

New Transport Initiative – Next Steps

The City of Edinburgh Council

18 October 2001

Purpose of report

- 1 The decision of the Environmental Quality Scrutiny Panel on proposed improvements to the transport infrastructure in the City has been called up to the Council in terms of paragraph 8.11 of the Council's constitutional arrangements.

Main report

- 2 The Council had previously agreed to initiate Phase 2 of the New Transport initiative to examine options for major improvements to the transport infrastructure in the city.
- 3 The Executive on 11 September 2001, having considered the attached report by the Director of City Development, approved a number of recommendations aimed at developing the transport initiative and ensuring effective delivery of the major projects included in the investment programme.
- 4 This decision was called into the Environmental Quality Scrutiny Panel on 3 October 2001 –
 - (i) to further enquire about up-front investment in public transport prior to any potential charging commencing; and
 - (ii) for scrutiny of all the implications of the proposal.
- 5 Councillors O'Donnell and Mackintosh were heard as lead contacts for the call in.
- 6 The Panel discussed the content of the Director of City Development's report and asked a number of questions of the Executive Member for Transport, Eddie Bain (Council Solicitor) and Keith Rimmer, Barry Cross, and Alex Macauley (City Development Department) relating to its content.

- 7 Councillor O'Donnell, seconded by Councillor Kerr, moved that the Panel let the decisions of the Executive be implemented.
- 8 Councillor Mackintosh, seconded by Councillor Tritton, moved, as a first amendment:--
- 1) To refer the decision of the Executive in respect of the New Transport Initiative – Next Steps to the Council for consideration.
 - 2) That having considered the implications of Decision 9 of the Executive the Panel believed:--
 - (a) That whilst Limited Companies and partnerships with the private sector clearly have a role in the implementation of elements of the City's Transport Strategy the case for the use of a Limited Company to co-ordinate the implementation of the strategy had not been made.
 - (b) That the key decisions about the implementation of the City's Transport Strategy should be made, in public, directly by the Council and its democratic structures and that these decisions include, but are not restricted to:--
 - The vision and detailed nature and scope of any joint venture partnerships and contracts to procure services.
 - The choice of such partners and contractors.
 - Ongoing monitoring of, partnerships, partners and contractors to ensure that they deliver on their commitments to service delivery to the citizens of Edinburgh and that if they fail to do so they can be replaced.
 - The recruitment of the executive directors and officers whose services would be required to deliver the City's Transport Strategy.
 - Approval of matters contained within the concept of an Annual Business Plan for ENTICO described in the Shareholders Agreement and detailed in Appendix 3 to the Director's report.
 - Detailed scrutiny of the proposed financing arrangements for the delivery of the City's Transport Strategy.
 - (c) Consideration should be given to how individual implementation partnerships could, by incorporation as limited companies, achieve the same access to commercial finance as is envisaged for ENTICO.
 - (d) Any revenues from Road User Charging should be kept in a ring-fenced "Road User Charging Revenue Account" along the lines of the Council's Housing Revenue Account and that funds from that account should only be dispersed to bona fide additional transport investment in the manner envisaged in the Transport (Scotland) Act.

- (e) That the prescriptive nature of the Shareholder's Agreement renders almost impossible the position of any opposition Councillor appointed to the Board of ENTICO in that his or her obligations under the Companies Act to implement the Shareholder's Agreement could well be in direct conflict with his or her obligations as an opposition Councillor.

9 Councillor Jackson, seconded by Councillor Whyte, moved, as a second amendment, that the matter be referred without recommendation to Council.

10 The voting was:-

For the motion - 4 votes
For amendment 1 - 2 votes
For amendment 2 - 3 votes

Decision

11.1 To let the decisions of the Executive be implemented.

11.2 The requisite number of members having so required, the Panel's decision was called up to the Council in terms of the Council's constitutional arrangements.

Councillor Jack O'Donnell
Convener, Environmental Quality Scrutiny Panel

Appendix	1. Extract of Minute of the Executive of 11 September 2001 2. Report No E/207/01-02/CD by the Director of City Development (previously circulated to members – copies available in Group Rooms and the Council Information Centre).
Contact/tel	Morris Smith, Committee Services, Tel: [REDACTED] e-mail: morris.smith@edinburgh.gov.uk
Wards affected	City wide.
Background Papers	1) Act of Council No 9 of 4 May 2000. 2) Executive of the Council of 11 September 2001.

EXECUTIVE – 11 SEPTEMBER 2001

Minute Item No 33

33 New Transport Initiative – Next Steps (Agenda item number 32)

The Council had agreed to initiate Phase 2 of the New Transport Initiative to examine the options for major improvements to the transport infrastructure in the city. Details were given of the major points in the justification for the New Transport Initiative that had been included in the draft application to the Scottish Executive for approval in principle. Agreement in principle was now sought for the "Preferred Strategy" detailed in the Local Transport Strategy.

The further development work required and the approach to be taken to the next stage of implementation was outlined and approval was sought for further action required to take the strategy forward and ensure effective delivery.

Decision

- 1) To welcome the report 'New Transport Initiative – Next Steps' that:
 - had summarised the work undertaken on the New Transport Initiative since Phase 2 of the project had been approved in May 2000;
 - recommends taking the initiative on to the next logical stage.
- 2) To recognise that many positive 'development pressures' within and around the City of Edinburgh meant that, in terms of Edinburgh's transport infrastructure, the status quo is simply not an option. To do nothing would abdicate political responsibility and would harm the long-term health of the city's economy and its social fabric.
- 3) To adopt the 'Preferred Strategy', detailed in recommendation 1 of the report, of major transport investment part funded from congestion charging revenue as set out in the Local Transport Strategy approved by Council on 19 October 2000.
- 4) To recognise:
 - any final decision on implementation would be subject to further consideration by the Council at future dates;
 - stage 1 'Approval in Principle' allows further consultation to take place on options but would not lead irreversibly to charging;
 - there would be a major 'SESTRAN-wide' public consultation following the decision;
 - there would be significant investment in public transport before any potential charging commences;

- all charging monies would be ring fenced by national legislation;
 - charging monies would be used primarily for a major transport investment programme;
 - charging monies would also be used for road/footway maintenance and improvements;
 - all charging monies would be new money (added value);
 - there would be no charging until at least 2005.
- 5) To undertake detailed development work and consultation as detailed in the report on the 'Preferred Strategy' based on a city centre congestion charging cordon, aimed at tackling city centre congestion and other traffic related problems.
- 6) To consider extending charging beyond the city centre to tackle congestion and related problems on the major radial routes at the edge of the city, as well as in the city centre, by means of a charging cordon inside Edinburgh within the City Bypass in combination with the city centre cordon.
- 7) To submit the application to the Scottish Executive, for approval in principle of an 'Integrated Transport Initiative for Edinburgh and South East Scotland' as detailed in appendix 1 to the report.
- 8) To note the next major milestone for Council decision in relation to the New Transport Initiative would be to consider a single scheme proposal to take forward the statutory order procedures anticipated to take place in summer 2002.
- 9) To approve, in principle, the establishment of a company fully owned by the council to deliver the major projects included in the transport investment programme and to:
- a) approve the draft memorandum and articles of association for the company detailed in appendix 2 to the report;
 - b) approve the draft shareholders agreement between the company and the council detailed in appendix 3 to the report;
 - c) approach appropriate individuals from the private sector with a view to membership of the board of the company;
 - d) recommend to the Council the nomination of three elected members to the new board of the fully owned council company, as follows:
 - Executive Member for Transport
 - Executive Member for Finance
 - A Member of the Official Opposition

- e) authorise the Directors of City Development and Finance in consultation with the Council Solicitor and the new board members to finalise the shareholders agreement and establish the company.
- 10) To participate in the EUROPRICE 2 project, at a total cost of EURO 15,200 (£9,300) over 18 months, to be funded by the New Transport Initiative budget.
- 11) To thank all staff who had been involved in developing the New Transport Initiative to its current level of detail and to commend all officers involved in such a significant achievement for their flexibility and sheer hard work.

(References – Act of Council no 9 of 4 May 2000; report no. E/207/01–02/CD by the Director of City Development, submitted).

CITY OF EDINBURGH COUNCIL

18 OCTOBER 2001

ITEM 9.1

**NEW TRANSPORT INITIATIVE – NEXT STEPS –
REPORT BY THE ENVIRONMENTAL QUALITY
SCRUTINY PANEL**

**APPENDIX 2 - REPORT NO E/207/01-02/CD BY
THE DIRECTOR OF CITY DEVELOPMENT**

New Transport Initiative: Next Steps

Council Executive

11 September 2001

1 Purpose of report

To set out progress on the New Transport Initiative over the last year, to seek approval to submit an application for "approval in principle" to the Scottish Executive, and to agree the next steps in developing the Initiative.

2 Summary

On 4 May 2000 the Council agreed to initiate Phase 2 of the New Transport Initiative to examine the options for achieving the major improvements to its transport system that the City so urgently needs. Since that date further work has been undertaken in order to reach the first major statutory milestone for the initiative: an application to the Scottish Executive for Approval in Principle to develop in detail an "Integrated Transport Initiative" incorporating transport investment combined with a congestion charging proposal. This is required prior to devoting substantial further resources to the proposal. It does not commit the Council or the Scottish Executive to the implementation of any specific scheme.

This report summarises work undertaken since May 2000 on the Initiative including:

- Developing the investment package to be funded from charging revenue (linked to the Local Transport Strategy approved by the Council on 19 October 2000), including the identification of projects that could be delivered prior to the start of charging;
- Further consultation and market research including the Citizens Panel and on-street surveys of motorists;
- Preliminary examination of potential configurations for a congestion charging scheme;
- Testing the financial feasibility of an indicative investment and charging package;
- Developing an approach for effective delivery of the Initiative.

The report summarises the major points in the justification for the New Transport Initiative included in the draft application to the Scottish Executive for

Approval in Principle. The draft application Summary Document is attached as Appendix 1. To support this application, the Council's agreement in principle is sought for the "Preferred Strategy" in the Local Transport Strategy. The further development work that is needed to take forward the strategy is set out, in particular the approach to be taken to the next stage of consultation. Agreement is also sought for further actions that are required to take forward the strategy and ensure it can be effectively delivered. Finally, this report seeks approval for the Council's participation in the "EUROPRICE 2" European project.

3 Main Report

3.1 Current position

Previous reports to the Council have highlighted the need for major improvement to the City's transport system both to sustain the existing level of economic activity, and even more, to underpin the continuation of the growth in the South East Scotland economy that has taken place in recent years. Population in Edinburgh and the Lothians is forecast to grow by 50,000 over the next 15 years, employment by 30,000 in the same time period. Growth of this kind will substantially increase transport demand both within the city, and between the city and its wider catchment area. This trend is combined with rapidly growing car ownership even amongst the existing population: car ownership has increased by 80% since 1981 and has the potential for substantial further growth.

Doing nothing on transport is not an option. Failure to provide adequate transport infrastructure in the area will lead inevitably to increasing congestion, deterioration of the environment, and erosion of the quality of life offered by the City. Business access to a wider labour market would be constrained. All these factors would damage Edinburgh's competitiveness.

The New Transport Initiative (NTI) was developed as a response to this position and a realisation that conventional approaches and existing levels of public funding would be inadequate to tackle the problems. The NTI proposes a very substantial increase in transport investment funded in part from the proceeds of a congestion charging scheme. Congestion charging is the key to the Initiative as it can directly impact on the levels of congestion and other traffic-related problems and at the same time provide substantial additional funding for the improved public transport that will further reduce these problems.

Such a policy does not imply being "anti-car" or preventing all car journeys. It means improving the range of journeys for which public transport is an attractive alternative, influencing choice towards alternatives to the car, and ensuring that where the most appropriate travel choice is the car those journeys can be achieved efficiently and reliably.

The Scottish Executive is currently developing a Delivery Plan for Transport, which will cover the next 10-15 years of transport investment. However, it is

clear that the scale of transport investment required in and around Edinburgh cannot and will not be funded fully from public funds, even though there has been some increase in public funding for local transport.

The Scottish Executive is giving substantial support to the New Transport Initiative through advice and, more directly, part funding of the development work. Introduction of congestion charging in appropriate circumstances forms an important plank of the Executive's transport policy, reflected in the introduction of enabling powers in the Transport (Scotland) Act 2001.

Major new investment to achieve a top quality transport system in Edinburgh is of national economic significance. The current partnership between the Scottish Executive and the Council in developing the NTI should therefore evolve into a partnership for implementation of the Initiative. The congestion charging proposals could allow the Council to provide a significant element of new funding as their contribution to such a partnership; this would need to be complemented by additional new funding from the Executive.

As far as the development of the NTI itself is concerned, the Council has reached an important milestone. To take the Initiative forward, three actions are now required:

- To gain Scottish Executive approval to take forward the detailed development of a charging scheme and related transport investment package options under the terms of draft Scottish Executive guidance for the approval of such schemes. Such an application implies Council support for the principles of the "Preferred Strategy" set out within its Local Transport Strategy, but does not at this stage commit the Council to the eventual introduction of a congestion charging scheme.
- To undertake a major consultation exercise to ensure that public and stakeholder interests are fully considered before narrowing down the range of package options presently under consideration to a single detailed proposal.
- To establish a new approach to ensuring effective and efficient procurement and implementation of the eventual agreed package. This applies both to the transport investments included in the package, including those to be implemented before the introduction of the charging scheme, and to the charging operation itself. A new approach is needed due to the scale and complexity of the projects, and the need for transparency and clarity in the use of the substantial funds generated.

Work on developing the New Transport Initiative (NTI) package during the past year has focused on providing the necessary basis for making decisions on these three issues. The recent work has included:

- Further consideration and development of the investment package to be funded from charging revenue (based on the Local Transport Strategy approved by the Council on 19 October 2000);
- Market research on charging options, involving the Citizens Panel, on-street surveys of motorists, and discussions with key individuals in the city;
- Identifying and carrying out an initial assessment of potential configurations for the congestion charging scheme;

- Development of financial and organisational mechanisms that could deliver the overall investment and charging package effectively and efficiently.

The conclusions of this work are presented in this report. Details of all the work undertaken within the NTI programme are set out in the Application to the Scottish Executive for Approval in Principle (Technical Report) and in consultants and other reports referred to in that Application.

3.2 The Investment package

The key aim of the New Transport Initiative is to tackle the transport related problems in and around the city through the implementation of an imaginative and extensive package of investment in the region's transport system. This would be made up of the following elements:

- A new **tram network** for the city, providing a step change in the quality and capacity of public transport on the main movement corridors in the city. This is the core element of the investment programme, aimed at meeting the clear aspiration of Edinburgh's citizens and businesses for a transport system matching the best in Europe. The first tram route, probably in North Edinburgh, could be running by 2009. A second could be in place in 2011.
- Major level of service and quality improvements to the city's **bus network**, which in any circumstances will continue to provide the underpinning public transport service. Improvements would include more frequent evening and weekend services, reduced fares initiatives, easier interchange, and more extensive priority for buses on the road network. Service improvements will be delivered through "quality partnerships" with the bus operators where possible. However, the use of "quality contracts" will be considered if this is necessary to achieve the objectives of the Initiative.
- Enhancements to the **rail network** in the city's catchment area by opening new lines and stations, increasing frequency and capacity on existing lines, and providing better linkages to and facilities at stations.
- Investing in **public transport customer care** covering information provision, more convenient ticketing, and passenger security and comfort.
- Completing the ring of **Park and Ride** sites around the edge of the city, linked with high quality bus and tram services to major destinations in the city.
- A major increase in spending on **maintaining** the road and transport infrastructure to overcome the deteriorating standard of the road network and improve the safety and comfort of all users.
- Providing a network of **pedestrian routes** throughout the city to improve the convenience, safety and attractiveness of walking.
- Improving **cycle facilities** including a comprehensive network of cycling routes and better cycle parking.
- Making the **city centre** a much more attractive centre for work, shopping and leisure activities through a comprehensive range of traffic and environmental measures.

