
TEES VALLEY METRO

Responsible Cabinet Member - Councillor David Lyonette, Transport Portfolio

Responsible Director - John Buxton, Director of Development and Environment

Purpose of Report

1. This report considers the feasibility work currently in progress, being carried out by Network Rail for Tees Valley Regeneration and Tees Valley Joint Strategy Unit. It seeks authorisation for officers to enter into negotiations with the other Tees Valley Boroughs and other sources to endeavour to provide a local funding contribution towards the capital cost of the Metro, and to report back to Cabinet and Council for approval of the contribution required.
2. The report sets out the current status of the Tees Valley Metro project and its key benefits, both to the City Region and to each individual Local Authority, and in the context of emerging Government policy.
3. The “in principle” commitment from local authorities is a fundamental part of the submission of a revised business case to the Department for Transport (DfT) and Network Rail in early 2008. In order for the project to progress and be considered by the DfT and through the Regional Funding Allocation (RFA) process, an “in principle” funding commitment from each of the Tees Valley Local Authorities to endeavour to provide a local contribution covering 10% of the capital cost is required. Any contributions from the Local Authorities (and other sources) are likely to be required between 2011 and 2013, and a confirmation on the exact contribution from each Authority will not be required until 2009/10.

Summary

4. For a considerable time, there have been proposals to develop a rapid transit (metro) system within the Tees Valley to support future regeneration aspirations, and this project was included within the recent City Region Business Case as a key future year investment project.
5. In line with recent national policy changes, proposals have been developed by Tees Valley Regeneration (TVR) for a high quality, fast and reliable City Region rail-based solution to assist regeneration and help to avoid the transport problems that would otherwise arise as economic activity gathers pace.

6. The preferred option developed so far, and now being examined in more detail, is an innovative transit system for the Tees Valley, making more efficient use of the current rail and bus networks to better meet the travel needs over the next 20 years. It provides:
 - (a) A four trains per hour service between Darlington and Saltburn throughout the working day;
 - (b) New rolling stock with higher levels of passenger quality and comfort;
 - (c) Up to five new stations along the route, serving key employment sites, major regeneration areas and Durham Tees Valley Airport;
 - (d) Upgrades to all other stations along the route;
 - (e) Supporting heavy rail/metro service enhancements to Hartlepool and Nunthorpe (the latter possibly with park and ride to serve East Cleveland);
 - (f) Complementary links to the existing Community Rail Partnerships along the Esk Valley and Bishop Auckland lines; and
 - (g) Integrated express bus services where heavy rail/metro services are not economically viable in the short term.
7. The capital cost estimate for the core section of the route, between Darlington and Saltburn, including risk, has been estimated at £141.9 million (2005 prices), with a reduced subsidy requirement for the Government. In working with Network Rail, a new option for using shared running along much of the route is now being discussed, which should reduce the level of new infrastructure required, and hence the comparative cost, in addition to making other sections of the route potentially easier to bring forward for conversion.
8. Discussions are also being held with the Department for Transport (DfT) and Network Rail to move the project forward through an innovative funding mechanism that aims to use existing committed funding within the rail network to divert to the improvements and allow capital to be raised to fund the infrastructure improvements, using a “balance sheet” of debits and credits.
9. However, in order for the project to progress and be considered by the DfT and through the Regional Funding Allocation (RFA) process, an “in principle” funding commitment from each of the Tees Valley Local Authorities to endeavour to provide a local contribution covering 10% of the capital cost of the preferred option that emerges from the work being undertaken with Network Rail, is required.
10. This commitment is required now as the DfT requires a “local” contribution to each major local transport scheme of at least 10% of the gross capital cost, or around £14 million. However, the DfT does not necessarily define “local” as simply meaning a Local Authority contribution. “Local” contributions can also include funding from European sources, the private sector, Local Transport Plan (LTP) funding already secured and other mechanisms outside a central Government grant.

