

APPLRG / pteg: Light Rail and the City Regions

Transcript

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Questions 233 - 275

Q233 Paul Rowen: We've got John Dowie, Director of Regional and Local Transport Delivery and Paul O'Sullivan Divisional Manager for Economics at Regional and Local Transport. Can I thank you both for agreeing to come along. You're at the end of the process, that's an advantage from your point of view. Somebody's listened to what everybody else has said. So perhaps we'll do the same as we did with everybody else. If you'd like to make an opening statement and then we'll ask you a few questions.

John Dowie: Yes. Well just a few remarks to begin, and then we'll devote most of the time to questions. I kind of started off thinking about today by looking at the Transport Select Committee report of 2004. And it's quite an interesting read partly because of the things that remain the same, but also there's quite a lot of things that have changed since 2004, and on the whole positively. Because 2004 really was the low point of perhaps the government's relationship with the tram community and the number of cancellations in that period of trams which had been in the pipeline for a long time clearly led to quite a soured atmosphere. But a number of things, as I say, have changed quite significantly since then. And while I wouldn't pretend all is now sweetness and light because it certainly isn't. And there are still issues, there are still things that could be done better. I think it's a better context now for trams going forward. I just had some, a small number of key changes. I think the first is, which was new since 2004, is the Regional Funding Allocations process. Which does address one of the big challenges of the 2004 report, about the lack of a context for scheme developers to prepare bids. Because now, once the hard decisions are taken by the region, in terms of prioritising the finite pot of money the region has and deciding which schemes should be included in their priority list, then the Department will work with the promoter on the successful schemes, prioritised schemes, to make them happen, if at all possible. So I think that's changed behaviours and quite markedly. And given more certainty to invest preparatory costs in the development of schemes. So that's changed. Since September 2007, which is coincidentally when I became involved in this area of work, the Department has approved seven light rail schemes and one billion pounds worth of spend. That's a mix of full approvals and some intermediate provisional conditional approvals. But nevertheless represents a substantial step forward in terms of development of the tram in our major cities. So I think that's a really positive point. And I know you haven't actually been getting the kind of rhetoric that the Department is anti-tram, but that was certainly very right in 2004. But I think that seven schemes, one billion pounds stands in stark contrast to that. And we've also got a further three schemes actively under consideration at the moment. There's also in parallel the quite interesting agenda on tram/train which has considerable potential for the future. Some of that obviously tied up in the tram/train,

trials in South Yorkshire. But most recently, as of course you are aware, the Secretary of State's recent announcement on Watford, St. Alban's does show the potential of tram/train where it can be delivered cost effectively at lower cost than the rail network. So I think that's a quite exciting opportunity. Just briefly the other things that have changed, we've spent a lot of time and work on our own processes, and the way we interact with bidders, trying to enhance the project management of our own programme. And I think we've quite successfully turned it round from a programme, and this is for the totality of schemes in the Regional Funding Allocations, which was a very sticky programme, found it very difficult to spend money, all of its money year on year, to one that is now spending to budget. So I think that's a great progress and I think although I'm sure scheme promoters will feel that relationships still have deficiencies, that actually it's a step forward from the position and some of the concerns expressed in the Transport Select Committee report of a few years back. We've also been looking at our economic appraisal guidance, the tests we apply, the factors we take into account, which I'm sure you will wish to come back to with Paul. Which is addressing many, not necessarily all, but many of the issues that tram promoters feel quite strongly about, how they are compared relative to all the other schemes. So I think that too is heading in the right direction. Now, looking ahead, there are challenges here and I think progress may, we have made today may well, it will have to show its mettle in the years ahead, because whatever happens over the next period, we've undoubtedly moved into a much tighter fiscal environment. It's going to be challenging for any transport scheme to progress, secure approval. They will have to be more competitive, better business cases and stronger value for money, to get funding. I think that the message is there for the tram sector. It goes back to the kind of general mantra about the right scheme in the right place. But in practice, extensions are probably going to be easier to justify than whole new lines from scratch because of the overhead effects. There'll be a renewed emphasis on cost control and that will open up again issues of utilities and the other matters which apply to trams generically. So all of that will be even more important in the years to come. But nevertheless, I think there is quite a strong reasons to be positive about trams and their potential to actually play a part in the integrated transport solutions in our bigger cities. I think I'll stop there.

Q234 Paul Rowen: Thank you. Paul, do you want to say a few words?

Paul O'Sullivan: Just to add to what John was saying about the appraisal of trams and other modes. Obviously we introduced a new approach to transport appraisal at the start of the decade, sort of 97 up to 2000, work on looking at the appraisal of all our projects. And I think that went a long way to reducing some of the biases and potential risks that you might be looking at some modes unfairly to another. So prior to that we hadn't taken account of time savings and benefits to rail passengers and to passengers on tram schemes. They're now included and have been for a long time. And the whole approach has also moved to a more, I think, considered approach about all the impacts with the appraisals when we take looking at the environmental, social and economic impacts, categorising those, as far as possible monetarising those to including the value for money. Recognising the value for money is only part of it. There's the value for money in terms of the monetarisation cost and benefits. There's also the broader strategic quality of fit which is also important. And presenting all that information in a systematic way for schemes. And I think that was a big improvement. More recently we've been looking at that again with something called a refresh of the

approach to transport appraisal. And that's now gone further in taking account of things such as good liability, taking account of some of these wider agglomeration benefits, the things that your conventional appraisal might have been able to look in, such as the impacts on better transport links and improving productivity and labour markets. We're now taking account of those for all schemes. I think all the big tram schemes in urban areas, that's particularly important part of the picture as well. So no doubt there are still some things that we can do, but we think we've come a long way, and as far as possible the approach is designed to be completely unbiased and consistent between the way we that we look at all modes.

