

Draft Guidance for Local Authority Promoters Considering a Light Rail Scheme

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Chapter 1 - Introduction

1.1 Purpose of Guidance

1.1.1 This guidance is intended to provide practical help to local authority promoters considering a light rail scheme. It highlights strategic and detailed issues a promoter will need to consider, and sets out the Government's policy on light rail schemes. The guidance provides a signpost to other guidance which will be of interest to promoters. It also suggests sources of additional assistance.

1.1.2 The guidance is intended to react to changing circumstances. In particular, it will be updated regularly to take into account the outputs from the work of UKTram (see Annex A). Given that the guidance is likely to evolve during the next couple of years to take account of this work, it will, at least initially, be published only on the web.

1.1.3 This guidance is intended for promoters in England outside London. However, much of its contents may also be of interest to potential promoters of schemes in London, Scotland, Wales and Northern Ireland.

1.1.4 Whilst this guidance focuses on light rail schemes, a lot of its contents will also be applicable to other rapid transit modes, such as Bus Rapid Transit (BRT). This guidance includes advice on how promoters can decide which mode is the most appropriate in their particular circumstances.

1.1.5 This guidance should be read alongside the Department for Transport's (the Department's) draft *Guidance to Local Authorities seeking DfT Funding for Local Transport Major Schemes*¹ which provides general guidance on major scheme business cases.

1.2 What is light rail?

1.2.1 Tramways and light rail cover a range of guided passenger transport systems operating on tracks. There is no definite border line between tramways and light rail - they merge gradually from one into another. As a tramway system gets increasing levels of separation from, and priority over, other traffic it becomes light rail. The systems can range from operations where the trams simply run on tracks in the street, through systems with some street running with traffic priority, to a point where the system is segregated from other traffic, and where passengers get on and off at stations rather than in the street.

1.2.2 The flexibility between tramways and light rail allows a range of alignments to be used in one system, from pedestrian precincts, the public highway, new segregated routes, converted conventional heavy railways to viaducts and tunnels. Existing UK systems demonstrate all of these forms of operation.

¹ Available at www.dft.gov.uk/stellent/groups/dft_localtrans/documents/divisionhomepage/038049.hcsp

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1.2.3 The different characteristics of each light rail system mean that there may be differences in the way they are covered by legislative regimes such as health and safety, road traffic etc. Promoters will need to take care to ensure that they understand how all relevant legislation applies to their particular light rail systems.

1.2.4 In this guidance, the term "light rail" should be taken to include tramways.

1.3 Light rail schemes to which this guidance applies

1.3.1 In this guidance, a light rail scheme can mean: an entirely new light rail system; one or more extensions to an existing system; and enhancements to or an upgrade of an existing system. In exceptional circumstances, the Government Department will consider funding refurbishment of existing schemes, though it will not be minded to fund like for like renewals which should more properly be funded from income/reserves. Promoters should discuss any such refurbishment proposals as soon as possible to see if they are eligible for funding.

1.4 Government Policy

1.4.1 In *The Future of Transport*² white paper published in July 2004, the Government said that light rail solutions should be pursued where they are most appropriate to deliver local authorities' wider transport strategies.

1.4.2 The Government recognises that light rail can deliver quicker, more reliable journeys, and can be effective in attracting people out of cars. The Government will support light rail schemes where they are the best solution for the local circumstances. This will usually be in corridors with high traffic and passenger flows. However, bus options are likely to offer the most cost-effective solutions on most corridors.

1.4.3 Light rail is a relatively expensive solution, so the additional costs must be justified. The Government will not support a proposal for a light rail scheme unless the promoters can clearly demonstrate that they have considered fully other public transport solutions and have taken these options as far as they can.

1.4.4 A light rail scheme has to show that it represents value for money, taking account of the wider benefits, and that it is affordable in terms of both central and local contributions. A light rail scheme will only be supported if it will help local authorities deliver wider transport goals such as tackling congestion and minimising pollution.

1.4.5 Light rail schemes need to be fully integrated with other transport measures - including integration with bus services, through ticketing, appropriate park and ride facilities, and complementary parking policies. Light rail schemes are likely to be more

² www.dft.gov.uk/stellent/groups/dft_about/documents/divisionhomepage/031259.hcsp

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successful if they are coupled with measures to reduce car use, such as road pricing that targets congestion.

1.4.6 In general, there are likely to be lower cost alternatives to a light rail scheme that would deliver many, though not all, of its benefits. To justify the additional expenditure on a new light rail system or extension to an existing system, the Government would be looking for some additional benefits being delivered, especially in terms of tackling congestion. Such schemes could seek funding from the Transport Innovation Fund (TIF). Guidance for local authorities interested in bidding for TIF is available on the DfT Website³.

1.4.7 Government funding for light rail can also be provided as grant from the Regional Funding Allocations (RFA).

1.4.8 The use of Private Finance Initiative (PFI) Credits also provides a possible funding source. PFI should only be pursued where it is likely to offer better value for money than more traditional procurement routes (see chapter 5). Where a promoter seeks PFI Credit support from the Government for an off-balance sheet project, it will also need to consider how it could be funded should the scheme come on balance sheet at a later stage.

1.5 When is a light rail scheme appropriate?

1.5.1 The Government does not intend to set absolute limits as to what levels of traffic and passenger flows would justify a light rail scheme, as the particular characteristics of each scheme will need to be taken into account. However, we do require promoters to consider which transport mode is most appropriate, before deciding on their preferred option. In considering which mode is suitable, promoters should take account of the advice given in chapter 2 of this guidance.

1.6 Current systems

1.6.1 The following table shows the eight light rail systems currently operating in England (including London). They vary a great deal in the way they were procured, in their specifications and in their operating environments. Some are closer to heavy rail systems (eg DLR and Tyne and Wear Metro) but with lighter carriages and tracks with tighter curves and steeper gradients. Others (eg Nottingham Express Transit and Sheffield Supertram) are much lighter in characteristic and generally operate on streets and in publicly accessible places. Tramways operate on a "line of sight" principle as do other road vehicles.

1.6.2 The table below provides contact points for each system who would be happy to discuss the characteristics of their light rail systems with promoters considering whether to develop a new scheme.

³ http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_613738.hcsp

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Table 1 Light Rail Systems currently operating in the UK

System	Year opened	Route length (km)	Passenger journeys (millions)*	Contact
Blackpool Tramway	1885	18	3.6	Bruce Allan Transport Policy Section Planning & Transportation Division Blackpool Council PO Box 17 Corporation Street Blackpool, FY1 1LZ bruce.allan@blackpool.gov.uk
Croydon Tramlink	2000	28	22.5	Philip Hewitt Head of London Trams Transport for London 4th Floor South Wing Parnell House 25 Wilton Road London SW1V 1LW PhilipHewitt@tfl.gov.uk
Docklands Light Railway	1987	27	52.0	Richard De Cani Dockland Light Railway Ltd PO Box 154 Castor Lane Poplar London E14 0DS Richard.DeCani@dlr.tfl.gov.uk
Manchester Metrolink	1992	39	19.9	Bill Tyson Greater Manchester Passenger Transport Executive 9 Portland Street Piccadilly Gardens Manchester M60 1HX Bill.tyson@gmpte.gov.uk
Midland Metro	1999	20	5.1	Peter Adams Centro Centro House 16 Summer Lane Birmingham B19 3SD PeterAdams@centro.org.uk
Nottingham NET	2004	14	9.8	Chris Deas NET Development Manager Nottingham City Council Lawrence House Talbot Street Nottingham NG1 5NT chris.deas@nottinghamcity.gov.uk
South	1994	29	13.1	Head of Strategic Planning

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Yorkshire Supertram				South Yorkshire Passenger Transport Executive P.O. Box 801 Exchange Street Sheffield S2 5YT
Tyne & Wear Metro	1980	78	35.8	Ken Mackay Nexus House ST James' Boulevard Newcastle Upon Tyne NE1 4AX ken.mackay@nexus.org.uk

*Year at 31 March 2006

Chapter 2 - Strategic Case

This chapter covers the wider strategic issues a promoter will need to consider before deciding to submit a business case for a light rail scheme. It should be read in conjunction with Chapter 4 which considers how options should be appraised.

2.1 Selecting the right option

2.1.1 In all major scheme business cases the Government expects promoters to start by clearly identifying the problems to be addressed and the objectives that need to be met. The business case should not start from an assertion about the preferred modal solution. The Department's draft *Guidance to Local Authorities seeking DfT Funding for Local Transport Major Schemes*, section 1.5, gives more guidance on the development of options.

2.1.2 Promoters should consider all rapid transit solutions including whether a bus based solution or an alternative mass rapid transit system would be more appropriate. The Government is unlikely to approve funding for a light rail scheme if it considers that an alternative transport mode would provide a better solution. Promoters must include, within their business case, their methodology and evidence for ruling out alternative modal solutions.

Other mass rapid transit options

2.1.3 There are a number of alternative mass rapid transit options. This guidance does not seek to name them all, as it will be for the promoter to consider the most appropriate options. However, these can range from:

- enhancement of heavy rail - which may be suitable where existing rail networks can be enhanced, or where very high demand levels are anticipated;
- bus-based rapid transit systems;
- more innovative approaches, such as optically guided bus systems; trolley bus; wire guided bus systems; ultra light tram systems; personal rapid transit systems; to
- enhancements to traditional bus services, eg priorities at junctions, reserved lanes etc.

2.1.4 The Government is aware that a number of companies are actively looking for opportunities to pilot innovative mass rapid transit systems of this type. The Government recognises that the full benefits of an innovative pilot may be in releasing the potential for wider application and will take this into account in appraising any application from a promoter for funding for such a scheme. The Government will engage with any promoter seeking to introduce such a system, and will provide case specific guidance as to how the potential benefits may be assessed.

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2.1.5 The Government will expect promoters to have considered bus based solutions. CfIT identify four main categories of bus based systems:

- Conventional bus with limited segregation
- Conventional bus with maximum segregation
- Guided bus with limited segregation
- Guided bus with maximum segregation

2.1.6 Providing road space for buses and allowing them to avoid areas of congestion, such as busy junctions, can greatly improve journey times and reliability without the need for expensive fixed infrastructure. Even more ambitious options, such as Bus Rapid Transit (BRT) systems, may offer some of the advantages of light rail at somewhat lower capital costs.

