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Consultation response to Department for Transport

## **WebTAG consultation**

February 2010

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## Content

<b>1. Introduction</b> .....	<b>1</b>
The Passenger Transport Executive Group ( <i>pteg</i> ) .....	1
The Passenger Transport Executives.....	1
This Consultation Response.....	2
Publication/Freedom of Information.....	2
<b>2. Summary</b> .....	<b>2</b>
<b>3. Background</b> .....	<b>3</b>
<b>4. The April 2009 NATA Refresh</b> .....	<b>4</b>
<b>5. <i>pteg</i> view on WebTAG Consultation documentation</b> .....	<b>9</b>
<b>6. Conclusion</b> .....	<b>10</b>
<b>Appendices</b> .....	<b>11</b>
<b>A. <i>pteg</i> 2008 Response Document</b> .....	<b>11</b>

## 1. Introduction

### The Passenger Transport Executive Group (*pteg*)

*pteg*, 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.

*pteg* has two main tasks:

- the exchange of knowledge and good practice within the PTE network, and
- raising awareness nationally about the key transport challenges which face the city regions, and the public transport solutions which PTEs are implementing.

*pteg* strategy and policy is determined by the Directors General of the six PTEs. *pteg* also runs a number of task groups and committees which bring together professionals from across the PTE network to focus on specific policy areas, and to share expertise and good practice. The *pteg* Support Unit, based in Leeds, coordinates *pteg*'s activities and acts as a central point of contact.

### The Passenger Transport Executives

The six PTEs provide, plan, procure and promote public transport in six of England's largest conurbations: Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire.

Between them, the PTEs serve 12 million people and have a combined budget in excess of £1 billion a year.

The PTEs are funded by a combination of local council tax and grants from national government. They are responsible to Integrated Transport Authorities (ITAs); made up of representatives of local councils in the areas they serve.

The PTEs:

- produce the strategies for the development of local public transport networks;
- manage and plan local rail services (in partnership with the DfT);
- plan and fund socially necessary bus routes;
- work in partnership with private operators and local authorities to improve bus services, for example through bus priority schemes;
- run concessionary travel schemes, including those for older, disabled and young people;
- invest in local public transport networks, including new rail and bus stations;
- develop and promote new public transport schemes, like light rail and guided bus networks;
- provide impartial and comprehensive public transport information services, including by phone and internet;
- manage and maintain bus interchanges, bus stops and shelters.

The appraisal of plans and programmes and of schemes and proposals is a central part of a PTEs activity. In particular:

- With their district council partners, the ITAs have a statutory responsibility to produce to produce a Local Transport Plan for their areas. In the context of a longer term strategic vision, the LTP sets out a programme of capital and revenue expenditure for their areas.
- PTEs promote public transport capital proposals through the Major Scheme funding process.
- Through the DfT's Congestion Transport Innovation Fund initiative, a number of PTEs are working with their district council partners to investigate potential fiscal restraint measures and associated packages of complementary investment.
- PTEs are working with local authority partners in their wider city-regions to develop and then promote transport strategies.

### **This Consultation Response**

This consultation response has been prepared by **pteg** on behalf of the six English Passenger Transport Executives.

Any correspondence related to this response should be directed to:

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### **Publication/Freedom of Information**

**pteg** is content for the Department for Transport to publish this response, or extracts from it. There are no parts of this response that **pteg** would wish to seek exemption from disclosure under the provisions of the Freedom of Information Act.

## **2. Summary**

- 2.1. In April 2009 the Department for Transport set out the changes it proposed to make to appraisal guidance as a result of the NATA refresh process. The DfT is now consulting on specific units of WebTAG guidance. This note represents the **pteg** response to the current WebTAG consultation. This current DfT consultation has also provided the catalyst for **pteg** to undertake a wider review of the conclusions of the April 2009 NATA refresh. This note therefore also covers wider appraisal issues.
- 2.2. The structure of this note is set out below.
  - Chapter 3 sets out the background to recent changes in the NATA refresh process;
  - Chapter 4 summaries progress on the issues raised by **pteg** as part of the NATA refresh consultation process;
  - Chapter 5 provides feedback on latest changes to WebTAG guidance;

### 3. Background

- 3.1. The Eddington Study and Stern Review prompted the DfT to launch a review of the New Approach to Appraisal (NATA) in 2007. This was partly to address issues emerging after ten years of using NATA, and partly to adapt NATA to the Delivering a Sustainable Transport System policy goals – especially the challenges around economic growth and the environmental and social impacts of policies or interventions.
- 3.2. During early 2008, the DfT consulted with key stakeholders including **pteg** on specific areas of NATA guidance. **pteg** provided a detailed response to DfT as part of the consultation process (see Annex 1). The Department's response to the NATA Refresh consultation in July 2008 summarised the views expressed by respondents.
- 3.3. In April 2009 the Department set out the changes it proposed to make to appraisal guidance along with the rationale for these changes. Using this new guidance, promoters are able to:
  - Appraise the impacts of cycling and walking;
  - Monetise the reliability improvements due to a transport intervention;
  - Incorporate the latest forecasts of the drivers of transport demand; and
  - Analyse the uncertainty around these drivers.
- 3.4. The specific changes to NATA guidance include:
  - Changes to the Appraisal Summary Table (AST) to reflect the DaSTS transport goals and National Planning Targets.
  - A change in the treatment of tax in the BCR. Indirect tax will be removed from the Present Value Cost (PVC) calculation and included in the Present Value Benefits (PVB). It was generally viewed as counter-intuitive that tax revenues should improve the benefit to cost ratio for a proposal, given that differential taxation rates were primarily to encourage public transport use.
  - Providing additional presentational requirements on the quantification of monetary impacts surrounding journey time savings and indirect tax revenues
  - Introducing a new 'Very High' BCR category
  - Setting out a three stage process for schemes:
    - Stage 1 - Option Development. This is a new 'requirement', although arguably ITAs/PTEs already do the majority of it already for public transport schemes
    - Stage 2 – Further Appraisal. The familiar Major Schemes process through to Full Approval
    - Stage 3 – Implementation, Monitoring and Evaluation
- 3.5. **pteg** welcomes the recasting of the AST and particularly welcomes the revised presentation of the BCR.
- 3.6. In their April 2009 report, the DfT stated that an important consideration is ensuring the appraisal is proportionate, so that decisions are robust but do not involve superfluous levels of modelling and analysis. DfT stated their commitment to continue the development a

simplified appraisal specification that is proportionate to the size and impacts of scheme or measure, specifically for schemes below £20m.

- 3.7. DfT also said in April 2009 that they would consult on more detailed areas of changes to guidance later in 2009. This process is now underway with the current open consultation on over 40 separate WebTAG documents.

## 4. The April 2009 NATA Refresh

- 4.1. This chapter sets out **pteg**'s view on the proposed changes to the appraisal process as set out in the DfT's April 2009 NATA documentation.
- 4.2. Below we summarise key themes from our original response to the NATA Refresh consultation which we feel require further attention by the DfT. In particular **pteg** would wish DfT to:

### *Proportionality with scheme complexity*

- Ensure that there is greater proportionality between appraisal effort and scheme capital cost through the greater formalisation of the specification of a light touch approach, with the aim of allowing promoter development costs to be reduced and delivery timescales to be shortened thereby increasing the number of schemes delivered. **pteg** believes that the current approach falls short of this goal;
- Ensure that no additional work is created for Promoters to be completed as a result of the option development processes;
- Reflect on the cost implications of the inference within guidance that promoters need to build, use and maintain increasingly complex and large forecasting models;
- Develop simpler and lower cost methods for calculating the wider impacts from schemes, especially for those schemes whose cost would not warrant the construction of a land use transport interaction model

### *Making it transparent and easy to use*

- Make WebTAG and NATA guidance more accessible through removing unnecessary complexity;
- Provide a more consistent basis for enabling BCRs to be compared, since there is still a bias between quantifying benefits/disbenefits between different types of mode (e.g. road vs. PT); Important point – the value of time of a motorist is higher than a PT user, and I'm not certain that the "valuable" time that a PT journey frees up (e.g. ability to work on a train) is factored into the process.
- Supply promoters with the 'DfT adjusted' scheme BCR as well as the rationale for the adjustments in advance of decisions being made on the eligibility or otherwise of a scheme for Major Scheme funding. This information is currently not provided to promoters;
- As suggested by the DfT in the NATA Refresh consultation, re-write WebTAG guidance to make it more accessible, as well as enhance its usability through the use of contemporary web-publishing approaches.

- Provide clearer guidance in development of rail schemes which cross over between GRIP and Major Scheme processes. As part of this a light touch GRIP approach would be useful for developing some rail scheme proposals.

#### **Linking with wider initiatives**

- Reflect further on how NATA is and could be used for policy/packages/strategy development
- Greater emphasis on establishing employment/GVA implications from proposed schemes. **Pteg** sees this as extremely important in order for transport schemes to be presented on a comparable basis to schemes being proposed by other Central Government departments.
- Integrate DfT Major Scheme guidance within the NATA/WebTAG guidance. As part of this to provide greater alignment between DaSTS, LTP3 and Regional Funding Allocation systems. Also remove discontinuity between what is needed for the different stages (strategy through to MSBC) as this discontinuity is inefficient;

4.3. In the remainder of this chapter we set out the key issues raised by **pteg** in 2008 in response to the NATA Refresh consultation. Each issue is followed by **pteg**'s view on what further work and development is required.

A. **pteg** believes that the scale and scope of the appraisal should vary with the stage of the project or policy development that is being considered. In particular, there needs to be agreement on the scope of the initial appraisal of options and the specification of those options in the early stages of a project that will avoid both disproportionate effort on a wide range of options. Accepting that circumstances may change over the life of a project's development such an approach will also help avoid "backtracking" to previously discarded options at later stages in the appraisal process. This will, we believe, be particularly important as greater emphasis is placed on strategies as well as specific schemes, with the latter being appraised in the context of the strategy for an area.

#### **Response**

The requirement for an Option Development report is broadly welcomed by **pteg**. PTEs already carefully consider alternative options as part of their wider strategy development (LTP) processes and as part of preliminary scheme development. However we were concerned that the DfT's requirement for an Option Development report may result in the promoters undertaking nugatory work to justify option selection, especially for smaller scale projects. Where strategies are in place we would wish DfT to give considerable weight to these. In this context we note that the guidance for LTP3 calls for all local transport authorities to place their delivery plans in the context of a longer term strategy. We do accept, however, that if a local transport authority is promoting a scheme that is not identified within an adopted strategy there should be a requirement to justify the preferred option through an Option Development report. See earlier comments on option generation.