Q235 Paul Rowen: It is said that you're still not comparing like with like. In that buses get an annual grant and that there's a lower cost. Trams are a higher up front cost. They've got to find twenty-five per cent of the cost of the scheme, where it's only ten per cent for any other transport scheme. When are you going to get a system where you're comparing all modes by the same criteria?

Paul O'Sullivan: I think I distinguish between whether we're comparing all modes on the same basis. If we're looking at investment in bus and investment in tram, we would use exactly the same approach. And it's similar criteria for funding that John was saying where we have got a requirement that because of the risks and some of the issues these add a higher funding requirement for tram schemes than for other schemes. But certainly in terms of looking at value for money in the appraisal of them, we would look in exactly the same way at bus scheme as at a tram scheme. We would be looking at the whole life cost and if you're looking at higher subsidy cost over time for your measure, versus a higher capital cost, we'd look at the whole life cost and take account of that. So I think in that respect it should be consistent.

John Dowie: Paul's right that, as he says there is the economic test. How do you calculate the cost benefit, where certainly our objective is to ensure a level playing field if at all possible. Then there are the kind of administrative rules which are kind of laid on top of that. And you're right. There is a difference between the treatment of trams, with the twenty-five per cent local contribution and other local authority schemes, which require ten per cent. And interestingly, the trams came first; the ten per cent for other schemes came afterwards. Which was in a sense a recognition of some of the benefits of looking for a local contribution. The tram figure, and the fact it's higher, really reflects the scale of the investment and the risk of the investment involved. That we want to see that the local authorities are really willing to stand behind this project and invest their own money in this project. Because of its scale and because of its risk. Bearing in mind, even if we, say, reduced the trams to ten per cent, then in practice that would mean more money would have to come from RFAs and some other local authority...

Q236 Paul Rowen: What do you insist Network Rail have to provide if they're going to put a scheme forward? What's the percentage they've got to find?

John Dowie: Well Network Rail and the Highways Agency are not necessarily required to provide local contributions because again they're in a different situation. Certainly some rail schemes it is possible for local authorities to put in additional contributions to make it cheaper, and therefore make it more affordable within RFA. I think that's part of the issue. The money has to come from somewhere, so if it wasn't

in the form of a local contribution from the sponsor local authorities, then in practice something else would have to drop off the RFA process. In practice another local authority scheme would not get funded.

Q237 Paul Rowen: But doesn't the money for Network Rail come solely from the government?

John Dowie: In very crude terms there are two ways of funding rail schemes. One is through the core HLOS process, which is the government driven funded from fare box and from central government, process which is the bulk of capital investment in the road, rail network. Delivered by Network Rail. What RFA does is gives local authorities regions the opportunity to buy extra enhancements on the rail network, beyond what's in the core HLOS. And that's what can be included in RFA. In practice, apart from Birmingham New Street, which is a large project and clearly significant in terms of the West Midlands RFA, rail projects are a handful of per cent of the total RFA, they're relatively small. Tends to be station re-openings, that sort of thing.

Q238 Paul Rowen: So there isn't a level playing field then?

John Dowie: It's the product of history really, that these different types of schemes have got different histories, and they come with different rules in terms of local contribution.

Q239 Paul Rowen: So when we're assessing buses as against trams, do we include the annual grants operator grant?

Paul O'Sullivan: If we're looking at the economic performance, we would look at all the costs. So if we're having to incur an ongoing subsidy cost, assessing the economic performance of a bus or a train, if there's a subsidy cost involved in running those, that feeds into the economic appraisal of those.

Q240 Paul Rowen: Yes, but the bus is done by number of miles operated, it's not the number of passengers carried. So how can you get a like with like?

Paul O'Sullivan: If we are looking at say the economic performance of a bus enhancement versus a tram scheme, we would be trying to estimate we put more investment into buses and, depending on the nature of the environment, you might be looking at having to fund in a different way. But if you're looking at spending a lot of money on additional bus quality corridors, bus prioritisation real time information, you'd be looking at the cost of that, the (...) cost and the operating cost. And you would then be looking at what increase in patronage you'd got, what time savings you would get to the passengers, what the change in their fares would be, what other benefits they might get from having better information, better quality of services. And we'd be looking for all the benefits to them and all the costs. And you would take account of any cost to the public sector and costs to the, to the bus operators in providing this. And you'd do exactly the same process if you're looking at a tram scheme, you would be looking at benefits to the passengers, providing productivity benefits and taking account of the cost of that as well, and that would both be the ongoing operating cost and capital cost. And in both cases you would come down to what's a value for all those benefits, what's the value of all those costs, what's the

value for money. So we would handle that in terms of getting to the economic assessment exactly the same way. The issue might be one about the funding arrangements and generally a public sector project if (...) tram, because many new schemes are, are often going to be retained in the public sector, compared to a bus project.

Q241 Paul Rowen: Do you factor in a cost to the bus company of utility replacement?

Paul O'Sullivan: Well not if we're not having to replace utilities.

