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23rd May

CONTINUATION OF DR DICKINSON'S EXAMINATION OF J HENKEL [9:00am]

D – your main proof para 4.2 – ngt refers not merely to the trolley vehicles themselves but the scheme as a whole (management/infrastructure)

Jh – yes

D – para 4.27 – concerns arrangement for obtaining and maintaining the vehicles – would you confirm that in the programme entry business case c-2 table 5.2 scheme capital costs- the capital costs for trolley vehicles were budgeted at £11 to 15 million

Jh – [looks up doc at page 23] it shows the cost of vehicle purchase around that sum

D – in the revised business case, c-1, more recent, table 10.1 the preferred option capital cost summary – there is clearly no capital entry for the vehicles

Jh – no

D - so the vehicles are to be “procured on a wet or repairing lease”

jh - yes, that is the assumption

d – so instead of being a once service of a vehicle – the cost of vehicle procurement becomes an annual charge to be offset by the revenue each year – this gives you wiggle room in your capital budgeting

jh – that wasn't the reason behind it...the reasons are set out in my evidence

d – we see in doc c-1-10, chap 2 para 3.5 – annual cost per vehicle which adds up to approx. 5.6 million per annum for a fleet of 20 vehicles

jh – it would be that order of magnitude

d – I can't find anywhere in the financial accounts where this charge appears – is this to be cost to the promoter or included in fees paid to the operator...how will it be accounted for

jh – assumption is that the promoter takes revenue risk so this will flow back to the promoter – wouldn't go to the operator – it would be met from the revenue.

D – where is this charge

Jh – I believe that figure appears... somewhere. I'll find it for you later.

D – para 6.5 point 7 and 8 – we've noted that the scheme only projected to build sufficient patronage to break even on revenue on its third year – how long could the promoters, who underwrite this (the council tax payers), pursue of competition law, what is actual going to the be breaking point as far as rev concerned

Jh – you are asking me to pre-judge a political position taken in the future and I won't be doing that

[09:11]

CHRIS LONGLEY

Cl – relates to your main proof – the Fed of Small Businesses members concerned about how and why the trolley buses will operate (fleet of 20) – wondered what exactly what a trolley bus is – as set out in your submission that came on Wednesday (1-1-8)?

Cameron – app 1-1-8 a note on regulation of trolley vehicles as a question was asked

Cl – but it contains within it a definition of what a trolleybus is and that hasn't changed in the interim?

Cameron – could you clarify the question?

Cl - it contains in it the definition of what a trolley vehicle is

inspector – are you able to say exactly what a trolley bus is, mr henkel

cl – as I understand it a vehicle within the meaning of the road traffic reg act 1984...described as “vehicle mechanically propelled vehicle adapted to use on roads without rails with power

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transferred from an outside source ... etc" – that was in the note of app 1-1-8 and want to confirm nothing has changed

jh – not aware of changes

cl - 4.20 of your proof – operational patterns goes to the heart of this scheme's viability – the key point here – is it not the case that the successful on time operational relies entirely on the uninterrupted passage through priorities of all trolleys all the time

jh – Robertson to answer

cl – talking about the implications as opposed. you need it to work perfectly every time

jh – punctuality is an important as part of the system

cl – so if a TWA permitting only trolley owned by your leeds spv to use the restricted highways is found to be in breach of competition law – that breach changes the circumstances, NO?

jh – that is a hypothetical question and already said that further aspects of comp law dealt with legal submissions – which haven't been made yet

cl – in the real world if the rights are not absolute/exclusively this has an impact of the trolley system

jh – yes that's the rationale for having that priority

cl – when I was looking at the testing of the various alternatives that you and your colleagues have referred to – I can't see a test to check these possibilities – e.g. effect of First buses if they were overlaid over the trolleys but still had access to priorities, what effects they would have

jh – we've talked in some length about this – one scenario test was around a diff in run times... that specific test you referred to has not be undertaken to my knowledge

cl – in what years did your team run these tests and evaluation of alternatives – a-08H-6 main test is dated sept 2013, the leeds ngt review of c-1-1 is dated jan 2014 and the core doc c-1-8 is dated jan 2014 – so that they are all fairly late on in the process of which this inquiry is a part

jh – we set out in business case that whilst not required it is good practice to update modelling etc. and that's what we've done

cl – I accept that but that means that there is a diff between the dates that the actual works were done and those that the works were published.

Jh – we are getting ot the point that if they are detailed modelling...

Cl – no there're not – are they all done after sept 2009?

Jh – I'll have to remind myself...the major case scheme submission was submitted in autumn 2009 ... mr haskins clearly explained the gestation of the scheme since that time and the docs submitted to the inquiry set out how further work could be undertaken ... to make sure it was robust at this time...I can't recall exactly when this piece of work was completed... we are now straying into an area of modelling

Cl – it's just a question as to when it was done the reason I ask is that I understand from looking at those dates, they all follow dla piper's advice in c-4-15

Jh – any work taken would clearly be after this piece of advice here (from dla piper)

Cl – that advice sets out that the tWAO process only effectively allows a trolleybus or tram scheme to be DBOM but not bus-based schemes or BQP or BQC – I'm not looking for an expert response but this is what even I can read from this document

Jh – could you take me to the para in question?

