

SOUTH EAST ENGLAND REGIONAL TRANSPORT BOARD

Date: 21 July 2006

Subject: **Transport Innovation Fund (TIF)**

Report of: Planning Implementation Director
South East England Regional Assembly

Recommendations:

It is recommended that the Board:

- a) Notes the ongoing work to develop the business case for the Southampton to West Midlands Freight Gauge clearance project and requests that it is kept advised of further progress;
- b) Discuss, in the light of the outcome of the meeting of the Reading Station Partnership Board, what further action it wishes to take to take forward the Reading Station Improvement.

Purpose of the Report

To inform the Group of the recent announcement on the Transport Innovation Fund (TIF) by the Department of Transport and to identify the key issues arising there from.

Key Issues:

On the 27 June the Secretary of State announced the proposals he wishes to take forward for further work as part of the productivity strand of TIF. In the case of this region, Southampton to Midlands Freight upgrade was included in the list of proposals to be progressed further. The proposal to include Reading Station Improvement and initial stages of Airtrack as part of the programme was not accepted by the Secretary of State.

1. Background

1.1 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 – know as the Transport Innovation Fund (TIF). The Fund is divided into two stands; Congestion and Productivity. The Guidance for the productivity strand of TIF is 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.

1.2 In January of this year SEEDA was asked to submit any comments or advice in respect of the above criteria and to give examples of proposals which might best fit the productivity requirements. Any proposal put forward needed to be worked up to a significant degree already, and be available for implementation in the first two years of the TIF programme starting from 2008/9.

1.3 The region's work on prioritising transport investments provided the basis on which SEEDA developed their response to the Department for Transport. Their submission focused on three strategic rail proposals; Reading Station Improvement, Airtrack and the Southampton to Midlands Freight Gauge Clearance project, all of which had been identified in the Regional Funding Allocation submission to Government as proposals that had a wider importance beyond the region.

1.4 This Board endorsed the SEEDA submission at its previous meeting.

2. Announcement on TIF Productivity Strand

2.1 On the 27 June the Secretary of State announced which proposals he wished to take forward for further work. A copy of this announcement is attached as Annex I.

2.2 The announcement shows that Government has decided that two themes will be taken forward for the first round of the productivity strand of TIF:

- measures to improve the capacity and resilience of the strategic national freight distribution networks, hence supporting international trade and competitiveness.

- measures to make the most of capacity at key pressure points on the strategic networks, thus improving mobility for business and freight users.
- 2.3 In the case of South East England, the announcement concluded that only the Southampton to Midlands Freight Gauge Clearance project should progress as part of the TIF productivity strand at this stage.
- 2.4 It should be noted that the proposals included within the Secretary of State's announcement amount to some £1.5bn of investment. The budget for the first two years of the TIF productivity strand amounts to some £0.5bn. The difference reflects a degree of over programming on the part of the Department for Transport and also represents a clear statement on the part of the Secretary of State that he expects a significant amount of contributions from third parties towards the cost of the proposals being taken forward.

3. Next Steps

3.1 Southampton to Midlands Freight Gauge Clearance

- 3.1.1 The announcement enables work on the development of the business case to go forward. This work is being taken forward by SEEDA, in conjunction with a partnership board including DfT, Network Rail, the Regional Assembly, and the ports and rail industry. This group has commissioned consultants to assist with preparing this work, which needs to be submitted to the Government by the end of July.
- 3.1.2 It is expected that a further announcement on the productivity strand of TIF will be made by the Secretary of State in the autumn. It is at that point that the list of proposals may be refined to reflect the available budget and the state of readiness of the proposals being considered.

3.2 Reading Station Improvement

- 3.2.1 The omission of the Reading Station Improvement from the list of proposals to be taken forward is extremely disappointing. An analysis of the TIF announcement suggests that the only rail proposals being taken forward are freight related. This approach ignores the positive benefit on national productivity that would be realised from the removal of strategic bottlenecks such as Reading Station.
- 3.2.2 The indication appears to be that the Government wishes to consider enhancements in passenger rail capacity as part of the work on the High Level Output Statement. If this is true, then it ignores the critical timing issues associated with the proposal to improve Reading Station.
- 3.2.3 There is a meeting of the Reading Station Partnership Board scheduled for 17 July at which the implications of the TIF announcement will be considered in greater detail. The Board will be updated verbally on the outcome of that meeting and invited to discuss at greater the potential options for taking forward this critical piece of investment.