Within this framework, based on the 'Preferred Strategy' contained in the Local Transport Strategy approved by the Council on 19 October 2000, a large number of potential transport investment schemes have been identified in

close co-operation with the SESTRAN partnership of local authorities. These include schemes both within Edinburgh and in the wider South East Scotland area.

The exact structure of the investment package will be dependent on the configuration of the charging scheme, to ensure that the investments are generally targeted at providing choice and alternatives to those potentially paying the charges. Configuration work will continue during the remainder of this year to define and cost the investment package in more detail, and the variations linked to alternative charging options. The aim will be to produce a transport "masterplan" for the city, a clear long term vision of how the transport system will evolve. Such a vision may well stretch beyond the 10-15 year timescale of the New Transport Initiative and cost substantially more than the £800m or so that could potentially be generated from the Initiative.

The LTS also outlines a 'base strategy', achievable and affordable with expected conventional funding sources which might be anticipated to total up to £150m for the period 2001 to 2015. This is made up of Scottish Executive capital allocations (assuming a continuation of current levels) and some private sector contribution. The base strategy achievable if the New Transport Initiative were not to proceed, would focus transport improvements on immediate priorities, especially road safety and management of the existing infrastructure.

The reasons for a funding partnership with the Scottish Executive have been outlined in section 3.1. The Council would not be able to implement the 'preferred strategy' including the major investment proposals without such a partnership. Such an arrangement would also reflect government decisions to make substantial sums available to cities in England for the introduction of tram schemes (for example Leeds, Bristol, Nottingham, and additional routes in Birmingham and Manchester)

In addition to the full long term investment package, public consultation and previous Council decisions have made clear the importance of significant up-front investment, prior to the start of charging. However, the consultation carried out this year highlights the realism of public expectations in this regard. Completion of a tram system is not generally seen as a pre-requisite for the introduction of charges, while improvements to the bus network and the provision of Park and Ride are. From a practical point of view, it would be very difficult and expensive to finance the construction of a tram project before charging was introduced due to the long lead-in time required.

It is also proposed that only very limited commitment to up-front rail improvements should be included, as the current state of the rail industry introduces substantial uncertainties into both costing and programming of such schemes.

It is therefore proposed that the introduction of congestion charges should be dependent on the projects identified in the table below being implemented, or in the case of the tram system, reaching the stage of development outlined. The projects focus on bus, Park and Ride, and revenue projects that do not require

long lead-in times. Some of the projects are wholly or in part outwith Edinburgh. The target completion dates are current best estimates, with dates in bold where funding is already in place.

In addition to these schemes, local pedestrian and cycle schemes will be put in place funded from an element of the Public Transport Fund identified by the Scottish Executive specifically for this purpose.

	<i>Scheme</i>	<i>Target completion</i>
Rail, Tram & Guided bus	West Edinburgh Bus System (WEBS) Crossrail Edinburgh Park station Detailed plans in place for Edinburgh tram system, with all statutory approvals completed for first route (likely to be North Edinburgh)	2004 (note 1) 2002 2003 2005 (note 1)
"Integrated transport" inc Park and Ride	Ingliston, Newcraighall, Straiton Park & Ride sites. Additional bus links from Ferrytoll P&R Integrated ticketing in SESTRAN area Major interchange facility at Markinch station Access improvements and additional parking at stations	2003-5 2003 2002 2002 2003-5
Bus improvements	Straiton-Leith bus quality corridor including Real Time Information and Selective Vehicle Detection Real Time Information and Selective Vehicle Detection other corridors Improved interchange at key points in Edinburgh Improved evening & weekend bus frequencies in Edinburgh Major improvements to orbital bus services Major improvements to services between Edinburgh and the Lothians and rest of SESTRAN area Camera enforcement of bus lanes	2004 2005 2004 2005 (note 2,3) 2005 (note 2,3) 2005 (note 2,3) 2005
Road maintenance	Additional spending on maintenance (start of 10 year programme)	2005 (note 3)
Environmental and Quality of Life improvements	City centre environmental & streetscape improvements Demonstration 'door to door travel' area of 20mph speed limits, safe routes to school, cycle and pedestrian networks and access to public transport services	2005 2004/5
Notes:		
1 Subject of current Public Transport Fund bid		
2 To be achieved through "quality partnership" agreements where possible, or supported service contracts if necessary		
3 Would be directly funded from congestion charging revenue; limited prior lead-in funding would still be required		

3.3 The options for charging

Since the possibility of congestion charging was first discussed some years ago, there have been two potential options for charging boundaries or cordons. The first is focused on the city centre; the second on a cordon following roughly the Edinburgh City Bypass.

Both options have different advantages in terms of the transport and wider objectives for the city and its region. A city centre scheme would protect the most sensitive area of the city environmentally, and tackle congestion problems in the centre. The city centre has the best accessibility by alternative

forms of transport of any area of the city. However, the retailing sector in particular is concerned that it could be perceived as an additional barrier to city centre shopping. Most of those paying the charge (80%) would be city residents.

A cordon around the City Bypass would tackle the congestion issues on the approaches to Edinburgh and in the outer suburbs where traffic growth is greatest. On its own, it would have virtually no impact on city centre traffic levels. For many people crossing the cordon by car and not going to the city centre, there may be no very convenient public transport alternative. Most of those paying the charge would be from outside the city.

The question of who pays the charges will have a significant influence on determining the investment package. Scottish Executive policy statements on charging have indicated that there should be fair treatment in terms of those paying the charge and those benefiting from the investment. It would clearly be inequitable if the revenue raised from a charge at the outer cordon was all applied to investments benefiting solely Edinburgh residents. Different types of investment will benefit different groups.

It is possible that a "combined" cordon could provide most of the advantages of an inner and an outer cordon without the disadvantages. It could impact on congestion throughout the city, and could provide an equitable basis for investing in transport improvements both within the city and between the city and its catchment area.

As well as the cordon location, there are options for the times of operation of the charging scheme. Charges could apply simply in the peak hours, or all day. They could apply Monday to Friday only, or include Saturday or even Sunday. An all day scheme weakens the link between the charge and the level of congestion, and would provide rather limited opportunities for shopping and leisure travel by car without paying the charge. A peak hour only scheme creates risks of large numbers of people queuing at the edge of the charged area waiting for the charging period to finish.

Finally the amount charged can be varied. A sum of £1 to £2 has been discussed in consultation. It could be possible to justify a higher charge for peak hours only.

To illustrate the level of income that these options could generate, the following table shows a number of illustrative possibilities. These include the combined cordon proposal. The basis for all these options would be that the charge would be applied on making the first crossing of a cordon during the time of operation on a particular day. No further charge would be made if that cordon was crossed on further occasions during the day, or in the case of the combined cordon if the second cordon was crossed. The table below indicates the estimated annual income that each of these options would generate after operating costs have been deducted.

Time of operation	Cost	City centre	City bypass	Combined
0700-1900	£1	£28m	£32m	£49m
0700-1200	£2	£22m	£26m	£39m
0730-1000	£3	£17m	£20m	£30m

The final issue on which choice will eventually need to be made is the technology to be used to operate the system. Currently the preferred approach is to use number-plate recognition, the system that is being developed for the London congestion charging scheme. However, detailed technical and operational decisions on this issues are most appropriately taken by specialist companies operating in this field, and related risks borne by a private sector operator, within the framework of a functional specification developed by the Council (including issues such as the environmental impact of the on-street hardware). This will be subject to further consideration and reporting.

3.4 Recent Consultation

In the major consultation undertaken on the Local Transport Strategy in late 1999, over 60% of respondents from both a citywide household survey and the Citizen's Panel supported the concept of a major investment package funded from congestion charging. In order to review that conclusion, and to examine views on the form such a package might take in a little more detail, further market research has been carried out since May 2000. A survey of 50% of the Citizen's Panel was undertaken to identify the views of Edinburgh residents, and an on-street survey was carried out in the city centre selecting respondents who were car users from outside the city. Both groups were asked to give their views on the principles of an investment and charging package and on alternative configurations that such a package could take.

The responses in relation to an indicative package incorporating city centre congestion charging are shown in the table below. The level of support for congestion charging increased if respondents were allowed to define the specification of their own scheme. In addition, non car owners are under-represented in the Citizen's Panel respondents. Correcting for this also increases the level of support for congestion charging. These conclusions confirm the high level of support for a major charging and investment package found in the earlier 1999 consultation.

Level of support for an indicative investment and charging package

	Support	Oppose	Indifferent/ Don't know
Citizens Panel	59%	30%	10%
On-street motorist surveys	51%	32%	16%

Notes:

487 responses from Citizens's Panel (61% of questionnaires sent);
200 responses from motorists from outside the city interviewed in city centre
Respondents were asked to give views on a package incorporating a range of investment projects funded from a city centre congestion charging scheme
Figures do not add up to 100% due to rounding

When more detailed questions on individual aspects of the package were put to the two groups, there appeared to be a high level of consensus about the form that certain elements should take. In other areas consensus is lacking and key choices will have to be made. The table below summarises this work.

	<i>Charging Scheme Element</i>	<i>Details</i>
Full consensus from participants	Payment Type	One payment for unlimited daily trips
	Days of Operation	Charging from Monday to Friday
	Direction of operation	Inbound only
Basic Consensus <i>Details will depend on cordon characteristics in each case</i>	Minimum Improvements	Bus service improvements Park and Ride Sites at the edge of the city
	Long term package	Tram network Upgrade and reopening of rail lines Further bus service improvements Transport network maintenance
	Exemptions	Emergency Vehicles Disabled Badge Holders Local Buses
Minimal Consensus	Cordon location	Central Area Cordon or Central Area Cordon AND City Bypass Cordon
	Times of operation	AM Peak or AM & PM Peak or Working Day

Finally, specific congestion charging options were put to the two groups based on the alternative elements discussed in the previous section. The conclusions of this survey are shown below.

<i>Option</i>	<i>Citizens Panel Support</i>	<i>Non-residents Support</i>
1 2 cordons, £2, A.M Peak Only	43%	37%
2 2 Cordons, £1, Working Day	64%	59%
3 City Centre cordon, £3, AM Peak	22%	20%
4 City Centre cordon, £1.50, Working Day	47%	47%

Note: Respondents could support more than one option

In addition to the market research with the public, 20 key individuals from business, including property, retail and tourism interests, from the motoring and freight lobby, and from the media were asked for their views on the way forward for transport policy. In many cases, these were the same individuals interviewed by the then Director of City Development in 1998/9 prior to the

Council approving Phase 1 of the New Transport Initiative. Key conclusions from this second set of interviews were:

- More concerns than similar discussions in 1998;
- Retailing in city centre particularly sensitive;
- The vision should be clearer, and more needs to be happening on the ground;
- Consultation to date not perceived as genuine or sufficient;
- Lack of confidence in the ability of the Council to deliver a package effectively.

However the interviewees did recognise that there was still a serious need for action on the city's transport problems: charging was seen as acceptable if the concerns can be overcome and if this was the only way forward.

In summary, the results from these most recent consultations showed general support for the concept of an investment and charging package holding up very well. The concerns about delivery in particular are recognised, and addressed in the proposals outlined in section 3.7 below, but the consensus that "something needs to be done" remains very strong.

3.5 Future consultation and communication

Subject to Council approval of this report, the next stage of consultation is proposed to run from Autumn this year until next Easter. The first task will be to extend the market research described in the previous section to further groups, in particular business and stakeholder interests, and the public outwith the city who might be affected by an outer cordon proposal. This research will inform the detailed design of the full consultation and how it is carried out.

The aim of the main consultation stage to be carried out after the New Year subject to the Scottish Executive granting the Initiative approval in principle, will be to reach as much of the affected population as possible. This will mean consulting both in Edinburgh and the surrounding region. Within the city, this will be achieved primarily through leaflet distribution (with mailback of responses), a mobile exhibition and an interactive website, plus articles in the local press. Specific efforts will be made to engage "hard to reach" groups and preparatory work has already been carried out with Social Inclusion Partnerships and others to facilitate this. Community Councils and other representative community bodies will be fully involved in the consultation process.

Full engagement with a wide range of stakeholder groups will also be of key importance, including the agencies involved in the Edinburgh Partnership Group. Discussions with business representatives to determine the best approach to ensuring effective response will be initiated very shortly. It is proposed to re-activate the Transport Advisory Panel that advised Phase 1 of the New Transport Initiative, updating the membership to ensure it continues to reflect a balance of views. Special interest groups will be engaged through workshops and questionnaires.

As well as the consultation over the next few months, it is essential to keep interested parties informed of the way in which the Initiative is progressing in the longer term. Regular bulletins or newsheets will be produced, and the website, using CAPINFO, will be updated on a regular basis.

3.6 SESTRAN

A series of meetings has been held with SESTRAN partners to discuss views on the framework for the New Transport Initiative and its progression. There was general agreement to the technical approach being adopted. However, the over-riding importance of ensuring equity in the proposals being put forward was stressed throughout the discussions.

The key issue related to the configuration of any charging scheme and how this was to relate to a complementary investment strategy. There was general acceptance that a charging cordon around the city centre, and an investment package based on the schemes appraised in Edinburgh's Local Transport Strategy would be generally acceptable as a mechanism to tackle city centre congestion.

However, the suggestion that a charging scheme could target congestion on the main radial routes around the edge of the city in addition by combining the city centre cordon with a second cordon inside the City Bypass gave rise to significant concerns. These concerns focused on:

- Equity (1): on the grounds that while people coming into the city from outside would have to pay a charge, those (Edinburgh residents) moving around in the outer part of the city without crossing a cordon would not pay – even though they contributed to congestion.
- Equity (2): that the proportion of charges paid by non-residents of the city was not reflected in the balance of investment which was weighted too heavily towards Edinburgh;
- Lack of choice: on the basis that for many trips from outside the city to non-central destinations within Edinburgh there are no good public transport alternatives and the investment strategy did not tackle this.

In order to tackle the first of the above concerns, Edinburgh agreed to add an additional charging option comprising an "area licence" scheme covering the whole of the city. This would effectively mean that any journey within the city during the charged period would be subject to a charge. This option had not been taken forward at an earlier stage as the 1999 LTS Citizen's Panel questionnaire results indicated that this was the least favoured charging option, only 2% of respondents indicating it as their preferred option. The other two concerns highlighted above are addressed by clear statements about the principles under which charging revenues will be invested, included in the application to the Scottish Executive for approval in principle of the Initiative.

A further issue concerns potential double charging of those travelling across the Forth Road Bridge, if a new bridge Board established under the 2001 Transport Act were also to impose congestion charges as a demand management and investment measure. Finally, there was concern about

making a submission to the Scottish Executive at this stage when these issues have not all been resolved or a firm proposal determined.

The outcome of these discussions and a proposed way forward was reported to the SESTRAN Steering Group on 22 June 2001. The recommendations (summarised) were:

- 1) To note the contents of the report.
- 2) To reiterate support in principle of a major transport investment initiative for the SESTRAN area funded in part through congestion charging;
- 3) To agree to take the Initiative forward on the basis of:
 - A city centre charging cordon aimed at tackling city centre congestion and other traffic related problems
 - Consideration of two additional charging options that would tackle congestion problems on the major radial routes at the edge of the city in addition to the city centre. These options are:
 - A charging cordon inside Edinburgh within the city bypass in combination with a city centre cordon.
 - An area licence scheme covering the whole city area.
- 4) To agree that if congestion charges were to be introduced on the Forth Road Bridge, these should be offset against an Edinburgh charging scheme;
- 5) To continue discussion on the cordon options and associated investment, taking particular account of equity issues;
- 6) To agree to co-operate in a major consultation exercise throughout the SESTRAN area on alternative investment and charging package options as set out in recommendation 3) above, to be led by CEC.