Q242 Paul Rowen: Well a tram necessarily doesn't have to replace the utilities does it? You insist on a contribution towards the cost of that from the utilities, the bulk of which has then to be provided by the tram operator.

John Dowie: In a sense whether or not utilities have to be moved, the Department does not dictate that utilities have to be moved. A kind of judgement is taken, I think it's uniform across scheme promoters, that moving utilities in advance of laying rails will avoid costs later on, and having to interrupt movements in order to gain access to under street utilities. But we don't actually require that. But it is an intrinsic cost in a tram scheme.

Q243 Clive Betts: So you require the scheme to go ahead where utilities weren't going to do that. There are other countries where it happens.

John Dowie: Well I mean, they would have to. I would not have a problem about someone putting in a bid if they could actually justify that in overall scale whole life costs. The issue they'd have to work through is the downside in terms of interruption of service, of greater long term costs of having to lift a track and put it back. Does that outweigh the extra costs up front? And they have tended to take the view that it does, in a UK context. Roads obviously involve significant utilities works as well, so yes, buses don't because in a sense they have a light tread on the roads. But many other transport schemes do involve having to shift, alter utilities.

Paul O'Sullivan: And if you get into the BRT guided busway like virtually as though you were putting in a dedicated track, again in those cases they have gone to the utilities I think. But it's certainly not a requirement on our part. It's just they regard that as the lower risk, lower cost way of approaching it.

Q244 Paul Rowen: Have you done any analysis on why the guided busway for Leeds has worked out twice as expensive as was originally planned? Because that was one of the arguments used by the Department for abandoning the tram in Leeds.

Paul O'Sullivan: Sorry, twice as expensive?

Paul Rowen: Well, certainly we were told that it's working out that way.

John Dowie: The costs or the allocation of RFA has gone up. But in part that's to buy in extra product. Because the clear benefit from Leeds going with a guided bus option is that they can actually build a network and can gain commitment to build a network

in day one. Spending the equivalent amount of money on a tram, they would probably get one line. And that would lose the network benefits. And you'd be carrying say stabling etc. overhead on one line. That probably doesn't help the economics.

Q245 Paul Rowen: Going on to that, I mean, you alluded to that in your opening remarks, John. There is now growing discrepancy between the haves and the have nots, i.e. it seems quite easy for those that have got a tram system to get an extension, but poor Liverpool and Leeds that were passed over in 2004, there's no chance.

John Dowie: I'll come back to poor Merseyside later. Poor Leeds, well actually what Leeds have been rather successful at is picking themselves up, dusting themselves off, which was undoubtedly a traumatic refusal of permission a few years back. and have got on constructively to plan for an alternative. They're challenging the Department in terms of high quality bus service, "Okay, that's what you said Department, you deliver it" so there's a challenge there for the Department that they are going for something that is more cost effective. So as I said, they can get a network not just one single line. So I think from a Leeds' point of view, you know, they're kind of back in the game, they're back in actually delivering much needed transport enhancements for their city. I think Merseyside...

Paul Rowen: They still want a tram, don't they?

Q246 Clive Betts: Quite honestly, on that basis their rationale, you can deliver a network of guided bus where you could deliver one line of tram, if that had been the policy which had been adopted some years ago, we never would have built any tram systems at all would we?

John Dowie: The tram systems are all very different because it's important to think of their different histories. The Tyne and Wear, apart from the inner city stretches, was essentially rail replacement. You know, there's kind of an interesting echo of Watford, St. Alban's there. And that's true a bit of some of the Manchester network as well. There was a real opportunity there of replacing a second rate low frequency rail service with a higher frequency, better quality with immediate city centre access light rail service. That's quite different from a completely on the street system. Now clearly what Leeds are talking about is something that none of it is old rail, it's all related to the street network. So that's quite a different system. Brings on different cost challenges in terms of utilities diversions.

Q247 Clive Betts: You wouldn't have built the Sheffield system would you, on that appraisal?

John Dowie: But this is not black and white and it's about being very clear about objectives and very clear about how to optimise the benefits and minimise the costs. And that's where I think Leeds have, and I do recognise your point that there is still quite a lot of local emotion attachment to the original tram. Which obviously got considerable way and so I fully recognise that. But nevertheless, what Leeds officers have done is got on with doing something that's deliverable, that that new system will deliver segregation, dedicated pathways for the trolley bus on sections of the route. So that delivers quite a lot of what a tram would have offered. It's got wires. I mean this is not a bus service.

Q248 Clive Betts: I've just come back from there, it seems to me that what you're saying, and it's a complete new system. I don't think we'd have had any new systems if that approach had been taken. But even in the case of the Super Tram in Sheffield, though the extension there Rotherham was from Meadowhall was top of the regional priority list for transport schemes. So you just said "All right, got these regional allocations, it came out top." Now that didn't seem to matter when the final decision was made. That there already was a network there which it was linking into. It was still felt more appropriate to say to Sheffield, South Yorkshire PTE "No, we're going to have a guided bus. Even though the guided bus will either require competition with the tram to run the whole length of the route from Sheffield to Rotherham. Or would have required people to get off the tram, onto a guided bus, modal shift, which actually would discourage people from getting out their cars." There didn't seem to be any logic to that decision at all. That's the decision the Department for Transport made. And it's a feeling somehow, and somebody said it to us this morning, that when tram appraisals are done, people are led on, led on, led on. And at every stage it is "Have you tried the bus? Have you thought about the bus? Have you tried the bus? What about the bus?" And eventually the answer comes back "No, go and get a bus." Now maybe you'd say that's a caricature of what happens but it's what people out there feel.