Cl – it's pretty much all of it

Jh – I'm not in a position to offer a legal view as I'm not a lawyer

Cl – I was asking about the practicality of the choices presented to you in the real world

Jh – haskins in his evidence set out how there has been an ongoing review on the mode choice and the business review docs also refer to diff mechanisms that might be available

Cl – it does, others will have already asked haskins that question and others will ask the same question again of those whose evidence support mr haskins' proposals. This guidance from dla goes to the core of why this is a trolley bus scheme

Jh – no I disagree - the reason why we are promoting a trolleybus scheme is that the appraisal shows that both the net present value and the benefit calculations are better using a trolleybus - I have

looked at the next best and low cost alternative and the appraisal results are set out clearly in the doc submitted in this inquiry

Cl – the key issue here is that this guidance makes it clear that whether a hybrid/articulated service came out as the best in the economic appraisals it wasn't within the TWAO process a tenable route down which you and metro could in practice go – you would need another regulatory background within which to pursue your alternative

Jh – there was a TWAO inquiry in Bristol that pursued a different cause – i will restate that the business case review set out the appraisals of different options and we chose this not because of the legal advice but because of the-

Cl – so you are saying there is no significance whatever in this guidance that you've been given that the only option tenable was a trolleybus in terms and that the fact that here we are 5 years later all considering a trolleybus

Jh – the requirement for the scheme appraisals in this country are onerous and we have set out the option appraisal in the business case review and supporting docs underpins why we are supporting the options we are

Cl – I am not at this stage challenging the validity of the process you've used to assess the alternatives from a transport modelling or business case pov – but for all practices you knew as an organisation that the only route you could go through was a TWAO because that was the only one that could possibly do what you wanted

Jh – not my interpretation we set out in the business case review the reason why we pursued a TWAO and that has been the most efficient process to acquire the powers etc. to delivery this scheme. TWAOs are used in a range of diff schemes e.g. Leeds southern entrance also used it. What drives the proposal is the appraisal and that is what is fundamentally important

Cl – your guidance had already told you that going down a BQC was not an option – it's not there

Jh – if the appraisal had shown a different option not this route we would have responded to that and the dft would also have been asking a lot of questions – we are slightly cross purposes – I remain firmly that the appraisal is the driving factor.

Cl – I appreciate the spread and scope of the assessment gone into how those who have worked on your behalf have looked at on these alternatives

Inspector – I think mr Henkel has answered this question

cl- what concerns me is whether the full implications of that guidance are reflected in the overall assessment process? Do you not think it casts a doubt about the process that takes us from sept 2009 with your clear legal advice and being here looking at a single alternative – a trolleybus?

jh – no

cl – in your note you make clear that you are setting up a special purpose vehicle and the purpose of that is for the design/procurement/operation/maintenance of the trolleybuses (para 4.2)

jh – this para doesn't say we will set up a spv but that we would seek to deliver ngt to one contract between on operator ... it is a mechanism used for light rail scheme but we are not proposing ourselves to set up a spv

cl –who or what will have ownership of the delivery vehicle and therefore control of it – the entity

jh – we will expect that groups of co with complementary skills will form an entity which will contract...

inspector - we have gone through this

cl – so I'm clear, will metro or combined authority have any control over this body that is set up

jh – it will have a contract in place – a contractual arrangement between the promoters and the delivery vehicle – a separate legal entity with own governance delivering the contract

cl – I ask this question because the only way a transport authority can own one is because they also set up a mechanism for its disposal

jh – we hav no intention of that

cl – if this delivery vehicle is created but it doesn't get the revenue targets and if the costs are higher such that the delivery vehicle causes a loss – under what power will the promoters defray those losses

jh – I don't envisage the delivery vehicle incurring a loss – the business case review sets out the assumption that promoters will take revenue risk

inspector – some of these q have already been asked

cl – it's been the case that with rail co that franchises have literally handed bk the keys in those circumstances public funds have catered for it - What sources will there be for revenue sources if it needed it

Inspector – we've been through that...

Jh – what is envisaged here is a cost plus contract – the operator will not be exposed to rev risk – we would envisage having in place a contract for operator of last resort....

Cl – the concern is where would the money come from?

Cl – the other related question is what sources will there need to be for the capital support needed for the project – there is 60 mill of capital necessary and only phrase I can find that refers to this and relates directly is 'prudential' borrowing – what is it?

Jh – in essence, local authority is allowed to borrow moneys from banks (it is easier for Las to borrow) we will be seen as a certain bet so normally will get some money

Cl – are you aware of an entry in the business case that shows the annualised cost of borrowing to cover that 60 million pounds. You can give me a note about that later.

Cl – would you accept in para 2.1.4 which deals with competition with trolleybus routes – since you knew from dla that the only route you could adopt was through a TWA – surely the existing degree of competition in the a660 corridor is irrelevant – as that process doesn't involve an element of consultation with the bus operators or whoever – and no cognisance as to how they might react

Jh – on the reactions I've made it clear that we've had to act in accordance with our understanding and advice on the procurement routes - we have set out the assumptions

Cl – I am asking a slightly different version of this – if question of comp in the corridor aren't relevant to the DOMBA process why is there so much evidence in your proof.