11. TVR and Officers will continue to work to maximise the value of the contribution from sources other than the Local Authorities towards the 10% figure, and to close the current funding “gap” of £45 million that needs to come from local or regional sources (such as the RFA). There remains a clear need, however, for the 10% cost to be underwritten at this point in order that a robust revised business case can be submitted.
12. A draft timescale for implementing the improvements has been developed, linked to the period of the current Northern Rail franchise, which ends in 2013. This is viewed as the preferable date for any changes, given that any alteration to the existing franchise arrangements will incur a cost penalty. Therefore, any contributions from the Local Authorities (and other sources) are likely to be required between 2011 and 2013, and a confirmation on the exact contribution from each Authority will not be required until 2009/10.

Information and Analysis

Policy Context

13. The Government’s 30 Year Strategy for Rail and High Level Output Specification, published in July 2007, makes reference to the need to look at more innovative and cost effective ways of providing rail-based solutions on suburban lines. This was the starting point for the development of the Metro proposals, and the Tees Valley could be an effective pilot of such new proposals. Network Rail’s recent Route Utilisation Strategy (RUS) for the East Coast Main Line (ECML) states that capacity is increasingly becoming an issue on the ECML – part of the Metro proposals will, in fact, free up additional capacity on the ECML.
14. The recently issued Modifications to the Draft Regional Spatial Strategy (RSS) included, as part of Policy 51 – Regional Public Transport Provision, the “development of a rail-based metro system” as a “priority for further investigation” for the Tees Valley City Region. The scheme is also listed in the Transport Investment Priorities in Table 4. The need to improve connectivity within and between City Regions is also set out in the Regional Economic Strategy (RES).
15. The development of the Tees Valley Metro scheme was also highlighted in the Tees Valley City Region Business Case, submitted to Government in October 2006. The need for the scheme to support long term regeneration aspirations for the City Region was set out, and the scheme was also reference in the supporting Investment Plan, which is shortly to be incorporated within a new Multi-Area Agreement with Government.
16. The Tees Valley Metro scheme was also referenced within all of the Tees Valley Authorities’ Second LTPs as a key intervention for which a detailed business case was being developed. The proposals also sought many elements of the individual Community Strategies for the Tees Valley, particularly increasing social inclusion and enhancing accessibility to all services by public transport.

Preferred Scheme

17. TVR has been developing the Metro proposal since November 2004, and in October 2006 produced an outline business case that set out the preferred option for Metro at that time. This was based on an assumption that the new system would be required to be almost completely segregated from the existing heavy rail network (albeit in the same alignment).
18. However, as discussed in the preceding section, DfT and Network Rail are now looking at an arrangement whereby such systems as that proposed for the Tees Valley can “share” track with existing heavy rail services, both passenger and freight. This offers possibilities for the Metro system such as additional services along the Durham Coast line to Hartlepool that could not have been considered previously.
19. The ECML RUS also noted the future conditions for the continuation of services to Bishop Auckland, which update the position contained in the Regional Rail Strategy (North East Assembly, 2004) from which the initial Metro proposals took their lead.
20. Finally, since October 2006, a significant amount of work has been undertaken to develop the Tees Valley Bus Network Improvements scheme (with a capital cost of some £40 million between 2008 and 2011), which aims to provide a “step change” in the provision of bus services across the Tees Valley. It is important that these proposals and the Metro proposals are complementary to provide a wholly integrated network.
21. Hence, some work was recently been undertaken to refine the Metro proposals, and the current elements of the scheme that will be assessed in terms of cost and feasibility over the next period of work are:
 - (a) A four trains per hour service between Darlington and Saltburn throughout the working day;
 - (b) New rolling stock with higher levels of passenger quality and comfort;
 - (c) Up to five new stations along the route, serving key employment sites, major regeneration areas and Durham Tees Valley Airport;
 - (d) Upgrades to all other stations along the route;
 - (e) Supporting heavy rail/metro service enhancements to Hartlepool and Nunthorpe (the latter possibly with park and ride to serve East Cleveland);
 - (f) Complementary links to the existing Community Rail Partnerships along the Esk Valley and Bishop Auckland lines; and
 - (g) Integrated express bus services where heavy rail/metro services are not economically viable in the short term.
22. Members should be aware that detailed cost benefit evaluation remains to be undertaken on the additional elements, and that the proposed phasing of the implementation of the improvements will need to be addressed in terms of economic viability. However, the need to provide an integrated network across the whole of the Tees Valley is fundamental to the development of the scheme.