At the SESTRAN Steering Group meeting, there was unanimous agreement to recommendations 1, 2, 4 and 5. There was majority support for recommendations 3 and 6, but Fife and West Lothian Councils were unable to support the additional charging options set out in the second bullet of recommendation 3, and West Lothian Council could not support a consultation exercise that included these.

3.7 A new approach to delivery

Extensive consideration has been given as to how the Initiative, once agreed, could be most effectively delivered. A number of issues need to be addressed in establishing such a mechanism, leading to consideration of innovative alternatives to a conventional local authority approach to project procurement. These issues include:

- The major scale of the Initiative involving a project package of £800m or more and an innovative charging system;
- The wide range of skills and expertise that will be required for running the charging scheme and implementing the project package;
- Public and stakeholder views on the ability of the local authority to implement the Initiative;
- Demonstrating that key conditions for the Initiative are met: ring fencing of charging revenue, additionality, and transparency of accounting;

- A requirement to borrow in order to allow early implementation of the project package and to smooth out gaps between expenditure and income;
- Transfer of appropriate risks away from the local authority;
- Tax efficiency and liability.

Local government is not geared up to handle an operation of this scope and scale without major additional staff, accommodation and equipment resources. All these issues point to the need for a new approach to delivery that can provide greater operational flexibility than a local authority, that can marshal appropriate skills and resources, that can borrow money without public sector constraints, and that can provide independent accounts.

On the other hand, the local authority has to have a significant direct involvement. It is the only body that can:

- Introduce a road user charging scheme, in the context of the Transport (Scotland) Act 2001 (possibly as a consortium of local authorities)
- Provide democratic accountability for overall policy, and politically sensitive issues such as the charges levied, the boundary of the charging scheme and exemptions or concessions
- Determine the priority and nature of downstream investment.
- Seek and receive certain types of grant funding from the Scottish Executive.

A structure is now proposed involving the establishment of a local authority company "ENTICO" within the framework of Council companies already in existence. Market testing has shown that a company of this kind would gain support from the private sector. It is proposed that the board of ENTICO would have three elected members and four private sector members with the chair being from the private sector.

However, it is likely that such a company would have to adapt over time, as the nature of the investment package is clarified and the uncertainties over congestion charging are reduced. In the initial years the company will be entirely dependent on the public sector to fund its activities. In due course however, once a congestion charging revenue stream is secured, it will be in a position to enter into a wide range of joint venture arrangements with the private sector.

A draft shareholders agreement (Appendix 3) that could meet current requirements has been drawn up for ENTICO with the agreement of the Director of Finance and the City Solicitor. This has been discussed with a number of organisations in the finance sector and with the Scottish Executive. Further professional advice will be sought before the final document is produced.

3.8 Europrice 2

The EURoPrice network was formed in December 1998 with EU funding in recognition of the difficulties involved in developing road pricing/congestion charging schemes and the importance of public and stakeholder understanding

of the concept and its potential impacts. The members of the network in addition to Edinburgh were Bristol (project co-ordinator), Belfast, Leicester, Genoa, Rome and Trondheim. The key objectives were defined as follows:

- To undertake a series of joint fora addressing the key issues involved in implementing road pricing schemes – the obstacles and necessary success criteria.
- To develop a common position on road pricing in European Cities.
- To inform and support the national and European policy debate on road pricing.
- To take a co-ordinated approach to demonstration and research efforts in road pricing.
- To disseminate the experience gained to other cities in Europe who are considering road pricing in order to speed up the process of wider implementation.

Six meetings of the EURoPrice cities have been held, including a conference to present the final results of the group held in Edinburgh in October 2000. The network has published three major technical reports, covering a wide range of aspects of the development of road pricing schemes. Added value has been provided to this Council, for example enabling a seminar to be held for local stakeholders following the October 2000 conference with a number of Europrice delegates presenting experiences from throughout Europe.

Given this Council's involvement in the first wave of cities throughout Europe to develop and implement urban congestion charging measures, continuing participation in this network through Europrice 2 will provide significant benefits. It will help ensure maximum transfer of experience, technical development and research carried out throughout Europe, with corresponding benefits for similar work being carried out here. In addition, participation will allow this Council to influence decisions being made at national and international levels that could affect the technical, organisational and financial framework to be established locally.

The focus of the next phase of Europrice will be to further the outreach and linkages with interested cities and regions, building on the success of the first phase. The activities will therefore comprise:

- Regular seminars (5 over 18 months)
- Five guidance papers on selected issues
- Links to other projects and networks
- Promotional and dissemination activities
- Final Conference

Cities that are anticipated to join the new network include: Bristol (project co-ordinator), Belfast, Genoa, Rome and Trondheim from the original Europrice network, and Lyon, Leeds, Amsterdam and Rotterdam as new members. Copenhagen, Birmingham and CERTU (a French transport research organisation) are expected to join as associate members.

The total estimated cost to Edinburgh of joining would be €15,200 (£9,300) over 18 months. Overall, the EURoPrice 2 budget would be €299,850 (approx £184,000). The grant support from the Commission would be a maximum of 49% of this sum. Assuming 10 cities join the network, as is expected, the EURoPrice cities need to provide matching funds of a further €152,500 to access the full Commission support. Travel and subsistence expenses for the seminars and conference would be reimbursed, as would the costs involved in undertaking nominated tasks forming part of the project work programme.

This Council's participation would therefore require the sum of £9,300 to be made available from the revenue budget. This can be provided from the within the budgeted expenditure for the New Transport Initiative project. It is recommended that this should be stipulated as the maximum sum this Council would contribute to the project.

4 Conclusions

4.1 Financial strategy

If the Council is to proceed with the New Transport Initiative, the benefits that would result from the major elements of the proposed investment package, particularly the tram scheme, must be realised. This implies expenditure of around £800m over the next 15 years. This total is made up of Base Strategy funding averaging £10m per annum – £150m over 15 years – that the Council might expect assuming a continuation of current levels of public funding, combined with the additional investment resulting from the New Transport Initiative.

The New Transport Initiative proposals supplement the Base Strategy with around £250m-£350m between 2004 and 2015 funded principally from congestion charging revenues. If the New Transport Initiative is agreed, the Council would also expect significant additional public funding to be made available. Additional funding would be required to implement adequate 'up-front' projects, as well as to contribute to the long term investment programme.

The Initiative will make a significant contribution to national transport and economic objectives. In many other UK cities, the Exchequer is providing the bulk of funding for major new public transport infrastructure. There is no reason why citizens of Edinburgh and surrounding areas should fully fund major transport investment through payment of congestion charges, when a substantial proportion of similar investment in other UK cities – for example Birmingham and Leeds – is funded by central government.

4.2 Charging configuration

A key issue in taking the next steps forward on the Initiative will be the configuration of the charging scheme. The Phase 1 recommendations to the Council suggested focusing on a city centre scheme. However, the work carried out in the last year does show that considerable benefits could accrue

from a charging scheme incorporating an additional cordon inside the City Bypass, tackling the major and growing congestion issues at the periphery of the city as well as that in the city centre. The consultation work carried out does not give a clear consensus about the acceptability of such an option. The SESTRAN authorities have stressed the importance of full consideration of equity issues if such an option were taken forward.

It is therefore proposed that a city centre scheme should form the core of any congestion charging proposal. The possibility of extending this to increase the benefits outside the city centre will also be further considered. The following principles will be applied:

- Any proposal will be considered as an integrated package of investment projects and a charging scheme;
- The investment package will be based on the current LTS and Regional Transport Strategy proposals, but tailored to address equity considerations of specific charging configurations;
- Broad equivalence will be sought between the proportion of charges paid by residents of each of the constituent SESTRAN authorities, and the proportion of the investment of the charging proceeds on transport improvements that benefit residents of each of the SESTRAN authorities;
- Those paying the charges should be provided with genuine choices in meeting their travel needs;
- The charging and investment package will contribute to Councils' wider economic, social and environmental objectives, subject to an overall appraisal consistent with formal Scottish Executive transport appraisal guidelines.

On the basis of the principles above, it is proposed to take forward for further consultation and development investment and charging packages based on a city centre cordon aimed at tackling congestion and other traffic-related problems in and around the city centre. Consideration will also be given to extending this to a citywide scheme to deal additionally with similar problems in the rest of the city, particularly on radial routes in the outer suburbs.

The approaches that will be further examined to achieve citywide benefits are: to add an additional charging cordon inside the City Bypass within Edinburgh; or alternatively introducing an area licence (single daily charge) covering the whole of Edinburgh within the City Bypass.

The remaining characteristics applying to the charging scheme options would be:

- A once per day maximum payment;
- Cordon schemes operating inbound only;
- Alternative options for times of operation to be included in appraisal and consultation, from 12 hours per day to am peak period only. No charges on Saturdays or Sundays.
- Charges in the range £1-£3 per day depending on the times of operation, with increases index linked and/or timed to coincide with key investment milestones such as the opening of a tram route.

- No differentiation of charge by vehicle type; goods vehicles would pay the same as cars. However, it would be impractical to charge powered two wheelers.
- Exemptions for emergency vehicles, disabled badge holders and local bus services in all cases;
- In the case of a 12 hour city centre scheme only consideration of an additional concession for shoppers only, providing for a period of free off-peak parking for those paying the charge.

An inner charging zone would be likely to cover the area between the Meadows in the south and the Water of Leith in the north, and between Holyrood in the east and Haymarket in the west. Possible variations that would be separately assessed could add Stockbridge and/or the Broughton area. An outer cordon or boundary for a citywide area licence scheme would be set on the city side of the bypass, but in the east the cordon would move in towards Gilmerton, Niddrie, Newcraighall and Eastfield to keep within the Edinburgh City boundary.

4.3 Transport improvements prior to the start of charging

Adequate improvements in place prior to the start of charging will be crucial to the success of a potential charging scheme. The projects identified in 3.2, although representing a significant increase on present funding levels, are considered the minimum necessary for this purpose. Further work will be undertaken on the 'up-front' package, including the testing of public and stakeholder views during the next stage of consultation.

4.4 ENTICO

The establishment of ENTICO is seen as critical to the eventual success of the initiative, and indeed to the successful implementation of major transport projects within the city regardless of the introduction of congestion charging. It is therefore proposed that ENTICO should be established as soon as possible on the terms described in section 3.7 above.

ENTICO will be a procurement, project management and finance management organisation. It is important to stress that strategic direction and key policy decisions on matters such as the level of charge and hours of operation of the charging scheme will remain firmly within the control of the Council. ENTICO would also have to conform to the terms of any Charging Order eventually approved by the Scottish Executive.

The mechanism to ensure that ENTICO operates on this basis will be the requirement for ENTICO to submit an annual business plan for approval by the Council. A shareholders agreement between the Council and ENTICO will limit the company's activities to those approved in the business plan. As well as identifying budgets and project priorities, the business plan can define more detailed issues such as requirements for consultation in project delivery.

A significant element of the work of ENTICO will relate to achieving public acceptability for both road user charging and the various transport schemes

... Council will be crucial and ENTICO will work closely with them.

4.4.3.3 *4.4.3.3 In-Principle Submission to the Scottish Executive*

The "In Principle" submission to the Scottish Executive is the first stage of a two stage approval required before a charging scheme can be introduced. The Summary Document to the submission is appended to this report (Appendix 1). The draft guidance provided by the Scottish Executive (Background Paper) makes clear that this approval stage is intended to ensure that Councils do not proceed too far in developing a charging scheme without:

- a reasonable degree of public and stakeholder support
- technical grounds for believing that charging is an appropriate response to the transport problems of the area.

Approval of this stage does not commit the Council to introduce a charging scheme, nor does it commit the Scottish Executive to give final approval to any charging scheme.

The submission at this stage is a justification and programme for the commitment of considerable resources to the detailed development of the New Transport Initiative, to which the Scottish Executive is contributing significant funding. The theme of the Stage 1 submission is to describe the degree of public and stakeholder acceptability of the approach, its broad technical and financial feasibility, and the proposed arrangements for delivering both the charging scheme and, most importantly, the investment package. It sets out the future work programme. It is very much an intermediate stage in the evolution of a final proposal, which will itself be subject to a formal consultation procedure, a probable public inquiry, and finally consideration in detail by the Scottish Executive, during the next 2 to 3 years.

4.5 Future Programme for the Initiative

It is proposed to take forward the consideration of the proposals highlighted in 4.2 above to consultation and further appraisal. Together with this, further development and appraisal work is required in the short term on the investment package including taking forward individual projects, and on the establishment of a delivery mechanism and the financial framework for the Initiative as a whole. Subject to further Council decisions, these work streams will be followed by the statutory procedures and procurement processes necessary to bring the Initiative to fruition.

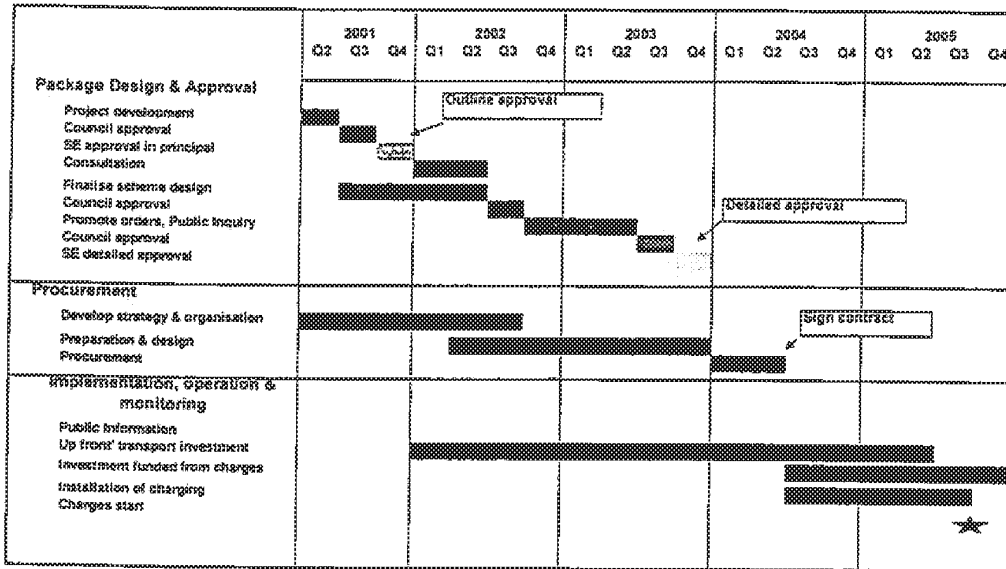
The short term work programme can be categorised under a number of headings:

- Technical work to provide a detailed appraisal meeting Scottish Executive transport appraisal guidelines, and a financial business case;
- Consultation (feeding into the appraisal)
- Detailed development of the investment package and implementation of individual projects
- Establishment of the delivery framework.

In the slightly longer term, further work will be required to:

- Prepare and process the necessary statutory Orders, including potential Public Inquiry;
- Prepare and carry out the procurement of the charging scheme.

A summary timetable up to potential implementation of a charging scheme is outlined below.



5 Recommendations

1. To agree in principle to adopt the "Preferred Strategy" of major transport investment part funded from congestion charging revenue as set out in the Local Transport Strategy approved by Council on 19 October 2000; recognising that any final decision on implementation will be subject to further consideration by the Council at future dates.
2. To approve:
 - a) Undertaking detailed development work and consultation as set out in this report on the "Preferred Strategy" based on a city centre congestion charging cordon, aimed at tackling city centre congestion and other traffic-related problems;
 - b) Considering extending charging beyond the city centre to tackle congestion and related problems on the major radial routes at the edge of the city as well as in the city centre by means of either a charging cordon inside Edinburgh within the City Bypass in combination with the city centre cordon; or an area licence scheme covering the whole city area;
 - c) Submitting to the Scottish Executive the application for approval in principle of an "Integrated Transport Initiative for Edinburgh and South East Scotland" as annexed to this report (Appendix 1).