Inspector – I think we have accepted that some parts of the competition aspects were not relevant.

Cl – your words from 6.1 of your proof about bus operator responses in the light of what we've heard reads oddly – it sounds like an elongated version of 'they'll do what they'll do but in the long run they'll find a new level' – there is a serendipitous quality to the statement

Jh – we recognise that bus co are autonomous bodies and will take the business where there is demand...we've already spent some time as to the reasons behind those assumptions – I am unable ... they have their own arrangements that will take commercial decisions in the future

Cl – you're saying you're not bothered about the bus operators do

Jh – of course not – the proof sets out assumptions and makes it clear they are only assumptions and we have discussed the sensitivity tests around those

Cl – so you have already agreed that the bus co are autonomous and they will behave how they want – you have made some assumptions but you have excluded others

Inspector – we have been through this

Cl – does this not go back to the dla piper advice – they tell you that the spv shouldn't be running for more than 10 years –

Jh – there is a question as to the determination the contract length of the service –I've made ref to plans and elements of the wy transport fund extension of the system... I've explained how the procurement strategy needs to take advantage of that

Cl – but for that ten years it's going to be fixed, and the gist

Cl – in the dla piper advice there is advice for a 10 year break point that will be appropriate.

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Cameron – it's not fair to the witness just to float something on – I suspect he may be referring to 3.25 of that advice from dla piper... but Henkel can't answer the question ... that's on quality contracts... a different issue.

Cl – in your oral evidence you responded to a question regarding strong and sustained competition might damage the rev stream such that the system became unavailable. You said you couldn't perceive such a situation as you perceive it as v. different from Sheffield

Jh – I couldn't envisage such an outcome – I talked about impact and likelihood and I've been asked questions at some length about what would be the response as to what we would happen

Cl – [has better knowledge of Sheffield] – why do you think that this Leeds trolleybus is immune to the sort of competition that damaged the revenue of Sheffield Supertram and left them with a 60 million debt to pay off – a key point?

Jh – I'm aware of Sheffield and Merseyside – I think there are sig differences. We have talked about the assumptions made and the rationale for those assumptions – evidence/info that have informed/re-affirmed those assumptions. I feel we have discussed this at great length. There are sig differences, e.g. the degree of priority and in a diff position with the bus market
We have talked about it extensively though

Cl – are you aware that at Sheffield we did a great deal of modelling about alternative responses and none of our outcomes turned out to be the case in the real world

Jh – I appreciate your words of warning here and of course I have spent time with Phil Hayward so Sheffield is not unknown to us.

Cl – I would point out that one of the main components of First was one of the featuring bus co. in what happened in Sheffield

Jh – I'm aware too – mainline

Cl – they have form... [they are good at what they do?]

Cl – if you are director of passenger services and Haskins is ngf project director- and therefore he is accountable to you?

Jh – he is at the moment but to be clear the former director general retired at Jan and at that time I was asked to take on an interim acting role and on 26 Jan that was what happened...

Cl – In which case I ask this question but may well be directed to someone else – as a board member of Metro you will share membership of that board with chief exec of Leeds City Council?

Jh – no – I can explain our form of board membership but the chief exec was not a board member of the passenger transport exec

Cl – it would be helpful indeed to know if a rep of LCC is going to attend again...as this question relates to them also

Insp- there have been officers here...

Cl – I wasn't aware when Farrington was on the stand – it relates to joint memberships that senior members have in the Chamber of Commerce.

Cl – I hope you will accept the issues I've raised here are those that are concerns from the FSB – nothing is prepared to be construed as a personal challenge to you as a witness

Jh - understood

[09:59]

BILL MCKINNON (vice chairman of a660 joint council)

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Bm - North hyde park neighbourhood association and my own personally appendices will be referred to. You stated yesterday when you were talking to mr jones that you joined metro in 1995 – are you a Leeds person? Born here?

Jh – no

Bm – did you come here in 1995 –

Jh – I lived here before and returned here in 1995

Bm – were you born and bred in wy

Jh- no

Bm –are you aware that metro was formed as part of the wy metropolitan county council

Jh – yes

Bm – when the metropolitan authority scrapped by thatcher metro was the only part to survive

Jh – yes but other retained joint services e.g. fire etc... so one of

Bm – do you know the data is was scrapped

Jh – 1st april 1985

Bm – are you aware that at the time of local gov reorganisation it was reported that the other four authorities Didn't care where hq was located other than leeds

Bm – do you know population of wakefield

Jh – 300k

Inspector – I'm not sure where you are going...

Bm – until de regulation metro used to run all the bus services in west yorkshire

J – I don't think it was true...there were other bus companies that formed a wy PTE organisation...and the buy –out was acquired by badger line

Bm – since1986 you have been publishing bus line info and subsidies

Jh – I don't accept that description. We've been developing local transport plans, building stations etc.