2.1.7 A high quality BRT system would include superior quality vehicles accompanied by fixed physical infrastructure in terms of dedicated stops, high quality shelters, real time information and off-board ticket machines. It would operate as a complete system, with distinctive branding, priority at junctions, and significant lengths of segregated track.

2.1.8 A study commissioned by DfT in 2005 examined whether a Bus Rapid Transit solution in Leeds could deliver a more cost effective solution than light rail when all possible existing levers are used in an imaginative way. The report⁴ recognised that there was limited evidence as there were no such systems in the UK. It nevertheless concluded that a BRT system could offer many of the attributes of a light rail system, at around half its cost. It did, however, also note that, in a deregulated bus market, there were delivery risks that would need to be addressed. A note on potential delivery mechanisms was included as part of report. Promoters should note that this work was conducted in the context of Leeds, and they should consider how its findings relate to their own circumstances.

2.1.9 In considering different bus based solutions, promoters should bear in mind the need to consider whole life costs associated with bus schemes.

How to decide what is the right solution?

2.1.10 As mentioned in Chapter 1, the Government does not intend to set absolute limits as to what levels of traffic and passenger flows would justify a light rail scheme, as the particular characteristics of each scheme will need to be taken into account. However, we do require promoters to provide details of passenger flows each way in the peak hour as a "sense check" on whether light rail is likely to be the best solution (taking into account the CfIT advice detailed below).

⁴ Available at www.dft.gov.uk/stellent/groups/dft_localtrans/documents/divisionhomepage/610541.hcsp

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2.1.11 In order to help promoters select the most suitable, affordable and cost-effective transport solution, the Commission for Integrated Transport (CfIT) published, in September 2005, a guidance report on *Affordable Mass Transit*⁵. The Government expects promoters to have worked through the advice in Phase 1 of the guidance before deciding to go forward with a light rail system.

2.1.12 Phase 1 of CfIT's guidance suggests an initial approach to determining what the right option might be. This comprises 3 steps. Step 1 is a qualitative assessment through identification of:

- Problems that the mass transit system is intended to address
- Policy objectives to which the mass transit is intended to contribute
- Context within which the mass transit system will be implemented and operated
- Physical opportunities and constraints that will influence the design of the mass transit system

2.1.13 Step 2 is a high level quantitative assessment of the financial performance through identification of:

- Likely levels of passenger demand
- Revenue
- Operating costs
- Capital costs

2.1.14 Step 3 is a value for money assessment of each transport option based on the results of steps 1 and 2.

2.2 Link to wider objectives and priorities

2.2.1 Proposals for light rail schemes must take account of wider objectives and policies. This applies to local, regional and national objectives and policies. It includes both transport and wider policies, such as those relating to regeneration, social inclusion, environment, health and climate change. Proposals should particularly take account of the policies and objectives set out in an authority's Local Transport Plan.

2.2.2 Promoters will also need to take account of land use planning policies at both the strategic and more local levels. Relevant policies, with which light rail schemes might deliver mutually benefits, include: town centre car parking; pedestrianisation; clear air zones etc.

2.2.3 When considering objectives and policies, promoters might find it useful to consider the five objectives for transport set out in the Department's New Approach to Appraisal (NATA), ie. environment, safety, economy, accessibility and integration.

⁵ Available at www.cfit.gov.uk/docs/2005/amt/index.htm

2.3 Regional Funding Allocations

2.3.1 In summer 2005, the Government published, for the first time, indicative ten year regional funding allocations for transport, housing and regeneration, and invited the regions to advise on their priorities for spending these allocations. The regions' advice was received in January 2006, and the Government responded in July 2006 setting out the schemes it expected to fund over the RFA period, subject to schemes satisfying the Government's approval procedures and obtaining the necessary planning consents. In future, any promoter of a light rail scheme seeking funding from the RFA will need to get regional support for funding the scheme from within the RFA, before submitting a business case to the Department.

2.4 Transport Innovation Fund

2.4.1 *The Future of Transport* White Paper announced the creation of a Transport Innovation Fund (TIF), to support: the costs of smarter, innovative local transport packages that combine demand management measures, such as road pricing, with measures to encourage modal shift; local mechanisms to raise new funding for transport schemes; and schemes which are beneficial to national productivity.

2.4.2 Detailed guidance on how the fund will work was published in January 2006, and explained that the Department was seeking bids for the congestion element of the TIF from local authorities. Promoters who wish to access TIF resources to fund light rail schemes as part of wider packages to tackle congestion should consider carefully whether they meet the necessary criteria. The Department would be happy to talk to potential promoters about this at an early stage.

Chapter 3 - Optimising a light rail scheme

3.1 Scheme Optimisation

3.1.1 Once promoters have decided that a light rail scheme is the most appropriate mode, they will need to consider how to optimise the light rail system they intend to develop. Promoters should talk to those who have already developed and delivered light rail systems (see the contact list in chapter 1).

3.1.2 Promoters should take note of the published and anticipated work of UKTram. Promoters might also like to consider the Passenger Transport Executive Group's report *What light rail can do for cities*⁶ which was published in February 2005 and takes a look at existing UK operational light rails systems.

3.2 Transport integration

3.2.1 The NAO report *Improving Public Transport in England through Light Rail* recognised (summary page 5) that:

“Public transport systems are more likely to be regarded as attractive alternatives to the car if they operate in a joined-up, integrated way. Integration involves co-ordination between the services, physical proximity allowing ease of interchange at stations, and through ticketing and widespread availability of passenger information about routes, fares and timetables. Passengers consider the level of integration to be the least satisfactory aspect of light rail. Integration with bus services has been poor to moderate on many lines, and bus and light rail services have been in competition with one another on the same routes.”

3.2.2 *The Future of Transport White Paper* endorsed this. It said (paragraph 4.29) that:

“Authorities need to reassure themselves of the realism of forecasts of passenger numbers, and ensure that they are taking appropriate measures to attract people to use the new services. For example, schemes can be enhanced by better integration with other forms of transport – through integrated ticketing and bus Quality Contracts, and the provision of park and ride facilities and complementary parking policies. The involvement of local transport planners and practitioners in the heavy rail system will also facilitate better integration and sensible decisions on the balance of funding between different forms of transport.”

3.2.3 In July 2005, the Department stated, in its response to the Public Accounts Committee Report on light rail⁷, that it is not minded to approve light rail schemes in the future unless a promoter can demonstrate that it has been developed to deliver an integrated approach.

⁶ Available at www.pteg.net/LightRailCentre/03-Whatlightrailcandoforcities

⁷ Available at www.official-documents.co.uk/document/cm66/6609/6609.pdf or in hard copy (ISBN10-0101660928) from the Stationary Office at www.tso.co.uk/bookshop

3.3 Park and Ride

3.3.1 The NAO found that park and ride sites have sometimes been missed out or delayed to save money - thereby reducing the benefits of the scheme. Park and Ride facilities increase patronage. They are particularly appropriate when the objective is to reduce car trips along the main corridors leading into city centres. Experience suggests that substantial Park and Ride provision is a pre-requisite of a successful light rail scheme.

3.3.2 The Government will expect promoters to consider whether Park and Ride is appropriate. The Government will challenge promoters on the adequacy of their park and ride provision and will expect strong justification for excluding Park and Ride provision from any light rail proposal.

3.4 Interchange at stations

3.4.1 Physical integration, involving the location of light rail stations near other public transport hubs such as train, underground and bus stations, can encourage greater use of all forms of public transport. People can be discouraged from using light rail systems where changing to other modes is confusing or involves walking some distance. The Government will expect promoters to demonstrate how they have maximised physical integration.

3.5 Integration between bus and light rail services

3.5.1 Integration between bus and light rail systems is not always straightforward given the deregulated bus system in England outside London. However, the Government will expect promoters to demonstrate that they have considered all practicable ways of maximising integration with local bus services. Possible options for delivering greater integration with bus services include:

- a) a **non-statutory quality partnership agreement (QPA)**, which could include an undertaking that a bus operator would provide a complementary service to a minimum frequency. Care is needed where two or more bus operators (or a bus and light rail operator) are involved, since generally speaking any agreement which led them to share a market would be contrary to the Competition Act 1998;
- b) a **statutory quality partnership scheme (SQP)**, made by the local transport authority, which could ensure that a high quality bus service was delivered in conjunction with the light rail scheme. A SQP scheme would require bus operators to provide services to a certain standard in order to use the facilities provided by the local authority under the scheme. Guidance is available on the Department's website⁸.

⁸ at www.dft.gov.uk/stellent/groups/dft_control/documents/contentservertemplate/dft_index.hcst?n=16705&l=3

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c) a **quality contracts scheme (QC)**, which would give a local transport authority maximum control over the operation of buses in the scheme. It is essentially a procedure whereby, after competitive tender, an operator is given exclusive right to operate services in a specified area, such as corridors where feeder routes could serve light rail services. The authority has the right to determine the network, fares, frequencies and timings, though contracts can, if desired, allow the operator a degree of discretion over these matters. Promoters should avoid plans to reorganise bus networks to maximise patronage on light rail regardless of the preference of users (for example, by removing through bus services and replacing them with journeys requiring interchange). Guidance on quality contracts schemes is available on the Department's website⁹.

3.5.2 Promoters should be aware that the Government has just published proposals for a modernised national framework for bus services¹⁰. Legislative proposals will be published as a draft Bill in the Spring of 2007.

3.5.3 Promoters should consider whether their light rail scheme would benefit from the provision of feeder bus services. Feeder services can help to ensure that passengers are able to get to and from light rail stops, and to provide links to key destinations (eg employment or shopping sites) which cannot be reached directly by light rail.

3.5.4 Whatever degree of regulatory control is chosen, however, the fundamental issue is whether the proposed light rail scheme will offer significant improvements over the existing bus services in terms of overall journey times, reliability and predictability.

3.6 Track sharing

3.6.1 Promoters should consider at an early planning stage the scope for track sharing with heavy rail, as currently exists on the Tyne and Wear Metro, and, where possible, conversion of existing heavy rail lines to light rail.

3.6.2 Converting existing heavy rail lines to light rail can improve access to city centres, increase capacity, and provide more frequent services and stops compared to previous heavy rail services. Manchester Metrolink Phase 1 and Tyne and Wear were both heavy rail conversions. Converting an existing line can also be cheaper than a new alignment.