B. We believe that the interpretation of the output of NATA as encapsulated in the Appraisal Summary Table (AST) is too focussed on the Benefit to Cost Ratio in establishing

*value for money. This in turn leads to an implicit or explicit “downgrading” of benefits that cannot be valued and included in the BCR.*

### **Response**

**pteg** welcomes the representation of the AST to reflect the DaSTS defined goals. Nonetheless, we remain concerned that disproportionate weight is given to the BCR when funding decisions are made. This concern is reinforced by the DfT’s use of an adjusted BCR in its advice to Ministers and that the DfT does not inform promoters what this adjusted BCR is, nor the rationale for its development. **pteg** believes that DfT should consult with promoters on any adjustments that the Department wishes to make to the BCR and the rationale for any adjustments.

**pteg** also welcomes the moves from the DfT to develop a ‘light touch’ appraisal for lower cost Major Scheme. We remain concerned, however, that thus far light touch approaches have not delivered any discernable reductions in appraisal burden, nor resulted in any acceleration of the scheme development process when compared with the status quo ante. More work needs to be done to reduce scheme development and appraisal requirements if the light touch approach is to meet what **pteg** and what we believe the DfT aspires to, building on the existing ‘light touch’ approach.

*C. This is coupled with the fact that we have no established and appropriate mechanism to establish the value for money of many policies and schemes that PTEs are keen to promote to the same extent as we can for Major Scheme investments. Such schemes can meet both local and national policy objectives in a cost effective manner. Examples of such measures include smarter choices, Real Time Passenger Information, upgrading of waiting and interchange facilities, passenger information, and ticketing and smartcards. The focus of effort should be directed to improving the appraisal of these schemes from the existing knowledge base rather than on developing more complex modelling of major schemes.*

### **Response**

**pteg** is of the view that the WebTAG approach continues to be focussed on the appraisal of major capital investments in the road and public transport networks. Given the likely future reduction in funds available for transport investment and the consequent desire to implement ‘low cost, high impact’ proposals (such as smarter choices, Real Time Passenger Information, upgrading of waiting and interchange facilities, passenger information, and ticketing and smartcards, as well as measure to enhance reliability and resilience) there is an urgent need to develop appraisal approaches. **pteg** would welcome the opportunity to work with DfT to support research to develop appraisal techniques and approaches to address these issues.

*D. In turn, this is indicative of a much wider point about local and national objectives. NATA focuses on national objectives, which is understandable given DfT’s national perspective. However, it is not as good at dealing with local policy objectives and consequently how proposals address locally defined problems. In many cases this is a matter of emphasis – there is often a good fit between national and local objectives – as*

evidenced by the shared priorities. However, at local level, the relative importance of objectives may differ and this is not easy to reflect in NATA.

### **Response**

As we set out under point A, **pteg** welcomes the principle of the Option Development report but has a number of concerns about it. In relation to this point, a particular concern is that the DfT gives appropriate weight to the attainment of local objectives when considering how and why promoters have selected their preferred option.

*E. Taking this theme further, we would like to see greater emphasis on the appraisal of revenue based schemes as well as capital based schemes. Many of the types of scheme in point C have significant revenue expenditures relative to the initial capital cost.*

### **Response**

In addition to our response to Point C, **pteg** would like to see greater flexibility to use Major Scheme funding to promote what has been traditionally seen as 'revenue' projects, such as those focussed on behaviour change. While **pteg** welcome the facility for virement of regional funds between the Maintenance and Integrated Transport Blocks, as well as between these two blocks and the major schemes pot, we believe there is further scope to use available funds flexibly, which in turn will increase the ability to continue to deliver enhancements as overall transport budgets reduce. As part of this, where transport investment leads to benefits in other sectors such as housing or health, there should be greater emphasis and flexibility in using funding sources from other sectors.

*F. We would also want to see explicit recognition of transport's contribution to the achievement of non-transport policy goals. It is often in these areas where there is a gradual release of benefits and where the causal links are less well understood, for instance the acceleration of local private sector investment, reductions in social exclusion or the underpinning of sustainable travel patterns, that impacts can be underplayed or ignored.*

### **Response**

**pteg** welcomes the DfT's DaSTS process and the recasting of the AST in the light of the DaSTS goals. However as we outline above we are concerned that undue weight is given to the BCR and this means that impacts that cannot be readily monetised are not given appropriate consideration. This position has been reinforced by the November 2009 Cabinet Office Strategy Unit document on transport in urban area which highlights the magnitude of transport's impacts on the local environment and safety. While the DfT continues to develop techniques to monetise impacts and benefits of transport interventions **pteg** is particularly concerned that the implication that all impacts can be captured in the BCR is overly reductive and consequently will lead to poor decision making.

*G. **pteg** considers that the capital cost definition for Major Schemes should be reviewed and in the future index linked. An increasing number of schemes are being brought within the ambit of Major Scheme Business Cases and without reform this will increase as time goes on.*

### **Response**

**pteg** was particularly disappointed that the April 2009 publication did not announce a revision of the £5m Major Scheme threshold. Given the limited opportunities to fund such projects via the ITB or with a cocktail of funding sources, this threshold is increasingly anachronistic giving the DfT de facto control over all but the smallest development to local and regional networks in the main urban areas. This appears contrary to the principles outlined in DaSTS. The position is further reinforced by the absence of any reform to the ITB allocation formula which remains rooted in the now defunct Shared Priorities and LTP1 outturn expenditure.

*H. This is linked to our major concern about the scale and balance of appraisal effort. We support the Department's view, expressed in the consultation document that the effort involved should be proportional to the scale and size of the scheme. We do not believe that a "cut down" approach to appraisal will necessarily lead to lower quality appraisals. Indeed there is a risk that the opposite becomes the case – if intensive modelling effort distracts attention from understanding the main impacts of the project being appraised.*

### **Response**

As we say in response to point B, **pteg** welcomes the principle of a light touch appraisal but believes there is still work to do to convert this principle into a method to have a worthwhile reduction in the burden to PTE promoters.

*I. In particular, we are concerned that the increasing complexity of models that the Department requires is becoming counter productive and can divert effort away from appraising the performance of schemes "on the ground" towards getting the models to validate, converge and behave sensibly. This is made worse by the shortage of people with the appropriate modelling skills. Modelling effort and associated data collection is likely to be more effective if targeted to the scheme in hand and the problems that it seeks to address*

### **Response**

**pteg** remains concerned about this issue. We would encourage the DfT to develop 'light touch' or 'rule of thumb' approaches to appraising benefits such as wider impacts and reliability benefits that can be applied to smaller scale interventions.

*J. A greater use of ex post evaluation would contribute to the development and then application of targeted modelling and appraisal approaches, as well as aiding the wider option generation process.*

### **Response**

**pteg** continues to believe that greater effort need to be made on evaluating the impacts of transport investment, both in terms of demand and benefits and also in terms of outturn capital costs and on-going operating costs. Major Scheme Business Case guidance makes a costed evaluation plan a requirement for funding to be attained and **pteg** welcomes this. The 4Ps/Local Partnership process places emphasis on benefit realisation. There are two important points here:

- (i) evaluation of a Major Scheme is a significant cost item. As a requirement for funding and reflecting the benefits of evaluation to the DfT and all local transport authority promoters, **pteg** believes that it is critical that evaluation costs be treated as part of the overall Preparation and Administrative Costs of a scheme and so subject to Major Scheme funding
- (ii) there is scope to rationalise and coordinate what DfT is looking for from scheme evaluation and what 4Ps is looking for in terms of benefit realisation and thereby reduce promoter burden.

*K. We would also like to see the results of the NATA appraisals, summarised in the Appraisal Summary Table (AST), presented in such a way that decision makers can easily compare the results for different options – preferably in a single table.*

### **Response**

In times of economic and financial hardship, it is important for transport investment to be prioritised based on the benefits which the investment will deliver in terms of employment and GVA outcomes. This is especially important when transport investment is compared to investment in other sectors of the economy, such as housing, health and education. **pteg** would like to see the equivalent emphasis placed on measuring employment and GVA outcomes compared to that placed on the BCR figure.

As we have noted **pteg** welcomes the recasting of the AST to reflect the five DaSTS goals. However, as we already indicated we believe that as the AST is geared towards single scheme/option appraisal it is poorly suited to allow comparison of competing options.

*L. Whilst we generally agree that NATA is fit for purpose, **pteg** has a number more detailed comments that are set out in response to the specific issues raised in the review.*

### **Response**

As we set out in the next Section, we do not comment on individual WebTAG units by offer comments on the overall suite of documentation.

## **5. pteg view on WebTAG Consultation documentation**

- 5.1. This chapter sets out **pteg's** view on the WebTAG consultation documentation.
- 5.2. **pteg** has chosen not to provide comments on each individual consultation document, in part due to the volume of documents under review and also due to the limited information the DfT provided on how it has implemented the changes set out in its April 2009 document in the revised WebTAG units. **pteg** instead provides some general points on the WebTAG units:
- DfT should provide greater clarity on the **pteg** suggested changes to NATA which have been included within updates to NATA/WebTAG;
  - DfT should reduce the number of WebTAG units

- DfT to give greater detail on how consultation WebTAG units differ from previous document versions (for example, by marking sections that have changed). The current approach which just lists the new consultation documentation makes it particularly hard to understand what has changed and the consequences of these changes;
- DfT to make greater use of providing relevant worked examples;
- DfT to make greater emphasis should be given to adopting rules of thumb/short cut methods to calculate key impacts. This is consistent with the light touch appraisal;
- DfT to ensure greater consistency in content and style of writing between WebTAG chapters; and
- DfT to implement a web-portal, which was originally suggested in the 2007 NATA Refresh documentation.

## 6. Conclusion

- 6.1. In summary, this note has set out the background to recent changes in the NATA refresh process, summarised progress on the issues raised by **pteg** as part of the NATA refresh consultation process and provided feedback on latest changes to WebTAG guidance.
- 6.2. **pteg** welcomes the DfT's engagement in the continuing evolution of NATA and WebTAG. **pteg** believes there is further work required to enhance NATA and it is keen to work closer with the DfT in order to deliver a NATA process which allows greater transport outcomes to be delivered.