Bm – things that help congestion on the road

Jh – we fund bus measures, invested heavily in infrastructure etc... pre-paid ticketing scheme on behalf of bus co. etc

Bm – is it true that since 1996 you've aspired to become a transport operator again

Jh – no

Bm – give me a list of bus transport schemes that metro has

Bm – e.g. super-tram, guided bus ways, electro-bus

Jh – yes they all ring a bell

Bm – super-tram scrapped in 2005 – how much did you spend on it by that time

Jh – from memory the expenditure was around 40 million – but quite a lot of that was on land which remains in our ownership

Bm – and most of the property is along the a660?

Jh – we wouldn't have brought it along somewhere else

Bm – so by going along the same route as supertram it allows you to put to use all the properties you've purchased

Jh – the alignment is not identical and mr smith has talked about design issues at some length

Bm – were you running along a660 to capitalise on the recommendation that it was acceptable to run super-tram on the a660

Jh – no it's a separate process and TWAO – supertram was a three line network – line one was through parliamentary procedures and lines 2 and 3 a TWAO

Bm – guided segregated bus ways on scotthall road, York road etc... how much did they cost?

Jh – 5 million for scotthall, Manchester road was 12 mill and east leeds guide way (York road/selby road) was around 18-20 mill pounds - that is my memory.

Bm – when was the last one of these built?

Jh – Manchester road Bradford opened around 2000/2001

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Bm – were they an experiment that failed

Jh – no

B – but you've not built any since then

Jh – no

Bm – are you stopped using York road guided bus way

Jh – yes

Bm – electrobus – metro pursued it around 1980-1990 didn't it

Jh – I'm aware but wasn't working there

Bm – you don't know anything about it

Jh - not really – just second hand knowledge

Bm – but you are speaking about other things you have second hand knowledge of
[Inspector intervenes]

Bm – electrobus – you are aware it was a trolley bus scheme

Bm – and are you aware metro pursued it between 1980-90

Jh – yes

Bm – are you aware that the original intention was to run trolleybuses in Bradford

Jh - yes

Bm – it leeds was added because metro thought it was a way around the refusal of trolleybuses in
bradford

Jh – no I don't recognise that description

Bm- are you aware that when gov refused to fund trolleybuses even in leeds, metro decided to go it
alone with gov funding. And they finally abandoned the scheme in 1990 Because private bus co.
announced plans to run a bus route on the electro-bus route

Jh – you are asking things that I have no direct knowledge of

Bm – it's a previous trolleybus project run by metro for leeds and you don't have a great awareness
of it? In recent living memory

Jh – I'm aware in general terms but I have explained limitations of my knowledge

Bm – metro business case for ngt is based on the assumption that First won't compete

Jh – we've covered these...the core assumption is that there is a REDUCTION around key routes and
speculation as to continuation of current frequency

Bm – I've listened to the recordings and the impression I got was, and from what I read, was that you
assume First or the current operators are unlikely to compete

Jh –we've assumed a level of competitive response set out clearly in my proof and business case

Bm – would you agree that, from what I've said, metro's experience with metro bus shows that
private companies do compete

Jh – we've assumed what is set out in my proof and business case review

Bm – so what I've told you about electro-bus, you dropped it in 1990 – but you are continuing ngt is
it because of the promise of gov money for ngt that you didn't have for electro-bus?

Jh – we submitted a major scheme business case for ngt in 2009, mr haskins has set out clearly the
progress of the scheme since then...the programme entry, steps for best and final offer[?]...etc. –
and how we have updated the business case for the purpose of this inquiry – that's all been set out
v. clearly

Inspector – can you answer the question – whether it was to do with promise of gov money that you
continued with ngt – was it or wasn't it

Jh – the submission of business case pre-dated the [mumbles] programme entry...so I don't agree
with your statement

bm– are you aware leeds scrapped its original service trolley bus in 1928 as it couldn't compete with
motor services

Jh – yes

bm -and you agree that there isn't a history of them to repeat it [???

Jh – I agree that it is important

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Bm – there's no mention of electro-bus anywhere...do you not think that that is rather strange.

Jh – no

Bm – did metro build a prototype electro bus

Jh – no...I don't know

Bm - You are not aware either that metro were selling electro on the basis it could be built in wy

Jh no

Bm – do you know much about trolleybuses

Jh – some thing

Bm – trolleybuses in Armenia run empty because they can't compete with private minibuses – are you aware?

Jh – we spent time with haskins about systems around the world already

Bm – is it true that the other local authorities in the metro area want leeds to get a move on with ngt so they can have trolley systems of their own – you are not aware that councillor Richard lewis said this a council meeting in the summer

Jh – not aware

Bm – you don't follow these things? even though this was a meeting dealing with ngt

Jh – my responsibilities cover a wide remit

Bm – would you agree that it is difficult for you to balance the transport needs in leeds and those in smaller towns like Bradford/huddersfield etc.

Jh - yes

Bm - and any scheme agreed in leeds would need approval by councillors from other towns on the metro board, wouldn't it?

Jh – we have now a wy combined authority so we don't have a metro board

Bm – you know what I mean

Jh – the local transport plan was approved by wy transport authority which had representations from all five councils – the current wy combined authority has representations by district councils of west Yorkshire and city of York council and the intention is that that will be the local transport authority and they will approve any thing made to the local transport plan and also the wy transport plan – that requires support from all constituent members.

