
TEES VALLEY METRO

Responsible Cabinet Member - Councillor David Lyonette, Transport Portfolio

Responsible Director – Richard Alty, Assistant Chief Executive (Regeneration)

SUMMARY REPORT

Purpose of the Report

1. To seek approval for officers to carry out the next stage in preparing the case for Phase 1 of the Tees Valley Metro Project and to report on work completed to date.

Summary

2. For some considerable time, there have been proposals to develop a rapid transit (metro) system within the Tees Valley to support future regeneration aspirations. This project was included within the City Region Business Case as a key future year investment project and, in line with recent national policy, proposals have been developed for a high quality, fast and reliable rail-based solution to assist regeneration. Such a solution would help avoid the potential transport problems that can arise as economic activity gathers pace.
3. Members considered the case for a Tees Valley Metro system at their meeting on 16 October 2007 (Minute C93) and requested that more work be undertaken on the funding package required to support the proposal. This work is being carried out using Network Rail's eight stage Guide to Railway Investment Projects (GRIP). The project has reached GRIP Stage 3 (outline design) and now needs to move to GRIP Stage 4 (detailed design). Funding has been obtained through the Regional Transport Board for GRIP 4 work and no financial resources are required from the Local Authorities for this work. The Joint Strategy Unit will remain as project sponsors for this work and will therefore be responsible for risks during GRIP 4.
4. The recommended solution is to use better conventional trains in the first instance, operating more frequently than at present, with improved or new station facilities. It is recommended that the Project is delivered in three phases to make it easier to attract funding. If the funding is secured, then the first phase could be delivered by 2012 in time for the new franchise for the operation of local train services which is due to start in 2013.
5. The Interim Regional Transport Board (IRTB) has submitted a funding programme to the Department for Transport (DfT) that contains the elements of Phase 1 of the Metro project separately. This has been done to expedite the funding process since the evaluation process is simplified for schemes costing £5m or less. The DfT accepted the amended regional programme in their letter of 22nd July. In terms of Darlington Borough, £9.4m has been

allocated to Darlington Station in 2009/12 (the work would include changes to Darlington South Railway Junction) and £5m to Durham Tees Valley Airport in 2010/12. Funding for Phases 2 & 3 has yet to be identified.

6. There is a potential opportunity to extend the scope of the Bank Top Station Metro Project to explore new main line platforms as explained in paragraph 20 of the main report and recommendation 8 c refers.
7. Assuming a 10% contribution from the Local Authorities an estimated £800,000 towards the capital cost for phase 1 would be required from each authority. As the structure of the proposed project management stands there is a risk of a potential, financial contribution towards the operation of the Metro service. More detail would be obtained in the next stage of the evaluation process to provide a basis for any final decision prior to the submission of an application for funding to the Department for Transport in 2010.

Recommendation

8. It is recommended that :-
 - (a) Cabinet authorises the Assistant Chief Executive (Regeneration) to work with the Joint Strategy Unit, Network Rail and other stakeholders to progress the project through the GRIP4 process, including obtaining any necessary planning permissions.
 - (b) Cabinet authorises the Assistant Chief Executive (Regeneration) to work with Northern Rail and other stakeholders to evaluate the operational benefits and costs of Phase 1 of the Metro Project and to seek the inclusion of the Project within franchise agreements for train services.
 - (c) Cabinet authorises the Assistant Chief Executive (Regeneration) to work with Network Rail and other stakeholders to make the case for the assessment in the GRIP process of the provision of a new main line platform and associated improvements at Darlington Station.
 - (d) Cabinet re-affirms the previous authorisation for the Assistant Chief Executive (Regeneration) and the Director of Corporate Services to continue 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 towards the Tees Valley Metro project.
 - (e) That a further report be presented to Cabinet for the approval of the precise commitment required from Borough Council funds and approval of any funding applications.

Reasons

9. The recommendations are supported by the following reasons :-
 - (a) To carry out the next stage of the GRIP process to further refine the capital cost estimates.

- (b) To carry out the next stage of the evaluation process to clarify the detail of the operational costs and benefits.
- (c) To investigate the potential for combining the Metro Project improvements at Darlington Station with those of benefit to main line services.
- (d) To meet the Department for Transport requirement for a minimum of a 10% local contribution across the Project as a whole.
- (e) To approve any business case in detail before submission.