3.3 Airtrack

- 3.3.1 As with Reading Station, the announcement is disappointing. However, the Board is reminded that the application was focused on securing funds to part fund the commencement of the Transport and Works Act (TWA) process associated with the proposal. The Airtrack Forum, of which both the Regional Assembly and SEEDA are members, is now focused on actively pursuing two alternative routes for securing the necessary funding.
- 3.3.2 A bid was submitted in spring by the DfT to the European Commission for 50% of the costs of the TWA work to be funded as part of the TENS budget. The Government's backing for this application going forward to the Commission indicates significant support for the scheme within Whitehall. An announcement by the Commission on this application is expected to be made in the autumn.
- 3.3.3 In parallel to this, discussions are ongoing with BAA with regards to the company potentially contributing towards the cost of the TWA process. Improved public transport access to Heathrow is clearly of benefit to BAA and it is not unreasonable to expect that a proportion of the cost of delivering the proposal will ultimately be covered by the company. However, the transfer of ownership of BAA is causing a delay to this dialogue.

4. Next Steps

- 4.1 The TIF Productivity announcement is welcomed in terms of the potential to address the top rail freight priority for the region. However it is extremely disappointing that the rail passenger focused schemes at Reading Station and Airtrack have not been identified by the Secretary of State as ones that he wishes to take forward as part of the productivity strand of TIF
- 4.2 The proposals put forward by the region are of benefit beyond the region and need to be delivered in order to support not only the regional economy but more importantly the national economy. In the light of the verbal report on the outcome of the meeting of the Reading Station Partnership Board this Board is invited to identify the next steps it wishes to take in seeking to secure the funds necessary to deliver these critical pieces of infrastructure.

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6 July 2006

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DEPARTMENT FOR TRANSPORT

Transport Innovation Fund (Productivity)

The Secretary of State for Transport (Douglas Alexander): My predecessor published guidance on 26 January on the operation of the Transport Innovation Fund (TIF). The guidance explained that TIF would enable us to direct resources towards the achievement of two key objectives - tackling congestion (Congestion TIF) and improving national productivity (Productivity TIF). I can now provide an update on Productivity TIF.

We have been looking to identify a limited number of transport schemes which could be taken forward quickly for an initial allocation of Productivity TIF, and invited the Regional Development Agencies (RDAs) to submit their views on potential candidates. I am grateful for the constructive way in which the RDAs responded to this request.

In our discussions with the RDAs, we proposed two priority themes which might offer both a strong strategic fit at the national level with the objective of supporting national productivity, and scope for schemes to be delivered quickly, with implementation able to start during the first two years when TIF becomes available - 2008/09 and 2009/10. These themes were:

- measures to improve the capacity and resilience of the strategic national freight distribution networks, hence supporting international trade and competitiveness
- measures to make the most of capacity at key pressure points on the strategic networks, thus improving mobility for business and freight users

Among the range of suggestions offered by the RDAs, there was substantial support for schemes reflecting these suggested themes, and I have concluded that for this initial round of Productivity TIF we should broadly follow them.

We are also keeping open the possibility of a contribution to the costs of taking forward Crossrail, although funding decisions on Crossrail will not be taken until after the conclusion of Sir Michael Lyons' review of local government finances.

Accordingly, in addition to Crossrail, the schemes which will now be taken forward for business case development and appraisal are as follows:

Scheme and Region
<i>Strategic freight schemes</i>
Teesport/East Coast Main Line rail gauge enhancement (North East)
Reinstatement of Olive Mount rail chord, Liverpool (North West)
Humber ports/Immingham - East Coast Main Line rail capacity enhancement (Yorks & Humber)
Nuneaton - Peterborough rail gauge enhancement (East Midlands)
Gospel Oak - Barking rail gauge enhancement (London)

Southampton - West Coast Main Line rail gauge enhancement (South East)
Strategic network schemes
A14 corridor traffic management (East of England)
Birmingham motorway box - active traffic management (West Midlands)
M62 Leeds Bradford traffic management (Yorks & Humber)
Improving resilience and flexibility between A1, M1 and M11 (London/East of England)
A14 widening: Ellington - Fen Ditton (East of England)

The funding available in the opening years of the TIF is limited, and some will be needed for Congestion TIF, so it will only be possible for the TIF to support a small number of Productivity schemes in this initial allocation round. Only a limited proportion of the schemes above - particularly in the case of the larger, more costly road schemes - are likely to receive TIF funding.

Since the TIF is intended to supplement rather than supplant existing sources of funding, the availability of TIF funding for individual schemes will depend on other funding contributions, as well as value for money to the taxpayer.

The inclusion of a scheme in this list should not be taken to give any indication as to whether or not any statutory consents or other decisions that may be required for that scheme to proceed (for example, planning consents and decisions in relation to TWA Orders or Harbour Orders) will be given in favour of the scheme.

The Department will now be discussing with the appropriate delivery agents and other key stakeholders the work necessary to deliver the business cases by the end of July. I hope to announce decisions on first round allocations of Productivity TIF, and the approach to handling future allocations from the TIF, by the end of this year.