Bm – if ngt were to be coming up now there would have to be the agreement of, in addition to wakefield, Bradford, Halifax, huddersfield etc also the agreement of York etc. they would have to agree as well?

Jh – yes they agreed ngt as part of the wy transport plans

Bm – the other councillors hold a majority on the board –leeds is a minority on the board

Jh – no constituent district council has a majority holding

Bm – is this why metro has never put forward a business case for an underground in leeds

Jh – no

Bm – it's not the case that the other towns know that the business case could never been made for them to have an underground...

Jh – I don't think that given the pop density etc we could not construct a business case for an underground for leeds

Bm – it will be more difficult for leeds to get a transport system now that Barnsley

Jh – Barnsley is not It was a proposal to make it easier not difficult

Bm – there is a difference between the metro area in leeds and the Manchester metropolitan area – here metro area has rival cities of bradford/York etc

Jh – they act in partnership not rival cities

Bm – you said that ngt would provide interchange at the p and r sides – you were saying that yes, there were interchanges at the p and r...

Jh – clearly a form of interchange

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Bm – appendix bm-2 – “trolley vehicles run by the cooperation served these purposes for the time of the war but the development of motorbus has completely altered their position....the effect was that people from outlying districts who formerly would gladly use trolleys now use motor buses which carried them without change into the cities – it was found that lower fares were not attractive when people could be carried in other vehicles more expeditiously... “– given that people didn’t like to change from the trolley to motor bus and preferred to stay on a motor bus to get to town – do you think that they would do that now ...getting out of their car to get on a trolleybus at a p and r?
Jh – yes

Bm – passenger experience – suggested that the vehicle would carry only around 60 seated and 100 standing when fully loaded. Can you point me to any opinion poll showing you’ve ascertained the views of prospective passengers tot eh prospect of having to stand as they travel

Jh – there has been a note which sets out variations around potential capacity seating arrangements and the implications for sitting and standing at diff points of the journey at diff times of day. Mr chadwick will talk about the input to the appraisal – including stated preference techniques...involving a series of trade-offs

Bm – you’re not aware of any survey

Jh – I am referring to the stated preference work which is a sophisticated way of ascertaining customer views....

Bm – you’re not aware of a survey

Jh – stated preference is a form of survey but you should ask mr hanson or chadwick

[10:29]

MR GEEPIN (representing myself)

G – have you seen a copy of this custom design (freeze 6 costs) – in my document.

Inspector – can we get to the docs you submitted...a whole table here (obj 617).

Jh – I don’t think I’m the witness to answer these cost questions

G – you haven’t seen a copy of this – can you tell me who produced this?

Jh – mott mcdonald...one of the consultants

G – the first consultants were SDG...

Jh – different ones providing different expertise

G – why change them

Jh – there are a range of consultants – we go through a procurement exercise and choose them for particular skill sets.

G – that’s not correct, Atkins has 250-300 engineers that covered everything... how did you arrive at this 250 million...

Inspector – you are after the breakdown of the estimates

Jh – I’m not the right person to answer that

Inspector – is there someone who can give more details on it

Cameron – mr chadwick is not the person who answers the business case...but not who assessed the specific costs

G – in that box of documents there wasn’t a single book that referred to these costs – there is no electricals on this costing – to send a bid out to a contractor he needs to see the design drawings...as built drawings but I haven’t seen any.

Jh – the process of scheme development is set out in the business case – we will do initial design (wy combined authority) – because the joint promoters there are expertise capacity we don’t have so we procure consultants – we submit initial business case and then get what’s called programmed entry (that’s been achieved) – we now have got to the TWAO stage and updated the business case and

cost estimates – the df7 – we will then do market testing. When we acquire the powers we will move to provisional approval when we finish procurement – when we have the bids back and we can demonstrate that that is within the funding we will then get final approval.

g- when you say that we get the bids back how do they know what to bid

jh that is yet to come to

g – so you could exceed the 250million

jh – that’s why in the cost assessment it shows how we take account of risk

g – 14.9 million – I went through this electrical costs – and there is a shortfall of 14.9mill

jh – we have provided competent consultants and made allowances for risk

g – you say there will be 15 buses running per hour at 16,000 -but at this doc you cost only for 19...that is a shortfall of 16.6mill

jh – I’m confident that the cost of the vehicles are included in the business case now in df7 –

g – will these be leased by ppl down in leeds...these trolleybuses

jh – we will go through a procurement exercise – domba

g – what happens that this doc is wrong –

jh – we’ve been through an exercise to get competent consultants etc...

inspector – you can make a statement and put your case forward to the inquiry later on but the point of this is to ask Henkel about the subjects he’s an expert in which are based on what he’s put in his proof

g- who do I ask then

Cameron – it is an estimate of cost – if mr geepin’s suggestion is that you haven’t allowed enough in the electrics doc for the purposes of the business case... mr chadwick is the person to answer. But he is not the actual cost estimator but he is the person who is responsible for ensuring himself that all the appropriate costs have been put in.

Inspector – is there anyone outside the inquiry who will be able to show where this cost has been put in

Cameron – surely we are happy to make someone available – mr Hacker.