3. To note that the next major milestone for Council decision in relation to the New Transport Initiative will be to consider a single scheme proposal to take forward to the statutory Order procedures. It is anticipated this would take place in summer 2002.
4. To approve in principle the establishment of a company fully owned by the Council to deliver the major projects included in the transport investment programme, and to agree:
 - The draft memorandum and articles for the company (Appendix 2)
 - The draft shareholders agreement between the company and the Council (Appendix 3)
 - To approach appropriate individuals from the private sector with a view to membership of the board of the company
 - To appoint three elected members as members of the new board of the company
 - To give delegated powers to the Directors of City Development and Finance in consultation with the City Solicitor and the new board members to finalise the shareholders agreement and establish the company.
5. To agree to participate in the EUROPRICE 2 project, at a total cost of €15,200 (£9,300) over 18 months, to be funded from the New Transport Initiative budget.



Andrew Holmes
Director of City Development

3.09.01

Appendices	Appendix 1: Integrated Transport Initiative for Edinburgh and South East Scotland: Application to the Scottish Executive for Approval in Principle: Summary Document (Draft) Appendix 2: Draft Memorandum and Articles for ENTICO Appendix 3: Draft Shareholders agreement between the City of Edinburgh Council and ENTICO
Contact/tel	Alex Macaulay [REDACTED] John Saunders [REDACTED]
Wards affected	All
Background Papers	"Delivering Integrated Transport Initiatives through Road User Charging: Consultation and Approval Process: Draft Guidance for Local Authorities"; Scottish Executive, August 2001 Integrated Transport Initiative for Edinburgh and South East Scotland: Application to the Scottish Executive for Approval in Principle: Technical Report (Draft); City of Edinburgh Council, September 2001



**INTEGRATED TRANSPORT INITIATIVE FOR
EDINBURGH AND SOUTH-EAST SCOTLAND**

Application to the Scottish Executive for
Approval in Principle

SUMMARY DOCUMENT

DRAFT

for consideration by the
City of Edinburgh Council

Last amended 3 September 2001 08:46

1 Introduction

This summary document sets out the underlying rationale for the proposed Integrated Transport Initiative for Edinburgh and the South East of Scotland, for which Approval in Principle is being sought from the Scottish Executive. The full reasoned justification with supporting evidence, including an Appraisal Summary Table following Scottish Transport Appraisal Guidance is produced as a separate **Technical Report**.

The reasoning behind the proposed Integrated Transport Initiative covers the following key issues:

- Why doing nothing is not an option
- Edinburgh's transport policy objectives
- The investment in transport that is needed
- Why congestion charging is being considered
- Is an investment and charging package acceptable?
- The regional dimension
- The form a congestion charging scheme could take
- Investment prior to the start of charging
- Appraisal of the elements of a package
- How best to deliver the Initiative
- The future programme.

These are dealt with in turn in the following sections.

2 Edinburgh's Challenge – doing nothing is not an option

Edinburgh's economy is booming: personal disposable income is 28% above the UK average, with unemployment rates well below the national average. Recent studies forecast an increase of 24,000 jobs and 12,000 population in Edinburgh by 2011. For the Lothians as a whole, population is forecast to increase by over 30,000 in the same period. Car ownership has increased by 80% since 1981 and this growth will continue.

These trends will have major implications for the amount and journey lengths of future travel in and around the city. In the early 1990's, the Joint Authorities Transport and Environmental Study (JATES) predicted increases in traffic levels of 35% in peak periods and 38% in daily car trip levels by 2010 given a high economic growth scenario. All the indications are that growth at these levels or above will continue well beyond that date.

Finally, it is clear that the economy of South East Scotland is increasingly functioning as a single unit, with substantial increases in travel across local authority boundaries. This travel is not made up simply of commuters but includes substantial growth in business and non-work journeys throughout the day. The substantial growth in traffic levels across the Forth and in the western approaches to Edinburgh in recent years illustrate these trends.

If nothing is done, there will inevitably be damaging consequences resulting from this growth. Congestion will increase, affecting more routes for longer periods of time. Air quality will deteriorate especially on main traffic routes and in the city centre. The 'quality of life' the city can offer its citizens, workers and visitors will decline.

Yet Edinburgh's economic success is very dependent on the city and the region's attractiveness as a place to live and work. A poor environment will deter the mobile workforce essential to key businesses in the area, as well as putting off tourists and short stay visitors. Poor accessibility resulting from congestion and lack of infrastructure will reduce the competitiveness of local businesses, and reduce the labour market and customer base available to them. Current trends could threaten the economic success that the whole region is now enjoying.

In spite of the buoyant economy, pockets of deprivation and lack of opportunity remain within the city. Poor accessibility to facilities and opportunities exacerbate the difficulties experienced in certain areas and by certain groups within the population.

These issues are widely recognised. A 'sounding board' exercise was carried out in 1998/9 involving over 60 people representing the public and stakeholder groups. This showed broad agreement that:

- *Something must be done to combat congestion and the City of Edinburgh Council should take the lead. The status quo is not an option.*
- *There needs to be an exciting vision for transport in the future.*
- *This vision needs to emerge from open, transparent and inclusive consultation and collaboration with all sectors of the city community.*
- *An urban road-user charging option should be developed, provided certain caveats are met, in order to provide answers to all the questions that need to be asked before such a system was implemented.*

In 1999, the Council established the "New Transport Initiative" to examine how these issues could be tackled, and how the city could develop a transport system that would meet its present and future needs as a capital city and focal point for the Scottish economy.

3 Transport objectives – the Local Transport Strategy

The Council's transport aims and objectives are founded on the wider economic and social objectives of the Council together with national and regional policy considerations. They are set out in the Local Transport Strategy (LTS), approved by the Council in October 2000.

There are a number of key aims reflecting the five key government criteria for transport policy:

- to improve safety for all road and transport users;
- to reduce the environmental impacts of travel;
- to support the local economy;
- to promote better health and fitness;
- to enhance social inclusion;

- to maximise the role of streets as the focal point of our local communities, where people can meet, shop, and where in the appropriate circumstances children can play.

The LTS indicates however that meeting these is a challenging, long term, task. To meet these aims in the context of the trends and pressures highlighted in the previous section will require a broad range of actions, each of which must be clearly focused. The following objectives identify how the Council consider transport policy should be shaped to this. They are

- to make it easier to live without the car, or use the car less;
- to reduce the amount of car use;
- to encourage and facilitate walking, cycling and public transport use;
- to reduce the adverse impacts of travel including road accidents and environmental damage, particularly for those worst affected by these impacts;
- to enhance streets as 'civic spaces', where priority is given to people rather than cars;
- to improve the ability of people with low incomes or mobility impairments to use the transport system, especially by public transport, as pedestrians or by bicycle;
- to maintain the road network, and any other facilities for the movement of pedestrians, cyclists and bus users, to a standard suitable for safe and comfortable movement.

These aims and objectives are summed up in a vision for transport in Edinburgh:
"Edinburgh aspires to be a city with a transport system that is accessible to all and serves all. Edinburgh's transport system should contribute to better health, safety and quality of life, with particular consideration for vulnerable people such as children, and elderly and disabled people; it should be a true Citizen's Network. The transport system should support a strong, sustainable local economy.

The Council will seek to maximise people's ability to meet their day to day needs within short distances that can easily be undertaken without the need to use a car. The city should develop and grow in a form that reduces the need to travel longer distances, especially by car. Choice should be available for all journeys within the city."

This vision implies tackling both the supply of transport – the infrastructure and services available – and the demand for transport. The challenge for the New Transport Initiative is to find a practical, realistic mix of measures that can translate the vision into reality.

As far as transport supply is concerned, there is a clear conclusion from transport studies carried out in the area that additional infrastructure can dramatically improve public transport accessibility, help reduce congestion, and can permit higher levels of environmental protection in residential areas and in the city centre.

There are also indirect but equally important reasons for additional infrastructure. Major new investment, particularly in a rapid transit system (ie metro or tram) is widely seen by the public as essential to raise the quality of public transport in the city to an acceptable level fitting the needs and status of the city. There is also a commercial view that such a system is required to attract potential investors to the city

and to specific areas such as the Waterfront. If this expectation is not met, the perceived, as well as the real competitiveness of the city will suffer when comparisons are made with the transport facilities available in major European cities, and increasingly with those elsewhere in the UK.

However, the scale of investment required to make a significant impact on these objectives would amount to several hundred million pounds. This is far beyond what is available to the Council from conventional sources for the foreseeable future

Even with major improvements, better public transport on its own may have a limited impact on congestion and long term traffic growth. In a congested area, removal of some journeys from the road network will be followed by the generation of new journeys taking advantage of the improved journey times. Measures to manage demand are therefore likely to increase the benefits achieved from an investment programme.

Demand measures can be based on pricing, physical constraints on traffic, or land use policies. All of these can contribute to the vision by influencing the amount of travel and choice between modes. Pricing can be applied to parked vehicles, or directly on road users (congestion charging). These are particularly attractive tools as they influence demand but at the same time generate revenue that can be re-invested in the transport system. Physical constraints can be applied through controlled parking zones and access restrictions on certain roads or areas of the city. Land use decisions will generally have only long term impacts. In the context of the growth and development pressures now being seen in this area these are likely at best to help in managing the evolving urban form to minimise growth in traffic levels, rather than to achieve a major reversal in trends.

The first key conclusion for the New Transport Initiative is that if serious inroads are to be made into congestion problems, the transport policy framework will need to include substantial new investment, measures to manage demand, and source(s) of additional finance.

4 Investment in transport – what is needed?

The key aim of the New Transport Initiative is to tackle the transport related problems in and around the city through the implementation of an imaginative and extensive package of investment in the region's transport system. This would be made up of the following elements:

- A new tram network for the city, providing a step change in the quality and capacity of public transport on the main movement corridors in the city. This is the core element of the investment programme, aimed at meeting the clear aspiration of Edinburgh's citizens and businesses for a transport system matching the best in Europe.
- Major level of service and quality improvements to the city's bus network, which in any circumstances will continue to provide the underpinning public transport service. Improvements could include more frequent evening and weekend services, reduced fares initiatives, easier interchange, and more extensive priority

- for buses on the road network. These would however have to fit within the constraints of guidance on bus Quality Partnerships and Quality Contracts.
- Enhancing the rail network in the city's catchment area by opening new lines and stations, increasing frequency and capacity on existing lines, and providing better linkages to and facilities at stations.
 - Investing in public transport customer care covering information provision, more convenient ticketing, and passenger security and comfort.
 - Providing a ring of Park and Ride sites around the edge of the city, linked with high quality bus and tram services to major destinations in the city.
 - A major increase in spending on maintaining the road and transport infrastructure to overcome the deteriorating standard of the road network and improve the safety and comfort of all users.
 - Providing a network of pedestrian routes throughout the city to improve the convenience, safety and attractiveness of walking.
 - Improving cycle facilities including a comprehensive network of cycling routes and better cycle parking.
 - Making the city centre a much more attractive centre for work, shopping and leisure activities through a comprehensive range of traffic and environmental measures.

A list of specific potential schemes fitting into these headings has been developed, incorporating projects both in Edinburgh and outwith the city boundary. Such a mix will be essential to meet the wider needs of the area. An initial appraisal of each individual scheme, and of alternative packages selected from the list, has been carried out by consultants.

The five top scoring individual schemes were:

- Edinburgh light rapid transit network.
- Core network of pedestrian routes in the city and district.
- Shotts line enhancements.
- North Edinburgh tram.
- Extension of Crossrail to Gorebridge and Central Borders.

The packages tested were three high investment options assuming substantial increase in transport expenditure, and two low investment options based on current levels of funding. These were:

- Package based on light rail/busway schemes (Score: 12.0 out of maximum 18)
- Package weighted to heavy rail schemes (Score: 11.5);
- General Package (Score: 11.1);
- Low Spend Package (Score: 6.9)
- Low Spend with most spending on South Suburban light rail scheme (Score 2.6).

It is recognised that the costing and appraisal of many of the schemes, and of any coherent package of schemes, will need considerable further refinement before any final decisions on implementation. However, even given its limitations, the appraisal does confirm earlier conclusions that substantially increased investment in transport infrastructure would contribute significantly to the Council's transport objectives.

5 Congestion charging – the reasoning

Given that major new investment is a key element in meeting the city's transport objectives, new ways will have to be found to finance this. The LTS proposed an indicative requirement of close to £800m between 2001 and 2014. Given the latest estimated cost for a single tram line in the city (almost £200m for the North Edinburgh proposal), this does not seem unrealistic.

Public funding, allowing for Public Transport Fund and limited private sector contributions would on current budgets be expected to average around £10m-£15m per annum (£140m-£210m over 14 years) for Edinburgh and relevant regional investment. Even a doubling of current levels of public funding of transport infrastructure in the region would therefore be nowhere near sufficient to fund the scale of investment programme necessary to bring about significant progress towards meeting transport objectives. Additionally, there would be continuing uncertainty about the long-term availability of this level of funding.

A wide range of alternative approaches to providing the necessary funding was therefore examined, including:

- The introduction of a road user charging (congestion charging) scheme;
- The introduction of workplace parking charges;
- Raising existing public parking charges;
- Increasing the operational hours for controlled parking areas, extending controlled zone boundaries, or providing additional charged parking facilities;
- The application of business and non-domestic rates to parking spaces;
- Use of Quality Partnerships with bus operators to generate new investment;
- Developing public-private partnerships to tap private investment sources;
- Using existing or new sources of tax revenue for transport investment.

Of these options, the first four not only produce revenue, but impact on the level of demand for road use. Parking measures are already extensively used in Edinburgh, and will not generate the scale of funding required for the New Transport Initiative. The remaining options are all either dependent on action by central government (to provide very substantial funds directly to the Council, or to enact new legislation), or they were unlikely to provide the level of additional funding required.

In the end, any investment package will be funded from a mix of sources. Direct private sector investment (for example from major new developments), Public Private Partnership arrangements, Quality Partnerships and revenue from controlled parking schemes will contribute, but to a limited extent.

An increase in the extent of public funding will be sought, reflecting commitments made to public investment in LRT systems elsewhere in the UK (for example new schemes in Leeds, Bristol, Nottingham, and additional routes in Birmingham and Manchester); but new legislation is not considered realistic. It is clear however that a major new source of finance is required to fund the scale of investment required in Edinburgh in a timescale matching the city's rate of growth.

Congestion charging (road user charging) can meet transport objectives in two ways: it can contribute significantly to funding the major investment programme required.

and it can directly influence the demand for travel by car, reducing traffic levels congestion and pollution. No other mechanism can achieve both these objectives.

The second key conclusion of the Initiative is that congestion charging is the only way to reduce the impact of traffic by both reducing demand for car use and funding substantial improvements to alternative forms of transport to improve choice. It can act as both carrot and stick at the same time.

6 The New Transport Initiative – is it acceptable?

Extensive consultation has taken place on the transport strategy over the last two years. Consultation was based on three indicative scenarios for the future. These were:
Option 1: Major transport investment in the city, funded from the introduction of road user charges.

Option 2: Smaller scale but still significantly enhanced transport investment based on the introduction of workplace parking charges.

Option 3: Continuation of current trends, with modest spending on transport funded as at present.

The three options were presented in a consultation leaflet which also included background information about the overall transport position.

