

### **SOUTH EAST ENGLAND REGIONAL ASSEMBLY REGIONAL TRANSPORT BOARD**

Date: 8 May 2006

Subject: **Transport Innovation Fund – Productivity Proposals**

Report of: Director of Development and Infrastructure - SEEDA

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#### **Recommendations to Note:**

The Transport White Paper of 2004 announced a new fund designed to bring forward transport schemes that address specific issues of national productivity, or have an innovative character. In December 2005, DfT issued guidance about the handling of the Transport Innovation Fund. A total of £9.45bn. will be made available between 2008 and 2015 in addition to already committed transport funding, and it is the major area of new transport budget.

The TiF is essentially divided into two major strands. Firstly, for local authorities to promote demand management and congestion charging schemes and to coordinate bids, and secondly, the productivity strand aimed at schemes which meet the following national productivity criteria:

- Increase the mobility of people and goods for businesses in a way that reduces business costs;
- Support the agglomeration of business activity;
- Support the mobility and flexibility of the labour market;
- Increase the international competitiveness and trade through improving ease of movement of goods and services;
- Improve network resilience and choices for business users.

DfT asked the RDAs to provide advice by the end of March about the criteria and to give examples of schemes which might best fit the productivity requirements. Schemes need to be worked up to a significant degree already, and be available for implementation from 2008/9.

Schemes that may be considered for TiF funding therefore need to have fully developed business cases, must satisfy strategic national policies and need to have been profiled accordingly at regional level. DfT does not expect to receive submissions for 100% funding, and SEEDA in common with other RDAs is working on an average basis of 2/3 TiF funding. However this general formula may well differ depending on the scheme's likelihood of attracting 3<sup>rd</sup> party funding.

Given the recent work carried out for the RFA submission for the South East, this was used as the starting point. Hindhead could itself be a first candidate for productivity TiF, given its state of readiness and because it is central to the economic performance with much of South Hampshire and the Isle of Wight. But beyond that, 3 proposals have been identified in the RFA submission that are of wider significance to economic growth and were therefore put forward as suitable candidates for funding through productivity TiF:

## **1. Southampton to West Midlands Rail Freight Upgrade**

Southampton is the UK's 2<sup>nd</sup> largest container port. Unlike the Haven ports (Harwich and Felixstowe), no rail freight route between the port and markets throughout the UK is cleared for large 9'6" containers (W10 gauge). The Southampton to West Midlands rail freight corridor was identified for gauge enhancement over ten years ago.

The objective therefore is to *deliver* this widely approved project. In order to achieve this, 48 bridge and crossing structures have to be enhanced. 47 of these structures have already been designed and progressed to GRIP 4 stage. Network Rail will bring the 48<sup>th</sup> structure, Southampton City Tunnel, to GRIP 4 this year. This design work costing about £300,000 is being funded by the IMPACTE project, a European INTERREG IIIB partnership, led by SEEDA.

The most recent cost estimates of the project are £50.4m (£59.5m including optimism bias) according to SRA's draft business case report. SEEDA's goal is to achieve a leverage of other public and private sector funding contributions of 1/3<sup>rd</sup> of the total, ie. £20m, requiring a total TiF allocation of approximately £40 m. The scheme itself would be delivered by Network Rail, as the owners of the railway infrastructure to be improved.

## **2. Reading Station**

The core scheme is a track capacity enhancement at Reading Station, one of the most significant bottlenecks in the region's rail network. The scheme takes redundant rail lines to the north of the station and an existing sub-standard platform (10), lengthens and extends the existing platform and provides a new platform giving 4 additional facilities (platforms 11, 12, 13 and 14). The scheme can accommodate arrangements proposed as part of the AirTrack proposal without requiring amendment. It also does not preclude Crossrail services being extended to serve Reading, a regional objective set out in both the South East Plan and RES.

The costs of implementation are efficient as the scheme is designed to take place at the same time as scheduled resignalling, currently programmed for 2010-2012, which means that there are minimal signals cost associated with the capacity upgrade scheme.

The business case has been completed by the Reading Station Partnership Board and was formally passed to Network Rail on 27 March 2006 for their review and then use in taking forward the agreed scheme. The current estimate of the total cost of the scheme is £78m, (£95m including optimism bias) requiring a total TiF allocation

of this sum. The scheme would be delivered by Network Rail.

### **3. AirTrack**

AirTrack is a new rail scheme designed to provide improved access to Heathrow Airport from the south, with new direct links from South and South West London and important transport hubs such as Guildford, Woking and Reading

For the most part, AirTrack would operate on the existing rail network, using existing tracks, stations and other infrastructure. However, there are four main elements of new infrastructure:

Staines Chord providing a direct link between the two existing lines (to Windsor and Virginia Water) in Staines town centre;  
new station at Staines High Street on the Staines to Windsor line;  
approximately 4km of new railway across Staines Moor and Stanwell Moor linking the Windsor Line with Terminal Five at Heathrow Airport;  
new station facilities and approach works within safeguarded infrastructure at Heathrow Terminal 5.

A considerable amount of work to validate the principles of the AirTrack scheme has been undertaken. The next stage is the developed of a detailed engineering proposal for the project in preparation for the submission of an application for an Order under the Transport & Works Act to authorise the construction and preparation of the project. Construction could commence in 2009, with completion some 2½ to 3 years later.

The current estimate of constructing AirTrack is £251m (£392m including optimism bias). At this stage TIF funding would be for the development of the TWAct Order, costing about £20m or revenue and to be lead by BAA and Network Rail

The core proposal for AirTrack is identified in the ITT for the re-letting of the South West franchise as a priced option. The expectation is that the proposal would have a positive benefit on the franchise profile were it to be constructed, reflecting the strength of the business case developed in support of AirTrack.

### **4. Next Steps**

Ministered decisions about TiG are expected in July.  
Upon notification to move to the next stage, SEEDA will engage with DfT in order to ascertain the scale of testing of the existing business cases for each scheme against TiF Productivity criteria and especially against the economic assessment methodology published by DfT in June 2005.

Consultants already appointed either directly by SEEDA or by respective scheme promoters will finalise the business cases for TiF, the financial packages including the funding confirmation from other sources, and confirmation of time lines.

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