## Appendices

### A. *pteg* 2008 Response Document

***pteg response to  
The NATA Refresh: Reviewing the New Approach to Appraisal***

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## **Chapter 1: Introduction**

**pteg** brings together and promotes the interests of the six Passenger Transport Executives (PTEs) in England. Strathclyde Partnership for Transport (SPT) and Transport for London (TfL) are associate members.

**pteg** has two main tasks:

- the exchange of knowledge and good practice within the PTE network, and
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- run concessionary travel schemes, including those for older, disabled and young people;
- invest in local public transport networks, including new rail and bus stations;
- develop and promote new public transport schemes, like light rail and guided bus networks;
- provide impartial and comprehensive public transport information services, including by phone and internet;
- manage and maintain bus interchanges, bus stops and shelters.

The appraisal of plans and programmes and of schemes and proposals is a central part of a PTEs activity. In particular:

- With their district council partners, the PTEs have a statutory responsibility to produce the Local Transport Plan for their areas. In the context of a longer term strategic vision, the LTP sets out a five year programme of capital and revenue expenditure for their areas.
- PTEs promote public transport capital proposals through the Major Scheme funding process.
- Through the DfT's Congestion Transport Innovation Fund (CTIF) initiative, a number of PTEs are working with their district council partners to investigate potential fiscal restraint measures and associated packages of complementary investment.
- PTEs are working with local authority partners in their wider city-regions to develop and then promote transport strategies.

### ***This Consultation Response***

This consultation response has been prepared by **pteg** on behalf of the six English Passenger Transport Executives.

Any correspondence related to this response should be directed to:

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### ***Publication/Freedom of Information***

**pteg** proposes to publish this response and is content for the DfT to publish the whole document or extracts from it. There are no parts of this response that **pteg** would wish to seek exemption from disclosure under the provisions of the Freedom of Information Act.

## Chapter 2: Key Points of *pteg's* Response

*pteg* accepts that NATA is a major step forward from the previous appraisal methods. Notwithstanding, we also agree that the review and refresh are both necessary and timely. In particular we strongly support the use of a framework that encompasses as many of the costs and benefits of policies and projects as possible in a consistent and transparent way. We also agree that standards of appraisal should be raised to support robust decision making and achieving value for money from capital and revenue expenditure.

We also recognise that appraisal methods and NATA need to evolve to reflect:

- the changing policy context set out in *Towards a Sustainable Transport System (TaSTS)*
- the welcome movement away from annual investment allocations towards longer term budgets,
- the challenges created by the Local Transport Bill including the proposed creation of Integrated Transport Authorities (ITAs).
- the continuing availability of the relevant transport appraisal and modelling skills both amongst both transport authorities – not just PTEs and proposed ITAs – and amongst the transport planning consultancies.

*pteg* considers it significant that *TaSTS* emphasises the need for a greater emphasis on exploring alternatives at the 'optioneering' stage of package and project development. We are concerned that appropriate appraisal tools are available to assist this process of determining what measures achieve the most effective 'policy fit' as well as being likely to pass value for money tests. This also raises the need to be able to define viable packages for full appraisal rather than simply splitting out high-investment items for assessment outside the framework of complementary supporting measures.

We therefore see a continuing need for dialogue between central policy makers, promoting authority and private-sector practitioners and academics, so that the refresh is not a one-off event but takes place through a process of discussion and mutual understanding of evolving policy and emerging techniques.

Within this broad context *pteg's* main comments on the refresh are summarised below and are reflected in our detailed comments.

1. *pteg* believes that the scale and scope of the appraisal should vary with the stage of the project or policy development that is being considered. In particular, there needs to be agreement on the scope of the initial appraisal of options and the specification of those options in the early stages of a project that will avoid both disproportionate effort on a wide range of options. Accepting that circumstances may change over the life of a project's development such an approach will also help avoid "backtracking" to previously discarded options at later stages in the appraisal process. This will, we believe, be particularly important as greater emphasis is placed on strategies as well as specific schemes, with the latter being appraised in the context of the strategy for an area.
2. We believe that the interpretation of the output of NATA as encapsulated in the Appraisal Summary Table (AST) is too focussed on the Benefit to Cost Ratio in establishing value for money. This in turn leads to an implicit or explicit "downgrading" of benefits that cannot be valued and included in the BCR.

3. This is coupled with the fact that we have no established and appropriate mechanism to establish the value for money of many policies and schemes that PTEs are keen to promote to the same extent as we can for Major Scheme investments. Such schemes can meet both local and national policy objectives in a cost effective manner. Examples of such measures include smarter choices, Real Time Passenger Information, upgrading of waiting and interchange facilities, passenger information, and ticketing and smartcards. The focus of effort should be directed to improving the appraisal of these schemes from the existing knowledge base rather than on developing more complex modelling of major schemes.
4. In turn, this is indicative of a much wider point about local and national objectives. NATA focuses on national objectives, which is understandable given DfT's national perspective. However, it is not as good at dealing with local policy objectives and consequently how proposals address locally defined problems. In many cases this is a matter of emphasis – there is often a good fit between national and local objectives – as evidenced by the shared priorities. However, at local level, the relative importance of objectives may differ and this is not easy to reflect in NATA.
5. Taking this theme further, we would like to see greater emphasis on the appraisal of revenue based schemes as well as capital based schemes. Many of the types of scheme in point 2 have significant revenue expenditures relative to the initial capital cost.
6. We would also want to see explicit recognition of transport's contribution to the achievement of non-transport policy goals. It is often in these areas where there is a gradual release of benefits and where the causal links are less well understood, for instance the acceleration of local private sector investment, reductions in social exclusion or the underpinning of sustainable travel patterns, that impacts can be underplayed or ignored.
7. **pteg** considers that the capital cost definition for Major Schemes should be reviewed and in the future index linked. An increasing number of schemes are being brought within the ambit of Major Scheme Business Cases and without reform this will increase as time goes on.
8. This is linked to our major concern about the scale and balance of appraisal effort. We support the Department's view, expressed in the consultation document that the effort involved should be proportional to the scale and size of the scheme. We do not believe that a "cut down" approach to appraisal will necessarily lead to lower quality appraisals. Indeed there is a risk that the opposite becomes the case – if intensive modelling effort distracts attention from understanding the main impacts of the project being appraised.
9. In particular, we are concerned that the increasing complexity of models that the Department requires is becoming counter productive and can divert effort away from appraising the performance of schemes "on the ground" towards getting the models to validate, converge and behave sensibly. This is made worse by the shortage of people with the appropriate modelling skills. Modelling effort and associated data collection is likely to be more effective if targeted to the scheme in hand and the problems that it seeks to address
10. A greater use of *ex post* evaluation would contribute to the development and then application of targeted modelling and appraisal approaches, as well as aiding the wider option generation process.

11. We would also like to see the results of the NATA appraisals, summarised in the Appraisal Summary Table (AST), presented in such a way that decision makers can easily compare the results for different options – preferably in a single table.
12. Whilst we generally agree that NATA is fit for purpose, **pteg** has a number more detailed comments that are set out in response to the specific issues raised in the review.

With these key points in mind, we feel that the review of NATA needs to take place as a result of the new policy direction indicated by Towards a Sustainable Transport System rather than in anticipation of the changes that will emerge from the NATA consultation process. There is currently a danger of fashioning a tool that is a significant improvement on what currently exists, but is still not fully fit for purpose. We therefore see mutual value in continuing to be involved in the process of developing appraisal methods as the related policy work fully unfolds.

## Chapter 3: Response to DfT Questions

In this Chapter we set out *pteg*'s response to each of the questions raised in the Department's consultation document. We have used the Department's questions to structure our response and cross-referenced to the Department's consultation document as required. For each question, first we make some general points. Many of these are prompted by the paragraphs that precede the consultation question as well as the question itself. Where needed we go on to address specific issues raised by the consultation document.

**Q1. The need to ensure proportionality of appraisal effort is noted in NATA, but users suggest that in practice the burden appears to be on the excessive side. How might we support promoters and analysts so that appraisal is proportionate?**

### *General Points*

#### Local Objectives and Priorities

In *Towards a Sustainable Transport System* the DfT has set out its goals for the nation's transport system. While it is recognised that the wording of these may be modified as part of the informal consultation leading up to the publication of the forthcoming Green Paper, and the formal consultation that will follow, the Passenger Transport Executives and *pteg* support and concur with the goals that the Department has established.

While we share these overall goals and objectives, we also feel that it is important that the Department recognises that each PTE (with its local authority partners) has their own priorities within these overall goals and that these have been developed to reflect local problems, needs and aspirations. While national goals set the overall context, PTEs' plans and programmes are developed in response to these local priorities.

The current approach to appraisal gives little weight to local priorities and this has two consequences. The first is that local decision makers often do not find the outputs of NATA appraisal helpful when informing their decision making, simply because they cannot see how the outputs relate to their own priorities. The second is that following the NATA approach results in much effort being put into analyses which either shows little change between the do-minimum and do-something (because the measures under test would never produce such a change), or the changes are not regarded as material by those making decisions.

We feel that it is essential that the national appraisal process recognises the need to capture impact against local priorities. Moreover, when considering the appraisals of schemes which promoters are co-funding the Department should give more weight to performance against local objectives and priorities.

#### Staged appraisal framework

In principle, *pteg* supports the adoption of a staged appraisal process, with an early scoping exercise to identify the likely impacts of the proposals under consideration. This would allow analytical and appraisal effort to be focussed and could reduce the appraisal burden by not investigating things of little consequence to the overall decision making process. Already for example, GMPTE applies a two-stage

approach to appraisal in its internal business cases, in which investment appraisal is preceded by a sifting stage that generates a shortlist of options. GMPTE's guidance on sifting is non-prescriptive: the emphasis is on explaining the criteria on which options were rejected. We would welcome the Department considering how the two-stage process used in Scotland or applied internally by GMTE could be applied in a refreshed NATA.

### The Major Scheme Qualifying Threshold

**pteg** also believes that the current £5m threshold for major schemes is too low (and guidance is unclear on how the £5m is defined in terms of price base and whether it is total cost, or cost to Government). It has not changed for a number of years. Given the significant construction cost inflation that has been experienced, in real terms the threshold is therefore substantially lower than when first set. As a consequence, many relatively small interventions, for example a corridor-focussed bus priority schemes or a new railway station cross this threshold and therefore have to be appraised as major schemes. This results in an appraisal burden disproportionate to the cost of the scheme and benefits that accrue. As well as the work that has to go into undertaking appraisals, it also puts a wider burden on promoters due to the need to go through the Regional Funding Allocation (RFA) process and then hold dialogue with the Department. Increasing the threshold would mean that fewer schemes need be subject to the full appraisal process.