The consultation was wide-ranging and included the following elements:

- A leaflet circulated to all households and most businesses in Edinburgh, with a Freepost questionnaire to enable people to give feedback easily.
- A public opinion survey, using the Council's 'Citizen's Panel' sample.
- A detailed questionnaire sent to groups and organisations with an interest in transport.
- Workshops with Community Councils and other community groups, environmental groups, road user and other interest groups, and public transport and other commercial interests.
- A public debate held in the Royal Museum of Scotland.
- Meetings with key business leaders.
- Consideration by the Council's Independent Transport Advisory Panel.
- An Internet site.

The public and Citizen's Panel responses demonstrated a remarkably high level of support for the high investment and charging option (Option 1):

Preferred option	Option 1	Option 2	Option 3	None	Number responding
Public respondents	58%	22%	15%	5%	18000
Citizens Panel	56%	29%	16%	-	1148

The wider debate indicated a substantial degree of acceptance of the concept of congestion charging, including amongst the business community. However, this

acceptance was conditional, and the conditions are paramount to the development of such a scheme. They are:

- All money raised must be ring-fenced for the transport system in the Edinburgh area.
- The money must be additional.
- The new transport package must, at least in part, be in place before the charges are introduced.
- The organisational arrangements must guarantee transparency in the use of the revenues raised.
- Charging must be part of a coherent transport strategy.
- Spending priorities should be developed in partnership with stakeholders

Further consultation during 2000 using the Citizen's Panel has shown support for an investment and charging package being maintained at around 60%. A survey of 200 people who had driven into the city centre from outside the city by car showed 51% supporting and 32% opposing an indicative investment and charging package.

However, qualitative follow-up surveys with 20 key business representatives show increasing levels of concern, with a particular lack of confidence in the ability of the Council to deliver a package effectively.

7 The regional dimension

The South East Scotland Transport Partnership (SESTRAN) was formed in 1998 to provide a mechanism to improve transport in the whole of the South East of Scotland area by developing and coordinating infrastructure and service provision. SESTRAN includes all 9 local authorities in South East Scotland.

The Partnership is developing a regional transport strategy that will co-ordinate transport policy relating to journeys to and from Edinburgh, to major cross boundary travel demands within the SESTRAN area and to strategic national and international links. A set of overall policy principles have been agreed which correspond very closely to national objectives, and are consistent with the City of Edinburgh Council's Local Transport Strategy.

Extensive discussion has taken place on the concept and proposals of the New Transport Initiative between this Council and the other SESTRAN partners. The SESTRAN Steering group supports the principle of a major transport investment initiative for the area funded in part through congestion charging, and the partnership are co-operating closely in developing the New Transport Initiative. Members are particularly concerned to ensure that equity issues as between city and out-of-city residents are addressed, and this raises particular issues in relation to a potential outer city charging cordon. These issues will be discussed further with SESTRAN.

The third conclusion of the Initiative is that there is a high degree of acceptance for this approach from the public, business and neighbouring local authorities -- BUT the overall package must be right and some crucial conditions must be guaranteed. There must be an effective mechanism for delivering the package.

8 Congestion charging – what form could it take?

Configuration

Given the acceptability and positive overall impacts of an investment and charging package in principle, further work has been carried out to narrow down the options for the configuration of a feasible charging scheme. This has been based on consultation and technical appraisal of a number of different possibilities for the area covered, period of operation, charge level and technology to be used.

The location of the charged area was a key issue in this phase of work, in particular whether charges should be applied in the city centre, at the edge of the city, or both. In general terms, it has been found that two different schemes have both achieved significant levels of public support, a single cordon around the central area of the city, and a 'double cordon' scheme. The latter would add a second charging ring inside the line of the City Bypass to the city centre cordon, with a single charge payable the first time one of these is crossed.

There was a consensus view that any scheme should only operate from Monday to Friday and that payment should be a single daily charge for inbound vehicular movements. Diverse views were however expressed by the public in regard to daily times of operation and what would be an acceptable level of charge within the ranges £1-£2 for an all day scheme and £2-£3 for a peak only scheme.

On the basis of the principles above it is proposed to take forward for further consultation and development, investment and charging packages based on a city centre cordon aimed at tackling congestion and other traffic-related problems in and around the city centre. Consideration will also be given to extending this to a citywide scheme to deal additionally with similar problems in the rest of the city, particularly on radial routes in the outer suburbs.

The approaches that will be further examined to achieve citywide benefits are: to add an additional charging cordon inside the City Bypass within Edinburgh; or alternatively introducing an area licence (single daily charge) covering the whole of Edinburgh within the City Bypass.

The remaining characteristics applying to the charging scheme options would be:

- A once per day maximum payment;
- Cordon schemes operating inbound only;
- Alternative options for times of operation to be included in appraisal and consultation, from 12 hours per day to am peak period only. No charges on Saturdays or Sundays.
- Charges in the range £1-£3 per day depending on the times of operation, with increases index linked and/or timed to coincide with key investment milestones such as the opening of a tram route.
- No differentiation of charge by vehicle type: goods vehicles would pay the same as cars. No charge for powered two wheelers.
- Exemptions for emergency vehicles, disabled badge holders and local bus services in all cases;

- In the case of a 12 hour city centre scheme only: consideration of an additional concession aimed at shoppers, providing for a period of free off-peak parking for those paying the charge.

Technology

A range of technology options were appraised, including a paper-based permit system, camera based automatic numberplate recognition, and a transponder system requiring vehicles to be fitted with an electronic tag. Of these only the paper permit was ruled out at this stage. Of the remaining two options, camera based numberplate recognition was favoured for the following reasons:

- Less intrusion on street
- No requirement for installing equipment in vehicles
- Easier for casual users
- It is the system being developed for London.

However, the intention at present would not be to specify the specific technology to be used when tendering for the operation of the charging scheme. Detailed technical and operational decisions on these issues are most appropriately taken by specialist companies operating in this field, and related risks borne by a private sector operator, within the framework of a functional specification developed by the Council (including issues such as the environmental impact of the on-street hardware).

The key conclusion on the form of charging is that the core of a scheme would be a city centre cordon. However it is not possible at this stage to determine whether this should be extended to a citywide scheme.

9 Investment prior to charging – improving choice

Public consultation and previous Council decisions have made clear the importance of significant up-front investment, prior to the start of charging. However, consultation has highlighted the realism of public expectations in this regard. Completion of a tram system is not generally seen as a pre-requisite for the introduction of charges, while improvements to the bus network and the provision of Park and Ride are essential.

It is therefore proposed that the introduction of congestion charges should be dependent on the following projects being implemented, or in the case of trams, reaching the stage of development outlined. The projects focus on bus, Park and Ride, and revenue projects that do not require long lead-in times. Some of the projects are wholly or in part outwith Edinburgh. Funding for these would almost all have to come from public sources.

	<i>Scheme</i>
Rail/LRT	Crossrail West Edinburgh Bus System (WEBS) Edinburgh Park station Detailed plans in place for Edinburgh tram system, with all statutory approvals completed for first line (likely to be North Edinburgh)
'Integrated transport' inc Park and Ride	Ingliston, Newcraighall, Straiton Park & Ride sites. Additional bus links from Ferrytoll P&R Integrated ticketing in SESTRAN area

	Major interchange facility at Markinch station Access improvements and additional parking at stations
Bus improvements	Straiton-Leith bus quality corridor including Real Time Information and Selective Vehicle Detection Real Time Information and Selective Vehicle Detection other corridors Improved interchange at key points in Edinburgh Improved evening & weekend bus frequencies in Edinburgh Major improvements to orbital bus services Major improvements to services between Edinburgh and the Lothians and rest of SESTRAN area Camera enforcement of bus lanes
Road maintenance	Additional spending on maintenance (start of 10 year catch-up programme)
Environment and 'quality of life'	Environmental and streetscape improvements in the city centre 'Door to door' travel demonstration area including 20mph speed limits, safe routes to school, cycle and pedestrian facilities, access to public transport services.

10 Initial appraisal of the NTI package

Impacts

The carrot and stick approach achieved by the suggested investment and charging package is only of benefit if it contributes towards the LTS vision and objectives set out in section 3. Some initial appraisal has been carried out to examine whether it does, based on transport modelling using the Scottish Executive CSTM3 model and the SIAS Paramics simulation model, and a study carried out by DTZ Pieda of potential local economic impacts.

The modelling demonstrated that a wide range of congestion charging cordon options at different charge levels all achieved positive transport economic benefits, even without the addition of improved public transport infrastructure. These benefits are made up of a positive element from continuing users of the road network who gain from reduced journey times, reflecting reduced congestion, combined with smaller disbenefits to those who change mode or cease to travel.

Adding notional public transport improvements (general journey time/cost reduction) significantly increases transfer from car to public transport, and increases the overall benefits to transport users.

Both environmental indicators and road accident numbers show very similar patterns to the changes in road traffic levels and speeds. Thus as charges are increased, both environmental and safety performance improves, with the greatest improvements evident when the charging cordons cover the widest possible area and affect the greatest number of road users. More detailed studies of the city centre using the Paramics model showed that in the peak periods, reductions in congestion and vehicle emissions were proportionately greater than the reductions in traffic levels.

The study of local economic impacts concluded that a £1 charge would have a modest effect on transport and economic behaviour. Retailing would be the sector most affected. However, a £5 charge would have transport and economic impacts.

Financial appraisal

To illustrate the level of income that different charging options could generate, the following table shows a number of illustrative possibilities based on cordons around the city centre and just inside the city bypass. The basis for all these options would be a charge applied on making the first crossing of a cordon during the time of operation on a particular day. No further charge would be made if that cordon was crossed on further occasions during the day, or in the case of a combination of both cordons, if the second cordon was crossed. Costs are shown net of operating costs.

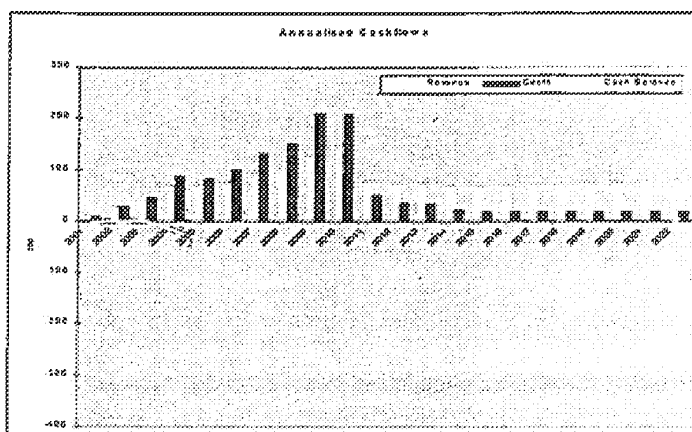
Time of operation	Cost	City centre	City bypass	Combined
0700-1900	£1	£28m	£32m	£49m
0700-1200	£2	£22m	£26m	£39m
0730-1000	£3	£17m	£20m	£30m

Financial modelling has demonstrated that an indicative package of projects valued at £844m at today's prices is fundable from a mix of public sector and congestion charging revenue. The modelling examined four scenarios with different assumptions about the proportion of the funding from each source. It is assumed that the public sector will borrow private sector money to fund a proportion of the transport improvements with repayments made from charging revenue.

One of these scenarios, representing approximately 50% of the total project costs being funded from public sources is tabulated below to illustrate the mix of income and expenditure.

	Annual amount	Total 2001-2023
Public funding up front	2001-2004 only	£75m
Public funding	2004-2014: £26m 2014-2023: £10m	£350m
RUC revenue (gross: ie before deduction of operating costs)	2004-2010: £32m 2010-2023: £48m	£819m
INCOME: TOTAL		£1244m
Project costs		£844m
Interest payable by CEC		£208m
Operating cost of RUC scheme		£178m
Unallocated surplus at end of period (Break-even date 1 Jan 2023)		£14m
COSTS: TOTAL		£1244m
All at 2001 prices		

Assuming that public sector contributions are distributed as in the above table, the consequence would be a cash flow position as shown in the diagram below:



A funding package based on a mix of congestion charging revenue and public investment will need to be agreed with government. The funding for up front projects will need to come principally from the public sector.

The conclusions from an initial appraisal are:

- Road user charging on its own reduces traffic levels; adding public transport improvements achieves further reduction.
- There are disproportionate air quality benefits for the city centre.
- The indications are that any negative impacts on business operations would be very limited provided charge levels are low.
- Charging generates substantial revenue for transport investment, even at low levels of charge.

11 Delivering the Initiative – a new approach

Extensive consideration has been given as to how the Initiative, if agreed, could be most effectively delivered. A number of issues need to be addressed in establishing such a mechanism which lead to consideration of innovative alternatives to a conventional local authority approach to project procurement. These issues include:

- The major scale of the Initiative involving a project package of £800m or more and an innovative charging system;
- The wide range of skills and expertise that will be required for running the charging scheme and implementing the project package;
- Public and stakeholder scepticism about the ability of the local authority to implement the Initiative;
- Demonstrating that key conditions for the Initiative are met: ring fencing of charging revenue, additionality, and transparency of accounting;
- A requirement to borrow in order to allow early implementation of the project package and to smooth out gaps between expenditure and income;
- Transfer of appropriate risks away from the local authority;
- Tax efficiency and liability.

Local government is not geared up to handle an operation of this scope and scale without major additional staff, accommodation and equipment resources, and greater

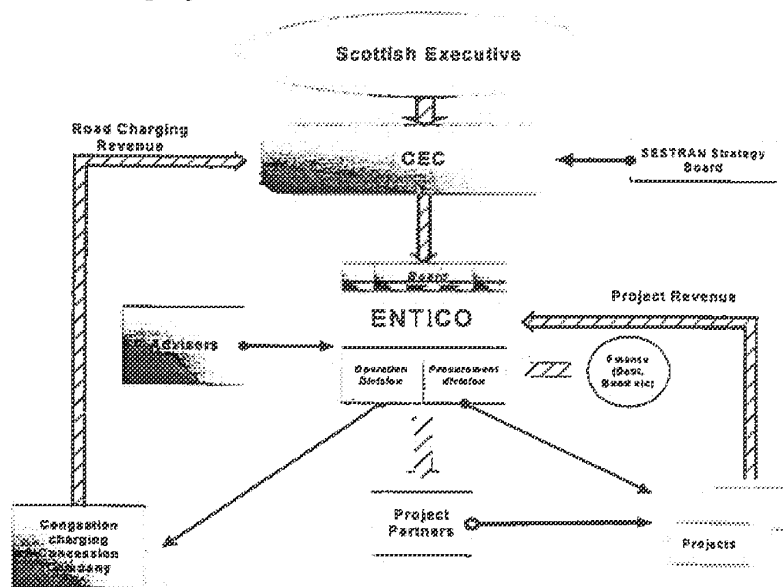
flexibility in managing these than is normally possible in the local government environment.

On the other hand, the local authority has to have a significant direct involvement. It is the only body that can:

- Introduce a road user charging scheme, in the context of the Transport (Scotland) Act 2001 (possibly as a consortium of local authorities)
- Provide democratic accountability for overall policy, and politically sensitive issues such as the charges levied, the boundary of the charging scheme and exemptions or concessions
- Determine the priority and nature of downstream investment.
- Seek and receive certain types of grant funding from the Scottish Executive.

The establishment of a special purpose vehicle (ENTICO) to deliver the new transport initiative is proposed to meet these requirements. An initial structure for ENTICO was extensively market tested with a range of private sector companies including construction companies, potential funders, potential road user charging operators and transport operators. In addition, the proposals have been discussed with the Scottish Executive, Partnerships UK, the European Investment Bank and with legal and finance experts within the Council.