John Dowie: I think if you were talking to a collection of road promoters, you might get a rather similar reaction. That we challenge local authorities that want to build major bits of road kit. And indeed we challenge Highways Agency, "Do you really need this road, full stop. Do you really need all of this road? Do you really need this level of grade separation? What have you actually done seriously to look at alternatives of bus, traffic management, sustainable travel, cycling, more permeable walking, all of those issues?" And of course what comes out all too often is that really all they wanted to do was build this road. And they hadn't done the serious work of looking at what they really needed by way of road infrastructure. And it's quite interesting the RFA process has provided a degree of leverage that local authorities, regions never previously had, or Highways Agency in particular. And we've seen quite a lot of Highways Agency very big schemes broken up into smaller elements with less over engineering. And I think that's a positive development. It is very similar to and parallels some of the issues that tram promoters understandably feel aggrieved about, that their pursuit of this particular objective is being challenged in terms of "Are you sure that is the right solution? Have you worked through the options? Can you justify this amount of money?"

Paul O'Sullivan: I think just to add on the way that these were approached in the appraisals, I suppose it's worth noting what we had seen as well was from the very first tram system of the modern era, the Manchester line one was estimated to work out at I think hundred million, maybe came in at a hundred and ten million. You see this huge increase in the cost and that's meant the economics for tram systems started to look different over the subsequent twenty years or so. And because of that, I think we are very concerned if you're getting transport... that you are getting transport benefits in the best way. And because we have seen examples where tram schemes haven't necessarily generated the patronage that was originally thought, and come in more expensive and haven't necessarily operated at as low cost as we had originally thought, we need to be very confident that a tram system is the best way of tackling a

transport need relative to the alternatives. So I think it's quite right that we should test that very carefully against alternatives, particularly how far you can take buses. I think there is a concern that we've not always done as much with bus networks as we could have done. And I think that's why we will ask those questions of schemes. But as John says, there are quite a lot of examples where we've asked that of schemes and concluded that a tram is the best way forward. Now to date that's been in the cases where it's been extensions because it is easier for the economics there to work when you aren't having to give up the same overheads, where you've already done all the expensive on street in the city centre type work. And, but I think it's right that we ask these questions, but we're not asking them with any built in bias that the answer is going to end up being buses, and that we shouldn't do trams. It's just we think we have to ask those questions and challenge this quite hard, to make sure that, if we have a tram scheme, it's a tram scheme that will develop the patronage, will deliver the patronage and give all the benefits that we're after, rather than one that will end up with very low patronage and actually in retrospect you could be thinking "We didn't ask enough questions, we didn't challenge this hard enough at the time."

Q249 Paul Rowen: Lewis Atter from KPMG, they did the work for Manchester for their transport innovation scheme, has come up with a different model of appraisal. And that focuses on the economic benefit and the number of jobs created. And that hasn't been applied to everywhere but it's been applied to all other modes. And you know, they come up with the top fifteen schemes, two of which, the Oldham extension and the Rochdale extension, were vigorously opposed by the Department of Transport. Now you know, what are you doing to adapt your model because that model does apply across all modes of transport?

Paul O'Sullivan: I think we looked quite closely at Lewis's and the KPMG approach, and we've worked quite closely with Manchester on this. What's worth noting is quite often it's jobs in a specific area. And we do take account of jobs, we take account of productivity and we will take account of job increases where there are net job increases in regeneration areas. What we're concerned about and I think this is where we would have a different approach to what Lewis is advocating, is we're interested in net benefits to the national economy. If what we're doing is moving jobs from one area to another...

Q250 Paul Rowen: What he's doing, he's doing exactly the same for the regional authority. He's not measuring movement of jobs, he's measuring new jobs created.

Paul O'Sullivan: He's talking about new jobs created, but if you actually probe his approach, it is far from clear that these are new jobs for the UK economy.

John Dowie: Even if they're new jobs for Greater Manchester.

Q251 Paul Rowen: So a tram scheme in Croydon is assessed against a tram scheme in Birmingham to see how many jobs it moves?

Paul O'Sullivan: In taking account of the benefits of a tram scheme in Croydon and a tram scheme in Manchester, if you get net jobs for the UK economy, that might be relevant. If you get more jobs in Croydon, we don't think that would be a reason to pay... we don't think that should be part of the economic appraisal and the net benefits,

if it is at the expense of the jobs in Manchester. And I think if you look at how Lewis does his GDA approach, it certainly doesn't adequately control the fact that quite a bit of the additional economic growth in the Manchester city region may actually be diverting activity from elsewhere. And so I think that's where we would have some concerns about including all those sort of impacts where they'd be going on net benefits to the UK economy.

John Dowie: Just stepping back a bit from the kind of detail of the kind of Manchester approach, there's clearly an important issue for any local authority about quite the balance of the tests they apply to any project. Now it's entirely appropriate and legitimate for a region or Greater Manchester to decide that the particular balance because of their circumstances will be skewed towards certain factors. But I think it is equally reasonable and legitimate for a national government to take a view that actually it has to be interested in all the benefits and costs and has to look across the economic productivity, but also look very carefully at quality environments, accessibility, severance, all of those issues. Because actually one has to take a balanced judgement.