G – I saw him yesterday – I put these points to him and he doesn’t know anything about these cables – in letter to me he says it doesn’t exist

Inspector – unfortunately mr Henkel won’t be able to help on that.... You can make a statement yourself and might mean that mr cameron might question you...

G – Henkel – I have a letter here from LCC that says there is a shortfall of 35 mill and will come from revenue of ngt ...[reas out letter] – it will take roughly 6 years to get 35 mill back. People will not ride on it if fares increase etc.

Jh – in the business case reviews the sources of funding are set out clearly and fare strategy is set out clearly – your interpretation is that fares will go up...I don’t see that ‘increased fares’ is put in front of me.

Cameron –in docs submitted by mr geepin – the part read out is in bold...that appears to be setting out mr geepin’s question rather than the answer for his question...

Inspector – that’s the explanation there mr geepin

G – that it’s already been calculated – the 36 mill

Jh – the funding sources is set out – looks out the prudential borrowing

g- it says that it will take 6 years to pay back that 36 million

g – also it says buses will create 4000 jobs... I don’t understand that

jh – mr chadwick will explain that.

G – can you tell me the main contractor that you select – they will do the contracting but when the contracting is finished and consultants release the money to the contractors...then this go out to bus companies... I don’t understand ...?

Jh – the procurement strategy assumption is that we would contract with a consortium which brought together companies with different skill sets.

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G – so this will go out to bids...they will put an offer in to run this job – at the moment metro doing the signs/shelters etc... I've worked for consultants all my life and I've never seen anything quite like this before...

Inspector – if you're not familiar with this...

G – I'm asking metro's function in this

Inspector – the reason for this inquiry is not for me to gain info that I'm already aware of because you're not sure about it.

G – so if they produce another cost analysis sheet which is revised, who will look at this and study this and decide this...whether there is a quality assessment of this?

Inspector: Whether they will be checked over properly?

G – they're removing 2300 light posts but they are replacing only 660...

Inspector – this is going into detail that mr Henkel won't know

Cameron – the doc he is referring to is c-2-19 – the schedule of cost was submitted to the dft in support of the programme re-entry in march 2012 – it has been looked at by the dft. To ask the question 'who's going to answer detailed questions to this schedule' – we will offer somebody to answer these questions outside the inquiry.

G – we would have gone through this with a fine toothed comb as a consultant.

Cameron – if there is something missing that we will look at it

[inspector – find out outside the inquiry]

[10:56]

INSPECTOR'S QUESTIONS

INS- on the Competition issues – I'm assuming that First would be able to be one of the members of the consortia to operate this scheme – it wouldn't exclude them

Jh – absolutely

Ins- what effect would that be on their own bus services if they were the operator

Jh – we've set out the core assumptions and discussed in some length – what was touched upon yesterday and it's a matter for first as an autonomous co. – if there was a revenue incentive for an operator that might be an influence to the behaviour of the operator...

Ins – if First won it...they'd be competing against their own services

Jh – currently, proposition is that promoters will take revenue risk – first would therefore not be competing with themselves. We will be looking at that structure through market testing.

Ins – so you say there wouldn't be much of an effect then?

Jh – potentially

Ins – m card now being introduced?

Jh – for some time we've had a range of multi operator pre-paid tickets –

Ins – when was it introduced

Jh – metro card range has been there for years – but m-card is a name we are using for the smart version of that product. from a few weeks ago weekly and monthly tickets...and further multi-operator ticket range is envisaged.

Ins- do you think that will have much influence on the punctuality of buses?

Jh – there's quite a debate on that...in my view there is nothing faster than a flash pass (which you show your driver) – so a ticket machine will take longer than that... by encouraging pre-payment you reduce the longer times when people are exchanging cash – so there might be a mean of around 5 seconds but there is a long tail of longer times...

m-cards overall assumptions would have an overall positive effect on dwell times

ins – so there might be... a positive effect

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ins –do they have any control on the bus ticketing on the buses themselves

Jh – m card are managed through a ticketing company (ticko) I explained that I was one of the 8/9 directors of the companies – they determine the prices/manage promotions etc. wy combined authority provide services for revenue apportionment.

Wy combined authority is able to manage fares we procure on tender – we say it should be eqv to commercial bus fares. Whilst we can do that...we tend to harmonise with commercial bus fares. In terms of multi operator pre-paid tickets we are part of a board of directors who

No single organisation has a majority share in that company

Ins – objectors have suggested to have lower fares on bus services – how straight forward is this

Jh – not at all – we have ‘well-being’ powers – might be possible to have these powers to subsidise travellers. We do subsidise certain groups of travellers already. In my view it would be unwise to exercise this power to subsidise bus journeys in general

Ins – so possible

Jh – I need to get legal opinion there

Ins – then on park and rides – a number of objectors have said there are already 2 existing park and rides – are you aware of these?

Jh – yes – if we look at p and r provision there is in excess of 3000 spaces near local railway stations – they tend to be very full but constraints on extending them. Small one of a61 scotthall road – 121 spaces served by regular buses. We are working with First to open a new p and r at Allen road football ground due to open in june this year.