As a result the Council proposes to establish ENTICO as a 100% Local Authority owned company with a board of directors including majority private sector representation. The proposed structure is as shown below:



ENTICO will be a procurement, project management and financial management body. It will not determine the strategic direction or make key policy decisions in relation to the pricing scheme. It will have to operate within the parameters of the Integrated Transport Initiative approved by the Scottish Executive, and will be required to submit an annual business plan setting out its proposed activities for the approval of the Council. A shareholders agreement between the Council and ENTICO will define

these requirements. It is recognised that the framework for ENTICO may have to adapt over time, particularly once congestion charging revenues become established.

12 The programme from now on

The Council has approved undertaking detailed development work and consultation on the LTS "Preferred Strategy" based on a city centre congestion charging cordon, aimed at tackling city centre congestion and other traffic-related problems. In addition, the possible addition of measures to tackle congestion and related problems on the major radial routes at the edge of the city will be further considered. This could be achieved either by adding a charging cordon inside Edinburgh within the City Bypass to operate in combination with a city centre cordon, or by introducing an area licence scheme covering the whole city area.

Further consultation will be of key importance in taking this work forward. In addition to cordon location, issues to resolve include the scale of the up-front investment package, priorities for use of the revenues raised and what types / categories of user should be exempt from any charges. The consultation will be designed to ensure that the views from all sections of the community, including those at risk of social exclusion, are heard.

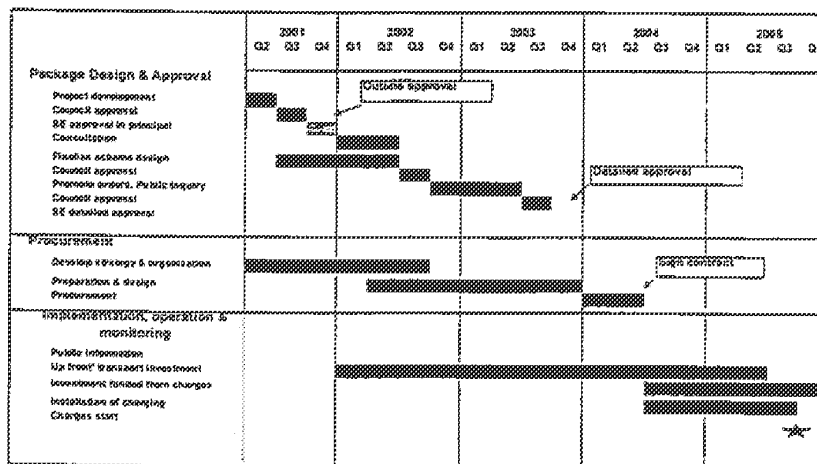
The short term work programme can be categorised under a number of headings:

- Technical work to provide a detailed appraisal meeting Scottish Transport Appraisal Guidelines, and a financial business case;
- Extensive consultation on the core options (feeding into the appraisal);
- Development of the investment package and implementation of individual projects including those to be in place by the start of the charging scheme;
- Establishment of the delivery framework.

In the longer term, further work will be required to:

- Decide on a single preferred scheme and consult on the details of this;
- Prepare and process the necessary statutory Orders, with potential Public Inquiry;
- Prepare and carry out the procurement of the charging scheme.

A summary timetable up to potential implementation of a charging scheme is outlined below. The earliest date that charging could start is autumn 2005.



DRAFT

APPENDIX 2

THE COMPANIES ACTS 1985 AND 1989
PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM
and
ARTICLES OF ASSOCIATION
of
ENTICO LIMITED

USB00000228_0045

THE COMPANIES ACTS 1985 AND 1989
PRIVATE COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION

of

ENTICO LIMITED

- ¹ The Company's name is "ENTICO LIMITED"
- ² The Company's registered office is to be situated in Scotland.
- ³ The Company's objects are:-
- 3.1 (a) (i) To promote, support and/or effect the development, procurement and implementation of projects defined or referred to an integrated transport strategy as determined and varied from time to time by The City of Edinburgh Council; and to carry on all such other activities including (without limitation) the establishment and implementation of joint Ventures between the Company and third parties;
- (ii) to carry on, promote or develop any trade or business in the field of transport required in connection with the said integrated transport strategy including the establishment and management of a road user charging Scheme, achieving statutory approval for the Scheme, inform the public of the Scheme, carry out the development of the Scheme, implement the Scheme and manage the operation of the Scheme and to provide services of all kinds which may be required, directly or indirectly, in connection with any of the foregoing;
- (iii) to establish, acquire, conduct and carry on the business and businesses or providing or procuring the provision by others of any service, need or requirement with regards to and in respect of any transport projects.
- (b) To promote the interests of any company which is at the time a subsidiary, the holding company, or a subsidiary of any holding company, of the Company, in any manner whatever and in particular by paying or discharging the liabilities of such other company or giving any undertaking to do so, by giving any indemnity or guarantee in respect of such liabilities, by granting any charge in security of any such indemnity or guarantee or in security of the payment of money or performance of obligations by such other company or by transferring any assets to such other company, and in each case either with or without consideration and whether or not any benefit flows to the Company other than the promotion of such interests, to the intent that the promotion or the interest of any such other company shall be an object and not a power of the Company;

- 3.2 To carry on any other trade business or profession which may seem to the Company of being conveniently carried on in connection with the above or calculated directly or indirectly to benefit or enhance the value of or render profitable any of the property, assets, rights or interests of the Company of any subsidiary associated or allied company or person;
- 3.3 to purchase, feu, take on lease, hire or otherwise acquire, and to sell, let or otherwise dispose of in whole or in part, any lands, interests in lands, buildings, plant and machinery, stock-in-trade, business concerns and any other heritable or moveable, real or personal property and to construct, alter, demolish, manage and maintain any of the foregoing;
- 3.4 to borrow or raise money or accept money on deposit and to secure the payment of money or the observance of obligations in such manner as the Directors shall think fit and for such purposes to mortgage or otherwise charge in any manner whatsoever permitted in any jurisdiction in which the Company has assets or carries on business and in particular by way of fixed charge or floating charge over the whole or part of the undertaking and all or any of the property and assets (both present and future), and to uncalled capital of the Company and to create, issue and accept securities;
- 3.5 to draw, make, accept, endorse, discount, execute, issue, negotiate and deal in promissory notes, bills of exchange, documentary credits and other negotiable or transferable instruments of every kind;
- 3.6 to lend or advance money or give credit to such persons and companies and on such terms as may be thought fit and to guarantee and/or give security for the payment of money by, or the performance of obligations of any kind (including without prejudice to the generality hereof the payment or repayment of principal, interest, dividends and premiums on, and any other monies due in respect of, any stocks, shares, debentures, debenture stock or other securities or borrowings) by, the Company or by any other person or company, including any company which shall at the time be the holding company of the Company or another subsidiary of such holding company or a subsidiary of the Company (all as defined by Section 736 of the Companies Act 1985 and any statutory amendment or re-enactment thereof) or any company associated with the Company in business or by reason of common shareholdings or otherwise;
- 3.7 to invest and deal with the funds of the Company not immediately required in such investments or securities and in such manner as may from time to time be determined by the Directors;
- 3.8 to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to deal with and dispose of the same;
- 3.9 to acquire and hold all or any part of the undertaking, property, business or assets of any person or company, to undertake, whether as part of the consideration for such acquisition or otherwise, all or any of the liabilities of such person or company as to deal with and dispose of all or any of the foregoing as the Directors may consider appropriate;

- 3.10 to amalgamate or enter into partnership or joint venture or profit and/or loss sharing arrangement with any person or company as the Directors may consider appropriate;
- 3.11 to make experiments in connection with any business or proposed business of the Company, and to apply for or otherwise acquire and protect, prolong, renew, experiment upon, test and improve in any part of the world any inventions, patents, patent rights, brevets d'invention, trade marks, service marks, trade or brand names, designs, industrial designs, copyright, moral rights, licences, concessions, protections or similar rights which may appear likely to be advantageous or useful to the Company, and to use and manufacture under or grant licences or privileges in respect of the same, and to expend money thereon;
- 3.12 to insure against losses, damages, risks and liabilities of all kinds which may affect the Company and to purchase and maintain for any officer of the Company or the auditors of the Company insurance against any liability as is mentioned in section 310 of the Companies Act 1985;
- 3.13 to issue and allot securities of the Company for cash or in payment or part payment for any property purchased or otherwise acquired by the Company for any services rendered to the Company or as security for any obligation or amount or for any other purpose;
- 3.14 to pay out funds of the Company all expenses which the Company may lawfully pay of, or incidental to, the formation and registration of or the raising of money for the Company or the issue of any securities, or the application to any recognised investment exchange for listing for, or dealing in, any or all of its securities, including brokerage and commissions for obtaining applications for or taking, placing or underwriting or procuring the underwriting of securities or placing or underwriting or procuring the underwriting of securities or rights of the Company;
- 3.15 To establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of, or shall have rendered services of any kind to, the Company or any company which is the holding company or a subsidiary of the Company or such holding company or is allied to or associated with the Company or with any such holding company or subsidiary or which was a predecessor in business of the Company or of any such other company as aforesaid or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid or any person in whose welfare the Company or any such other company as aforesaid is or has been at any time interested and to or for the benefit of the wives, widows, families and dependants of any such persons, to establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, to make payments for or towards the insurance of any such persons as aforesaid and to subscribe or guarantee money for any charitable or benevolent objects or for any exhibition or for any public, general or useful object and to do any of the matters

aforesaid either alone or in conjunction with any such other company as aforesaid Provided that without the previous sanction of an Ordinary Resolution of the Company the foregoing power shall not be exercised in favour of any person who is or was a director of the Company or of any such other company as aforesaid but who does not hold or has not held any salaried employment or office in the Company or in any such other company as aforesaid or in favour of the wife, widow, family or dependants of any such person;

- 3.16 to compensate for loss of office any officers of the Company and to make payments to any persons whose office, employment or duties may be terminated by virtue of any transaction in which the Company is engaged; Provided that the foregoing power shall not be exercised in favour of any person who is or was a director of the Company and who does not hold or has not held any salaried employment in the Company;
- 3.17 to promote or establish or concur in promoting or establishing any other company for the purpose of purchasing or taking over all or any of the properties, rights and liabilities of the Company or carrying on any business or operations which the Company is authorised to carry on or for any other purpose which may, directly or indirectly, benefit or advance the objects or interests of the Company and to acquire and hold as investments of the Company or otherwise deal with as may be considered fit any securities of any such company;
- 3.18 to sell or otherwise dispose of the whole or any part of the undertaking, property and assets of the Company either together or in portions;
- 3.19 to distribute among the members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;
- 3.20 to do all or any of the above things and either as principals, agents, trustees, contractors or otherwise and either along or in conjunction with others, and either by or through agents, sub-contractors, trustees, subsidiaries or otherwise;
- 3.21 to carry on any other activity and do anything of any nature which may seem to the Directors capable of being conveniently carried on or done by the Company in connection with the above, or may seem to the Company calculated directly or indirectly to benefit the Company;
- 3.22 to exercise all powers which would be available to the Company under Section 3A of the Companies Act 1985 if its object was to carry on business as a general commercial company;
- 3.23 to do all such things as in the opinion of the Directors are or may be incidental or conducive to the above objects or any of them;

And it is hereby declared that for the purposes of this Clause:

- (a) the word "company" in this clause shall (except where referring to the Company) be deemed to include any person or partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated resident or domiciled in the United Kingdom or elsewhere;
 - (b) "Directors" shall mean the directors of the Company from time to time;
 - (c) "associated companies" shall mean any two or more companies if one has control of the other or others, or any person has control of both or all of them;
 - (d) "securities" shall include any fully, partly or nil paid or no par value share, stock, unit, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation;
 - (e) "other" and "otherwise" shall not be construed eiusdem generis where a wider construction is possible;
 - (f) words importing the singular only shall include the plural and vice versa; words importing any general shall include the other genders; and words importing natural persons shall include corporations and vice versa; and
 - (g) the objects specified in each paragraph of this clause shall, except if at all where otherwise expressed, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company or the nature of any business carried on by the Company or the order in which such objects are stated, but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate and independent company.
- 4 The liability of the members is limited.
- 5 The Company's share capital is £1,000 divided into 1,000 Shares of £1 each.

DRAFT

6

WE, the subscribers to this Memorandum of Association, wish to be formed into a company pursuant to this Memorandum; and we agree to take the number of shares shown opposite our respective names.

NAMES AND ADDRESSES OF SUBSCRIBERS

NUMBER OF SHARES TAKEN
BY EACH SUBSCRIBER

Total Shares Taken

Dated

Witness to the above signatures:

MXW459GT.SA(1)
16/08/01

USB00000228_0051

THE COMPANIES ACTS 1985 AND 1989
PRIVATE COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
of
ENTICO LIMITED

PRELIMINARY

1 Subject to the provisions hereinafter contained, the Regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 ("Table A") so far as not excluded altered or modified by or inconsistent with the following Articles shall apply to the Company and be deemed to be incorporated herein.

2 Regulations 24, 64, 73 to 80 inclusive, 82, 89, 94, 95, 99 and 118 of Table A shall not apply to the Company and the following Regulations thereof shall be modified:-

Regulation 6 by the deletion of the words "sealed with the seal" and the substitution of the words "executed in terms of Section 36B of the Act";

Regulation 40 by the addition at the end of the second sentence of the words "provided that if the Company shall have only one member, one member present in person or by proxy shall be a quorum";

Regulation 54 by the addition of the words "or by proxy" between the words "vote" and "shall";

Regulation 66 by the addition of the words "(subject to his giving the Company an address within the United Kingdom at which notice may be served upon; him)" between the words "shall" and "be";

Regulation 72 by the addition of the words "Any committee shall have power, unless the Directors direct otherwise, to co-opt as a member or members of the committee for any specific purpose any person, or persons, not being a Director of the Company.";

Regulation 85(c) by the addition of the words "subject to the terms of any contract of employment between the Company and the Director," between the words "shall" and "not"; and

Unless otherwise required by the context of the Articles, words or expressions which are defined in Table A shall have the same meaning in the Articles.

Unless otherwise required by the context of the Articles, words importing the singular only shall include the plural and vice versa; words importing any gender shall include the other genders; and words importing natural persons shall include corporations and vice versa.

PRIVATE COMPANY

- 3 The Company is a private company and accordingly no invitation shall be made to the public to subscribe for any shares or debentures of the Company.

SHARE CAPITAL

- 4 The Directors are generally and unconditionally authorised to allot relevant securities (within the meaning of section 80(2) of the Act) on such terms and at such time or times as they may in their discretion think fit; provided that:-

- (a) the maximum nominal amount or relevant securities to be allotted in pursuance of such authority shall be the aggregate nominal amount of the unissued shares in the capital of the Company from time to time while this authority is in force; and
- (b) this authority shall expire, unless sooner revoked or altered by the Company in general meeting, on the expiry of the period of five years from the date of the passing of the resolution by virtue of which this Article was adopted as part of the Articles provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 5 Section 89(1) of the Act shall not apply to any allotment of shares in the Company.

PROCEEDINGS AT GENERAL MEETINGS

- 6 In the case of a corporation, the signature of a director or the secretary thereof, and in the case of joint holders of a share the signature of any one of such joint holders, shall be sufficient for the purposes of passing resolutions in writing pursuant to regulation 53 of Table A.
- 7 In the case of a corporation, the director or the secretary thereof shall be deemed to be a duly authorised representative for the purpose of section 375 of the Act.

POWERS OF DIRECTORS

- 8 The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company in such manner as they think fit, including the exercise thereof in favour of any resolution appointing them or any of their number directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company.