3.6.3 In considering the scope for track sharing a number of technical issues need to be considered and promoters should engage support from heavy rail stakeholders and relevant safety bodies. Issues include impacts on capacity, vehicle gauge, preventing collisions between trains and light rail vehicles due to different types of vehicle using the same platforms, communications and signalling. There is also experience to be gained from track sharing elsewhere in Europe.

⁹ available at www.dft.gov.uk/stellent/groups/dft_localtrans/documents/page/dft_localtrans_035058.hcsp

¹⁰ available at www.dft.gov.uk/stellent/groups/dft_localtrans/documents/page/dft_localtrans_613800.pdf

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3.6.4 In 2002, PTEG - formed a joint task group with the Strategic Rail Authority to conduct an initial review of track sharing. It looked at the scope and forms of track sharing and examined the technical, policy, commercial and procurement issues that need to be addressed. Further information on this work can be obtained from PTEG (see contact details in annex B).

3.7 Through-ticketing

3.7.1 Tickets that are easy to buy and allow passengers to move easily from one form of public transport to another can encourage people to use light rail.

3.7.2 In London, there is a high degree of through-ticketing where travel cards and Oyster Cards can be used on buses, trains, the underground and light rail systems. Most heavy rail passengers can travel on light rail as part of the price of their ticket.

3.7.3 Outside London, through-ticketing may not be quite so straightforward, but is not impossible. While commercial bus operators are free to set their own single fares (and debarred by the Competition Act 1998 from agreeing them with competitors) there are special provisions for multi-operator through tickets and travelcards covering one or more of, bus, rail, light rail and ferry services. Ticketing schemes made by operators that are compliant with the terms of the Competition Act 1998 (Public Transport Ticketing Schemes Block Exemption) Order 2001 (SI 2001/319, as amended by SI 2005/3347) are not subject to the prohibition on anti-competitive agreements. In addition, under the Transport Act 2000, local transport authorities can oblige bus operators to make ticketing schemes. The local transport authority can act as "honest broker" for operators of all modes, but essentially the price of the product needs to be agreed between the participating operators.

3.7.4 Despite some misconceptions in the industry, it is not normally regarded as anti-competitive to issue through tickets between connecting routes (eg one operator runs a bus between A and B and another runs one between B and C) because these are not in competition with each other. This will often also apply to a ticket combining light rail with a connecting bus service.

3.7.5 The Government will require promoters, as a condition of approval, to specify the acceptance of through-ticketing in the concession agreement or operating contract.

3.8 Car restraint measures

3.8.1 *The Future of Transport* put a new emphasis on car restraint measures as a complement to public transport improvements. The Government will expect promoters to have considered all possible ways of getting the most out of their scheme by encouraging reductions in car use. If promoters are considering applying to the Transport Innovation Fund, they will need to demonstrate that their light rail proposals form an essential part of a wider strategy to tackle congestion through demand management and complementary measures.

3.9 Priority over road vehicles

3.9.1 Fast and punctual light rail services can be secured by giving priority to light rail vehicles over road vehicles at key junctions. All existing UK systems have priority at junctions, although the amount varies depending on local circumstances. Local politics often restrict the amount of priority given to light rail over cars. The Government will expect promoters to demonstrate commitment to making their light rail proposals work by providing appropriate priority.

3.10 Passenger information

3.10.1 In order to maximise the number of passengers, promoters should consider all possible ways of providing information on routes and timings. This can include: ensuring adequate information at light rail stops; providing information at key places served by the service, such as main line railway stations and public transport interchanges, hospitals and doctors' surgeries, educational establishments, sporting, entertainment and recreational venues, etc; providing web based information; and ensuring a high level of training is given to those promoting and advising on transport options. A timetable service can also provide public transport information and times, including light rail and bus times directly to passengers' mobile phones. Transport Direct is providing an internet-based facility for passengers to plan multi-modal public transport journeys throughout Britain, and this has links to ticket retailers.

3.10.2 The Department undertook a review of real time information (RTI) in 2005 on existing and proposed light rail systems. The report *Light Rail and Trams in England: Use of RTI*¹¹ (published August 2005) evaluates the different approaches to RTI on individual schemes at that time and provides an insight into the issues which had arisen during RTI implementation.

3.10.3 The Government will expect promoters to demonstrate that they have considered all practicable ways of providing travel information to passengers.

3.11 Cycling and Walking

3.11.1 Integrating cycling and light rail can provide additional passengers for light rail schemes and help meet other local and national targets. Developing light rail schemes have a long lead-time so in order to facilitate optimal cycle integration with light rail, cycling needs to be considered as a mode of access in its own right and planned for at the start of scheme development.

¹¹ Available at <http://www.transportdirect.gov.uk/research/programme.htm>

Chapter 4 - Option appraisal and value for money

4.1 Introduction

4.1.1 This chapter offers guidance to Local Authorities who are considering how to appraise light rail and other mass rapid transit alternatives.

4.1.2 Promoters should consider closely the advice set out in the following sets of guidance:

- The guidance modules on the Department's appraisal and modelling website "webtag"¹²
- The Department's Guidance on Value for Money¹³
- "The Green Book" by HM Treasury (2003)¹⁴
- CfIT's Affordable Mass Transit Guidance¹⁵

4.1.3 This chapter does not replace or replicate the above guidance. Instead it draws attention to some of the major considerations in appraisal of mass transit alternatives.

4.1.4 The promoters of rapid transit systems are encouraged to discuss appraisal issues with the Department as early as possible. Appraisal issues are usually complex and scheme circumstances vary hugely, so no amount of written guidance on its own will provide sufficient advice to promoters to cover all questions they might have.

4.1.5 The appraisal process will help promoters to identify the right scheme, as well as enabling them to make the economic case for a particular scheme. Promoters should always begin by carefully defining the transport problems and ensuring that the scheme objectives relate to those problems. The Government expects promoters to show evidence of assessment of a reasonable range of alternative solutions that could meet some or all of those objectives, and will not progress submitted business cases that do not show this process.

4.1.6 Building a robust assessment of the benefits of light rail and MRT schemes hinges largely on three factors:

- robust and realistic patronage forecasts;
- good estimates of the modal shift from car and the resulting benefits of reduced road congestion; and
- robust and realistic estimates of the scheme costs.

¹² Available at www.webtag.org.uk

¹³ Available at www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_033476.hcsp and www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_033477.hcsp

¹⁴ Available at www.greenbook.treasury.gov.uk

¹⁵ Available at www.cfit.gov.uk/docs/2005/amt/index.htm

4.2 Initial indication of value for money

4.2.1 Promoters should consider the Department's value for money guidance as soon as it becomes possible to calculate the benefits and costs of a scheme and forecast user demand. It is often possible to scope potential demand for light rail on corridors before a robust set of appraisal results can be obtained. Low demand forecasts should lead promoters to question whether light rail is the right solution.

4.2.2 Once early appraisal results become available, if it appears that a light rail scheme would have low or poor value for money on the basis of monetised benefits alone, the promoter should consider whether further appraisal work and/or the non-monetised impacts are likely to make the scheme medium or high value for money overall. If the promoter thinks that the non-monetised benefits of the light rail scheme could be large and positive overall, they should speak to the Department about how they can establish whether or not this is likely to be the case.

4.3 Schemes already in development and refurbishment schemes

4.3.1 The guidance in this chapter applies to the promoters of schemes that already have provisional approval or programme entry as well as those seeking programme entry. It is recognised that some promoters have already developed models that may not meet all of the requirements of the latest guidance. In these instances the promoter should discuss with the Department what work could proportionately be done to update their models.

4.3.2 Refurbishment schemes may require a simpler demand forecasting approach as patronage for light rail in those circumstances is already established. As requirements will vary by scope of the scheme it is recommended that the promoter consults with the Department on a case-by-case basis.

4.4 Assessing new light rail schemes against alternatives

4.4.1 A mass rapid transit proposal should arise only through careful consideration of the transport and wider policy needs. Solutions should be problem and objective lead rather than simply seeking to replicate technology used elsewhere. To this end, promoters are strongly advised to follow the advice set out in the Department's appraisal guidance on webtag and the Treasury Green Book, in conjunction with the Affordable Mass Rapid Transit Guidance by CfIT.

4.4.2 Promoters should consider carefully their transport problems and objectives, alongside the context and constraints that they face. Webtag unit 1.1 provides a readable overview of how promoters should use transport appraisal analysis to solve problems. Webtag units 2.1, 2.2 and 2.3 provide promoters with general advice on how to define transport problems and objectives and work through to creating a long list of solutions.

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Stage 1

4.4.3 Once the needs of the area are understood, the first stage of considering alternatives can begin. Stage 1 is a strategic assessment of alternatives, including different technologies and different geographical areas of coverage. A wide range of options should be considered, including those that would be difficult to implement – a way round obstacles may be found if the solution merits detailed investigation work. Options should only be discarded once there is clear evidence that they would not meet the promoter's objectives, or if they are clearly undeliverable.

4.4.4 Promoters should consider all opportunities and constraints that might affect which solution performs best. Outline Appraisal Summary Tables (AST) can be used to show how each option performs against central government's objectives for transport on a seven-point scale from large beneficial to large adverse. Webtag unit 3.2 provides detailed guidance on how to use the AST to compare options.

4.4.5 Additional multi-criterion analysis is often helpful in showing how alternatives compare in terms of meeting local policy objectives. The qualitative comparison enables the best performing options to be short-listed. Where a new mode is being considered, promoters should carefully consider how it will fit with existing modes and how it will be perceived by potential users. For instance, where light rail has been introduced successfully it has provided very different journey characteristics from existing modes.

4.4.6 If at the end of stage 1, light rail is found to have a qualitative advantage over other forms of mass rapid transit, the promoter should test whether it performs well under quantitative testing (stage 2).

Stage 2

4.4.7 Stage 2 should be a relatively high level quantitative assessment of economic and financial performance. These include, but are not restricted to, demand, revenue, capital costs, and operating costs. Webtag unit 1.4 should be read by all involved in the appraisal of a major scheme. It provides promoters with an overview of the main appraisal issues. For specialists and experts, it also provides considerable sign-posting to more detailed guidance. Promoters who require a more detailed understanding of appraisal should read webtag units 2.5 and 2.7.