Q252 Paul Rowen: On that then, bearing in mind the government's agenda for climate change, how has your agenda and appraisal system changed to reflect that?

Paul O'Sullivan: In two ways. One, when we're looking at something in terms of the strategic policy fit, we are considering the Department's goals, the economy, equality of opportunity, quality of life, health, safety, security and climate change. So we will be using the transport models and the analysis to get an assessment of the CO₂ greenhouse gas impact of any scheme. And so we will have that assessment and quantifications that we use in the strategic policy. When we do the cost benefit analysis, we will put a value on the greenhouse gas impacts of the scheme. So a scheme that produces more greenhouse gases will have a lower benefit because of the environmental cost. And so it will be lower value for money. We have been updating the approach we use for that, so the evaluation of carbon and greenhouse gases now differentiates between things that come from electricity, which are in the EU emissions trading scheme and actually, if you have an increase in electricity, but the overall total is capped, it will be covered in the cost of electricity because they're now having to buy permits. So we wouldn't be putting an additional cost on that. But if it's an increase in fossil fuels and CO₂, there is a price for carbon that is determined by DEC that rises over time, depending on how we're doing.. So things that leave more CO₂ particularly now, that create more CO₂ for low transport fossil fuels will be lower value for money. So some of that guidance is in consultation, it's about to be issued and begun formal and required from this April. It is being used in practice for most schemes anyway.

Q253 Clive Betts: So we don't have the situation where tram schemes are deemed to create a cost figure because they reduce consumption of diesel and the Treasury gets less revenue as a result. That used to be a factor at some point in the past.

Paul O'Sullivan: That's one of the other ways that we changed the value for money assessment. Previously, when we looked at the value for money in the very sort of technical sense, we'd be looking at something called the benefit cost ratio, which is all the benefits divided by all the costs. Previously when we looked at the cost, we

looked at the whole net cost to the public sector, and that would include changes in duty. If there was more fuel duty as a result of the scheme, that would actually lower the net cost to the public sector. We've now taken those tax changes out of the costs, so tram schemes would deliver a bit better as a consequence of taking that out. And some road, quite a lot of road schemes would look a bit worse as a consequence. And we're looking at the cost in terms of the transport budget. So we still take account of revenues if a tram scheme brings in an increasing revenue for the public sector, that will actually lower the net cost of that tram scheme and it will increase the value for money. The problem is if you have to operate it at a subsidy, that will increase the cost, the transport budget cost. But I think one of our concerns had been that the way the tax was being handled was potentially creating distortion. We have now changed that.

Q254 Clive Betts: How far do you take account of any reduction in congestion into modal shift that may happen, or the reduction in road maintenance cost, because fewer cars are driving on them?

Paul O'Sullivan: It should certainly take account of the reduction in congestion. When we look at all the cost and benefits, one of the key benefits potentially with the tram scheme is going to be the shift in people from car. There's a lot of work that now goes into the modelling of those sort of impacts, and we will take account of those benefits. I don't think we take account of the maintenance costs for roads, mainly because the impact of car traffic on roads is going to be very small. I think it's second, third order effect. It wouldn't, scheme appraisal modelling is complicated enough already I would have thought without worrying about that. The congestion certainly significant benefit we would include that.

Q255 Clive Betts: Could I just ask about, reference was made to the concerns about the extra costs that are created in the first Manchester scheme and that began to get people worried about light rail and the cost benefit analysis, given the cost of that would be higher than it had been predicted. It's also been said to us that the Department for Transport sort of sits there and reacts a bit to schemes that come forward. And you haven't really got a positive agenda for light rail schemes, but you'll deal with those suggestions and proposals that come forward. How far is it, do you think, the responsibility of the Department to say, because of all the issues on climate change, modal shift, light rail per se is quite a good idea. And we ought to be taking a lead as a Department in trying to address, with local authorities, address with transport authorities and address with the industry, ways in which we can get the cost of schemes down and learn from the fact that on the continent they do seem to get some costs down and there do seem to be more schemes.

John Dowie: Well couple of things there at least. I wouldn't characterise the Department's position as trams per se are a good thing. There is a departmental view, Secretary of State has actually committed, that lower or no carbon modes are a good thing.

Q256 Paul Rowen: Why did your report in July though make no mention of the role that trams could make to reducing carbon emissions?

John Dowie: Oh right, yes. The low carbon one. But it would have been covered, I'm

sure it must have mentioned public transport. Because I think it's, this is where there are a whole range of different tools that can help minimise the negatives of car, car travel, by giving people choices, choices that are actually viable. And they range from, you know, the terribly derided Cinderella subject of walking, and we can make our environments ones that are attractive to walk or not.

Q257 Paul Rowen: But you have a walking strategy, you have a cycling strategy. Why don't you have a strategy for light rail? You have a bus strategy, you know, I can go to reports in the Department and can see very clear strategies.

John Dowie: We have a strategy on bus regulation and you won't actually find a bus strategy in the way that we would have for say a tram strategy.

Q258 Paul Rowen: Well in France, that's what they have. They have a clear framework and then it's devolved down. Shouldn't that be what the Departments do?

John Dowie: But isn't it right that we should focus on the lower carbon modes and make money available as flexibly as possible, because of course one thing at times the Department has not been good at is being too inflexible about how money is provided. So we prioritise low carbon modes, make money resources available as flexibly as possible, and then devolve the decisions about which bits of the tool kit down to...