PROCEEDINGS OF DIRECTORS

- 9 The quorum for the transaction of the business of the Directors shall be three. A person who holds office only as an alternative director shall, if his appointer is not present, be counted in the quorum.
- 10 A Director may as a Director vote and be counted as one of a quorum upon a motion in respect of any contract, matter or arrangement which he shall make with the Company or in which he shall be in any way interested provided that he shall first have disclosed the nature of his interest to the Directors.

NUMBER OF DIRECTORS

- 11 Unless otherwise determined by special resolution, the maximum number of Directors shall be seven and the minimum shall be not less than two.
- 12 Any Director (including an alternate Director), or a member of a committee of the Directors, may participate in a meeting of the Directors, or such committee, by means of conference telephone or similar communicating equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting.

APPOINTMENT AND REMOVAL OF DIRECTORS

- 13 The holder or holders for the time being of a majority of the issued shares of the Company may at any time and from time to time appoint any person or persons as a Director or Directors of the Company (either as an additional Director or to fill a vacancy) and may remove from office as such any Director howsoever appointed. Any such appointment or removal shall be effected by notice in writing (which may consist of several documents in the like form each signed by one or more persons) signed by or on behalf of the member or members making the same (in the case of a corporation holding any such shares the signature of a director or the secretary thereof shall be sufficient) and shall take effect upon lodgement at the office, or from such later time as shall be stated in such notice.

SECRETARY

- 14 Subject to the provisions of the Act, the Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, and any Secretary so appointed may be removed by them.

INDEMNITY

- 15 Subject to the provisions of the Act, every Director or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur:-
- (a) in defending any proceedings, whether civil or criminal in which decree is given in his favour or in which he is acquitted or which are otherwise disposed of without any findings or admission of any material breach of duty on his part; or

- (b) in connection with any application under section 144(3) or (4) or section 727 of the Act in which relief is granted to him by the court from liability in respect of any act or omission done or alleged to be done by him as an officer or employee of the Company.

MXW459GT.SA(1)
6.08.01

AGREEMENT

between

THE CITY OF EDINBURGH COUNCIL,
the Local Authority for the said City under
the Local Authority etc. (Scotland) Act 1994
and having its principal offices at City
Chambers, High Street, Edinburgh
(hereinafter referred to as "the Council")

OF THE FIRST PART

and

ENTICO LIMITED, a company incorporated
under the Companies Acts and having its
Registered Office at City Chambers, High
Street, Edinburgh (Registered Number
) (hereinafter referred to as "the Company")

OF THE SECOND PART

WHEREAS:-

- (One) The Council and SESTRAN (the South East Scotland Transport Partnership), a voluntary partnership of nine local authorities, have come together to identify, develop, implement and monitor matters of mutual transport interest.
- (Two) The Council on _____ agreed to approve an Integrated Transport Initiative for Edinburgh and South-East Scotland as set out in Part I of the Schedule annexed and executed as relative hereto as required in terms of Section 49(3) of the Transport (Scotland) Act 2001 (hereinafter referred to as "the Act") prior to the introduction of a road user charging scheme;
- (Three) In terms of Section 49 of the Act 2001 the Council, as the Local Traffic Authority, acting with SESTRAN, wish to introduce a road user charging scheme to assist in funding the development and implementation of the policies and projects making up the strategy.
- (Four) The Council, in terms of the powers conferred by Section 61 of the Act, wish to enter into an arrangement with ENTICO Limited, a company formed by the Council, in respect of the making, establishment and/or operation of the Charging Scheme or relating to the installation or operation of any equipment used for or in connection with the operation of the Charging Scheme as well as assisting in the delivery of the Council's Local Transport Strategy;
- (Five) The Company has agreed to assist the Council in delivering the Local Transport Strategy as varied by the Council from time to time by developing, procuring and implementing integrated transport projects within Edinburgh and the surrounding area and in particular the Road User Charging Scheme.

NOW THEREFORE THE PARTIES HERETO HAVE AGREED AND DO HEREBY AGREE AS FOLLOWS:-

FIRST
DEFINITIONS

In this Agreement the following words and expressions shall have the following meanings:-

INTEGRATED TRANSPORT INITIATIVE shall mean the Integrated Transport Initiative for Edinburgh and South-East Scotland presented to and approved by the Council on [] until superseded and/or amended by the Council after which the Integrated Transport Initiative shall be such amended version;

"IPR" – shall mean Intellectual Property Rights.

"O & M" – shall mean Operations and Maintenance;

"RUC" – shall mean Road User Charges;

"RUCS" – shall mean Road User Charging Scheme;

"SESTRAN" shall mean the South East Scotland Transport Partnership;

"STRATEGY" - shall mean the Integrated Transport Initiative as set out in Part I of the Schedule attached hereto, as varied from time to time;

SECOND
The Company's
Obligations

The Company hereby binds and obliges itself:-

- (1) In so far as not already done (i) to develop, procure and implement integrated transport projects within the Council and SESTRAN area. These projects will form part of the Integrated Transport Initiative as defined by the Council from time to time and notified by the Council to the Company. The projects will include but not be restricted to those projects detailed in the Strategy as set out in Part I of the said Schedule. The Company accepts that the projects must be approved by the Council and the number and extent of the projects may be varied by the Council and that the Council at its sole discretion may not request the assistance of the Company in respect of every integrated transport project.
- (2) To ensure best value in the use of funds provided by the Council and revenues generated by the projects including RUC; to act commercially; to work with the Council to ensure that all that the statutory requirements on the Council to re-invest receipts and profits from projects in new transport initiatives are met; to apply principles of good corporate governance; and to co-operate with any monitoring operation carried out by or on behalf of the Council, in particular the Company will provide a copy of all Board papers to the Council's monitoring officer as advised by the Council;
- (3) To carry out project related activities including but not restricted to:-:
 - (i) assisting the Council in carrying out or commissioning necessary feasibility work;
 - (ii) assisting the Council in prioritising integrated transport projects to agreed criteria on value for money, social and environmental benchmarks;
 - (iii) assisting the Council in obtaining any necessary statutory approvals where appropriate;
 - (iv) assisting the Council in trying to achieve public acceptance of these schemes through: (a) public consultation; (b) preparation of necessary publicity material; (c)

- communication with all necessary stakeholders; and (d) preparation of exhibitions etc.
- (v) obtain all other necessary consents and planning permissions;
 - (vi) establishing the optimal procurement strategy for each project;
 - (vii) preparing specifications and contract documents;
 - (viii) managing the bidding process and meeting all requirements where applicable of the procurement process;
 - (ix) managing the award and implementation of the projects;
 - (x) ensuring that the necessary, quality, financial and supervisory controls are implemented over the life of the project;
 - (xi) establishing and monitoring O & M procedures;
 - (xii) ensuring ongoing value for money.
 - (xiii) assisting the Council in obtaining funds for Transport Projects through appropriate grants from inter alia Public Transport Fund, Integrated Transport Fund, National Rail Fund etc.;
 - (xiv) securing a relevant share of any increase in revenue to third parties such as fare box revenue resulting from projects implemented by the Council;
 - (xv) ensuring that relevant windfall opportunities are obtained from eg. IPR fees;
 - (xvi) seeking funding based on net income through bank finance bonds, income securitisation etc.
 - (xvii) seeking equity funding and partners if appropriate.
- (4) To procure, implement and operate a Road User Charging Scheme all as defined in Part 3 of the Act. This will require the Company to assist the Council:-
- (i) to ensure statutory approval for the scheme by (a). assisting with preparation of a Charging Order; (b) in dealing with any objections and any Public Inquiry; and (c) submission for final Order approval;
 - (ii) to try to achieve public acceptance of the scheme by (a) preparing necessary publicity material; (b) communicating with all necessary stakeholders; and (c) preparing exhibitions and carry out all other necessary procedures;
 - (iii) to carry out the development of the scheme. This will require the Company to: (a) plan, cost and evaluate the scheme; (b) assess risk and value management; (c) prepare programme management; (d) develop legal and commercial contract strategy; (e) prepare and cost a draft scheme against a public sector comparator; (f) develop relevant procurement strategy; (g) develop necessary ongoing contract management strategy; (h) prepare contract documentation and specification;
 - (iv) to implement this scheme. This will require the Company to:- (a) manage the pre-qualification process; (b) manage the bidding process; (c) award the contract; (d) manage the implementation process in line with the contract obligations; (e) provide the necessary testing; (f) provide the necessary

- training; (g) ensure operational acceptance; (h) ensure satisfactory maintenance period achieved;
- (v) to manage the operation of the scheme. This will require the Company to: (a) carry out the necessary quality and operational performance monitoring of the contract; (b) monitor revenue stream returning to the Council; (c) ensure any handover or termination criteria are met; (d) carry out benchmarking exercises to ensure ongoing value for money; (e) establish feedback and ongoing development;
- (vi) to account for the Road User Charging Scheme in a separate ring fenced account, as a separate business account in the name of the Council, following the best accounting standards and to report to the Council on a monthly basis with a reconciliation of revenues to the said business account;
- (5) Given the level of public sector funding the Company will, where appropriate follow regulations governing public procurement.
- (6) To work with the Council to ensure that revenues raised from RUC are managed in the most cost and tax efficient manner.
- (7) To require all professional advisers and contractors where appropriate to provide Duty of Care Agreements in favour of the Council.
- (8) To allow the Council to examine the books, accounts and other records, kept by the Company and each of its subsidiary undertakings (if any) and to supply the Council with all relative information, including monthly management accounts, budgets and management reports (including explanations of variances against budget) statutory accounts in respect of each financial year of the Company and each of its subsidiary undertakings (if any) and such other trading and financial information relating to the Company and each of its subsidiary undertakings (if any) in such form as the Council may reasonably require to keep them properly informed about the business of the Company and each of its subsidiary undertakings (if any) and generally to protect the Council's interest.
- (9) To retain ownership of the assets acquired by the Company and to maintain the assets to the highest standard until termination of this Agreement.
- (10) To transfer all of its right, title and interest in and to the residual assets of the Company to the Council at zero cost on termination of this Agreement, whenever that might be.
- (11) To obtain all necessary insurance cover for potential liability resulting from ownership of the assets.

THIRD
Council's
Obligations

- (1) The Council have secured funding for transport projects and the Council will transfer such funding to the Company on the final date of signing hereof to enable the Company to work up and deliver projects referred to in Part I of the said Schedule.
- (2) All future revenues received by the Council in respect of the Road User Charging Scheme will be used by the Council to assist the Company in the procurement, implementation and management of projects included in the Strategy and will be paid to the Company against appraisals and/or invoices.

- (3) The Council, having agreed an Annual Business Plan for the following year, will make the agreed quarterly contributions on the agreed dates, subject to being satisfied that the quarterly report to be prepared by the Company properly reflects the agreed position in the Annual Business Plan.
- (4) The Council will use its reasonable endeavours to ensure that the Company will be given power to enforce payment tolls on behalf of the Council by the imposition of additional charges.
- (5) The Council will use its reasonable endeavours to appoint up to three non-executive directors from outwith the Council with a proven track record in business, finance and or transport, who would bring valuable expertise to the Board of Directors. These would be annual appointments made by the Council. The Council may re-appoint any director.
- (6) At termination of this Agreement the Council will accept all right, title and interest in the assets of the Company transferred by the Company at zero cost.

FOURTH Council Sites

In the event that the Council and the Company agree that it would assist the objective of delivery of part or parts of the Strategy the Council may at its sole discretion grant a licence to occupy or a lease over property owned by the Council in favour of the Company, the licence fee or rental to be determined at Open Market Valuation by a third party independent valuer. The Council at its sole discretion may in certain circumstances require payment only of a nominal licence fee or a peppercorn rent.

Where the Council owns and has granted a Licence to occupy or a lease of a site to be used in connection with a project and with effect from the applicable entry date:-

- (1) the Company and any contractors appointed in connection with the project shall have the right under licence to enter the site to carry on the project; and
- (2) the Company shall indemnify the Council from and against all damage, loss, expense, liability and costs in respect of actions, suits, claims and demands whatsoever by reason of or arising in any way directly or indirectly out of the repair, state of repair, condition, existence or use of the site or any part or parts thereof or the existence or execution of the works or the breach of or noncompliance with any Local Authority, Planning or Building Authority or other consents and shall effect or cause to be effected at no expense to the Council all necessary and sufficient third party insurance being for at least a minimum of £5,000,000 and with the interest of the Council as proprietor endorsed thereon against which it is Possible to insure at a reasonable cost with an insurance company or with Lloyds Underwriters approved by the Council and shall produce such policy or policies to the Council on having been given written notice thereof, together with evidence of payment of the current premium or premiums in respect thereof.

The length of the licence period or any lease will be determined by the borrowing requirements required to secure delivery of the project. Ownership of construction on licenced or leased sites will remain with the Company for the duration of the Licence or lease and will transfer to the Council on termination thereof.

- (1) The Company shall be responsible for ensuring that its future capital and revenue funding requirements to finance the project, strategies or schemes as required by the Council are met.
- (2) The Council and the Company will ensure that all monies received by the Council from Road User Charging for funding for transport projects and all net surplus monies held by the Company will be used to finance transport projects.
- (3) The Council will be supplied by the Company on or before 31 December in each year with a draft Annual Business Plan (incorporating capital and revenue budgets and expenditure and output targets for each quarter) for the Company for its next financial year which will allow the Company to deliver the targets as specified by the Council from time to time. The draft Business Plan will also detail the proposed scope of operations for the year, a project implementation plan, a financial model for the implementation plan, a financial analysis including public, private funding, balance and revenue potential both from RUC and "farebox" enhancement etc. The draft Business Plan will identify the breakdown of the costs of each project and in addition for any individual transaction in excess of £5m. The Company will include in the draft Business Plan any proposed public/private partnership strategy, the proposed procurement strategy, a risk allocation model and the proposed staffing and resource allocation to deliver the business plan on time and within budget, together with contingency provision.
- (4) The draft Annual Business Plan for each financial year shall be approved by the Council (such approval not to be unreasonably withheld) prior to the commencement of that financial year with such amendments as the Council consider necessary and thereafter such annual Business Plan incorporating all such amendments and as approved by the Council shall in this Agreement be referred to as the "Annual Business Plan" for that financial year.
- (5) At the same time as approving the Annual Business the Council shall agree the amount and form of each or any contributions to be made by the Council in the financial year to which the Annual Business Plan relates.

SIXTH
Indemnity

The Company shall be wholly responsible for meeting timeously all obligations, liabilities or claims of whatsoever nature arising out of or in connection with each project and the implementation of the Company's obligations under this Agreement and hereby binds and obliges itself to indemnify the Council fully against all liability for such obligations, liabilities or claims.

SEVENTH
Notices

Any Notice requiring to be served hereunder shall be in writing and shall be sufficiently served upon the Council if sent by pre-paid Recorded Delivery post, addressed to the Director of City Development, One Cockburn Street, Edinburgh, or such other authorised representative of the Council as the Director of City Development may notify in writing to the Company and upon the Company if sent by prepaid Recorded Delivery post, addressed to City Chambers, High Street, Edinburgh or such other address as the Company may notify in writing to the Council and any such Notice shall be deemed to have been served Forty eight hours after the date on which the

same was posted as aforesaid (excluding weekends and public and statutory holidays). In proving service, it shall be sufficient to prove that the envelope containing the notice was duly addressed to the Company or to the Council as the case may be in accordance with this Clause and posted to the place to which it was so addressed.

EIGHTH
Intellectual
Property Rights

The copyright, patent, design rights and any and all other intellectual property rights of whatever nature in any drawings, document, reports, plans and related materials provided by the Company to the Council or prepared by the Company in the performance of its obligations in terms of this Agreement shall vest in the Council unless the Council otherwise agrees in writing, which agreement may be subject to such conditions as the Council consider appropriate.