4.4.8 The results of stage 2 analysis should be compared with the conclusions drawn at stage 1. At this stage promoters should bear in mind that all of the key variables could change as option design develops. Sensitivity testing should be carried out to show the extent to which financial and economic performance and the ranking of options is dependent on underpinning assumptions, especially on scheme scope, costs and demand. When the result of stage 2 are known, promoters who are considering submitting a major scheme business case to the Department should share the results of their analysis.

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4.4.9 Normally at least three options should be taken forward for quantitative testing at stage 2. Sometimes, where there are a number of options that perform well, more alternatives need to be compared. The three options compared in detail will usually be known as:

- the preferred option (the one that performed best at stage 1);
- the next best option; and
- the lower cost alternative.

4.4.10 These options should be carried through the appraisal process to stage 3 regardless of the ranking of performance and value for money at stages 1 and 2. Changes to cost or benefits estimates during the appraisal can mean that options that perform similarly economically can change ranking in terms of value for money. In some circumstances after stage 2 it will be acceptable to prepare a business case for the Department containing only a preferred option and a lower cost alternative, but this will need to be agreed with the Department in advance.

Stage 3

4.4.11 At stage 3, as the scheme design and implementation strategy is developed, a full appraisal of the shortlisted alternatives, including a detailed assessment of costs and both quantified and qualitative benefits, should be carried out. Stage 3 appraisal is needed before submission of a business case. It should build on the results of stage 1 and 2.

4.4.12 Promoters should be mindful of the impact that changes to the scheme design, circumstances or the availability of alternatives might have on the absolute and relative value for money of alternatives. More detailed sensitivity and scenario testing should be carried out at this stage. A quantified risk assessment (QRA) based on the scheme design should also be prepared at this stage. The QRA should consider the impact of scheme specific as well as generic risks. Allowance for optimism bias on capital cost estimates should be applied throughout the appraisal process (see guidance later in this chapter and in webtag on applying optimism bias uplifts).

4.4.13 The Department's recommended appraisal and modelling guidance should be used to produce a detailed appraisal which the Department will review as part of the business case for programme entry. The Department will review the promoter's re-appraisal as changes are made at subsequent approval stages. Promoters should allow for 3-4 months for the Department's review of a light rail scheme, provided the material submitted to the Department is complete and meets the Department's appraisal guidance - incomplete business cases take longer to assess. The Department will often commission an independent audit of some aspects of the appraisal, so business cases should be written in a way that is accessible to someone unfamiliar with the scheme.

4.5 Fit with other schemes

4.5.1 Increasingly light rail schemes will be part of a wider package that includes demand restraint, and road pricing. In many cases it will therefore be necessary for the modelling and appraisal framework used to be consistent with that needed to assess road pricing. Advice on modelling and appraisal of road pricing schemes can be found at webtag units 2.12 and 3.12.

4.6 Modelling demand and costs

4.6.1 Demand is central to the economic justification for light rail and it is important that demand will be high enough to create revenues that exceed operating costs. Similarly, passenger numbers need to be high enough so that user and non-user benefits are sufficiently greater than capital and operating costs over the appraisal period. In most cases light rail will only be justified economically or financially where it could significantly grow public transport demand.

4.6.2 The economic and financial case for transport infrastructure depends crucially on demand and change to travel costs. It is therefore essential to build well-specified models that represent the key features of existing transport, and that can accurately predict how people will respond to changes in circumstances and to the scheme itself, and what will happen to travel costs. It is also important to consider how the rest of the existing transport system will respond to the scheme and to developments that are likely to occur, and how these will affect the value for money of the scheme.

4.6.3 The modular units in webtag provide promoters with advice on what principles need to be considered when building modelling tools. Promoters should start by referring to webtag units 2.4 and 3.1 – unit 2.4 in particular is accessible for promoters who wish to understand the nature of modelling work needed to assess different proposals, even if they are likely to delegate the work itself to specialists. For experts, the sub-units of webtag unit 3.1, 2.9, and 3.10, and 3.11 offer detailed guidance on modelling and forecasting.

4.6.4 Promoters should consider the extent to which long term land use changes might result from the availability of mass transit. Corridor models used at project level are generally incapable of capturing land-use/transport interaction effects. Strategic models are often capable of picking up long term interactions between travel cost between and within zones, and changes to land use, but they often cannot represent travel patterns in sufficient spatial detail for individual schemes. Promoters should therefore use models that capture land-use transport interaction to predict the need for, and select the location of, a scheme but the scheme appraisal will usually require a more detailed model.

4.7 Patronage

4.7.1 If the demand models are correctly specified the promoter should be able to estimate patronage accurately. However, predictions still need to be sense-checked and benchmarked against patronage on similar schemes elsewhere. The Department will expect promoters to provide sufficient detailed information to inform this "sense check", including projected boardings, alightings and loadings in each direction along the proposed light rail routes.

4.7.2 Care should be taken to ensure that patronage estimates take account of system performance and characteristics which will have a direct bearing on patronage. Key variables that will affect patronage include: in-vehicle journey times, the level of priority that can be given to vehicles over other road users, reliability of services, ride comfort and fare regimes.

4.7.3 Care should also be taken not to over-estimate attractiveness of a new mode, or underestimate how long it will take people to change their travel behaviour to use the new mode. Promoters should consider what evidence is available, or could be collected, to underpin their assumptions.

4.7.4 Where patronage is assumed to come from an existing mode such as car or bus, promoters should think carefully about the reasons why people might not change their behaviour as readily as the modelling suggests. This might be because preferences towards a mode such as car have been underestimated. It is also worth considering the possibility that businesses that depend on existing modes will cut prices to compete and protect their market share, e.g. bus operators may aggressively cut fares.

4.7.5 External factors can change in ways that the promoter did not expect and this might lead to patronage and benefits turning out significantly above or below expectations. Key variables that are largely outside the promoter's control include:

- local economy
- demography
- congestion
- competition from the bus industry

4.7.6 Inevitably all forecasts contain an element of uncertainty. Promoters should sensitivity test variables that are likely to have an impact on scheme patronage and benefits, as well as sensitivity testing patronage itself. Advice on sensitivity testing is provided later in this chapter.

4.8 Revenue

4.8.1 Revenue estimates largely depend on patronage estimates being accurate. Aside from patronage, the other determinant of revenue is fares. The fare regime is likely to depend on the objectives of the promoter, the procurement methods,

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commercial incentives, and the state of the market. In the short term, setting fares is usually a trade off between delivering economic benefit and raising greater revenue. Who has control over fares and who holds the revenue risk has a key effect on incentives to increase patronage or meet revenue requirements, and is important in predicting patronage and revenue.

4.9 Cost benefit analysis

4.9.1 This section summarises the monetised costs and benefits that promoters will need to consider. Webtag units 3.5 and 3.9.2 set out how to use modelling output to create an appraisal of monetised costs and benefits.

4.9.2 Benefits arise through changes in travel behaviour that reduce the generalised cost of travel, and through new demand for trips occurring. Benefits accrue to users of the scheme and non-users. In addition to the benefits that a new mode might offer to users (such as faster journey times and a more pleasant journey experience), non-users such as car drivers may experience reduced congestion and therefore reduced journey times and vehicle operating costs as a result of the scheme.

4.9.3 Light rail schemes can also be disbeneficial to certain parties. For example, the priority accorded to light rail vehicles at certain junctions or reduction in road space may delay other road users. The appraisal should take into account all of the main sources of benefit and disbenefit so that the net benefit to society is shown. These benefits should be assessed relative to a realistic do-minimum, ie what would have happened in the absence of the scheme.

4.9.4 The Government recognises that reliability is a key benefit of any mode that is segregated from general road traffic, or one that has priority over other traffic at junctions. Unfortunately no satisfactory method for estimating reliability benefits to public transport users exists at present, so it is suggested that an allowance for reliability be included in the mode constant. The mode constant should be sensitivity tested to establish whether the economic case is dependent on it. The Department will develop methodologies for assessing reliability benefits.

4.10 Wider benefits

4.10.1 Promoters should assess the wider benefits and disbenefits of all options using the methods set out in webtag units 3.3, 3.4, 3.5, 3.6, 3.7 and 3.8. This includes an assessment of each option's performance against central government's five objectives for transport. Although each of the five objectives should be given equal emphasis this section supplements that guidance with advice that is particularly relevant to light rail.

Environment

4.10.2 The webtag guidance must be followed in full for all sub-objectives of environmental performance. Webtag unit 3.3 contains detailed advice. Experience has shown though that it is the localised townscape and noise impacts that have proven the

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most contentious for light rail schemes (even where the overall net effect is to reduce transport related noise). Promoters should consider how the mitigation measures that are likely to be demanded will increase scheme costs.

Social inclusion

4.10.3 Under the supporting analysis equity criteria (unit 3.8.3), and access to the transport system sub-objective (3.6.3) promoters should consider the extent to which the scheme will serve the deprived or economically disadvantaged, particularly in terms of serving their need for access to health, education, food, and jobs. The marginal personal benefit of accessibility improvement is likely to be higher for these groups, particularly where car ownership is low.

4.10.4 It is helpful if promoters provide supporting evidence for social inclusion benefits such as details of the area surrounding their proposed alignment, and illustrate how the scheme might improve access to services.

Wider economic benefits

4.10.5 The Department is reviewing its advice to promoters on the assessment of wider economic impacts, but whilst this review is taking place we suggest that promoters consider the guidance that was issued to bidders to the Productivity Transport Innovation Fund. This guidance is called "Transport, Wider Economic Benefits and Impacts on GDP"¹⁶.

4.11 Costs, risk and optimism bias

4.11.1 Realistic and robust cost estimates are central to the assessment of alternative solutions and the value for money analysis of the preferred scheme. To reflect the increased emphasis the Government places on the robustness of costs estimates, a new section of guidance that is dedicated to advising promoters on estimating costs and risks, and adjusting them for optimism bias, has been produced and placed on webtag, unit 3.5.9.

