

YH/363/05

3 November 2005

LEEDS TRAM SCHEME - STATEMENT

The Government today announced that it could not support proposals to re-instate the Leeds Supertram scheme that have been put forward by West Yorkshire PTE following the withdrawal of funding for the tram proposal in July 2004.

Alistair Darling, Transport Secretary said:

"I withdrew funding for Leeds Supertram in July 2004 because the costs of the scheme had escalated considerably.

"It is clear that the tram scheme is still very expensive and the costs remain much higher than originally planned. Latest proposals show the costs are nearly 40% higher than originally planned.

"The value today is £486m - compared with the approved figure in 2001 of £355 million.

"In cash terms, the cost to Government has almost doubled, from £664 million to £1.3 billion, over the 40 year financing period.

"The new proposal is also for a reduced scheme in which greater risks are borne by the public sector.

"Clearly it does not represent the best value for money for the people of Leeds or the best use of public money - particularly when compared to the alternative proposals put forward by West Yorkshire PTE for top of the range rapid bus scheme.

"Such a scheme would involve superior quality vehicles, high frequency services and some dedicated busways to ensure efficient journey times.

"A recent review by consultants Atkins suggests that such a scheme could deliver majority of the benefits of the tram at only half the cost.

"This would deliver significant transport benefits locally and be an opportunity for Leeds to develop a first of its kind, showcase bus system that could lead the way for other cities.

"My Department will continue to work constructively with West Yorkshire PTE, and I am very keen to pursue this top of the range rapid bus scheme with them.

"I understand the support for the tram, but I cannot approve schemes at any cost.

"I want to be clear - money will be available for good schemes where they are the best solution and where costs are under control. This year we are spending £156 million in the region - more than double what was spent in 2000. "

ENDS

A copy of the written ministerial statement is attached.

Statement on Leeds Supertram

In July 2004, I took the decision to withdraw funding for the Leeds Supertram because of excessive cost increases. Since then we have been in discussion with the scheme promoters, West Yorkshire Passenger Transport Executive (WYPTE) about their alternative proposals.

I have considered very carefully all the new information provided by the promoters. The latest tram proposals are still very expensive – costs are nearly 40% higher than originally planned. This proposal is also for a reduced scheme which places more of the risks with the public sector. It does not represent the best value for money for the people of Leeds or the best use of public money – particularly when compared to alternative proposals put forward by WYPTE for a top of the range rapid bus scheme. I therefore cannot support requests to re-instate the tram proposal.

Leeds Supertram was given approval in 2001 with a cap on the public sector funding of £355 million in 2001 present value terms. By July 2004, costs had escalated considerably to over £500 million.

Since funding was withdrawn, the promoters have made great efforts to reduce the scheme costs. Their submission of November 2004 suggested that the funding requirement for a revised proposal was £392 million, in present value terms. This was for a reduced scheme (the current proposal truncates the southern line) and with some risks taken back into the public sector.

The promoters say their latest proposal requires public sector funding of £348 million in 2001 present value terms. However, this simple comparison is seriously misleading because:

- These figures are the total value in 2001 of the required public funding, at the prices ruling in 2001. In 2005, at current prices, the value would be £486m - nearly 40% above the 2001 cap. And this is still a present value figure, so it understates the cost increase in cash terms over the life of the scheme.
- But it is the cash costs that count. The current proposal requires £261.6 million of grant and a total of £1,142 million in RSG payments, associated with the PFI credits, up to 2040. The original proposal required grant of £294.5 million, and only £467 million in annual payments to 2032. Allowing for local contributions, the cost to Government has almost doubled, from £664 million to £1.3 billion, over 40 years.

At a meeting with local Council Leaders on 26 July 2005, the Parliamentary Under Secretary of State asked for additional information on tram costs and for further work to be done on a top of the range bus option. The aim was to consider whether buses could deliver a better solution than light rail when all possible existing levers were used in an imaginative and cost effective way.

We commissioned Atkins to carry out the study, working closely with WYPTE and its advisers. I am grateful to WYPTE for all the work they have done with the Department on this study.

Atkins based their work on that previously done by WYPTE to look at a bus rapid transit (BRT) system as an alternative to Leeds Supertram. This work was submitted to us in November 2004. Atkins concluded that the work undertaken by WYPTE was "very thorough, and a good basis for considering a high quality bus alternative in the current study".

A BRT system is a new approach to meeting public transport needs. It would involve superior quality vehicles with many features similar to trams, including high quality vehicle interior, air conditioning, double glazing etc. It would be accompanied by fixed physical infrastructure in terms of dedicated stops, high quality shelters, real time information, off-board ticket machines etc. And it would be developed to operate as a complete system, with distinctive branding, priority at junctions, lengths of segregated track etc.

Atkins concluded that:

"The BRT option has the potential to offer a lower cost and better value for money alternative to the Supertram proposal. Atkins considers that a BRT system would offer many of the attributes of the Supertram system, including:

- similar stop and service patterns with a higher frequency service;
- similar overall journey times (including waiting time);
- the majority of the physical features;
- in the region of 90% of the forecast patronage for Supertram; and
- most of the wider appraisal benefits attributable to Supertram and these would be delivered at around 50% of the capital cost of the tram."

Atkins recognises that BRT has most of the advantages of the tram scheme, but not all, and there remains an element of risk in their conclusions given that a comprehensive bus system has not been delivered in this manner before in the UK. They also noted that, in a deregulated bus market, there were delivery risks that would need to be addressed.

The tram proposal remains extremely expensive, and in cash terms still costs much more than the scheme we approved in 2001. I cannot, therefore, approve the Supertram proposals. On the other hand, the bus study suggests that a top of the range bus system, designed and delivered in a way similar to

a tram network, has considerable potential, and would be significantly better value for taxpayers. It could benefit more people and would be more flexible with scope for further extensions.

With the right commitment from central and local government, and the local bus operators, there is an opportunity here for Leeds to develop a showcase bus system that could lead the way for other cities.

I would encourage West Yorkshire PTE to take this opportunity and to work with my Department to develop proposals. The funding will be there for the right proposals.

We acknowledge Atkins' comments about risks in delivering a BRT system. However none of the problems identified by Atkins is insurmountable. I very much hope that the bus companies in Leeds will work constructively with the PTE to show what a high quality bus system can deliver. There are clear benefits to the bus companies in so doing. However, should it be necessary, I am prepared to work with WYPTE to give them the powers they need to make sure we get a system that works properly as part of an overall transport policy.

We have always recognised that trams can be very effective in heavily trafficked areas. We will continue to be prepared to support trams, where they are the right solution. But we will not do so at any cost, and in many cases a well designed and promoted bus based system is likely to provide a more cost effective solution.

Where trams are promoted, they will need to be developed as part of an integrated approach to tackling an area's problems, and they will need to be supported by commitments to complementary measures to deliver the benefits of increased public transport usage and reduced congestion. We will continue to work closely with promoters and the industry to seek to ensure that these benefits can be realised, and that the costs of tram systems are minimised and properly controlled.

**ISSUED ON BEHALF OF THE DEPARTMENT FOR TRANSPORT
BY GOVERNMENT NEWS NETWORK YORKSHIRE AND THE HUMBER**