Q259 Paul Rowen: If I'm Joe Bloggs, leader of Rochdale Council, I can apply for money from a pot of money for my cycling strategy. If I'm Joe Bloggs, leader of Rochdale Council, wants to introduce a tram, where's me pot of money?

John Dowie: It's called the Regional Funding Allocations major schemes, which is actually bringing a tram to Rochdale.

Q260 Paul Rowen: It's not protected. The point I'm saying about the cycling is that there is a set amount of money available for local authorities to bid to for their cycling strategy.

John Dowie: But in fact that pot of money is actually tiny. Because what that pot of money is about is encouraging innovation, demonstration. The bulk of local authority money for cycling is part of the general local authority blocks, in particular the block for integrated transport, which is allocated out to local authorities by formula. In general we're trying to move away from little pots of money with their own unique conditions, which just ties the hands of local authorities.

Paul O'Sullivan: It's probably also worth adding that with regard to carbon, while in the appraisal, because electricity is handled by the EU emissions trading scheme, we're not actually putting a firmer place on carbon emissions contract schemes, when we look at the quantification, putting in a new tram system may not reduce overall CO2 emissions. It may increase it. It's generally quite energy intensive. You have to have a very large modal shift from the car for it to actually reduce your overall level of CO2 emissions.

Q261 Paul Rowen: I'm not sure, I would have to challenge that because if you'd take about a bus full of passengers, and obviously most buses aren't full, but if you take a

bus full of passengers and then compare it with, well it'd be two buses compared to one tram, the CO2 emissions for the two, the tram's a lot, lot...

Paul O'Sullivan: I think we'd totally agree with that and...

Paul Rowen: You have to compare like with like.

Paul O'Sullivan: And if you could always get every figure a hundred per cent load factors, we wouldn't have the same sort of carbon problem in transport we do. But if you look at some of the tram schemes that have been going in, it may be that if you put the same amount of capacity by bus, your CO2 emissions would be higher. If you were just actually looking at the counterfactual of not having a tram scheme or any improvement of public transport and then you put the tram scheme in, your overall CO2 emissions may well go up.

Clive Betts: Don't understand that.

Paul O'Sullivan: Well, you use an awful lot of electricity, at the moment we are some way from having a hundred per cent renewable electricity. If what you're doing is you're having a, one, two per cent reduction in car traffic and yet you are having to consume a lot more energy having a tram system that previously wasn't there, then you could be producing more CO2 emissions.

Q262 Paul Rowen: But which system that you've approved has only reproduced a one or two per cent reduction in traffic? It wouldn't get through.

Paul O'Sullivan: Well if you go back and look at traffic levels in quite a few of the tram schemes, there's going to be some reduction in traffic on the corridor. So certainly modal shift figures will fall to twenty per cent on line one of people on the tram had shifted from the car. When you looked at the traffic on the corridors, there was maybe one or two per cent it was quite difficult to identify a significant reduction in the level of traffic. There was normally a couple of per cent reduction, because traffic moves around and if you free up more space, more traffic may come in, then by itself you may not get enough modal shift and enough reduction in traffic that you're going to actually offset the increased carbon of having new transport infrastructure. It's not always the case, but one has to make sure that when you're thinking about big investments in new transport infrastructure, that the full energy implications of that are considered. So it doesn't necessarily mean if it's going to create a lot more travel, longer journeys which certainly things like rail over time have helped increase travel or increased travel distances as has the car. That may not by itself reduce CO2 emissions. An awful lot depends on what else is happening with modal shift.

Q263 Paul Rowen: I mean, that's your point. Don't most continental cities deal with integrated transport, and if you actually look at how the city or town is operating, there's far less congestion than we have, because there is a network that people can use to get from A to B, rather than just relying on one system or one type of system to deliver a public transport network.

Paul O'Sullivan: I think generally we're very interested in integrated approaches. It's possibly making sure that all the different types of public transport and road transport

play their parts. We recently had the paper on urban transport, you know, we've been working with the Prime Minister's strategy on some of this, very much talking about the benefits of this sort of approach. Tram may have an important part to play in that, as will other transport modes.

John Dowie: And I think that, I come back to the point that while we don't, as far as possible, we have a policy support for low carbon modes but we do not pre-judge which bits of the tool kit any particular place wants to select as the right solutions for that place. That we have on the whole, with some specific ring fenced pockets of funding, we have fairly broad pools of funding that people can then use to fund their preferred mix of solutions. We have of course gone in for affordability constraint. I'm sure in future years we'll have a tighter affordability constraint. So that does inevitably constrain the range of options. But I was kind of thinking, because I hadn't worked it out beforehand, but what proportion of the total approvals of various stages, the one billion I referred to since September 2007 must be. And without actually systematically going through the figures, we must be talking about the order of twenty-five per cent or so of the overall approvals. I think that strikes me as, from the point of view of the tram community, as a very healthy slice of the action.

Q264 Paul Rowen: Do you see that continuing?

John Dowie: Well I think the challenge is, if as all the kind of commentary suggests, it's going to be a tighter fiscal environment ahead, then it's going to get more competitive to get a slice of the cake. And that brings me back to the point I was talking about earlier, that tram promoters then need to be very, very clear about what their unique selling points are. And that's where replacing rail services could be a critical edge. I think incremental change of existing systems will have an advantage. Or if you want to build a new line from scratch in a new location, then you are going to have to, perhaps to a greater extent than hitherto, really seek to maximise the kind of returns and the cost benefit of that service and keep down costs. The next few years are certainly not going to be years for over ambition.