4.11.2 In addition to the technical advice this unit offers on estimating costs and quantifying scheme capital cost risks, the guidance re-enforces two key messages:

- Optimism bias adjustment is required for all schemes, even where there is a quantified risk assessment. Optimism bias applies not just to the base cost but also to the risk adjusted costs, and so optimism bias adjustment factors must be multiplicatively to the risk-adjusted costs.
- The base cost must include a sensible allowance for inflation. The economic appraisal and other parts of the scheme business case must include the projected cost of building the scheme in the years it is planned to be built. Inflation assumptions should be evidence based, and the timescales for construction should be realistic, allowing for reasonably expected delays, so that

¹⁶ available at: www.dft.gov.uk/stellent/groups/dft_econappr/documents/page/dft_econappr_038893.pdf

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costs are estimated for the correct year. The Department is happy to discuss this issue with promoters, but they may particularly wish to note the following advice from unit 3.5.9:

"The inflation rates relevant to the delivery of transport schemes are currently (Summer 2006) higher than general inflation rates across the economy. Major costs that are increasing faster than general inflation include wages, power, and many raw materials. This has a bearing on operating and investment costs, and higher costs also have a knock-on impact on value for money. It is difficult to generalise and suggest inflation rates applicable to all schemes. However, recent experience suggests that wage rate inflation is in the region of 4% and construction cost inflation often ranges between 5% and 7%. Most forecasts suggest that inflation rates in construction industries and wage settlements will continue to outstrip general inflation rate across the economy (RPI for example) for the next five years."

4.12 Sensitivity and scenario tests

4.12.1 The promoter should show the results of sensitivity tests of key downside risks on the benefits and costs, such as:

- patronage shortfalls relative to expectations;
- level of patronage at which scheme net benefits would be zero;
- poor system performance (eg journey times, reduced frequency, lower mode constant);
- higher operating costs;
- higher capital costs;
- lower non-user benefits due to higher than expected induced traffic;
- lower time savings;
- reduced scheme scope;
- competitive response from incumbent operators.

4.12.2 Promoters should also provide the results of scenario tests combining changes to system performance with changes to external factors, eg poor system performance and reduced growth in employment trips.

4.13 Summary

4.13.1 This chapter has offered an overview of appraisal issues that are important in assessing the case for light rail. The table below sets out where there is additional guidance on each topic that promoters can refer to:

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Table 2 - summary of appraisal guidance

Topic	Sources of guidance
Assessment against alternatives	Webtag units 2.1, 2.2, and 2.3, 1.4 and 3.9 CfIT Affordable Mass Transit guidance
Modelling demand	Webtag units 2.4, 3.1, 2.9*, 2.10, 3.10, 3.11
Road pricing	Webtag units 2.12* and 3.12*
General appraisal advice	Webtag unit 3.2
Cost benefit analysis	Webtag units 3.5 and 3.9.2 HM Treasury Green Book 2003
Wider benefits	"Transport, Wider Economic Benefits and GDP" by DfT
Patronage and revenue	Webtag unit 3.9.2
Estimating costs, risks and adjustment for optimism bias	Primarily webtag unit 3.5.9, but unit 1.4 and the HM Treasury Green Book are also useful
Sensitivity and scenario testing	Webtag units 3.9.2 3.11.4

* Currently at consultation stage

Chapter 5 - Commercial

5.1 Introduction

5.1.1 As with all major projects, the commercial approach to the delivery of a light rail scheme is a fundamental part of the planning of the scheme and all scheme promoters must give early and robust consideration to how any proposed scheme will be implemented.

5.1.2 This chapter seeks to build on the *Guidance to Local Authorities seeking DfT Funding for Local Transport Major Schemes* and provide guidance on specific aspects of light rail scheme development that promoters will need to consider.

5.1.3 Given the range of different circumstances that may relate to specific scheme proposals, the Government does not consider it appropriate to set out a mandated or preferred commercial model for light rail scheme development. However there are a number of areas that the Government requires promoters to give full consideration to as part of the scheme development and these will be assessed by the Department, as part of the overall business case, in the light of experience, best practice and scheme context.

5.1.4 The nature of light rail schemes is such that the capital values are typically higher than other local transport major projects and their nature brings significant technical risks such as systems integration that need to be considered carefully at scheme inception.

5.1.5 It should be noted that UKTram has prioritised work on procurement models for tram systems and the early findings of this are available on the UKTram website¹⁷.

5.2 Procurement Strategy

5.2.1 The core of the proposed commercial strategy for a scheme will be the proposed procurement strategy. For light rail schemes this will need to cover both the construction and operational phases of the system.

5.2.2 In the UK a number of different models have been adopted over time depending on local circumstances and prevailing market conditions, including the use of Private Finance Initiative (PFI) schemes where these have been judged to offer best value for money.

5.2.3 It is expected that, for all light rail scheme proposals, because of their size, promoters will need to consider whether a PFI procurement strategy is likely to offer best value for money. The Government requires that all such procurement strategy

¹⁷ www.uktram.co.uk

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assessments are carried out in accordance with HM Treasury guidance on the selection of PFI procurement routes. This guidance has been revised in November 2006¹⁸.

5.2.4 In carrying out a procurement options appraisal, promoters should consider the full range of procurement options available and in particular that there are a number of different procurement models that could be pursued as PFI scheme. Use of a PFI approach does not necessarily require either the full transfer of revenue risk or responsibility for operations to a concessionaire. PFI procurement models that should be considered alongside non-PFI options should include, but are not limited to, the following:

- A design, build, finance and operate model with full transfer of revenue risk to the concessionaire;
- A design build, finance and operate model with no or limited transfer of revenue risk to the concessionaire; and
- A design build, finance and maintain concession with separate arrangements for the operation of the system.

5.2.5 Alongside the PFI options, non-PFI options will need to be assessed and consideration given to how, amongst other aspects, systems integration issues would be managed.

5.2.6 In assessing the procurement strategy, all promoters must consider the likely period over which there will be certainty of the requirement that would be placed on any concessionaire. In particular, where significant network expansion is expected during the lifetime of any concession, the ability for the initial contractual arrangements to deliver the expanded network in a value for money manner and the impact of having to terminate early any such contracts would need to be set out. Contract lengths will also need to be consistent with any emerging EC Regulations (see Section 7.3 below).

5.2.7 The consideration of a PFI procurement route must be based on the underlying value for money of that approach and is independent of any accounting or affordability implications of such an approach.

5.2.8 In developing the procurement strategy promoters are strongly encouraged to discuss their approach at as early a stage as possible with the Department.

5.3 Specific areas to be addressed

5.3.1 Based on the nature of light rail schemes and recent procurement experience, there are a number of key areas that will need to be assessed in developing the most appropriate procurement strategy.

¹⁸ www.hm-treasury.gov.uk/documents/public_private_partnerships/key_documents/ppp_keydocs_vfm.cfm

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Revenue Risk

5.3.2 The transfer of revenue risk to any operator can be a powerful performance incentive in the right circumstances. However it also likely that where there is little or no evidence of revenue levels or there are significant external threats to the estimated revenue levels then any commercial operator may take a prudent view of future revenue income in developing their commercial proposals. This may undermine the value for money of transferring fully this risk in such circumstances. This will need to be considered carefully on a case by case basis.

5.3.3 Particular factors that will need to be considered in determining the best value for money treatment of revenue risk in the procurement strategy include: who sets the fare levels; what are the competing transport choices; the degree to which demand growth is dependent on external development proposals; whether the financial impact of revenue variation is offset by availability payments to a concessionaire; the proposed term of the contract; prevailing market conditions etc.

5.3.4 In a number of schemes, promoters have considered implementing revenue sharing mechanisms to balance the performance incentive and uncertainty aspects of revenue risk. Promoters are encouraged to consider these fully.

Design Risk

5.3.5 Promoters need to consider which party will be responsible for the detailed system design and any consequential impact that issues arising from that design might have. In particular where the detailed design work is not being done by the same party that has responsibility for the build or operational performance of the system, very clear assessments of how the risks relating to any subsequent shortcomings in the design are being managed need to be made.

Utilities

5.3.6 The diversion of utility infrastructure prior to service commencement and possible service disruption arising from the need to access utilities after service commencement need to be assessed and a strategy proposed. Previous experience has shown that for systems with significant street running sections these issues can bring large costs and uncertainty in contractors proposals that may undermine value for money.

5.3.7 Promoters should consider the degree to which utilities need to be diverted and also how the financial impact of subsequent service disruptions is managed.

5.3.8 UKTram has prioritised work in this area and promoters are strongly encouraged to consider the emerging recommendations from this work when they are available.

Third Party Interfaces

5.3.9 Practical and commercial interfaces with third parties such as commercial landowners, Network Rail, and relevant Highways and Planning Authorities can present

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uncertainty in early scheme development and difficulties for contractors to determine final prices with confidence. Promoters therefore need to allow for these risks in their initial scheme appraisals but also ensure that the proposed procurement strategy offers the best value for money way of dealing with them.

5.3.10 Consideration should be given by promoters to investing in the development of early agreements with these parties where this can provide greater certainty and value for money.

Network Flexibility

5.3.11 As referred to in paragraph 5.2.6 above, the options for future development of any proposed system into a larger network should be considered in developing the procurement strategy.

5.3.12 Promoters will need to assess whether the proposed contracting structure can provide a value for money route to deliver potentially uncertain future requirements that is also compliant with relevant procurement regulations. The cost of needing to unwind any contractual arrangements to allow for network expansion should be assessed.

5.3.13 The capability of the technical design of the proposed scheme should also be assessed in the light of future developments.

Systems Integration

5.3.14 Successful light rail schemes require a number of different technical elements to function together effectively, for example, track design, rolling stock design, power supply, signalling systems, ticketing systems and depot facilities.

5.3.15 Promoters should not underestimate either the risks associated with the integration of these systems or the contractual premia associated with requiring any contractor or concessionaire to be responsible for them. Notwithstanding this, promoters are encouraged to consider contractual structures that seek to bundle some or all of these integration risks into appropriate contractual mechanisms.

Chapter 6 - Financial

6.1 Government funding

6.1.1 In April 2006, the Department issued a *Consultation on changes to the policy on funding major projects*¹⁹. This included proposed changes relating to: preparatory costs, local contributions, cost increases, and the funding mechanism for schemes. The outcome of the consultation will be included within the draft *Guidance to Local Authorities seeking DfT Funding for Local Transport Major Schemes*. Promoters should consider the following advice in the light of these two publications.