It is not possible, however, to simply raise the major scheme threshold without reforming the approach to allocation of capital funding. As a minimum the £5m threshold should be index linked to construction cost inflation. However, already PTEs find that they are not in a position to promote some schemes that cost less than £5m, simply because to do so would take too great a proportion of their Integrated Transport Block (ITB). One possible option is to give the PTEs a greater ITB allocation. A further option is 'top-slicing' a proportion of the Regional Funding Allocation and allowing PTEs to allocate funding from within this to their smaller 'major' schemes without submitting a Major Scheme Business Case. It is important to recall that already there are established procedures in place to ensure that PTEs use the funds that are available to them appropriately and in the public interest. PTEs have established mechanisms and procedures for making and assessing business cases and like all local authorities they are scrutinised by the District Auditor. Therefore there should be no concerns about PTEs using a greater capital allocation appropriately.

### Light Touch Appraisal – see also response to question 2 below.

There is no reason why all schemes and proposals should be appraised in the same way. **pteg** sees no inherent reason why "light touch" appraisal should necessarily be of lower quality than a more in-depth exercise. We accept that "light touch" may be less precise (and so more uncertain) but the important question is whether a light touch appraisal allows the right decisions to be made. We believe the focus of effort developing appraisal techniques should be on managing uncertainty to an acceptable level, rather than increasing analytical effort to attempt to 'reduce' uncertainty. Currently, guidance is open to interpretation, with some promoters taking an overly cautious view and doing more work than is necessary (and hence incurring greater cost) and others doing less (and hence incurring time delay as additional work is undertaken to meet requirements).

We also feel that it is important that any revised approach to appraisal recognises that many smaller schemes are not amenable to the types of modelling and appraisal

used for much larger schemes. For example, the impacts of a new railway station on a commuter line will be localised and small in scale, while the impacts of a TIF road user charging proposal will be area wide and large in scale. Guidance on modelling and appraisal approaches therefore needs to be flexible.

Even in cases where the small scheme may be amenable to detailed modelling, we would also question whether it would be worth the extra cost and effort if alternative light touch techniques are available that allow a confident decision to be made.

For cost-benefit analysis of rail station enhancements, GMPTE estimates user benefits from standard facility values derived from SP research that have also had some validation from observed demand changes. Resulting generated demand and fares revenue is estimated by applying standard generalised cost elasticities, tempered by additional rail crowding which is estimated by applying average values derived from PDFH. Road decongestion and other external benefits are estimated by applying average rates per trip km removed from car, based on relevant average trip lengths. This “light-touch” method enables options to be readily compared without disproportionate analytical effort. Impacts on policy goals (e.g. impact on personal safety and security) are described if they are important: otherwise they are omitted from the appraisal.

### Staged Sign Off

A process of staged sign-off by Government on major stages in the overall appraisal process (e.g. problem definition, definition of objectives, option generation, assessment of alternatives, identification of preferred approach, business case) in advance of a Major Scheme Business Case submission would reduce significantly the risk to promoters and the burden of developing transport proposals.

### The Role of Evaluation

*pteg* believes that the effort that is put into modelling and appraisal could be reduced significantly through the more extensive use of *ex post* evaluation of major schemes. Evaluation allows us to understand what the impact of schemes has actually been and by comparing these with our forecasts allows lessons to be drawn and forecasting and appraisal approaches to be developed. By understanding the actual impacts of proposals, forecasting and appraisal effort can be targeted. We believe that the DfT needs to sponsor and disseminate much more evaluation work than it has done hitherto and should lead the dissemination of such work's findings.

### **Q2. If there were a light touch appraisal, how should sufficient robustness be maintained?**

#### ***General Points***

As we have noted in our response to Question 1, *pteg* is supportive of the concept of a light touch appraisal. Robustness is about making a decision with confidence (and so inherently, about managing uncertainty). This is different from accuracy, which is about reducing the error on estimates of different inputs to the appraisal. We feel that for many interventions it is possible to make robust decisions without undertaking a full NATA appraisal. This is for the reason we also outlined in response to Question 1: for many interventions the level of analysis that NATA requires is disproportionate to their costs and benefits.

What is important is for any light approach to allow scheme promoters and decision makers to focus on the right issues. This is to allow decision making to consider what is most germane, and to allow any subsequent and more detailed work (including data collection and modelling) to be focussed and so be most cost-effective.

When considering the role of light touch appraisal, it is also important to bear in mind the difference between appraising a scheme or measure within the context of broader strategy, and appraising the broader strategy. NATA has been applied to both scheme (Major Scheme Business Case) appraisal and strategy development and assessment (multi modal study) processes. However, we would suggest that the appraisal needs for strategies and schemes are different and the appraisal approach should be developed to reflect these different needs.

We believe that proportionality should apply to scheme analysis and smaller major schemes should require less appraisal than larger major schemes. Smaller schemes have more localised benefits whereas larger scheme benefits have both wider and larger scale benefits. Robustness in scheme appraisal linked to proportionality can be maintained by clearly identifying what are the objectives of the scheme, what is being delivered, and understanding the mix of local impacts and wider impacts.

Turning to strategies, a good strategy is one that remains robust in a range of outturn futures. We would suggest that sensitivity testing to growth and other key input variables (fuel price, say) are more important for established robustness than a process of increment/decrement testing within a single scenario.

We also believe that the robustness of strategy appraisal can also be enhanced by capturing affordability constraints. Clearly, an unaffordable strategy is not robust, regardless of its performance. We would suggest that DfT should give thought to how NATA can be developed to reflect both the *TaSTS* funding cycle and the likely funding that will be made available from Government. (Although we recognise that this need not be an absolute constraint as strategies may contain elements that raise revenue which can then be reinvested.)

We would also note that many locally desired impacts of a strategy can be very challenging to capture by a conventional cost benefit analysis. This may be best illustrated by example. Many local authorities working with their PTE partners have promoted pedestrianisation to help promote the retail offer in their town centres and thereby support the competitive position of the local economy. Such measures are often accompanied by associated traffic management and public transport rerouting which leads ostensibly to a disbenefit to some transport users and these are taken into account in the appraisal. However, the benefits to the local retail economy and the “place shaping”, or indeed the direct benefits to pedestrians, that pedestrianisation can deliver are not. Robust strategy appraisal may require evidence-based but qualitative or non quantified assessments to enable benefits and costs to be intelligently compared.

In 1991 Leeds City Council and Metro published the Leeds Transport Strategy. The Strategy has widespread stakeholder support and was very successful in framing the programme of transport investment in the City: fifteen years after its publication the measures recommended by the Strategy for the City's road, bus and rail network had either been substantially implemented or had committed scheme status.

Predating both the Common Appraisal Framework and NATA the Transport Strategy employed a 'light touch' appraisal framework to look at alternative strategy options. This combined outputs from a multi-modal transport model with qualitative assessments within a single framework.

Importantly the measures that were used in the framework were linked directly to locally defined objectives, enabling decision makers to understand the projected impacts of strategic alternatives. Where appropriate, indices were applied rather than absolute measures as these were found to be easier to interpret. The framework also included an explicit assessment of how the strategy alternative could be funded.

### ***Specific Points related to the paragraphs 12 to 36***

**pteg** is broadly content with the suggestion in §20 that the integration objective be dropped from the NATA framework, provided that the impacts continue to be included elsewhere in the appraisal process. As currently specified it is a unsatisfactory mixture of assessment of policy fit with wider objectives and integration between modes and/or legs of a journey. As noted above, **pteg** believes that a two-stage process similar to that used in Scotland allows policy fit more explicitly considered in the appraisal process.

The benefits of promoting modal interchange or multi-leg journeys within one mode should be captured within the economic appraisal of any proposal. However, **pteg** also believes that there is *prima facie* case that proposals that promote interchange are currently not modelled well and so their benefits are not appropriately captured. We believe that this is an area that would benefit from further research and then subsequent development of modelling and appraisal guidance.

In relation to §23 of the consultation document, we would note that:

- bullet 1 it is not clear to **pteg** why it is suggested that more strategic analysis will be required. In essence this is a point about problem definition, rather than appraisal *per se*. We would suggest that for many of types of interventions that PTEs are seeking to promote (and so are subject to NATA appraisal) the level of analysis is already more than sufficient.
- bullet 2: **pteg** strongly supports making best use of the existing transport system and much PTE investment is focussed at this activity, for example through promoting public transport by provision of better information before and during the journey, or supporting smarter travel choice measures. However, many better use measures are challenging to appraise in a comparable way "traditional" capital projects. Many better use measures require revenue as well as capital funding, for example. Also major maintenance schemes or using renewals as an opportunity for infrastructure enhancement raises further appraisal challenges. We also find that some best use proposals, and a good example would be bus priority measures where the benefits are maximised by coordinated application of a package of measures in a particular corridor, are difficult to fund through the

Major Scheme Business Case (MSBC) route due the divisibility of the overall package, but are too expensive to fund via the Integrated Transport Block (ITB).

- bullet 3. **pteg** strongly supports the need for proportionality. As we have noted above, we feel that £5m threshold for a major scheme is too low as crossing this threshold is a step change in appraisal effort. We would also suggest that the GRIP process used by Network Rail is a further example of disproportionate effort in the design and appraisal process for many small rail proposals. It extends project development timescales and results in promoters incurring additional costs. It should be possible to develop a streamlined process which speeds project implementation and reduces promoter costs with no adverse impact on outturn costs and benefits.
- bullet 4: as noted in our general response to this question, **pteg** strongly supports the concept of a staged appraisal process.
- bullet 5: we return to the issue of which aspects of appraisal need to be strengthened in subsequent answers.

**Q3. The Department and other bodies involved in strategic planning should consider wider dissemination of strategic analysis to provide the context for later stages in decision making. How should strategic appraisal tools be developed, balancing the right options being generated without unnecessarily analysing those that are unsuitable?**

The Department has a key role to play in setting the context within which Local Transport Authorities develop their strategic approaches and the schemes and measures that they promote. Strategic analysis can be very helpful in establishing the likely impacts of different interventions, their suitability in different localities and their likely costs. Strategic analysis can also be helpful in ruling out unfeasible or impractical options at an early stage and so allowing options development and modelling and appraisal effort to be focused.