Costs

23. During the project development to date, two separate value engineering and risk management exercises have been undertaken in order to provide a robust estimate of the capital costs. A Quantified Risk Assessment (QRA) has also been undertaken, following HM Treasury guidelines.
24. The capital cost estimate for the core section of the route, taken from Darlington to Saltburn, including the QRA cost, was estimated at £141.9 million (2005 prices).
25. In working with Network Rail, a new option for using shared running along much of the route is now being discussed, as described previously, which should reduce the level of new infrastructure required, and hence the comparative cost. On the other hand, there may be some additional costs associated with the elements of the scheme that are being examined in a little more detail in the next stage of work, that were not included in the core scheme.
26. In terms of operating costs, the total forecast annual operating cost for the core system is £6.6 million, compared with the estimated operating costs for the existing service of £5.7 million. This is due to increased frequency of service and higher staff costs, although maintenance and fuel costs are lower and the proportional operating cost increase is less than the frequency increase proposed.
27. However, due to the attractiveness of the system to existing trips and those new trips allied to the regeneration proposals, the new system will require less subsidy than the existing system for all of the ridership scenarios modelled to date. Under the central ridership scenario, the new system will require around £1.5 million less per year in subsidy payments, even with the increased frequency and quality of service for passengers. This subsidy saving benefits central Government directly.
28. The option for increased use of shared running currently being examined also assumes that the system remains part of the national rail network, which will not place additional operating cost risk on the Local Authorities if this model is pursued.

Funding

29. TVR is currently developing a robust funding plan. Discussions have been held with the DfT and Network Rail to move the project forward through an innovative funding mechanism that aims to use existing committed funding within the rail network to divert to Tees Valley Metro and allow capital to be raised to fund the infrastructure improvements, using a “balance sheet” of debits and credits.
30. The largest element of the committed funding that overlaps with Tees Valley Metro is currently estimated to cost £88.8 million in total, subject to confirmation by Network Rail as part of their Business Plan for 2009 - 14. This leaves a funding “gap” of around £45 million to bridge.

31. TVR is now working to close this funding “gap”, aiming to determine suitable sources of funding by October and confirm the value of planned rail renewal work that will be superseded by the Metro project. This “gap” will need to be funded principally from regional sources, as well as the “local” contribution, as defined by the DfT and discussed below.
32. Crucially, TVR is working to secure a contribution from the DfT in respect of major transport schemes, and, in order to do this, position Metro favourably for the review of the RFA process to be undertaken later in 2007. In order to ensure that the project can be part-funded in this way, it is now necessary to secure an “in principle” commitment to a local funding contribution, otherwise the scheme will not be taken further within the RFA review.
33. However, for Members to understand the benefits that such an “in principle” commitment will bring, the following section includes a clear statement of the benefits, both in overall terms, and also to each of the Tees Valley Authorities.

