks like there was some ring fencing deal done. In fact I know Hertfordshire wouldn't have had anything to do with it if there wasn't something there. But I also think that we need to join the Light Rail debate issues up to the high speed rail debate. High speed rail is being talked at the moment as if you could have good links between, say, London and Birmingham and Manchester without better public transport at either end and having been involved a little bit in the high speed two external challenge group and seen some of the numbers there, it's inconceivable that you could build high speed links with, and I think there's now a consensus on this, you don't just build the pathways, you build them with good city centre, you know, links so the trains do end up in the middle of Manchester or wherever, rather than on the edge of them. And it's inconceivable that you could build those without substantially upgrading the public transport in those cities to cope with a thousand passengers arriving or departing on a train every half an hour or however frequent the high speed service is. And therefore, in thinking

about high speed rail and all parties are now committed in some form to high speed rail development, you know, the leaders of Birmingham are going to need to think about making the case for expanding the metro as a means of getting people to and from any Birmingham high speed station. I know those discussions are happening at the London end about how you get people to and from Euston which is where the terminus is. And so things like splitting the northern line at Camden Town and so on become the sort of thing you have to think about. And so I think that it's not about a choice between cross rail and the rest but it is about joining these things up so that high rail becomes a catalyst for local development and that therefore if there's going to large chunks of money spent on high speed rail you want to make sure that some of it goes on urban transport links, that's a creative way of thinking about it.

Q110 Paul Rowen: Thanks. I want to talk to you a little bit more about taxation and you quoted the examples of Manchester, Nottingham and Milton Keynes. But equally, at the same time, you argue for the government taking more of the risk in terms of the development of Light Rail and transport infrastructure systems. Isn't that, you know, aren't the two conflicting? You're expecting government to put up more money but at the same time you're giving the localities more responsibility and more say.

Stephen Joseph: No, I think the risk issue isn't necessarily about more money. It's about government taking the risks that only government can take and thereby lowering the total cost. One of the problems with the way in which Light Rail was being procured was that the whole lot of risks in terms of planning and high ways and a whole load of other things, were being loaded onto the private sector and pricing those risks in raised the total cost of the project. This issue will come up, by the way, in relation to high speed rail and a lot of other things, where the risks sit, and I think there's a consensus that, on high speed rail, the risk of all the planning, land purchase and all of that, risk has to sit with government otherwise it's not going to happen. It happened, it's the only way high speed one could have happened. With trams, what happened was lots of those risks were handed over to the private sector who priced them in and therefore priced them up. I think that there's an issue about the risks resting where it's most appropriate for them to do so.

Q111 Paul Rowen: But shouldn't it rest with the city region rather than with the government? If you're giving the city region more power and more responsibility, shouldn't they carry the risk?

Stephen Joseph: Well that, the problem was that the way we've talked about this, we perhaps haven't been terribly clear about that. What we've said is the public sector rather than the necessarily central government, but the point was the government were insisting that the local authorities handed lots of the risk over to the private sector and if they hadn't insisted on that they would have got much better value for money out of it.

Q112 Graham Stringer: Sorry, can you put a sort of ballpark figure on what that risk was in the Greater Manchester big bang scheme? Because I've tried very hard to try and quantify it having looked at the Greater Manchester figures when they went from a quarter of a billion to half a billion to a billion in round terms. One of the arguments was precisely the argument that you're putting, that the banks were reassessing the risks after Rail Track was effectively taken into public ownership. Now the costs went up three quarters of a billion. That clearly wasn't all risk and I've been unable, having looked at the figures, to get at what that figure was for the Greater Manchester scheme. I wondered if you've got a better idea.

Stephen Joseph: No, we haven't looked at the detail of this.

Q113 Graham Stringer: It's an important thing to know.

Stephen Joseph: It's very important. I should say though, that it's a question you should put to your next witness, Lewis Atter, KPMG, because he was head of transport spending in the

Treasury at the time and he would have a reasonably clear idea of exactly what the risks were and what that meant. I'm sure there was some pricing in what might be described as the Rail Track risk because it happened at the same time. But I also think that the government did move the goalposts a lot and various procurement and other risks, but the private sector can price in terms of risk such as being able to get trains and track delivered on time. I mean I think it would be interesting for the group to find out where the risks have gone in relation to Edinburgh, where there have been a lot of problems in terms of delivery scheme. But, you know, fundamentally the private sector was expected to pick up lots of construction, utility diversions, I think those were in there as well. I think it's hard to actually separate out all the different risks and all the things. You'd have to talk to, well, as I say your next witness or people in the banking, finance sector in relation to transport to get an accurate answer to this. What we just said was that overall our impression was that that made a lot of tram schemes very expensive and we've suggested that government needs to think about that much more appropriately. As I say, it will be, I think, interesting for the group to find out what's gone wrong at the Edinburgh end.

Paul Rowen: Right, well thanks very much for that Steven, that's been very helpful and thank you for the other paper as well, that's got some very useful suggestions.

ENDS