**pteg** would welcome the opportunity to work with the Department to define a programme of strategic analysis directed at enhancing the transport strategies and programmes for the metropolitan counties.

A programme of strategic analysis with the wide dissemination of findings would allow Local Transport Authorities to make greater use of inductive analysis (i.e. theorising first and making decisions based on the balance of probability), rather than authorities having to derive strategies deductively (drawing conclusions from the datasets and modelling of all alternatives) by rigorously testing full range of options (and combinations of options).

***Specific Points related to the paragraphs 37 to 42***

We agree that strategic transport and land-use transport models can be used for strategy development, (as hinted at by **§38** of the consultation document) but they should not be pushed into appraising smaller type schemes or variants to large scale interventions: they are too coarse to be used for this.

As we have already noted we believe that the two stage STAG approach referred to in **§37** is attractive. It is intuitive, easy to use and helps frame further modelling and appraisal effort. At an early stage it allows non-relevant objectives to be 'scoped-out' from Stage 2, as opposed to the current NATA approach of detailed work leading to a 'neutral' assessment. **pteg** believes such an approach should be adopted in a revised NATA process.

**Q4. In the future, option generation is likely to be more complex, integrating for example small-scale and better use options. The range of alternatives considered, including some possibly rejected at an earlier stage, may be informative to decision making. How might this information be presented?**

***General points***

It is not clear to *pteg* why the Department regards option generation as being more complex in the future than hitherto. From the PTE perspective, it is not clear what options are now on the table that have not been considered for a number of years. When developing a strategic approach, options should not (and indeed need not) be as well designed and specified as at the scheme level.

PTEs have always developed long-term strategies for their areas, latterly to underpin their LTPs. The Local Transport Bill currently before Parliament strengthens this obligation. In documenting their strategy development, objectives are set, problems are identified, and options are set out to overcome these problems. The rationale for the preferred approach and the benefits that it will bring are set out. Generally each PTE develops an approach that makes best use of its resources, including existing data and models, and new work to support the process in hand. Local objectives and priorities are key considerations when developing options and then appraising options. It is important that the Department recognises that such local objectives and priorities may result in greater weight being placed on some types of solution over others. Consequently, *pteg* believes that the Department's guidance should set out the principles that need to be considered when generating and then comparing options rather than be prescriptive.

For many years PTEs have sought to implement a mixture of short and longer term measures, and local and larger-scale interventions. As set out in response to question 1, what has been challenging is securing funding for small capital schemes, using revenue funding to support better-use options and packaging small schemes together into a Major Scheme.

We would go as far to suggest that the current funding arrangements actually distort the range of options that are considered. To promote a full range of options, PTEs need to be confident that they can get access to additional revenue funding for revenue hungry measures (and these are often "making best use" type options). Currently it is very difficult for PTEs to get access to greater revenue funding. The way funding is made available therefore inhibits the range of options that are considered: options that cannot be funded are quickly dismissed. Indeed, the fact that there is an appraisal process for applying for capital (MSBC) but not one for revenue, means that promoters are more likely to come forward with capital proposals.

The appraisal of an infrastructure renewal scheme (such as that for Tyne & Wear Metro) presents some particular challenges. In terms of problem definition, the situation is more complex than a scheme or strategy designed to meet changing or future land-uses or travel conditions in that as well as those considerations, the future condition of the scheme itself is a major factor. As parts of the scheme age, performance will deteriorate without capital investment in replacement or revenue expenditure on higher levels of maintenance on existing equipment. Identifying how this will unfold requires a complex understanding of asset condition and maintenance strategies that is harder to develop than options for new schemes. It is likely that there are many more options in terms of scope and timing of renewal than new schemes, and also that the do-minimum decline of the system itself has options and uncertainties.

Estimation of the benefits of renewal is then similarly complex. While outright closure of a whole system is at least conceptually a do-minimum for which (dis)benefits could be forecast, that would not be the immediate prospect. Instead partial closures or higher levels of unreliability would occur in the shorter term. Safety issues would also be important in determining what could be operated.

### ***Specific Points related to the paragraphs 43 to 48***

We are concerned that the potential inference from §43 is that the Department feels that successful option generation is dependent upon the use of complex models. Analytical tools are important and they should be used to help answer difficult questions. However, the experience of PTEs (and indeed, from many of the multi-modal studies) is that much modelling effort is put into demonstrating what could easily have been inferred from other studies or experience elsewhere. The approach suggested in Question 3 of using strategic analyses and disseminating the findings of this could beneficially reduce the amount of time and effort devoted to the modelling.

We feel it is also important to recognise with the option generation process that the impacts of some proposals that will be put forward for consideration in the metropolitan areas are not currently conducive to analysis using transport models (and some are unlikely ever to be). Consequently we do not accept the statement in §47 that it is “unlikely that the assessment of the costs and benefits of ‘better use’ schemes will be different in principle to investment projects.”

To sit alongside the Second LTP for Merseyside, Merseytravel developed a rail strategy for the County. This is analogous to the statutory bus strategy, also produced in parallel to the Second LTP. For its Rail Strategy, Merseytravel adopted a structured approach to identifying problems, potential solutions to these and hence its strategic approach

The first step was to establish the problems that the rail network in Merseyside currently faces and is anticipated to face in the future. For this exercise a problem was defined as being something that prevented the attainment of an objective. The six objectives of the July 2005 Provisional Local Transport Plan were used to identify the problems. Insofar as possible sources of quantified data were identified to provide evidential support for each of the problems identified. It was recognised, however, that some of the identified problems were essentially subjective in nature. Each identified problem was given a unique reference number.

For each of the identified problems potential solutions were then put forward. Insofar as possible the solutions were generic rather than specific. As anticipated, a number of the solutions identified and addressed more than one problem. Again, each identified solution was given a unique reference number.

The third stage was to make an outline assessment of the identified solutions. Four criteria were considered:

- the likely economic and financial case;
- the technical (i.e. railway engineering) case;
- the operational case – this was limited to railway issues;
- the solutions deliverability – funding and public and political acceptability were each considered.

Finally, particular proposals to develop and enhance the rail network were identified and associated with the generic solutions. The use of the reference numbering allowed the strategy's proposals to be linked explicitly with the identified problems.

**Q5. The analytical framework used to assess transport interventions should explicitly recognise wider government objectives in the evidence provided, beyond the Department's economic, environmental and social ones. How should those elements which relate to broader objectives, such as housing or regional growth or the distributional impacts on the socially excluded, be presented?**

### ***General Points***

From *pteg's* perspective currently the Department places undue weight on NATA-BCR. Setting aside concerns about which benefits are monetised and which are not, and how those monetised values are derived, the NATA-BCR has too narrow a perspective to allow consideration of how transport investment contributes to wider Government policy. In particular we would note that:

- The definition of the NATA-BCR itself is too narrow. The Government is responsible for the overall stewardship of the economy; therefore the cost to Government should not be the only consideration when considering value for money. A full social cost benefit BCR should be reported for all schemes.
- Not all NATA-BCRs (or indeed social BCRs) are comparable. There are different levels of uncertainty surrounding costs and benefits (notwithstanding Quantified Risk Assessments (QRAs) etc), especially between big and small schemes. Even with more detailed analyses such uncertainty will always remain (and more detailed analyses are likely to be disproportionate for smaller schemes).
- BCRs for many PT proposals include the cost for benefits that are not monetised, while benefits of road proposals are almost all monetised (e.g. cost of providing DDA accessible facilities on the railway is a cost, but there are no monetised benefits for this. In contrast access to the road network for the mobility impaired (say) through specially adapted vehicles is not part of the appraisal.) Under the current framework there is therefore no such thing as being "modally agnostic" in appraisal.
- The Government has set a PSA target for promoting regional growth. The overall impact on the economy of a proposal is measured by NPV, not the BCR. On occasion it might be more advantageous for the Government to support

measures that maximize NPV, rather than BCR as such measures could contribute more to regional growth.

It is also important that wider government objectives that are considered should include those identified by local as well central government. Alternatives are usually distinguished from each other in a local level appraisal, but at a national level appraisal they may not be distinguishable. If DfT does not have regard to the local level appraisal it cannot understand fully the promoter's case.

There should be more emphasis on providing a logical narrative explaining the source and nature of non-quantified benefits and how they fit in with local and national policy objectives. Often such benefits will be central to the development of the scheme, e.g. linking a housing action area with major trip attractions. They will often overlap with the quantified benefits: that is not a sufficient reason for excluding them from the appraisal, but there should be particular emphasis on explaining the extent to which there are benefits additional to those quantified in the cost benefit analysis.

A useful way of presenting distributional analysis is to combine forecasting model outputs with demographic data using GIS. For example, GMPTE has developed home-end accessibility analysis (HEAT) that can map the forecast accessibility changes for particular packages or measures for particular trip attractors (e.g. hospitals, secondary schools, local shops). HEAT can also map accessibility changes for particular groups – e.g. low-income households.

Equality Impact Analysis (EQIA) can also be a useful tool for analysing distribution impacts. EQIA is an evidence-based approach to assessing the impact of packages or measures on specific groups. This can provide useful preparation for public consultation and Public Inquiries and can be used to check the distributional performance of a transport improvement throughout its development from initiation to ex-post evaluation.

Furthermore, *pteg* believes the position where demand and benefit impacts of Government sponsored regeneration (e.g. sponsored by Urban Regeneration Companies) is struck out from the appraisal because the development is uncommitted is untenable. NATA appraisals should take into account effects of other Government initiatives. If they are dismissed in effect it is assumed that such initiatives will fail. We need to develop an approach that recognises there are risks associated with development and regeneration related trips and benefits, perhaps using similar methods as are currently used to support Quantified Risk Assessments.

Fundamentally, *pteg* believes that how transport appraisal incorporates a consideration of contribution to wider Government policies is not a matter of presentation as this question suggests, but a more fundamental one related to method.

### ***Specific Points related to the paragraphs 49 to 57***

As we have previously noted, *pteg* believes that a greater use of evaluation can lead to improvements in forecasting and appraisal, as well as option generation and selection. We welcome the reference to evaluation in **§52** and encourage the Department to make more resources available to support this important activity.