Q265 Paul Rowen: Geoff Inskip when he spoke to us earlier on said that he was discussing with the Treasury actually being able to use the future business rates that would be generated by an investment as a model for demonstrating the economic value. Are you going to allow local authorities and regional bodies greater flexibility both in how they operate the business plans and how they finance them?

John Dowie: Alas and alack that is a Treasury decision.

Paul Rowen: But you could make recommendations.

John Dowie: And we do talk very closely with our colleagues at the Treasury. There has been for a number of years a lot of discussion about a whole suite of different permutations on incremental tax options, locally retained tax increases. We've seen, I think Crossrail was the first of that variant which has gained a practical shape. It will be interesting to see what Treasury say in the pre-budget report, interim report on that debate. But I certainly know there's a growing swell of opinion that cities need more fiscal autonomy. We'll just have to see how quickly it all emerges.

Q266 Paul Rowen: In terms of where you see light rail fitting in the Department, it hasn't got its own division.

John Dowie: No.

Q267 Paul Rowen: Is it in heavy rail? Is it aligned with buses? Is it, where does it sit?

John Dowie: It's within the cities and regions group within the Department. So it's alongside buses, urban strategy, local authority funding, alongside other major local authority schemes above five million. So it's part of the core local authority teams within the Department.

Q268 Paul Rowen: So what are you doing then to remove some of the heavy rail hang ups that still...?

John Dowie: But there is also a group who lead on tram trains, you were speaking to a colleague earlier today. So they've got that specific interest particularly in terms of rail substitution and they've been leading on St. Alban's Watford. So there is a kind of rail interest and we do speak regularly about cross over issues and we got involved in some of the regulatory issues a year or so ago.

Q269 Paul Rowen: So do you see the regulatory issues burden being lifted? Because again, one of the complaints that's made is that DfT insists on over engineering everything and over complicating things, because you treat it more like a heavy rail system rather than a light rail system.

John Dowie: I think the DfT is becoming maybe in that context a kind of symbol for big, bad central government as a whole. We don't actually regulate light rail. That's a matter for the Health and Safety Executive and others. And we use our good officers to try and facilitate communications between the rail community and HSE and others. But that's not our specific job.

Q270 Clive Betts: But do you have a responsibility to try and pull together the various parties who are interested in developing tram systems where they've been, you know, PTAs, councils, the operators, the construction industry. To look how we can actually get costs better under control and get better models of procurement that actually deliver schemes that are affordable.

John Dowie: Yes. Two things – I'll mention both now because I was going to mention the second earlier and then I forgot, in response to your earlier question. I think, perhaps if I give an example of a tram scheme. It's really just to illustrate the can do approach of the Department. Once a scheme has been prioritised in RFA, I can't stress too strongly that there's only two games in town – PFI and not all schemes are suitable for PFI, and at the moment we've only got the Nottingham tram going down that route. Or to be prioritised in RFA. And that is the only two games in town. There are no other sources of money. But once a scheme's prioritised in RFA we don't automatically approve it. And very, very occasionally we turn a scheme down. But in general we will seek to make that scheme happen, because the hard decisions of affordability have been taken. But a recent example was the Blackpool tram, which came to the Department in a form that wasn't value for money. And, but we

recognised as a Department the particular regeneration challenges facing Blackpool, the fact this tram existed. It wasn't about should Blackpool have a tram, but actually should Blackpool continue to have a tram, and we worked very hard with Blackpool council to turn what was an unsatisfactory or unsatisfactory value for money, into one that would meet our criteria. And part of that included quite a detailed discussion about costs. And Blackpool did some really, and they were quite impressive, if only all local authorities were that impressive, they did some really good work at opening up again their costs. They did some best value engineering on the track refurbishment – managed to take costs out of there without taking benefits out of the scheme. And quite crucially in work with our accessibility specialist within the Department, disability accessibility specialist, we identified that actually through genuine intent on their part, but they had gold plated their compliance with disability discrimination legislation. So actually had built in a very large amount of excess costs into their bid. So together we were able to identify those and cut them out. And we've got a compliant bid that passed the value for money test, which we gave approval to. So I think that's a very positive, we didn't just mark Blackpool's exam script, say “Sorry, your spelling's all wrong. And grammar dearie me, do better. Take it away and try again.”

Q271 Paul Rowen: But they already had a track. If somebody else came to you without a track, would you do the same?

John Dowie: But Blackpool's VFM was significantly lower than I would expect from Geoff and colleagues. So I think that's a particular case. But we want to solve problems. And I think some of the problems we've gone into maybe 2004/5 was, we were perhaps too diffident, we were perhaps too reactive and we were perhaps too embarrassed about giving bad news.

Q272 Clive Betts: I see what you were doing with Blackpool, that's a good story. But to actually track (...) as a model which obviously you are looking to develop trams or extend tram systems that can follow, that will give them better value than... it's always said to us that they can do it cheaper on the continent. I don't know how true that is; it's said to us repeatedly. So why aren't we grabbing that as a nation, rather than each scheme (...) looking at it?

