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Ein cyf/Our ref MB/DFM/0721/08Kirsty Williams AM
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I am writing to answer the question you asked me at the plenary session of 9th July about the value of petrol used in the Welsh Transport Planning and Appraisal Guidance (WelTAG). You wanted to know the cost of oil I anticipate and that which we use to assess the cost of schemes. WelTAG does not use today's price of petrol at the pump and the answer to your question is complex.

The evaluation is typically carried out over 60 years. The standard cost-benefit analysis software (COBA) calculates the cost of fuel, fuel duty and VAT in pence per litre. The cost of fuel is incorporated in "Vehicle Operating Costs". These include fuel, oil and tyres, and an element of vehicle maintenance.

Costs and benefits arising in different years are expressed in terms of their value from the standpoint of a given year, known as the 'present value year', which is also the 'price base year'. This is currently 2002. Costs and benefits arising in different years are transformed to their present values by the process of discounting. In the UK, the present discount rate is 3.5% for the first 30 years of evaluation and 3% thereafter. Summing the present values of costs and subtracting these from the present value of benefits gives the 'net present value' of the scheme in 2002 prices discounted to 2002.

WelTAG tabulates fuel vehicle operating cost parameters for different vehicle categories. These parameters are converted into pence per kilometre by multiplying by the resource cost of fuel in 2002 prices. These figures are actual figures published in "Transport Statistics Great Britain" (DfT 2005). The resource cost is net of indirect taxation. WelTAG also shows forecast growth in the resource cost of fuel up to year 2025.

Appraisal of transport infrastructure is carried out over a long period of time. The software that processes the fuel element of vehicle operating costs takes into account changes over time in vehicle categories, in the proportion of car fleet using petrol or diesel, improvements

in vehicle efficiency and changes in the cost of fuel. The Department for Transport (DfT) is currently engaged in research to further improve the robustness of the methodology.

In 2007 the DfT launched consultation on the NATA (New Approach to Appraisal) Refresh. The NATA framework includes guidance, analytical tools, common assumptions about transport trends, data and associated support for those assessing transport interventions. NATA includes WebTAG, modelling forecasts, software packages such as COBA, TUBA and QUADRO and other technical advice. Consultation on NATA Refresh closed on 31st March 2008, and the DfT has published the summary of responses.

Any future amendments to the cost of fuel that may arise from this review will be reflected in WebTAG.

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