6.1.2 There are three main sources of Government funding - Regional Funding Allocation (RFA), Private Finance Initiative (PFI) funding, or funding from the Transport Innovation Fund (TIF). RFA and TIF funding will be paid as direct grant from DfT. PFI funding will be provided as PFI Credits which support availability payments during the life of the concession.

6.1.3 Government funding will not be available to support operating subsidies. We will expect promoters to supply the Department with their finance modelling to demonstrate that such subsidies are not being funded by the Government.

6.2 Prudential borrowing

6.2.1 The Prudential Capital Finance System was introduced when the Local Government Act 2003 came fully into force in April 2004. The Act allows councils to fund local improvements by borrowing money without government consent, provided that they can afford to take on the debt.

6.3 Local Contribution

6.3.1 For light rail schemes promoters will be expected to find local contribution of at least 25% of scheme costs.

6.3.2 Authorities should seek to minimise the amount of scheme costs that fall to the public sector. They can do this by exploring fully the scope for contributions from potential beneficiaries such as local developers and transport operators. Such contributions will be treated as local contributions and will count towards a promoter's 25% of the funding requirement.

6.3.3 There are other sources of local contribution. These can include (not exclusive):

- European Grants (such as ERDF) if available (see below)
- direct promoters' contributions (which include contributions in kind such as land)
- local business contributions
- increased local taxation

¹⁹ Available at www.dft.gov.uk/stellent/groups/dft_localtrans/documents/divisionhomepage/611477.hcsp

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- Income from demand management schemes such as road charging
- sale of land or other assets

Given the scale of local contribution needed, promoters will need to be clear what the various sources are, and demonstrate confidence that these will be forthcoming.

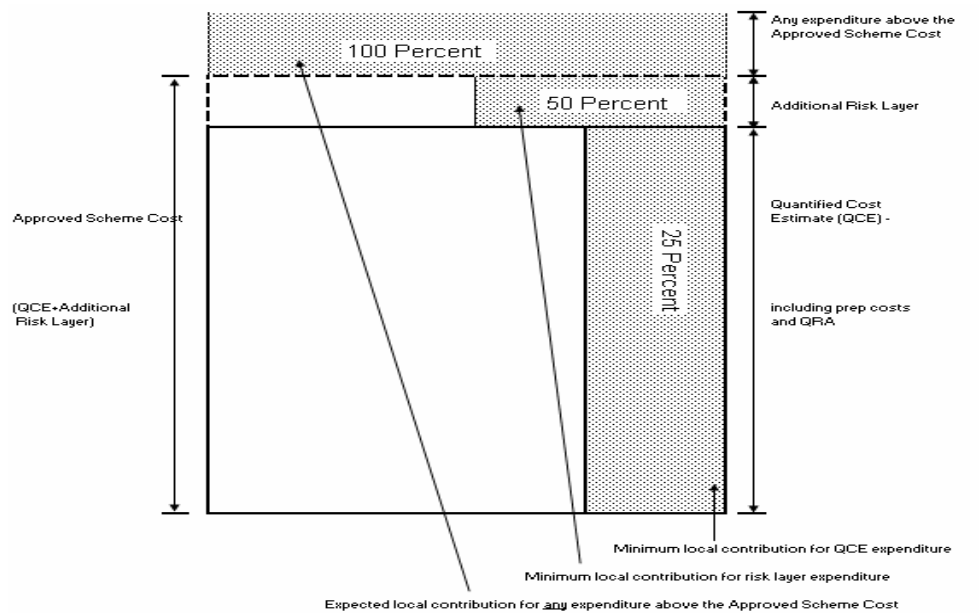
6.4 Preparatory costs

6.4.1 Under our new proposals, the Government will pay towards the preparatory costs for all light rail schemes that gain programme entry. The Government would pay 50% of the preparatory costs incurred after programme entry. This will be paid once an authority had submitted a valid business case for conditional approval. For schemes which are awarded conditional approval, the Government will pay a further 50% of the preparatory costs incurred after conditional approval, upon receipt of a valid business case for full approval.

6.5 Additional Risk Layer

6.5.1 Under our new proposals, we intend to include an element to cover some of the Optimism Bias within public sector funding envelopes for local authority major schemes.

6.5.2 50% of the appropriate level of Optimism Bias (which is expected to be the same as that used for the value for money appraisal - see Chapter 4 above) would form an additional risk layer. Central Government would fund up to 50% of this additional risk layer, leaving local sources to fund the remaining 50%, plus 100% of any additional expenditure above this layer. The following diagram seeks to show this relationship.



6.6 Cost estimates and cost increases

6.6.1 In the past, a number of factors have contributed to the increasing costs of light rail schemes, such as:

- poor initial estimating of costs;
- high prices being placed on revenue risks by the market, due to patronage falling short of forecasts;
- higher than anticipated rate of construction inflation;
- increased cost of materials.

6.6.2 The Government will agree a funding cap when it grants programme entry for a scheme. This will represent the Government's maximum contribution after allowing for future inflationary costs, and will be based on the outturn costs. Any additional costs above the funding cap, for whatever reason incurred, will need to be met locally. It is therefore essential for promoters to ensure that the costs are as accurate as possible from the start. Promoters should take account of the most recent guidance on cost inflation as set out in Wehtag unit 3.5.9 and should include sufficient allowance for quantified risks and optimism bias. On the other hand, the Government does not expect to see "padding" in the contingency provision.

6.6.3 Promoters should note that the Government is not only interested in the capped amount. If the total cost estimate increases, even if only to the local authorities concerned, before Full Approval is granted, the Government may require a re-appraisal to establish that the scheme still offers value for money for public funds.

6.6.4 Should a promoter suspect, at any stage, that a light rail scheme's funding profile appears to be no longer workable, they must inform the Department immediately and discuss any implications.

Chapter 7 - Delivery

7.1 Project Management

7.1.1 The Government will need to be satisfied that promoters have appropriate project management arrangements in place to deliver a light rail scheme. This is particularly important if a scheme comprises a number of separate contracts, eg for: design and build; provision of light rail vehicles; operations; and maintenance.

7.1.2 Promoters will need to set out their formal project management methodology before programme entry is granted and provide information as detailed in Section 4.2 of the draft Guidance on Major Projects. Promoters can make use of the various guidance and information available on project management and procurement referenced in that section.

7.2 Gateway reviews

7.2.1 Section 4.3 of the draft Guidance on Major Projects sets out requirement for Gateway reviews. A Gateway review is an assessment of a project or programme carried out at crucial junctions in its development, in order to provide assurances that it can progress successfully to the next step. The Gateway process is owned and administered by the Office of the Government Commerce (OGC) and is explained in detail on their website²⁰. Gateway reviews are carried out by 4ps. They are initiated by promoters, but are free of charge to them.

7.2.2 Gateway Reviews will be mandatory for all proposals for new light rail systems and extensions to existing systems. Promoters should therefore include Gateway Reviews in their project plans.

7.3 European Union Issues

7.3.1 The current Community rules governing the award of public service contracts are set out in Regulation (EEC) No 1191/69²¹ as amended by Regulation (EEC) No 1893/91²².

7.3.2 In July 2005, the European Commission published a proposal for a new Regulation on public passenger transport services by rail and road²³ which would replace the current Community rules. The Council reached a political agreement on this in June 2006. Among other things, that agreement would affect light rail schemes in the following ways:

²⁰ Available at www.ogc.gov.uk/what_is_ogc_gateway_review.asp⁹

²¹ Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31969R1191:EN:HTML>

²² Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31991R1893:EN:HTML>

²³ Available at www.ec.europa.eu/transport/rail/passenger/doc/com_2005_0319_en.pdf

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- Length of concession is limited to 15 years, or 22½ years if the public service operator provides significant assets which are linked to the passenger transport service.
- However, If justified by the amortisation of capital in relation to exceptional infrastructure, rolling stock or vehicular investment and provided the contract was competitively tendered, a concession may have a longer (unspecified) duration. In such a case, the Government would need to justify its longer duration to the Commission within 1 year after the conclusion of the contract.
- Most light rail concessions are currently competitively tendered. However, local authorities have the ability to let some concessions without competition. The Regulation would set limits on work outside the authority area on any body involved in a concession which was not competitively tendered.
- Promoters will need to publish details of concessions they intend to let at least year in advance of doing so.

7.3.3 Promoters should be aware that the agreement reached by the Council will be considered by the European Parliament and may be amended by that institution.

7.4 State Aid

7.4.1 Promoters will also need to consider carefully whether their proposals raise any state aid issues.

7.4.2 In the award of any public sector contract care needs to be taken either that the award does not constitute "State aid" (as determined under Community law) or has been specifically authorised by the Commission. Recent judgments of the European Court, notably the Altmark judgment²⁴, have clarified the application of the State aid rules to the transport sector.

7.4.3 The basic principle is that member States should not confer special favours on particular private companies in a way that could distort competition and trade between member States (including "over-compensation" by paying them more than a reasonable market price for a particular service). In principle, the award of a contract following open competitive tender, so that the successful tenderer receives no more than a fair market price for the service provided, would not normally constitute unlawful State aid. A contractual arrangement which "overcompensates" a private company (pays the company substantially more than the market rate) could however amount to unlawful State aid - this is unlikely to occur where there has been a fair competitive process for the award of the contract. The ramifications of this principle can, nevertheless, become highly complicated.

7.4.4 Even where no contractual arrangement exists, public expenditure could constitute a State aid if it confers a special benefit on a particular operator (or class of operator).

²⁴ Case C-280/00 Reference by Germany for a preliminary ruling in the proceedings between Altmark Trans GmbH, Regierungspräsidentium Magdeburg v Nahverkehrsgesellschaft Altmark GmbH".

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7.4.5 In considering whether competition may be distorted as a result of public expenditure, the effect on transport operators other than light rail (if there are any providing similar services) also needs to be taken into account. This principle also means that there could be State aid issues if the provision of a light rail system resulted in a benefit to the light rail operator as opposed to the local bus operators and prejudiced the competitive interests of bus operators.