John Dowie: And that's the kind of second part of your question. I think there are two things now. One is the, it's been pointed out to me the great disparity in the time taken for schemes to go through the UK system, and part of that is TWA powers, possibly all the requirements for consultation. Maybe we're an excessively democratic society. But all that does appear to take significantly longer than comparable schemes on the continent. To the extent it's in our power, we have been trying to do things about that, putting a bit more resource into TWA side of the Department's activities. Certainly my team have been working very hard to speed up our processes, consistent securing value for money. And I can't but mention in that context, and if you don't believe me you can check with Manchester, but we managed to clear their final bid or full approval bid for the 3A extensions to Oldham and Rochdale in two weeks. And that reflected both my side's willingness to engage in advance with the bid coming in, but also Manchester's, all credit to Manchester for being ready to keep us involved in real time as the bid developed, share drafts as they developed. So that actually once they'd got to the point of bringing the full bid, we knew what was in it, and we could push it

through our processes in two weeks. So that's the sort of thing we can do to try and truncate that time line. I think the other issue which you've been trying to get me to answer for a while now, is what can we do about some of these underlying generic cost issues? And we have been over a number of years putting money into UK Tram, and they've been doing work on, for example, utilities diversions. And obviously they're securing some industry funding on that. So we have accepted that we have a role in that. But in the end of the day, I think the greater part of the onus must rest with the industry and the relevant interested local authorities to try and address some of these generic problems. Because in the end of the day, it's to their benefit just as much as it is to the Department's benefit.

Q273 Paul Rowen: Why can't you set a common national framework, through which you expect schemes to operate, and then judge everyone by that? You know, that seems to us the difference between France and here. There's a clear national set', you know "This is what you do. This is how you do it. This is what level of funding you will get." And then it goes down to the locality for them to actually do it if they want. They know what money they've got to find and they can just get on with it.

John Dowie: I think we have done that in part. What we haven't done is given a priority to trams within the tool kit of low carbon measures that a local authority can access. We haven't done that, I'm not sure that would be the right thing to do, because other parts of the tool kit have equally valid roles to play in different places and in different ways. What we have done though, and this is I think a major step forward since 2004, and the situation the Select Committee looked at, is through the RFA process, which formally came in in 2006, we have given each region a defined pot of money with considerable freedom. I do know that regions were somewhat surprised in 2006 when their advice to us was 99.99 per cent accepted, and there was a kind of echo of shock from regions, because they assumed we would then play with the sandpit once they'd submitted the advice. But we have devolved considerable powers or authority to them to decide on their regional programme, periodically reviewed, but that tends to be the back end. But once you're in that programme, it gives bidders, sponsors considerable clarity about what money there will be available, what time scale. And much more certainty that the prep cost will actually turn into a scheme. Because we haven't actually cancelled a scheme that's gone into RFA yet. Certainly none of them that you're specifically interested in. So I think that does provide a lot of what you were describing in the continental, French experience. What it doesn't do is say "The answer is a tram." Because actually the answer might not be a tram. Or it will be in some cases.

Q274 Paul Rowen: But why are you not putting it in the low carbon tool box?

John Dowie: We probably don't, I must admit that I didn't do a forensic analysis of that document from the perspective of have we ticked every modal box. But do we use the words 'guided bus lanes', do we use the words 'trolley bus', do we use the word 'bus priority'? I'm not sure, but I doubt if all of those words are in the document either.

Q275 Paul Rowen: But I would have expected you to have given some guidance in terms of "If you want to go down certain routes, this is the amount of CO2 you can save by this route, by this route, by this route". Again it's then the choice for the localities. There are differences in savings depending upon the mode you choose.

Paul O'Sullivan: I think what we didn't do when we did the carbon reduction strategy was give an awful lot of more information to local authorities about the impact of different sorts of measures in saving carbon. We've started to provide a bit more guidance than that, we're doing a bit more work. Part of the problem is that it's very location specific. Putting a tram system will give you CO2 reductions where you get high load factors and a big modal shift. If you have a tram system with very low load factors and not many people out of their cars, then your CO2, the amount of energy being used across your area will likely have just gone up. And so actually it needs to be the impact of different measures in terms of CO2 saving, its effectiveness is quite location specific. An awful lot depends on how you introduce it. Although I think we will be doing an awful lot more work on developing and providing more guidance on the CO2 tool kit for local authorities over the next six months and coming years. It is the key issue for all of us, and we will certainly want to consider all modes of carbon transport within that.

John Dowie: I think it's important to see the July document in its proper context. First of all it is focussed on responding to the carbon challenge. It has focussed in the kind of first stage of the strategy and the deliverables on the more bankable elements of the carbon tool kit. Which have tended to be certain initiatives, well regulation, fuel content, certain initiatives in behaviour change which are quite well quantified and established with clear delivery channels. It is lighter on the contribution of regional local partners. We were criticised at the time by the cycling and the sustainable travel lobby that we hadn't said more about their contribution. And crucially we hadn't actually quantified their contribution and included it as part of the target. This in the end is a rolling programme and what appeared in July was very much the first stage. It will need to be rolled forward over further carbon reduction periods. There will be clearly annual reports on progress. So there's a long way to go this agenda. I suspect the word tram, along with trolley bus, guided bus and other things may well feature more in future, once we get more deeply involved in the kind of regional, local dimension.

Paul Rowen: Do you want to say anything Paul?

Paul O'Sullivan: No, it's okay.

Paul Rowen: Right. Well can I thank you both for coming today. It's been an interesting discussion and I'm sure we'll return to some of these issues in future. But thanks very much for your contribution. We appreciated that.