We would also note that there is general dissatisfaction with TEMPRO (**§55**) and in particular the lag between the publication of revised housing and employment projections in Regional Spatial Strategies and their incorporation in TEMPRO.

The upgrade of the Blackpool and Fleetwood Tramway is a key component of the regeneration strategy for the resort, linked with the work of a joint council/Government Task Force looking at ways to improve the resort's future economy. Planned regeneration measures vary in the level of detail available, particularly with relation to the programme for implementation and scale of the impact. Notwithstanding, with some certainty it can be seen that the funding being made available will enable the resort to attract and sustain increased numbers of visitors in the future. However, the level of risk attached by DfT to the modest growth forecast in tourists/tramway passengers led to the requirement for the proposals to upgrade the tramway to meet value for money criteria against a 'no growth' scenario, essentially assuming that regeneration proposals supported by other Government departments would fail to have any material impact.

**Q6. Over the Refresh, the extent to which the evidence for strategic decisions can be consistent with local or scheme specific evidence should be explored. How might the provision of more detail about the strategic analyses of economic, safety and accessibility impacts of transport policies be made helpful for project appraisal?**

### ***General***

Consistency between strategic decisions and local or scheme specific evidence is desirable, but it is not the case that the way that this should be achieved is through having a single model as seems to be implied by the Refresh consultation document.

A single model for strategy and scheme assessment may be appropriate for the largest intervention promoted by national agencies (e.g. rail corridor projects, major motorway proposals), or even (possibly) local authority-led TIF charging proposals, but ***pteg*** believes on the whole, such large multi-interaction models are inherently unsuitable for assessment of more local measures. This is because:

- they have insufficient spatial detail to capture impacts at a local level
- validation cannot usually be sufficiently demonstrated at a local level
- they may not be specified to capture the impacts of a proposal (e.g. the impact of Real Time Information (RTI), or smarter travel choices)
- the models do not have sufficient convergence – the impact of a small scheme or small variants to a larger scheme is less than the 'noise' in the model

What ***pteg*** argues is needed are systems of models in which a consistent set of assumptions is used (for example relating to housing growth, or fuel prices). These need to inform appraisals that capture the impact against local objectives. A better approach to appraising most transport projects is to use a mix of spatially detailed network models (where spatial detail is important) together with higher level models such as elasticities that capture an array of complex behavioural responses.

It would be useful for the DfT to communicate better typical findings from strategic assessments as this can inform option development as would more evaluation work. However, beyond the option generation stage it is not clear why provision of more detail about the strategic analyses of economic, safety and accessibility impacts of transport policies will be helpful for project appraisal.

## ***Specific Points related to the paragraphs 58 to 70***

From this section of the document we would note that:

- while we agree up to a point with the view expressed at §59 that there has been improved understanding in the spatial patterns of growth and productivity and the links with transport, we feel that this is still an area of considerable uncertainty. Experience of applying land-use transport interaction models that seek to capture these effects remains limited and it is important that the Department recognises there remains scepticism about their robustness.
- we agree with the suggestion at §62 that crowding impacts should be moved to the economy objective.
- we feel all health related benefits should be grouped together as suggested in §63, so while grouping the health impacts of increased cycling and walking with air quality or noise impacts may be incongruous it is an acceptable compromise.
- as noted above in our general response to Question 6, contrary to the suggestion in §69 we do not believe that a single model is necessarily sensible for strategy and scheme assessments. While it may be sensible for the larger schemes promoted by national agencies, or even local authority TIF proposals, it would not be so for most PTE-supported schemes and measures.

**Q7. In providing decision makers with the evidence on environmental impacts there is always going to be a balance between taking appropriate account of the environmental impacts of transport interventions and the need to summarise evidence for decision makers alongside other impacts. Is the current balance between detailed assessment and summary appraisal information appropriate?**

### ***General***

*pteg* believes that the shadow price of carbon used in appraisal is too low. As most public transport proposals result in a net reduction of total CO<sub>2</sub> emissions this results in their beneficial impact being understated in cost benefit analysis. While we understand that DfT is simply adopting the DEFRA derived value, given that the Department is committed to contributing to the wider Government policy of reducing CO<sub>2</sub> emissions in general, and transport's contribution to this in particular, we believe the Department should take a lead in seeking an amendment to the shadow price of carbon. This will help ensure transport investments are being appraised appropriately.

In principle *pteg* regards SEA is a useful tool. It helps identify any 'showstoppers' of alternative strategy options in terms of environmental damage, as well as providing a comparative means of identifying the best option in environmental terms. It also is an important means of focussed stakeholder engagement with Government agencies and NGOs with an environmental locus. Overall, and as set out in the EU directive on SEA, its primary aim is to promote sustainable development, which is also the Government's stated policy aim. Therefore, its importance as a tool in appraisal should be emphasised much more strongly.

However, in practice *pteg* also feels that much greater consistency is needed when undertaking SEAs and the guidance needs to be developed to focus on what's important (the current checklist approach is inappropriate). The lack of clarity on method in the current guidance means there is too much scope for users to present a positive or negative case which cannot in fact be justified.

*pteg* would like to see monetisation included in NATA when the techniques for deriving monetary values and forecasting changes in the quantified measure between the do-minimum and do-something are robust and objective. In this respect:

- we fear some monetisation methods of many environmental impacts are not yet widely accepted, and doubt some impacts (e.g. improvements to the quality of the public realm) can ever be valued in a generic way.
- NATA assumes that the forecasting of changes to environmental indicators (e.g. noise levels) is robust and well done. Again this assumption is not justified. For example, if an appraisal is completed in advance of a full EIS then impacts will be approximate, and quite probably less reliable than contemporaneous assessments of time savings.
- stakeholders do not understand how the monetary values are derived, especially if they appear counterintuitive and consequently do not have confidence in the appraisal.
- use of monetised environmental benefits can obscure assessment against local objectives.
- some environmental impacts will be considered by some as showstoppers whatever their monetary value (and that the local and national view might differ on what's a showstopper). The appraisal process needs to capture this.

**Q8. What are the priority areas for extending the use of the monetary valuation of environmental impacts?**

As we have said in response to Question 7 we see the proper valuation of CO<sub>2</sub> as a priority.

Other than that *pteg* feels that initially effort would be best put into raising the scope and quality standards of environmental assessment leading to a robust quantified assessment of impacts that can be considered by decision makers, rather than further extension of monetisation of environmental impacts.

**Q9. Given there are a range of decision makers and the mass of evidence underlying appraisal is large and increasing, does the AST remain a useful format? How should the AST be augmented to be a more effective way of conveying the information to decision makers?**

**Q10. How do we summarise the results of strategic analysis?**

As has been suggested in answers to previous questions *pteg* feels that it is important for the DfT to recognise that:

- a different approach may be needed for presenting strategic analysis to that to presenting scheme assessment.
- appraisals are viewed from different perspectives: the local perspective and DfT one need not be the same in terms of what impacts are most important. We feel that the local perspective is an important context for national decision makers

***For MSBCs***

For Major Scheme Business Cases, *pteg* suggests that it is:

- It is sensible for the AST to summarise the information that underpins the recommendation/decision to go ahead with scheme or not. As Value for Money appears now to be the decision criteria (rather than the AST *per se*), the summary information should reflect the basis for the VfM assessment. From the DfT's perspective the key issues seem to be scheme cost (affordability) and the NATA-BCR. As we have set out earlier, **pteg** feels greater weight should be placed on the Social BCR and other economic metrics.
- Would like to see the incremental NPV and BCR over the Low Cost Alternative (LCA) presented as this shows the rate of marginal return of the preferred investment compared with the next best alternative.
- We would therefore suggest a single page *Appraisal Summary* comprising:
  - the cost (in appraisal price base, current prices, outturn prices)
  - the economic metrics - PVC/PVB/BCR/NATA-NPV/Social NPV
  - the marginal economic case over the Low Cost Alternative
  - key other NATA impacts (e.g. identifying where an impact was above or below some pre-defined threshold)
  - overall assessment of VfM
  - key issues around risk/sensitivity
  - key local issues.
- Each of the above could be supported by summary information if required e.g. the cost breakdown, TEE, the full AST
- There is no need for the AST to show for the full set of possible impacts where the impact is neutral or irrelevant. Rather, key issues need to be drawn out in a consistent format.
- It is important, however, for the appraisal summary to detail the problems that the proposal is seeking to overcome and the extent to which it succeeds (or equivalently, local objectives are met).

As noted we feel it is also important that the Appraisal Summary reflects performance against local goals. This information is important to local decision makers and it should be considered by Ministers. The summary therefore also needs to include the role of a proposal addressing local problems and local objectives. This suggests there is a need to ensure role of local objectives/scheme objectives are included in decision criteria and summary information, which in turn means it will be useful for the first part of the summary information to set out the objectives that are intended to meet.

### ***For Strategic Analysis:***

We would suggest that when thinking about strategic analysis the NATA Refresh consultation document seems to be coming from the perspective of the DfT's planned *TaSTS* corridor studies. PTEs undertake strategic analysis of plan and proposals for their conurbations (for example when setting the transport strategy to underpin their LTPs). While a comprehensive (and template) assessment of a strategy against DfT objectives/criteria is probably warranted, a strategic assessment against local objectives will be important as well.

**Q11. From the range of techniques available to better communicate the appraisal advice, what should the Department consider?**

Despite the obvious attractions of a web-based tool providing appraisal rules and advice, *webtag* is neither easily navigable nor as a website intuitively understandable. We would suggest that the site is re-designed from first principles. This said we believe that the principle that has been established of having guidance focussed on lay people, professionals and experts is a good one and should be continued.

While we would not wish to be prescriptive how the Department communicates its appraisal advice we would suggest:

- it is important to be able to download the guidance, so availability in (say) PDF format is important.
- there should be a single webpage from where all guidance can be downloaded (*webtag* does not currently offer this).
- but having an easily navigable website is important too. Consideration could perhaps be given to a wiki-type site.
- the current set of guidance documents have been developed over many years. The guidance needs to be re-written into a consistent style and format.
- all pertinent guidance documents should be available from one site (e.g. DMRB, TUBA manuals, etc.).
- advance notice should be given of when guidance will change, with the actual guidance documents available to practitioners some months in advance of the proposed change. E-mail bulletins should be available to subscribers.
- changes to guidance should take place on fixed dates (say annually, or bi-annually).
- DfT should consider hosting weblog/discussion fora to encourage exchange of best practice.