Key Benefits

34. The work done by TVR for the outline business case assessment showed that there was a strong economic benefit : cost ratio, even assuming a relatively modest transfer of ridership from the private car.
35. In addition to the reduced long term subsidy that accrues to central Government, other headline benefits of the proposals are as follows:
 - (a) Enhanced capacity on the ECML and Trans Pennine rail routes;
 - (b) Opportunities for additional passenger and freight train services, particularly Teesport (although additional paths over and above those available at present are not needed as part of the current Northern Gateway proposals);
 - (c) Potential to serve new markets along the Durham Coast whilst enhancing connections to Tyne and Wear;
 - (d) Support sustainable development and contribute to reducing CO₂ emissions;
 - (e) Support for economic regeneration and delivers significant uplift in GVA (currently calculated at some £400 million);
 - (f) Significant accessibility and social inclusion benefits.
36. Significant local benefits would accrue to each of the Tees Valley Authorities, both with the proposals being considered at present, and as part of any future network extensions, as described in turn below
37. In Darlington:-
 - (a) New platforms at Bank Top adjacent to the Central Park development;
 - (b) New station at Durham Tees Valley Airport;

- (c) Possible new station serving Morton Palms or the football stadium to support development opportunities and possibly park and ride;
 - (d) Release of track capacity on the ECML to allow more trains to run from Darlington to York and Newcastle;
 - (e) Continued rail service on the Bishop Auckland line; and,
 - (f) Complements plans to remodel Bank Top station and offers the opportunity to develop car parking adjacent to the new Metro platforms.
38. Looking beyond the core scheme, Metro offers the potential for a future street-running extension into Darlington town centre.
39. In Hartlepool:-
- (a) New services to Hartlepool Interchange (both bus and rail);
 - (b) Enhanced heavy rail connections along the Durham Coast line, including Grand Central;
 - (c) Supports development proposals within the town centre and at Victoria Harbour; and,
 - (d) Creation of additional track capacity to allow more trains to run from Hartlepool to York and Middlesbrough.
40. Beyond the core scheme, Metro offers the potential for a future station serving Queen's Meadow.
41. In Middlesbrough :-
- (a) Fast and frequent connections to the ECML at Darlington, Grand Central at Eaglescliffe and Durham Tees Valley Airport;
 - (b) Direct support for the Stockton Middlesbrough Initiative;
 - (c) Possible new station at Teesside Leisure Park;
 - (d) Support for the regeneration at Middlehaven and Middlesbrough Football Stadium, including a possible station; and
 - (e) Possible extensions to Nunthorpe, including a park and ride site to serve East Cleveland and relieve peak hour congestion on key radial routes.
42. Looking beyond the core scheme, Metro offers the potential for a new station at James Cook Hospital with any extension to Nunthorpe, and a future street-running extension in Middlesbrough.
43. In Redcar and Cleveland
- (a) Fast and frequent connections to the ECML at Darlington, TransPennine Express at Middlesbrough and Grand Central at Eaglescliffe;
 - (b) Support for the Northern Gateway at Teesport;
 - (c) Possible new stations to serve residential areas such as The Ings;

- (d) Possible links to the Wilton site; and
 - (e) Possible extensions to Nunthorpe, including a park and ride site to serve East Cleveland.
44. Beyond the core scheme, Metro offers the potential for future services to East Cleveland and a street-running extension to Guisborough.
45. In Stockton on Tees:-
- (a) Fast and frequent connections to the ECML at Darlington, TransPennine Express at Thornaby, Grand Central at Eaglescliffe and Durham Tees Valley Airport;
 - (b) Direct support for the Stockton Middlesbrough Initiative; and,
 - (c) Support for development opportunities at Eaglescliffe, Preston Farm, Thornaby and Teesside Retail Park, including possible new stations.
46. Looking beyond the core scheme, Metro offers the potential for future street-running extensions to Stockton town centre and Ingleby Barwick.

“Local Contributions”

47. As set out above, in order to progress the scheme within the DfT’s appraisal process and qualify to be considered within the review of the RFA, an “in principle” commitment is required now. The DfT requires a “local” contribution to each major local transport scheme of at least 10% of the gross capital cost. At the present time, this equates to a combined funding contribution of £14 million.
48. However, the DfT does not necessarily define “local” as simply meaning a Local Authority contribution. “Local” contributions can also include the following within the DfT guidelines:-
- (a) European sources;
 - (b) Private sector
 - (c) LTP funding already secured and diverted to the project; and
 - (d) Any other mechanisms outside a central Government grant.
49. Therefore, although at the present time, the Tees Valley Authorities are being asked to make an “in principle” commitment to endeavour to provide for the Metro project, there are a range of additional funding sources that can be classed as “local” within the DfT’s definition that will be need to explored fully as the business case for the proposals is developed.