7.5 Physical Accessibility

7.5.1 The proposed design of new light rail vehicles will need to comply fully with the Rail Vehicle Accessibility Regulations 1998 (as amended), whilst the infrastructure elements would be expected to follow the principles laid down in the Department's publication, "Inclusive Mobility", as far as practicable. In addition, under the DDA 2005, suppliers of transport services have a duty, as far as reasonably practicable, not to discriminate against disabled people and must design their policies and procedures to comply with this requirement.

7.5.2 Early contact with the Department's Mobility and Inclusion Unit (MIU) is advisable. Their early input can help to ensure that all accessibility issues are addressed for the whole scheme.

7.6 Safety Regulation

7.6.1 As noted earlier in the document Her Majesty's Railway Inspectorate, a part of the Office of Rail Regulation, is responsible for the regulation of safety on railways, tramways and certain other modes of guided transport in the United Kingdom.

7.6.2 The scope of HMRI's enforcement is set out in The Health and Safety (Enforcing Authority for Railways and Other Guided Transport Systems) Regulations 2006, (statutory instrument 2006 No. 557).

7.6.3 In normal circumstances the Inspectorate is the enforcing body on light rail systems for all aspects of the Health and Safety at Work etc Act and its subsidiary legislation. The scope of the Enforcing Authority Regulations is complex however and the inspectorate must be consulted if there is ambiguity on whether they, the Health and Safety Executive or the local authority has jurisdiction in particular circumstances.

7.6.4 At present the regulatory system for new and modified works is in transition from the Railways and Other Guided Transport Systems (Approval of Works, Plant and Equipment) Regulations 1997, (ROTS), which requires HMRI to approve light rail works before they are brought into service, to a new system under the Railways and Other Guided Transport Systems (Safety) Regulations 2006, (ROGS), in which HMRI takes a less detailed regulatory role. The transition period for tramways allows new applications under ROTS up until the end of September 2008, and all works under those Regulations must be approved by the end of September 2010; if those dates cannot be achieved then schemes must progress under the ROGS system.

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7.6.5 Under either system the Inspectorate expects that risks are reduced to as low as is reasonably practicable and will look for this whether they are assessing schemes for approval under ROTS or carrying out checks on the application of a safety management system under ROGS.

7.6.6 Under the new ROGS system it is the responsibility of the promoters of new schemes to decide whether their scheme represents one with 'significant risk' as defined in the Regulations and if so to apply the relevant system for Safety Verification including the appointment of a competent person (or persons) for that process. The ROGS system requires no submissions to be made to HMRI or for consents to be given by them for trials, testing or bringing into operation of any works.

7.6.7 The ROGS regulations also require the operators, and those in control of the infrastructure if a different body, to have safety management systems in place that meet the terms of the regulations. There is no requirement for tramway systems to have these management systems certified or authorised by the Inspectorate.

7.6.8 Guidance on ORR and HMRI policy and procedures can be found on their website www.rail-reg.gov.uk and HMRI encourages current dutyholders and the promoters of new systems to contact them as early as possible in the development process so that they can discuss relevant safety issues before designs become fixed. HMRI's guidance note on Tramways can also be downloaded from their website.

7.7 Passenger and Staff Security

7.7.1 In developing a scheme, promoters will need to consider ways to reduce crime and the fear of crime for both passengers and staff. Local police Architectural Liaison Officers will be able to advise on 'secured by design' standards²⁵.

7.7.2 The Secure Stations Scheme²⁶ covers all rail and underground networks which are policed by the British Transport Police (BTP). It establishes standards of good practice to improve security and provide reassurance to passengers and staff. It accredits individual stations which have worked with the BTP and other local partners to implement security measures. Light rail stops and stations not policed by the BTP may participate in the Scheme if suitable arrangements can be made in liaison with the BTP and the local police force.

7.7.3 Promoters and operators will need to consider the arrangements for policing a light rail system. The choice will normally be between BTP and the local Home Office Police Force. Ultimately this will be a commercial decision based on the services provided against the costs involved, in the light of local circumstances and discussed with the Police themselves. Factors to be considered will include:

²⁵ available at www.securedbydesign.com/index.asp

²⁶ available at www.dft.gov.uk/stellent/groups/dft_mobility/documents/page/dft_mobility_036931.hcsp

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- whether there is significant interaction with the national rail network (favouring BTP);
- whether there is significant on-street operation (favouring the local Force);
- the number of officers required;
- whether to provide a dedicated team of officers stationed on operators' premises or to provide policing from the local Force's general resources;
- the ability to call on additional back-up when required and the response times involved.

7.7.4 It should also be noted that, irrespective of which Police Force is chosen to provide policing services, in the event of an incident such as a Road Traffic Accident it will often be the local police who are first on the scene.

7.7.5 Arrangements will also need to be made with local Fire and Rescue and Ambulance services to provide cover in the event of an incident. The Fire and Rescue services, in particular, may be unfamiliar with light rail vehicles and infrastructure, and will need training in dealing with incidents, including isolating the power supplies and lifting a vehicle to release a casualty.

7.8 System Security

7.8.1 Promoters are encouraged to talk to the Department's Transport Security and Contingencies Directorate, TRANSEC, about security arrangements in respect of light rail systems. TRANSEC's role in respect of light rail systems is currently advisory. However, they can give advice at an early stage which could save costly changes at a later stage.

7.8.2 At the time of issue TRANSEC is in the process of finalising guidance on security issues for light rail operators and promoters.

7.9 Evaluation and information sharing

7.9.1 Promoters will be required to carry out an evaluation of the success of their scheme and to make the results of this evaluation available to the Department. It is likely that the evaluation will be published. It will be the promoters' responsibility to collect the necessary pre and post implementation information to carry out a robust evaluation.

7.9.2 Promoters should consider how they intend to evaluate the success of a scheme at the earliest possible stage. The scope of the evaluation will be subject to the Department's agreement prior to scheme approval.

7.9.3 The draft *Guidance to local authorities seeking DfT funding for Local Transport Major Schemes* includes a section on Evaluation which promoters should consider as

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part of their evaluation proposals. The Department has recently published new guidance on the evaluation of major schemes²⁷.

7.9.4 New promoters may have no direct experience of developing a light rail scheme. They can buy in expertise, but it is likely that they will need to address the same issues that other promoters have already addressed. There is therefore a need for experience and expertise to be captured and made available for all future scheme promoters. The Government will make it a condition of approval that promoters share their knowledge and experience with other potential promoters, so far as lawful, in response to reasonable requests.

²⁷www.dft.gov.uk/stellent/groups/dft_localtrans/documents/page/dft_localtrans_613671.hcsp

Chapter 8 - Approval Processes

8.1 Approval Stages

8.1.1 The draft *Guidance to local authorities seeking DfT funding for Local Transport Major Schemes* sets out a new approvals process containing three formal approval stages, as summarised below:

Programme entry - Before Programme Entry is granted promoters will need to submit a Major Scheme Business Case containing all the information set out in the draft Major Schemes Guidance. All light rail schemes are likely to require the approval of the Treasury as well as the Department before programme entry is granted. Treasury's approval would be sought by the Department once the Department had concluded that it was minded to support a scheme.

Conditional approval - An application for conditional approval would normally be made following the granting of statutory powers, but before procurement has commenced. For PFI schemes, the proposed procurement route will need to be approved by Treasury's Project Review Group (PRG) before conditional approval is granted.

Full approval - Full Approval will be given only once firm prices are available, normally when procurement has been completed. Full Approval is the Government's confirmation that funds are available and that work can commence.

8.1.2 If RFA funding is being sought, the scheme will also need to have been prioritised by the region. If a light rail scheme forms part of a TIF package, approval for the light rail scheme will be considered in the context of the wider TIF bid.

8.1.3 Before full approval is granted for a light rail scheme, the Department will require letters from the Section 151 Officers of each of the local authorities promoting a light rail scheme (or, in the case of a metropolitan area, from each district that is part of the PTE area which is promoting the scheme, as well as from the PTE and the PTA themselves), confirming that they: understand that central Government funding is capped; undertake not to come back to the Government for additional funding; and accept that the PTE, PTA and districts (for metropolitan areas) or the local authority promoters are together responsible for addressing any cost increases.

8.2 How DfT will work with promoters

8.2.1 The section above sets out the formal process for approval of a scheme. However, the Government would not expect authorities to submit a fully worked up light rail scheme business case without having first had preliminary discussion with the Department and Government Office on the feasibility of the proposal, which may include the submission of draft business cases for discussion prior to formal submission.

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8.2.2 Well before a potential promoter puts forward an initial business case for a light rail scheme, they are advised to contact the Department to discuss their early thinking on all the significant issues in connection with the scheme.

8.2.3 Such initial discussions will help to identify and address potential areas of difficulty before proposals are submitted. They will also help the Department to process applications more speedily once received. Pre-application discussions will be on the understanding that these discussions would be on a "without prejudice" basis. Whilst such discussions should help to smooth the process, they cannot in any way be binding on either party.

8.2.4 Once an application for programme entry has been received, the Department will continue to work closely with promoters to resolve any outstanding issues. Chapter 4 explains how the Department will carry out its appraisal of the scheme. Throughout this stage, it is likely that the Department will need to discuss many issues with the promoter.

8.2.5 If programme entry is granted, the Department will expect to have regular discussions with the promoter concerning the next steps they are taking. The Department and promoters will agree the nature of such discussions when programme entry is agreed and liaison arrangements will be included within the programme entry letter.

8.2.6 Once conditional approval has been granted, the Department will again expect to have regular updates from promoters as they finalise their contractual aspects. Liaison arrangements will be set out in the conditional approval letter.

8.2.7 Once full approval has been granted, the Department will expect to be informed if anything impacts on the agreed delivery programme. In particular, if anything occurs that could affect the proposed funding schedule, the promoter must let the Department know immediately.

8.3 Applying for powers under the Transport and Works Act

8.3.1 For any new light rail project, promoters are likely to require a wide range of statutory powers – e.g. to construct, maintain and operate the system, to acquire land compulsorily, to stop up streets etc. These can be obtained by applying to the Secretary of State (via the Department's TWA Orders Unit) for an Order under Part I of the Transport and Works Act 1992 ("the TWA"). An applicant can, when applying for a TWA Order, also ask the Secretary of State to direct that planning permission be deemed to be granted for any development provided for in the Order.