**Q12. Do you have any suggestions about the consultative change process we envisage to ensure that you can participate as we develop changes to the guidance?**

*pteg* suggest that there should be on-going dialogue between the PTEs and the DfT in advance of formal consultation of proposed changes to appraisal practice and guidance. This would allow the PTEs to feed their views into the “idea stage” and in particular bring their practical experience of scheme promotion and assessment. *pteg* would welcome being part of a wider ‘sounding board’, the intention being to help the DfT design its appraisal guidance such that it offers a practicable and implementable approach.

**Q13. The document identifies some issues and we would appreciate your views on the priority – a ranking if appropriate – the Department should attach in progressing these. We recognise that all the areas will need some consideration, but what are your views on their importance?**

In the rest of this section we set out *pteg*’s response to the DfT’s points for prioritisation. The table below summarise our prioritisation, using a high/medium/low scale.

Question	Importance (H/M/L)
A	High
B	High
C	Low
D	Medium
E	Low
F	Medium
G	High
H	Low
I	Medium
J	High
K	High
L	Medium
M	High
N	High
P	Low

**a. The Department should consider how best to support the continued interest in the reliability and wider economic benefits of transport improvements. The nature of these issues suggests the support would be wide, looking at data, modelling issues in the context of innovative transport solutions. The need to reconcile wider economic benefits and regeneration benefits is a particular area for guidance.**

For *pteg* it is a high priority for reliability and Wider Economic Benefits to be included as part of monetised benefits.

We would note, however:

- For assessment of reliability there needs to be an acceptance that ability to do all the following are currently limited:
  - quantification of current PT unreliability
  - forecasting impact of measures seeking to improve reliability
  - monetisation of benefit
- The Department's current WEBs guidance is aimed at the expert and there is a need for simpler and clearer guidance
- Full assessment of agglomeration, the largest WEB not in the current framework, as currently formulated requires some form of Land Use Transport Interaction (LUTI) model framework. Many promoters do not have these and will not for foreseeable future. However, they should not be disadvantaged when proposals

are compared to other schemes by an inability to calculate agglomeration benefits as per the current guidance.

- Furthermore, where LUTIs do exist, their spatial detail suggests that only largest PT proposals are tractable for WEB calculation, but there should be no disadvantage to promoters of small schemes

This suggests to *pteg* that for both WEBs and reliability and at least as in interim measure, the DfT needs to develop some sort of “ready-reckoners” applicable to smaller schemes, or to locations where no LUTI is available. Such an approach would be analogous to the rates of non-user benefit per vehicle kilometre removed from the highway network that the Department established some years ago.

Using transport investment to support regeneration initiatives remains an important option for many metropolitan authorities. Referring to §79 of the consultation document, we would also note that the distribution of WEBs is a significant issue for PTEs and their LA partners.

**b. The importance of journey time savings in the overall benefits of a scheme suggest some further information about their composition would be informative. Whether this is possible should be explored.**

The aspect that *pteg* would like the Department to develop its approach relates to the VoT applied to trip makers who change mode. The situation where different VoTs are applied to the same trip makers in the do-minimum and do-something, simply because they are modelled to use a different mode undermines the gaining of widespread acceptance of appraisal outputs. It means that the benefits of a public transport proposal that is very successful at attracting car users are systemically understated. *pteg* believes that either an individual’s VoT should not change when they change mode and should be constant for individuals, or (and probably more tractably) for appraisal purposes the average modal VoT should be recalculated for the do-something scenario. Addressing this issue is a high priority for *pteg*.

We believe further work exploring benefits of being able to work while travelling (§86) and how valuations of time may change with travel distance (§87) are both worthy of further study.

*pteg* strongly opposes the suggestion that there should be regional values of time (§88). The use of regional values of time may make it harder to promote worthwhile proposals in less prosperous areas, but such areas do have significant transport problems and not addressing these could contribute to further widening the gap between less and more prosperous areas. The use of regional VoTs does not fit well with the Government’s PSA target to promote growth in the less prosperous regions.

**c. The Department will seek, engaging with the industry, to improve data and methods regarding freight time savings.**

*pteg* would welcome research that explores the importance of journey time reliability for good traffic, and looks at the impact of measures that seek to influence goods vehicle delivery times.

**d. The Department should consider how accessibility measures should be used in the NATA framework. In particular, should the information on the accessibility impacts in relation to local targets be presented, or should a more national approach be used? How should the accessibility impact be presented alongside the other impacts of interventions?**

We suggest that the Department needs to think about accessibility in two ways:

- absolute measures (link to “standards” e.g. number of households within x hundred metres of a bus stop with at least y buses per hour, or time to nearest post office)
- relative measures – how one locality compares with the other, which can be important from a local policy perspective

It would seem to us that absolute measures are more attuned to a national (DfT) level assessment, while relative measures are more important at a local level. It is quite possible that a proposal which locally is regarded as very significant in accessibility terms has little or no impact on national-scale absolute measures. This suggests that for many local authority led proposals it will be important also to present the impact on accessibility measured using local metrics.

We also note that the Accession program, which was used by Local Transport Authorities to support accessibility analysis in their second LTPs is not well-regarded and in many areas is no longer maintained. Any attempts to promulgate a national approach need to learn lessons from this experience.

Ultimately, this question brings us back to the points made in earlier answers that *pteg* favours a staged appraisal process. If the scoping stage identifies accessibility improvements as an important policy goal it should be included in the appraisal using metrics suitable to measuring success (or failure) in achieving that goal.

**e. The Department should consider how best to determine value for money within the transport appraisal framework using cost effectiveness analysis, in order to take account of economy-wide carbon and other environmental limits**

In principle this would be a welcome initiative, but there are more fundamental questions surrounding appraisal to be resolved first.

**f. The Department should develop desk-based analysis of the spatial aspects of environmental impacts. This can be used to facilitate strategic analysis, especially using GIS evidence, and support analysis of smaller schemes.**

Constraints mapping and other desk-based GIS analysis is already widely applied and has been for many years. Dissemination of best practice would be helpful, as would collating and keeping up to date a national set of base data.

**g. The Department should investigate the extent to which transport's wider economic benefits can be associated with housing growth. The considerable change in land value due to the use of land for housing may – in part – reflect some benefits of transport enabling housing growth.**

Through the revision of the Regional Spatial Strategies, metropolitan areas are facing increasing demands to accommodate new housing. While seeking to make best use of brownfield land and promote in-fill developments, to meet RSS projections there will be a need to promote new sites, such as urban extensions. (We have already noted our concern about the lag between TEMPRO and the RSS process.)

Current appraisal guidance makes it very hard to promote public transport schemes that serve development in advance of the development actually being built. This is because until a development is committed its impacts are “below the line”, that is they cannot be included within the appraisal. However, once development is committed it is usually too late to implement a public transport option as it simply takes too long to develop and implement a solution compared with the developer's timescale. It is widely recognised that for developments to be as sustainable as possible public transport provision needs to be provided from the outset, rather than being implemented once car dependent travel patterns have become established. There is a greater need to allow investment appraisal to address anticipated problems, not just address those that can be seen now.

The approach to considering development related trips can have impacts on highway appraisals too. For example, take a case where a link road and a housing development are mutually dependent – without the housing the road is not worth (in VfM terms) building, but the housing (as proposed) would not be built without the link road.

The question is not therefore limited to whether uplift in land values should be included in the appraisal. There is a wider question about how development related trips are included in the appraisal.

Developing practice and modifying guidance to take this into account should be a high priority

**h. While work to join up freight, rail and aviation forecasting of trip generation is continuing, the Department should in the short-term consider how to ensure that the modal interactions are adequately represented in some specific areas. This is needed at a strategic level, to incorporate into the trip generation common assumptions, such as TEMPRO.**

For PTEs, growth in long distance trip making to and from major gateway railway stations and airports is a particular issue. Work developing consistent sets of forecasts would be welcomed.

*pteg* supports the proposition set out in **§150- 153** that key modelling and appraisal assumptions should be presented in one place and updated against a pre-determined schedule.

**i. The Department should consider defining common modelling scenarios to be used by those involved in strategic modelling and scheme level appraisal. These would recognise that some scenarios are**

**policy determined. The evidence from alternative scenarios will need parallel tools to analyse uncertainty around scheme impacts.**

*pteg* is sympathetic to the idea of scenario testing, and feels that such an approach can be valuable, especially at the strategy development stage. However, we remain concerned that the modelling and appraisal burden remains manageable and proportionate.

One area where we feel the Department needs to give urgent attention relates to the assumptions on fuel price growth. The DfT applies its own values to forecasting key changes in the future. These are often strongly at variance with the financial futures markets, where they exist. For example the DfT's view of long-run car fuel price futures has been much lower than that of the financial markets for oil prices several years. The DfT should consider whether there are any good reasons not to adopt the markets' view (perhaps averaged over a period of say three years to avoid distortions from speculative fluctuations).

The current mix of very specific guidance about certain future values (e.g. car fuel prices, value of travel time) and absence of guidance on others (e.g. demand for public transport, ongoing costs of transport provision) can lead to the majority of benefits for long-lived schemes arising in years 30 to 60 of the assumed scheme life. In reality, the costs and benefits over this period are very uncertain. We would suggest more conservative assumptions ought to be adopted about the distant future, with greater use of sensitivity tests, which should include parameters that have in the past been considered beyond question – e.g. growth in the real value of travel time over time.

**j. The Department's guidance should continue to be developed on scheme costs. Such work should make decision makers aware about the risks around costs and how estimates become more firm with time. Risks may be mitigated through the financing of schemes. The overlap between cost appraisal and finance issues should be considered.**

We agree that there would be benefit in undertaking further work to improve the robustness of cost estimates and their associated risks. An area needing urgent attention is clarity on how Optimism Bias and QRAs are applied in appraisal: once a QRA has been undertaken, Optimism Bias should reduce, but there is no clear guidance on how this should be done. Furthermore, we believe that the way that the Department requires promoters to apply Optimism Bias is too rigid, and a more flexible approach which reflects the characteristics of the proposal, and knowledge about the scheme is required.

Furthermore, *pteg* believes the Department's focus needs to be wider than just looking at costs, in particular:

- As we have already noted we do not feel that the NATA-BCR is a sufficient measure of scheme value for money (**§187 – 193**). As currently defined it has been argued that this can produce BCRs for schemes with a revenue surplus or that affect tax take which some analysts regard as misleading when seeking to establish the overall value for money. Furthermore, as said in **§198** the worth of a project can be separated from how it is financed, but the NATA-BCR has finance assumptions inherent in its definition.
- Therefore we propose that all appraisals should include a social BCR, which is all benefits divided by all costs – with clear guidance on what is a cost and what is a benefit.