NINTH
Assignment

This Agreement is personal to the Company and the Council, who shall not be entitled to assign their rights hereunder nor, except as herein provided, to delegate the performance of the respective obligations incumbent upon them under this Agreement to any other party.

TENTH
Staffing

The Company shall recruit and employ such staff and advisers as are required by the Board. Staff may be seconded to or contracted to work with the Company on a full or part time basis and otherwise on terms to be agreed between the Company and the Council. If the Company consider any person so seconded is not suitable for employment in connection with the business it may require the Council to withdraw and replace such person or to take such other steps as may be necessary or expedient. All the salaries, wages, allowances, travelling and accommodation expenses and others to which such personnel may be entitled and all necessary employers, pension and national insurance contributions shall except where otherwise agreed, be borne and paid by the Company, declaring for the avoidance of doubt that where any of such expenditure has been incurred by the Council the Company shall reimburse the Council with the amount of such expenditure.

ELEVENTH
Provision
of services
to the
Company

If so required by the Company the Council may provide the following services to the Company in connection with this Agreement:

- (a) Office accommodation as the same may be required and is available;
- (b) accounting and administrative services, all to be provided to a standard reasonably acceptable to the Company.

The Council shall be remunerated at the appropriate professional or commercial rate for the service rendered unless otherwise agreed. The Council shall not be obliged to supply services at any time when it considers that such supply would be prejudicial to the conduct of the Council's own business.

TWELFTH
Chairman

The first Chairman shall be [] as the nominee of the Council and the identity of the Chairman thereafter shall be determined annually by the Council, on written notice to the Company. The Council shall be entitled to change the identity of the Chairman or fill any vacancy in the office of Chairman at any time outwith the annual cycle of appointments

by written notice to the Company. The Chairman of the Board shall not have a second or casting vote.

THIRTEENTH
Matters requiring
the consent of
the Council

- Except with the consent in writing of the Council the Company shall not:-
- (a) create, any fixed or floating charge, lien (other than a lien arising by operation of law), security or encumbrance over the whole or any part of the undertaking, property or assets of the Company;
 - (b) borrow or raise any sum of money other than in the ordinary and proper course of its business;
 - (c) make any loan or advance or give any credit to any person, other than in the normal course of business;
 - (d) give any guarantee or indemnity to secure the liabilities or obligations of any person;
 - (e) sell, transfer, lease, assign or otherwise dispose of a material part of the undertaking, property and/or assets of the Company or contract so to do;
 - (f) issue any shares or any loan stock or any debentures or other securities convertible into shares or debentures or any options in respect of shares;
 - (g) acquire, purchase or subscribe for any shares, debentures, mortgages or securities (or any interest therein) in any company, trust or other body;
 - (h) register any transfer of shares in the capital of the Company;
 - (i) appoint any person as Chief Executive or Chief Finance Officer of the Company;
 - (j) enter into any partnership or profit sharing agreement with any person;
 - (k) exceed the total expenditure budget contained in the Annual Business Plan by more than 5%, provided that the Company has sufficient funds to meet additional expenditure when incurred without requiring further funding beyond that provided for in the Annual Business Plan from the council or any third party.

FOURTEENTH
Statements
To the
Press

The Company undertakes not to make any statement to the Press without the prior approval of the Council. Every request for a statement to the Press shall noted and reported to the Council. All references to the Council shall be made in the first instance to the Council's Director of City Development.

FIFTEENTH
Dispute
Provisions

In the event of any dispute or difference arising between the Company and the Council with regard to the construction of this Agreement and the obligations arising therefrom, shall be determined by a single Arbiter to be appointed by the parties concerned in the dispute or, failing agreement, by the President for the time being of the Law Society of Scotland and shall be deemed to be a Submission to Arbitration within the Arbitration (Scotland) Act, 1894, and any statutory modification or re-enactment thereof for the time being in force and the decision of any Arbiter appointed in terms of this Clause shall be final and binding on the parties concerned in the dispute and the said Arbiter shall have the power to award expenses as he may think fit and the parties hereto hereby expressly waive and exclude any rights competent to them to require the said Arbiter to state a Case for the Opinion of the Court of Session on any question of law arising in the

Arbitration and, accordingly, Section 3 of the Administration of Justice (Scotland) Act, 1972, shall not apply to any Arbitration hereunder.

This Agreement and the whole matters following hereon shall be construed and receive effect according to the Law of Scotland.

SIXTEENTHLawSEVENTEENTHContinuationofAgreement

All terms, conditions and undertakings contained in these presents, in so far as of a further or continuing nature, are unaltered and will continue and remain in full force and effect and may be founded upon.

EIGHTEENTHTerms of thisAgreement toPrevail

If any ambiguity or conflict arises between the terms of this Agreement and those of the Articles of Association, the terms of this Agreement shall prevail as between the parties.

NINETEENTHMiscellaneous

- (1) This Agreement does not and shall not in any circumstances constitute a partnership between the parties hereto.
- (2) The Company is not/shall not at any time hold itself out or permit or suffer itself to be held out as the agent of the Council for any purpose.
- (3) Nothing herein contained shall (a) import any warranty by the Council in respect of any site owned by the Council to be used in connection with any project or (b) prejudice or affect the Council's rights, powers duties and obligations in the exercise of their functions as local authority or in any other capacity whatsoever under or by virtue of any public, general or local Statute, Order, Instrument, Regulation or Bye-law in operation from time to time in the City of Edinburgh or relieve the Company from the necessity of obtaining such approvals or consents in respect of the plans or otherwise as may from time to time be required from the Council in any such capacity in terms of any such public, general or local Statute or others foresaid.
- (4) In construing this Agreement, the marginal headings shall be ignored.
- (5) In the event of Value Added Tax (VAT) or any other charge tax or levy being chargeable in respect of any payment to be made in terms hereof such Value Added Tax, Charge Tax or Levy will be payable by the party due to make such payment in addition to such payment.

TWENTIETHExpenses

The Council and the Company shall each bear their own legal fees and outlays in connection with this Agreement and Schedules annexed hereto.

TWENTY FIRSTSeparateAgreements

The Council and the Company shall enter into separate Project Agreements as necessary in respect of each project if so required by the Council.

TWENTY SECONDVariations

The Council may vary the Part I of the said Schedule at any time during the subsistence of this Agreement and any such variation shall be made in writing between the parties hereto.

TWENTY THIRD

The Company and the Council agree that both parties where appropriate, will apply the Accounts Commission/Cosla Joint "Code of Guidance on

DRAFT

10

Funding External Bodies and Following the Public Pound" dated 24 May 1996 as such code may be varied/updated from time to time.

TWENTY FOURTH The parties hereto consent to registration hereof and of any Award or
Registration Awards, Interim or Final, to be pronounced in virtue of Clause
ELEVENTH hereof and of all Certificates within-mentioned for
preservation and execution: IN WITNESS WHEREOF

MXW462GT.SA(1)

AGREEMENT

between

THE CITY OF EDINBURGH COUNCIL
OF THE FIRST PART

and

ENTICO LIMITED
OF THE SECOND PART

2001

EDWARD BAIN, LLB
COUNCIL SOLICITOR
CITY CHAMBERS
HIGH STREET
EDINBURGH

USB00000228_0065

Agenda item:

Report title: NEW TRANSPORT INITIATIVE: NEXT STEPS

In accordance with the Council's constitutional arrangements, the contents of this report have been noted by the appropriate Executive Member.

Without prejudice to the integrity of the report, and the recommendations contained within it, the Executive Member expresses his/her own views as follows:

Council approved proceeding with Phase 2 of the New Transport Initiative (NTI) in May 2001 and this further report now outlines the next steps for NTI which will ultimately lead to Edinburgh having a transport system fit for the 21st century and the match of any European city-network. Edinburgh, and the citizens of Edinburgh, deserve nothing less.

Clearly, in terms of the region's transport infrastructure, the status quo is simply not an option. We must plan now to accommodate the enormous (and very welcome) economic growth that Edinburgh and the Lothians will undergo within the next 15 years. To 'do nothing' would be an abdication of our political responsibility and would seriously harm the long-term economy, health and social-fabric of Scotland's capital city.

This report recommends submitting to the Scottish Executive an application for approval in principle of an "Integrated Transport Initiative for Edinburgh and South East Scotland". It recommends undertaking a major piece of 'South East Scotland wide' public consultation on the proposals in this application. It further recommends the establishment of a new 100% owned, arms-length Council company to deliver the major projects included in this transport investment programme.

In essence, this report represents the most significant development in transport policy for many decades for this city. The transport vision contained within the report is both bold in its aspirations and pragmatic in terms of the incremental delivery of major transport improvements. During the major public consultation, over the coming 8-months, the city needs to vigorously debate the vision in this report, and it then needs to move on from talk and see action.

Quite frankly, Edinburgh deserves a better transport infrastructure than it currently has. I believe this report represents the first step in achieving a transport system that Edinburgh can once again be proud of.

Signed: [REDACTED]

Date: 31/08/01

For information – Paragraph 8.2 of the Council's Constitutional Arrangements states:

"Officers will continue to prepare reports, with professional advice and recommendations, on matters requiring decisions by the Executive:

- > a report seeking decisions on matters of corporate strategy, corporate policy and corporate projects will be submitted direct to the Executive
- > a report seeking decisions on matters relating to the special responsibilities allocated to an individual member of the Executive will be submitted, in the first instance, to that member. The member will add his or her own recommendation to it before submission to the Executive. Where the Executive member disagrees with the advice and the recommendation of the officers, the Executive member will also state his or her reasons."

From - "Capital City Government – The New Arrangements" (Appendix 2 – Constitutional Arrangements) – agreed at Full Council 18 May 2000.

A response to the Scottish Executive consultation paper was proposed.

Decision

To endorse the response to the Scottish Executive consultation - 'A Modern Complaints System' detailed in Appendix 1 to the report by the Director of Corporate Services.

(Reference - report no CEC/58/01-02/CS by the Director of Corporate Services, submitted.)

14 New Transport Initiative - Next Steps

The Executive's decision on the New Transport Initiative - Next Steps had been called in to the Environmental Quality Scrutiny Panel who had agreed to let the decision of the Executive be implemented. The decision of the Scrutiny Panel had been called up to the Council.

Motion

- 1) To welcome the report "New Transport Initiative - Next Steps" that:
 - summarises the work undertaken on the New Transport Initiative since Phase 2 of the project had been approved in May 2000;
 - recommends taking the Initiative on to the next logical stage.
- 2) To recognise that many positive 'development pressures' within and around the City of Edinburgh meant that, in terms of Edinburgh's transport infrastructure, the status quo is simply not an option. To do nothing would abdicate political responsibility and would harm the long-term health of the city's economy and its social fabric.
- 3) To adopt the 'Preferred Strategy', detailed in the report by the Director of City Development, of major transport investment part funded from congestion charging revenue as set out in the Local Transport Strategy approved by the Council on 19 October 2000.
- 4) To recognise:
 - any final decision on implementation would be subject to further consideration by the Council at future dates;
 - stage 1 'Approval in Principle' allows further consultation to take place on options but would not lead irreversibly to charging;
 - there would be a major 'SESTRAN-wide' public consultation following the decision;
 - there would be significant investment in public transport before any potential charging commences;
 - all charging monies would be ring fenced by national legislation;

- charging monies would be used primarily for a major transport investment programme;
 - charging monies would also be used for road/footway maintenance and improvements;
 - all charging monies would be new money (added value);
 - there would be no charging until at least 2005.
- 5) To undertake detailed development work and consultation as detailed in the report on the 'Preferred Strategy' based on a city centre congestion charging cordon, aimed at tackling city centre congestion and other traffic related problems.
- 6) To consider extending charging beyond the city centre to tackle congestion and related problems on the major radial routes at the edge of the city, as well as in the city centre, by means of a charging cordon inside Edinburgh within the City Bypass in combination with the city centre cordon.
- 7) To submit the application to the Scottish Executive, for approval in principle of an 'Integrated Transport Initiative for Edinburgh and South East Scotland' as detailed in the report by the Director of City Development.
- 8) To note the next major milestone for Council decision in relation to the New Transport Initiative would be to consider a single scheme proposal to take forward the statutory order procedures anticipated to take place in summer 2002.
- 9) To approve, in principle, the establishment of a company fully owned by the Council to deliver the major projects included in the transport investment programme and:
- a) to approve the draft memorandum and articles of association for the company detailed in the report by the Director of City Development;
 - b) to approve the draft shareholders agreement between the company and the Council detailed in the report by the Director of City Development;
 - c) to approach appropriate individuals from the private sector with a view to membership of the board of the company; at least one such individual to be a Member from the Board of Scottish Enterprise Edinburgh and the Lothian's (SEEL) drawn from their private sector representation;
 - d) to nominate three elected members to the new board of the fully owned Council company, as follows:

- Executive Member for Transport
 - Executive Member for Finance
 - Administration Group Secretary
- e) to authorise the Directors of City Development and Finance in consultation with the Council Solicitor and the new board members to finalise the shareholders agreement and establish the company.
- 10) To participate in the EUROPRICE 2 project, at a total cost of EURO 15,200 (£9,300) over 18 months, to be funded by the New Transport Initiative budget.
- 11) To thank all staff involved in the development of the New Transport Initiative to its current level of detail. This was a significant achievement and all officers involved should be commended for their flexibility and sheer hard work.

- moved by Councillor Burns, seconded by Councillor Fitzpatrick (on behalf of the Labour Group).

Amendment 1

- 1) To note that the present Administration has failed to deliver any park and ride sites in Lothian, to re-open the South Suburban Railway, to construct a light rapid transit link to the west of the City or to open a railway station at Edinburgh Park.
- 2) To agree that the present administration has lost the confidence of the citizens of Edinburgh to deliver major transport projects in Edinburgh and that such confidence must be rebuilt before radical solutions such as the introduction of Road User Charging could ever be considered.
- 3) To take no action on the proposed application to the Scottish Executive, for approval in principle of an 'Integrated Transport Initiative for Edinburgh and South East Scotland' as detailed in Appendix 1 of the report by the Director of City Development and to call for a report from the Director of City Development on how the Public Transport Fund and Integrated Transport Fund might be used by the Council to deliver the improvements to public transport that have been promised, but not delivered, by the present Administration.
- 4) To declare that while the Council has no objection to the use of partnerships with the private sector to deliver discrete projects within the Transport Strategy the responsibility for co-ordination of the delivery of the City's Transport Strategy lies with the members of the Council, meeting in public, and that the establishment of a company along the lines of ENTICO would be inappropriate and an abrogation of responsibility by the Council.

- moved by Councillor Mackintosh, seconded by Councillor Dawe.

Amendment 2

To welcome many of the transportation etc proposals contained in the New Transport Initiative but to call for a report on:

- a) ways of achieving/financing an improved public transport network without resorting to a Toll Tax; and
- b) ways of implementing a master plan for general traffic as well as public transport.

- moved by Councillor Jackson, seconded by Councillor Whyte (on behalf of the Conservative Group).

Voting

The voting was as follows:-

For the motion	-	30
For amendment 1	-	10
For amendment 2	-	13

Decision

To approve the motion by Councillor Burns.

(References - Environmental Quality Scrutiny Panel of 3 October 2001 (item 4); Executive of 11 September 2001 (item 33); report nos CEC/52/01-02/EQSP by the Environmental Quality Scrutiny Panel and E/207/01-02/CD by the Director of City Development, submitted.)

15 By Councillor Grubb - Conditions of Cemeteries in the City

The following motion by Councillor Grubb was submitted in terms of Standing Order 29:

"Council deplores the senseless acts of vandalism to Edinburgh's cemeteries with particular reference to South Queensferry where 40 gravestones were damaged recently.

Council calls for a report on the state of the City's cemeteries, including their safety, maintenance and accessibility to the public."

Decision

To approve the motion and that the report be submitted to the Executive.