Ins – these objectors are saying they’re not working

Jh – the rail ones are full –huge issues. The one off scotthall road is a mixed success – its not quite big enough etc. but still think it’s been worth doing. The one on ellen road has yet to open ... I’m certain that First has sourced the vehicles and ticket machines and I’m confident that that will be a success

Cameron: last friday mr jones asked for this app 120 – comparison between existing and proposed existing bus and ngt lanes – he asked about northbound but we have provided what I hope is a comprehensive notes...

Cameorn – just so we have relevant witnesses available would quite like to know how long people will be of cross-examination of mr ward.

Ins – yes let Joanna know.

[11:05]

BREAK

[11:25]

RE-EXAMINATION OF JOHN HENKEL

Qc – we were on mr bell when he asked you about the allowances made for the cost of the electrical equipment – can we take out a-01 (might be helpful to mr geepin as well) – tab 11, a requirement of the relevant rules that when you make an app for TWA you have to set out a schedule of costs –is there a separate item for electrical plant and equipment

Jh – there is

Qc – in b5

Jh - yes – 16.8 million

Qc – tab 3 please, you were asked about consultation – the extent to which the bus operators were consulted. You said it was open to them to come back to us. Can we go to tab 3 (initial doc and then appendices to that doc), page 31, you'll see at 7.5 which comes under the heading consultation with bus operators – to what extent were they consulted on the scheme

Jh – 7.5 talks about an initial bus operator forum and a follow up - a second bus operator seminar – a letter was sent to all companies who currently operate services in close proximity to the route inviting them to provide more detailed feedback – three companies accepted this offer...First, Areva and Transdept

Qc – 7.6 – it says these meetings did not consider issues relating to future opps and procurement strategy as this would be subject to a market testing process – what do you understand about that?

Jh – we were inviting feedback on service operation aspects but not the procurement /commercial opportunities issues.

Qc – you were asked some questions about those parts of your evidence which referred to the competition commission inquiry. Mr Jones rather dramatically crossed out some paragraphs in the proof page 8/9 – you agreed that those paras relating to the CC report should be crossed out and also the one at 2.18 which was to do with what Mr Fernley had said. You remember that I intervened and pointed out that your answer had been only to cross out to those paras relating to CC.

On those pages 8 and 9, 2.14 and 15 plainly relates to CC, but what about 2.16/17

Jh – 2.16 - attached supports submitted by first's statement, and 2.17 related to my view as to length and variability of bus journey times... headway management/bunching and how they impact on frequency of service

Qc – so are these paras anything to do with the CC –

Jh – no

Qc – do we cross those out

Jh – no

Qc – you were asked a question about where there had been an assessment of the impact on patronage and account taken on any risk attached to net revenue. You said the risk attached revenue by proxy – clarify that please, and then look at the business case.

Gj – I did follow that up – I prefixed my question as to whether the witness was competent. We went off the business case and he said he wasn't competent to deal with the answers... I would object, if that line is to be re-introduced now as I took him directly to the business case on the revenue risk assumptions and it would go to Mr Chadwick

Qc – I would like to ask him as to what he meant as to the risk attached to revenue by proxy

Jh – I said that the revenue was risk adjusted

Qc – by whom/where?

Jh – in the business case it talks about a risk adjustment of 20% undertaken by the consultant performing the appraisal for us

Qc – thank you. You were asked questions about distance between bus stops etc. and a doc was put to you (it came in during the course of your evidence), the Warsaw doc FWY 120. The point put to you was that the distance given on page 2 is for maximum walking distances ... that should become shorter as the trips become more local – 31 metres when transferring from a bus/tram. Your view based on your experience as to the appropriate distances to consider when considering whether it is likely that interchange is convenient

Jh – must consider whether there is a desire for interchange at those areas – we should have a strategy around hubs but we don't consider every single bus stops as an interchange location – I was familiar with the principles behind these docs but clearly can't be achieved in every case

Qc – you referred to park and ride, you were asked about the interchange and you said that the centre of Leeds was a key interchange and then referred to the 2 park and ride interchanges. Please

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take up a-11 td29 – we’ve got city square ngt stop and then the trinity ngt stop – the city square ngt stop, your view as to how well or badly located that is in relation to the railway station

Jh – I would consider that as well located to the railway station

Qc – your view as to opportunities for interchange there

Jh – yes, considerable interchange opportunities with trains there

Qc – if you go back to td28 – next to city square we have some bus stops – do you know which services they serve currently?

Jh – I think service 1 stops there.

Qc – we know that’s operated by First...

Qc – let’s go to c-1-10, you were asked about operating cost modelled report – you were asked about numbers of vehicles required in 2.28. if we look at heading to this section what does this section relate to

Jh – peak vehicle requirement

Qc – and at 2.23 does that tell us what is meant by the peak vehicle requirement

Jh – it contains a statement as to that definition

Qc – so these figures given, are they for the peak or the normal routine service

Jh – it says that peak vehicle is the max no. required for any time period – relates to that time of operation where the frequency is highest and more vehicles needed

Qc – you were asked about ticketing, night buses etc. you were asked about your proof pages 16/17 – you refer to a multi operator and a multi-use ticket

Jh – multi operator is one that can be used by more than one participating operator, the multi operator ticket has a bus only and bus and rail version. A multi-use ticket is one that is prepaid for more than one journey e.g. weekly etc.