- While the asset life of many transport projects is in excess of 60 years (**§194**) we would question whether meaningful forecasts of costs and benefits can be produced over such a long time horizon.
- Sixty year appraisals are certainly not sensible for small schemes. This is for two reasons. First many small schemes have an effective life much less than the appraisal period. Second, even when the asset life may be 60 years or greater, it is not really possible to make sensible forecasts for demand and benefits over such a long timescale. Nor is it sensible therefore to compare the BCRs of (say) a new railway station with a scheme like Crossrail. While we accept that current guidance allows shorter appraisal periods to be used, decision makers need to be informed that BCRs of small and large schemes cannot be compared when proposals are appraised over such a long timeframe.
- The unrealism of appraisal over such a long time period is compounded by the unrealism of the definition of the do-minimum/reference case which cannot reflect the many other material changes to the transport system that will occur during that time. More attention needs to be given to defining do-minimum transport supply and demand.
- We would suggest that the Department considers either a shorter appraisal period, along with guidance on how to calculate and then incorporate residual values into the cost benefit calculus, and/or the development of alternative criteria for assessing whether the long or short lifespan measures offer value for money. Given their nature, longer life projects should have a lower BCR threshold than shorter life ones to be considered value for money. For shorter life projects, the use of alternative measures such as first year rate of return and payback period should be considered.
- There is still a degree of discomfort about the way taxation (**§190**) is treated in appraisal and it would be helpful if the Department could explain its position on this more clearly. The NATA guidance is in our view, saying implicitly that because fuel is taxed so highly, the quantified benefits of reduced fuel use are typically less than the loss in fuel duty revenue and hence looking at these two elements of the appraisal alone there is a net disbenefit to schemes that promote less aggregate fuel consumption. This is clearly contrary to the overall thrust of Government policy to promote an overall reduction in carbon emissions We believe that the main reason for this perverse result is the under-valuation of carbon emissions and we have already set out our view that it is important for the DfT to lead the process for its revisions. Nonetheless, we also believe that the DfT should use the NATA Refresh as an opportunity to consider more widely the treatment of taxation in the CBA framework.
- We support the proposal at **§199** to rebase the price base.

We regard addressing the points above as a high priority.

**k. The Department should look at the evidence emerging from Congestion TIF and other evidence on assessing packages and then consider how this approach can be widened beyond city and regional networks.**

*pteg* is very concerned about the appraisal burden on scheme promoters. The effort and resources put into modelling and appraisal needs to be proportional to the measures that are being considered. Of the types of schemes and measures considered by PTEs, very few will have the scale of impact of CTIF-related

proposals. Very few will therefore require the degree of modelling and appraisal effort that has been devoted to CTIF.

Furthermore, from the CTIF experience we would comment that:

- large area-wide multi-interaction models do not allow all benefits of schemes and measures under consideration to be calculated. Other models/assumptions are needed
- the emphasis on modelling and appraising individual scheme cases can be to the detriment of the strategic case
- some of the questions that need to be considered when considering the merit of an individual scheme case are not really relevant to a package – e.g. stakeholder consultation, procurement, etc.
- whatever the analytical rights and wrongs, the sheer volume of work detracts from the ability of promoters and DfT respectively to compose and review the overall case
- unless detailed assessment of a package leads to a presumption that its component parts are worthwhile and can then be subject to a lighter touch appraisal, the detailed package assessment is simply adding a burden on promoters with no reward.

**l. The Department should continue to develop distributional analysis. In which types of interventions or transport problems should the priorities for this be?**

The approaches to distributional analysis recommended by the DfT (WebTAG 3.12.4) for measuring the social and distributional impacts of road pricing schemes require a lot of data and modelling. While this may be warranted for proposals such as road user charging which have such widespread impacts, it is questionable whether such approaches are warranted for smaller impact proposals.

Addressing deprivation is an important policy goal within the metropolitan areas. While it is recognised that transport enhancements alone are not a sufficient policy instrument, it is often important for PTE promoters to identify how a proposal supports local economic growth.

Consequently, *pteg* would support work to develop ‘light touch’ approaches to distributional analysis.

**m. The Department’s support for determining whether a transport model is fit-for purpose may supplement the standards by recognising the staged nature of designing solutions to complex transport problems. Should this be part of a more general look at model validation?**

The DfT’s guidance pushes promoters to build bigger more complex models. This has resource and timescale implication for promoters.

Models are becoming so complex that they are uncheckable; both in terms of inputs and gaining an understanding of what appear to be (but may or may not be) counter intuitive results. Their complexity limits the number of people who can develop and then apply these models.

Large models often rely on what may prove to be inappropriate assumptions (e.g. transferring choice parameters from one mode to another). There is often no practical

way to check the impact of such assumptions on the outturn case, but they could make an important difference to the case that's presented.

"Validation" means making a model fit the validation criteria. It does not mean that the model necessarily fits well what is happening away from screen lines or journey time routes.

The current guidance from the Department on what types of data should be used in models and the age of that data can place a major burden on promoters with no clear demonstration that the approach set out in guidance results in better forecasts (i.e. ones that may result in different decisions being made) than alternative approaches. This is a particular concern for promoters at the early stage of project development when proposals are being developed with substantial financial risk. In some cases the financial costs of developing proposals may actually inhibit worthwhile propositions coming forward.

As we have already set out in this response, while we recognise the importance of modelling in strategy and scheme development, we are not convinced that the development of large and complex models that are used for both strategy development and scheme appraisal is the way to promote more effective transport solutions, or more effective decision making. Models targeted at the issue in hand would be more effective.

A more general look at validation would be welcome, but this needs to be set in the context of a wider consideration of the appropriateness of different models and how they are used. In particular, at a strategic level more attention needs to be given to how the model responds to changes in travel costs rather than flows on links. The implication is that different validation criteria are needed for strategic models compared with local or tactical ones.

**n. Developments to the Department's guidance should be issued with appropriate support. Appraisal tools assessing reliability and productivity impacts are demanding analytically and the Department should consider using workshops, training and the provision of data to enable analysis in these areas.**

In general, we welcome this initiative.

However, we are concerned about the financial and resource implications of any revised guidance. To put potential costs in context consider for example the resources devoted by the Department to the development and application of the NTM, itself much simpler than the metropolitan models required for scheme or package appraisal. If DfT revised guidance places significant extra costs on PTEs to develop and maintain complex models and employ the staff to operate them, we believe such costs should be reflected in the monies granted to the PTEs by Government.

If there are to be revisions to guidance, we believe that the Department must work with promoters whose schemes have not completed the appraisal process to ensure that the need to reappraise them as a result of the changed guidance is minimised.

**p. The Department is considering the scope to which a range of social research techniques may provide useful data involving the participation of the public at different stages in the appraisal process and to assess the social impacts of schemes, starting in the areas of option generation and in issues around public acceptability of proposals.**

*pteg* supports the principle of gaining an early understanding of public acceptability and social impacts, but believes any approach must be proportionate to the scale of the intervention being appraised.

## Chapter 4: Response to Key Paragraphs

Below we set out in tabular form our response to a number of key paragraphs in the Consultation document.

Paragraph Number	Proposition
3 (Exec Summ)	<i>pteg</i> regards NATA as a major step forward from previous appraisal methods. Notwithstanding, we also agree that the review and refresh are both necessary and timely
20 (Ch 2)	<i>pteg</i> is content with the proposal to drop the 'integtraion' objective, subject to comments in our response to Question 2
33 (Ch 2)	<i>pteg</i> agrees that the effort made in developing a proposal should be proportionate to the scale of the transport problem and potential solutions being considered, but as we describe below we do not feel that this goal is currently being met by the NATA framework.
33 (Ch 2)	<i>pteg</i> believes reform is needed to the £5m threshold for Major Schemes and the approach to PTE capital funding
34 (Ch 2)	<i>pteg</i> supports the concept of lighter touch appraisal at early stages to shape and focus subsequent detailed work.
37 (Ch 2)	<i>pteg</i> finds attractive the two-stage appraisal used in Scotland.
55 (Ch 2)	<i>pteg</i> is concerned about the lag between the publication of RSS projections for housing and employment and the updating of TEMPRO
62 (Ch 3)	<i>pteg</i> supports the proposition to include crowding as part of economy sub-objective.
63 (Ch 3)	<i>pteg</i> would like to see health impacts of cycling and walking located together in the appraisal framework with other health-related impacts (air quality, noise etc.).
69 (Ch 3)	<i>pteg</i> is concerned about the suggestion that single models can be used to support strategy development and scheme appraisal and more details of these concerns are presented in our detailed responses below
70 (Ch 3)	<i>pteg</i> welcomes the suggestion of more orderly publication of strategic anlalysis by the DfT
74 (Ch 3)	<i>pteg</i> supports the incorporation of wider economic benefits into the monetised appraisal framework, subject to the comments in our response to Question 13(a)

79 (Ch 3)	<b>pteg</b> agrees that regeneration impacts should continue to be assessed in the appraisal process
82 (Ch 3)	<b>pteg</b> supports the incorporation of reliability into the monetised appraisal framework, subject to the comments in our response to Question 13(a)
86 (Ch 3)	<b>pteg</b> welcomes the proposition that work should be undertaken to better understand the value of time spent working while travelling.
87 (Ch 3)	<b>pteg</b> welcomes the proposition that work should be undertaken to better understand if and how the value of time changes with trip length.
88 (Ch 3)	<b>pteg</b> strongly opposes any move away from standard national values of time for appraisal purposes.
127 (Ch 4)	<b>pteg</b> believes that the shadow price of carbon is too low and given its importance in transport appraisal that the DfT should lead in its revision.
150 (Ch 5)	Consolidating common assumptions in one place would be beneficial.
151 (Ch 5)	Ensuring assumptions are the same across modes where appropriate and are presented as such would be beneficial.
153 (Ch 5)	<b>pteg</b> supports the proposition for changes to appraisal guidance and practice to be limited to a transparent regular cycle.
199 (Ch 6)	<b>pteg</b> supports the proposition to update the price base.
221 (Ch 7)	<b>pteg</b> supports the proposition to restructure the WebTAG website.