8.3.2 TWA Orders are usually long and complex documents which, if approved, are made by way of a Statutory Instrument. Draft Orders are scrutinised by the Department with a view to ensuring that the powers sought are necessary, appropriately drafted and

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justified in the public interest. But the onus is on promoters and their legal advisers in the first place to ensure that they are seeking all the powers they need to implement their scheme properly.

8.3.3 Any prospective applicant for a TWA Order should obtain a copy of the Department's *Guide to TWA Procedures*²⁸, as this gives comprehensive guidance on the whole process, including work that should be undertaken before an application is submitted. The Department's web site also gives *good practice tips* for TWA applicants. Furthermore, there are *model clauses* for TWA Orders relating to railways and tramways, which cover the provisions which are typically required for such Orders. These are set out in a Statutory Instrument (SI 2006 No. 1954) made by the Secretary of State, and should be incorporated into a draft Order wherever possible.

8.3.4 Promoters who are new to the TWA process may also wish to talk to other promoters who have experience of it and, if necessary, to seek guidance from the TWA Orders Unit. The Unit will not be able to discuss the merits of a proposed application, or to receive any presentation about it, in order not to compromise its impartial role in the quasi-judicial TWA process. But it would be able to give guidance, if required, on procedural and timing matters. The Unit would, in any event, welcome early forewarning of a proposed application to assist in forward planning.

8.3.5 The process for considering TWAO applications is entirely separate from the Department's assessment of requests for funding. Any decision to give a project programme entry status will therefore be without prejudice to consideration of any TWAO application which may be made. Similarly, any decision to make a TWA Order will be without prejudice to subsequent decisions on whether to give conditional and full approval for funding.

8.4 Standard conditions which the Government will attach to approval letters

8.4.1 The Government will apply conditions to all approval letters at programme entry, conditional approval and full approval stages. Whilst these may include specific conditions of relevance only to the particular scheme, they will also include some general conditions. The draft *Guidance to local authorities seeking DfT funding for Local Transport Major Schemes* will set out some standard conditions. In addition, for light rail schemes, the standard conditions are likely to include (though not necessarily be limited to):

- A requirement for the promoter to keep the Department informed of the development of the project. The approval letter will set out requirement for this, which might include monthly project meetings. Promoters will be responsible for providing a project report, in a format agreed by the Department in advance of each meeting.

²⁸ Available at www.dft.gov.uk/strategy/twa

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- A requirement, so far as lawful, for promoters to share their knowledge and experience with other potential promoters in response to reasonable requests.
- A requirement for the S151 Officers of all relevant local authorities, as well as the PTE and the PTA if appropriate, to provide letters to the Department, confirming that they: will provide any proposed local contribution from their authority; understand that central Government funding is capped; undertake not to come back to the Government for additional funding; and accept that the PTE, PTA and districts (for metropolitan areas) or the local authority promoters are together responsible for addressing any cost increases.

Wider light rail interests

Annex A

National Audit Office/Public Accounts Committee/Transport Select Committee

The National Audit Office (NAO), the Public Accounts Committee (PAC) and the Transport Select Committee (TSC) have all taken an interest in light rail in recent years.

The NAO report *Improving public transport in England through light rail*²⁹, noted that, whilst there has been significant patronage growth, patronage has fallen short of expectations in some cases and potential benefits have not been fully exploited. It further noted that the forecast costs of schemes under development have risen in recent years.

The findings of the NAO were backed up by the Public Accounts Committee (PAC) in its report *Improving public transport in England through light rail*³⁰ and the Transport Select Committee in its report on the *Future of Light Rail and Modern Trams in the United Kingdom*³¹.

Her Majesty's Railway Inspectorate (HMRI)

Her Majesty's Railway Inspectorate (HMRI), a part of the Office of Rail Regulation (ORR), is the body that enforces health and safety and associated legislation on railways, tramways and other modes of guided transport excluding guided bus systems.

The role of HMRI is to secure the proper control by dutyholders³² of risks to the health and safety of employees, passengers and others who might be affected by the operation of Britain's railways and related modes of transport. They do this within an overall strategy set by ORR. They have Inspectors and policy advisors who work together to develop and deliver this strategy.

HMRI also enforces the Level Crossings Act and Regulations, though proposals for 'crossings' on tramways should always be discussed in detail with the inspectorate to determine how legislation might apply in each particular case.

In addition to its role in relation to new works HMRI has ongoing responsibility for the enforcement of the Health and Safety at Work etc Act and subsidiary legislation in all

²⁹ Available at www.nao.org.uk/publications/nao_reports/03-04/0304518.pdf or in hard copy (ISBN 0-10-292787-1) from The Stationary Office at www.tso.co.uk/bookshop

³⁰ Available at www.publications.parliament.uk/pa/cm200405/cmselect/cmpublicacc/440/440.pdf or in hard copy (ISBN 0-10-166092-8) from The Stationary Office at www.tso.co.uk/bookshop

³¹ Available at www.publications.parliament.uk/pa/cm200405/cmselect/cmtran/378/378i.pdf or in hard copy (ISBN 0-215-02377-3) from The Stationary Office at www.tso.co.uk/bookshop

³² The dutyholder can be a promoter or, once a contract has been let, the operator and/or infrastructure provider etc. If in doubt, HMRI can provide advice.

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respects where they are related to the operation of light rail systems, this includes matters of occupational health and workshop safety for example.

HMRI always encourages early contact from promoters of schemes and an open discussion of the safety matters surrounding design and operational proposals. The inspectorate generally works through a series of regional teams, but in the first instance contact should be through their head office and their National Expertise Team for tramways, metros and heritage railways.

Transport for London

In London, Transport for London (TfL) is responsible for the development and funding of new tram and light rail schemes in Greater London. TfL is a functional body of the Greater London Authority. It is responsible for implementing the Mayor of London's Transport Strategy and managing transport services across the Capital. TfL is responsible for London's buses, the Underground, the Docklands Light Railway (DLR) and the management of Croydon Tramlink and London River Services.

Devolved Administrations

Responsibility for transport in the UK outside England has been devolved to the Devolved Administrations. As such the Department does not have any direct dealings with light rail schemes outside England. The Devolved Administrations will have their own procedures, which may differ in detail but are likely to follow the same general principles for assessing value for money. Annex B gives contact points in Scotland, Wales and Northern Ireland.

European Union interests

Whilst the Department sets the policy for light rail in England outside London, it does so within the context of European Community legislation. For example, when considering how to procure and operate a light rail scheme, promoters must follow community rules on procurement and the award of public service contracts. The Department liaises with the European Commission and other member states on the introduction of all new Regulations and Directives which might have an impact on the light rail sector.

UKTram

UKTram Limited was formed in 2004 to represent designers, operators, promoters and suppliers of tramway systems in the UK. It brings together representatives from: Confederation of Passenger Transport UK, Transport for London, the Passenger Transport Executive Group (PTEG) light rail group and the Light Rapid Transport Forum (private sector industry body including contractors, suppliers and advisers).

UKTram seeks to promote efficiencies in the design, specification, procurement and operation of tramways aimed at making tram schemes more efficient, affordable and

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better value for money. Its purpose is to produce various forms of output of benefit to the United Kingdom's tram industry, promoters and transport users as a whole. UKTram is seeking to find ways of addressing the factors that led to previous costs escalations in tramway/light rail projects, and to promulgate advice to help contain costs in the future. In tackling this key issue, UKTram expects to commission research, publish documentation and to work in other ways to assist all parts of the industry in improving value for money.

The Department will continue to work closely with UKTram as their work programme develops. As mentioned above, the outputs of this work programme will inform future versions of this guidance.

Passenger Transport Executive Group (pteg) light rapid transit group

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, who meet at least quarterly. 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 pteg Light Rapid Transit Group is a specialist committee within pteg that considers all matters relating to the planning, design and implementation of Light Rail and other rapid transit systems. The group's membership comes from the six PTEs together with other public bodies with a strong commitment to developing and implementing Light Rapid Transit (LRT) schemes.

The Department has embarked upon a programme of workshops with PTEG covering subjects including:

- realising the benefits for passengers and improving financial viability of schemes
- evaluating light rail schemes
- procurement strategies
- Transport and Works Act process
- safety issues and potential for track-sharing and parallel running with Network Rail.

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The output from these workshops has informed this guidance. Further workshops may be held on other relevant issues.

Confederation of Passenger Transport UK

The Confederation of Passenger Transport (CPT) is the UK trade association for the bus, coach and light rail industries. CPT represents the owners and operators of the principle light rail and tramway systems in the UK. Its members include the operators of the Tyne and Wear Metro, Docklands Light Railway and all the modern tramways, as well as the Blackpool tramway and several minor tramways. It also represents the promoters of new lines such as the proposed Edinburgh tramway.

CPT works with the Department, the Office of Rail Regulation, HM Railway Inspectorate, the Rail Accident Investigation Branch and other bodies to ensure effective working of the regulatory regime for light rail, and provides a forum for light rail operators to exchange information on operational and safety matters.

Light Rapid Transport Forum

The Light Rapid Transit Forum (LRTF) represents private sector suppliers to the LRT (including tram) industry in the UK. It is a founder member of UKTram. Membership includes organisations and individuals involved in the design, construction, supply, financing, insurance, technical, legal and economic support for and operation of trams and light rail schemes in the UK and throughout the world. Its objective is to secure wide support from Government and other policy makers towards the development and delivery of more LRT systems in our urban areas.

Commission for Integrated Transport

The Commission for Integrated Transport (CfIT) is an independent body advising the Government on integrated transport policy. CfIT was established in the 1998 Integrated Transport White Paper 'to provide independent advice to Government on the implementation of integrated transport policy, to monitor developments across transport, environment, health and other sectors and to review progress towards meeting our objectives'.

CfIT has produced guidance on *affordable mass transit systems*³³ which is referred to in Chapter 2 of this guidance.

³³ Available at www.cfit.gov.uk/docs/2005/amt/index.htm

Useful Contacts

DfT - general advice on light rail issues

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London, SW1P 4DR
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helen.smith@dft.gsi.gov.uk

DfT advice on bus issues

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DfT advice on security issues

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5/08, Southside
105 Victoria Street
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HMRI

Light Rail / Metro / Heritage National
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Annex B

DfT advice on economic issues

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DfT advice on Mobility issues

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DfT advice on TWA procedures

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PTEG light rail group contact point

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LRTF contact point

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