Qc- so taking the example of somebody setting off from headingley in the day and wanting to use ngt but then went out at night and decided to stay out after the last ngt, and then wanted to get a night bus back – what type of ticket available

Jh – on the assumption that the night bus was part of the participating operators a multi operator ticket would be appropriate

Qc – on the assumptions that you have made that routes 1 and 6 would still run but reduced services – if one has a multi-use rather than a multi operator ticket...and same night out in night – would it be open for that person to use that bus service to get in and out

Jh – depends what ticket....if they had a multi-use ticket by Areva for example they wouldn’t be able to use first bus to their home...

Qc – the correspondence between First and promoters (app 119). We’ll take up in particular the 6 Dec 2013 letter – you were asked these questions in the context of the new bus for Leeds proposals... it was suggested to you that if you wanted to do so you could’ve asked first for more details about this alternative. You were asked that you had a chance to contact first and you said no

Jh – my memory failed me then and clearly there was more dialogue than I was aware of

Qc – prof bonsall asked you a number of questions about info provided to the dft – you were asked about c-6-15 which is a letter giving the response from the dft to the programme entry – bob Collins letter. You said that the dft was comfortable with the funding model. You said you kept the dft fully informed – please take up g-4-94 – its from haskins to Charlie Sunderland at dft – it begins following granting of re-approval – that is the c-6-15 letter you were asked about. You said they were ‘kept informed’, particularly asked about revenue risk etc. Please go to the 4th page – you’ll see the conditions in the programme entry approval. “When we met in feb you identified that the scheme is projected to return a surplus that we ... etc.” then info provided as to what happened since 2012. So that’s feb and that’s a march letter. Was that a feb 2014 meeting

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Jh – yes

Qc – have the dft indicated any concerns/lack of confidence/change of mind?

Jh – the meeting was very positive. I was at this meeting and the answer is no.

Qc – you were asked some further questions by Bonsall – about aims/objectives and outcomes and whether they were to provide wider public transport or a narrower object etc. what you said was that the first requirement was to make sure that the ngt scheme objectives were achieved.

Jh – yes

Qc – let's look at those objectives. Look at c-1 business case review. If we look at these objectives – e.g. maximising growth, targeted regeneration etc. and also no. 4 'improving the efficiency of public transport and road networks' – this refers to the city's public transport...your view please as to whether that is restricted to the corridor/apply to the city?

Jh – it applies to the city

Qc – so if the first requirement is to make sure the ngt meets the scheme objectives, does that encompass wide aspects/benefits than on the corridor itself

J h –it does

Qc – we know because you included in your appendix – you referred to a prospectus being available... your appendix 6 has a draft prospectus for change. But at g-4-26 – we've got the wy plus transport plan – you said the prospectus included extensions

Jh – I did

Qc go to the 5th page...heading 'rail and rapid transit' – and what do we find at the bottom of that page?

Jh – ngt line three to aire valley leeds

Qc – what's the consequence of this?

Jh –the funding we are intending to ensure – a part of that will be allocated to funding the extension of that area of leeds

Qc – you were asked about page 17 of your evidence, you'll see there 8.17 bullet 2 is a ref to the west Yorkshire transport fund –It says ngt was included in the do min case as the programme had been accepted by the dft – consequence of this is that there is no identified funding alternative scheme for the ngt corridors etc...so when you say ngt was included in the do min case – do min of what?

Jh – the do min case for the transport funding was taken out of the transport fund as funding had been allocated through the programme entry. There was no requirement to fund the ngt lines 1 and 2 with the transport fund because funding had been found elsewhere

Qc – dr Dickinson said that mr Robertson's analysis of do min didn't include ngt

Jh – we are talking about different do mins there

Qc – you were asked also about leasing costs and where they'd been allowed for. You're not the expert for the business case...table 21.2 – this is preferred option ngt annual financial impact outturn – does that include allowance for leasing cost

Jh – it does around 6.2 million pound a typical mature year of operation.

Qc – he asks about doc c-4-15 dla piper (appendix 15 to the major scheme business case of oct 2009) – suggestion made to you by mr Longley was that the decision to pursue the trolley vehicle scheme was embarked upon or decided upon because it was the transport solution that could be consented by the TWAO. If you turn to para 4.15 page 30 – at the time this was written (sept 2009) can you help us to whether or not a preferred option had been selected

Jh – it had been selected.

Qc –what was it

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Jh – a trolley vehicle scheme

Qc – which came first – the advice or decision?

Jh – the decision.

Qc – you were asked by mr mckinnon for the cost of a guided bus – the examples you gave were scothall road, east leeds York road, and Manchester road bradford, how long is the structured guideway lanes is?

Jh – measured in km – not a huge number...

Qc – is it comparable to the overall 14km or so in ngt

Jh – no – a fraction of that, much smaller

[END OF DAY 12:07]

We will be resuming at 10:00am 3rd June.

Ward

Purseglove

Hanson

Chadwick

Cheek away the week commencing the 10th of June.

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