50. TVR and Officers will continue to work to maximise the value of the contribution from sources other than the Local Authorities during the next stage of the project, but the “in principle” commitment is still required at the present time in order for the project to progress.

Funding Implications

51. Based on the current capital cost estimate of £141.9 million, a 10% contribution is some £14 million, and hence there is a need to secure the “in principle” funding commitment for this sum between the Tees Valley Authorities.
52. Dividing this equally between each of the Authorities gives a contribution of around £3 million per Authority. Again, however, it should be stressed that TVR and Officers will continue to work to maximise the value of the contribution from sources other than the Local Authorities during the next stage of the project.
53. A draft timescale for implementing the improvements has been developed, linked to the period of the current Northern Rail franchise, which ends in 2013. This is viewed as the preferable date for any changes, given that any alteration to the existing franchise arrangements will incur a cost penalty.
54. Therefore, any “local” contributions from the Local Authorities (and other sources) are likely to be required between 2011 and 2013. Hence, a confirmation on the exact contribution from each Authority will not be required until 2009/10, by which time more details will be available on the benefits of the scheme for each Authority, and the phasing of the project.

Outcome of Consultation

55. The principle of a Tees Valley Metro was included in the Darlington Second Local Transport Plan: consultations took place on the Provisional Plan. Transport Forum considered the current Metro proposals in June 2007 and the Darlington Partnership Economy, Environment and Transport Group in September 2007 . Consultation outcomes have generally been supportive of the principle of a Metro along the lines described in this report. Interests connected with the Weardale line have expressed concern about whether the conversion of the Darlington to Saltburn line to Metro would jeopardise services from Bishop Auckland to Darlington. This issue will be addressed in the next phase of feasibility work.
56. Further consultations with stakeholders and the public will take place if and when more specific proposals emerge from the next stage of work.

Legal Implications

57. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

58. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

59. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

Decision Deadline

60. For the purpose of the 'call-in' procedure this does not represent an urgent matter.

Recommendation

61. It is recommended that :-
- (a) Cabinet authorises the Assistant Director (Development and Regeneration) and the Director of Corporate Services to enter into negotiations with the other four Tees Valley Boroughs and other sources to endeavour to provide a combined local funding contribution of 10% of the capital cost (currently around £14 million) towards the Tees Valley Metro project between 2011 and 2013.
 - (b) That a further report be presented to Cabinet and Council for the approval of the precise commitment required from Borough Council funds.

Reasons

62. The recommendations are supported by the following reasons :-
- (a) The Tees Valley Metro will deliver a step change in sub-regional public transport across the Tees Valley, providing a high frequency, high quality service, and a 21st Century metropolitan public transport system.

- (b) The funding requirements are significantly less than envisaged previously, by using existing infrastructure and use of funds already in the national rail network. However, an “in principle” commitment to endeavour to fund a “local” contribution of 10% of the capital cost of the scheme is a DfT requirement.
- (c) Metro leverages planned funding in an innovative way to bring strong benefits, including support for economic regeneration that will deliver a significant uplift in GVA of up to £400 million and help the Tees Valley realise its potential.
- (d) Metro serves many brownfield sites and communities along the River Tees, opening up development potential in proximity to its stations, with the potential for Local Authorities to leverage Section 106 contributions from private sector developers.

John Buxton

Director of Development and Environment

Background Papers

- (i) Tees Valley Metro Business Case Volumes 1 - 6 (Arup, November 2006)
- (ii) Connecting the Tees Valley: The Case for Investment in Tees Valley Metro and the Heavy Rail Network (TVR et al, November 2006)

Richard Alty Extension 2946

wi