**Richard Alty,
Assistant Chief Executive (Regeneration)**

Background Papers

Cabinet Report 16 October 2007
 Draft Project Brief for GRIP4
 Project Board papers
 Project Initiation Document
 Transport Forum Minutes 6 October 2008

Simon Houldsworth : Extension 2701

S17 Crime and Disorder	No implications
Health and Well Being	Encouraging use of trains would result in more walking or use of other sustainable means of transport to a station. It would also result in a reduction in vehicle emissions per trip.
Sustainability	Train travel is sustainable
Diversity	No implications
Wards Affected	All
Groups Affected	All rail users
Budget and Policy Framework	The Metro Project fits within the Council's Policy Framework
Key Decision	This is a key decision since it potentially affects all people in Darlington
Urgent Decision	This is not an urgent matter for the purposes of the "call in" procedure
One Darlington: Perfectly Placed	Encouraging use of train services conforms to the principles contained in the sustainable community strategy for economic activity and transport.
Efficiency	The report has no impacts for efficiency since it relates to rail industry assets

MAIN REPORT

Information and Analysis

Background

10. For some considerable time, there have been proposals to develop a rapid transit (Metro) system within the Tees Valley to support future regeneration aspirations. This project was included within the City Region Business Case as a key future year investment project and, in line with recent national policy, proposals have been developed for a high quality, fast and reliable rail-based solution to assist regeneration. Such a solution would help avoid the potential transport problems that can arise as economic activity gathers pace.
11. Members considered the case for a Tees Valley Metro system at their meeting on 16 October 2007 (Minute C93) and requested that more work be undertaken on the funding package required to support the proposal. Cabinet authorised the Assistant Director (Development & Regeneration) and the Director of Corporate Services to enter into negotiations with the other four Tees Valley Boroughs to endeavour to provide a combined local funding contribution of 10 per cent of the capital cost (currently around £14 million) towards the Tees Valley Metro project between 2011 and 2013. **Figure 1 (Appendix)** illustrates the scope of the Metro project.

Proposal

12. Feasibility work carried out to date has shown that the preferable option is to improve the existing heavy rail train service, whilst leaving open the possibility that more tram-like vehicles could be used at a much later date. Depending on the design and future operating regulations, such tram-style vehicles may be able to operate off the existing railway line on tracks laid into road surfaces. The recommended option for improving heavy rail, now being examined in more detail, makes more efficient use of the current local rail network to better meet the travel needs.
13. Study work carried out to date shows that Line A (Darlington to Saltburn) has a benefit to cost ratio of 1:6 whilst Line B (Hartlepool to Nunthorpe) has a ratio of 0:5 – both ratios assume the use of conventional trains. Despite the wider economic benefits, it is unlikely that the project would secure DfT funding in one package given major scheme funding criteria. It is therefore recommended that delivery be carried out in three phases to better attract funding, to fit in with the renewal of the franchise for Northern Rail train services in 2013 and to ensure realism in delivering such a big project. In addition, each component part of a phase is separately funded, again to help ease the funding process. A phased delivery plan also means that the benefits of each stage may be more easily assessed to help support the case for further funding. A summary of the three phases is set out below, where phase 1 is scheduled for implementation between 2009 and 2012. Phase 1 implementation in itself should produce significant benefits and the business case would not be dependent at this stage on benefits associated with subsequent phases.

14. Phase 1 of Metro (estimated cost £33.9m) includes:

- New platforms at Darlington and Middlesbrough stations;
- Relocation of stations at Durham Tees Valley Airport and Wilton;
- Station improvements at Eaglescliffe, Thornaby and Hartlepool;
- A new station at James Cook University Hospital; and
- Refurbished trains with higher levels of passenger quality and comfort than that currently used operating four times an hour between Darlington and Saltburn during the day.

15. Phase 2 of Metro (estimated cost £60m) includes:

- Track and signalling work, concentrating on the Darlington to Saltburn line;
- New stations at Morton Palms, Teesside Park and Middlehaven;
- Refurbishment of other stations; and
- New trains.

16. Phase 3 of the Metro (estimated cost £130 including a planned Network Rail signal renewal scheme) includes:

- Track and signalling work, concentrating on the Hartlepool to Nunthorpe line;
- New stations at Queens Meadow (Hartlepool), Nunthorpe Parkway and The Ings;
- Refurbishment of other stations; and
- New trains

Next steps

17. As an investment project on Network Rail land; the Metro project has to be assessed through Network Rail's Guide to Railway Investment Projects (GRIP). This project management system has 8 stages with stage 6 being the construction stage. Currently, the majority of the component parts of the Metro project are at GRIP3. There is now a need to undertake a GRIP4 feasibility study at a cost of £1.25 million, to be obtained through the Regional Funding Allocation (FRA) programme. to prepare more detailed designs, confirm feasibility and refine cost estimates. The GRIP4 process would also include applications for planning permission where required and involves public consultation on the detail of station improvements.

18. It is anticipated that the GRIP4 process would take a maximum of 12 months meaning that any decision about whether to proceed further would be taken in summer 2010. In parallel to the engineering feasibility work contained in GRIP4, the Tees Valley Joint Strategy Unit (JSU) and train operator, Northern Rail, would lead on work to refine the benefits expected from phase 1 in terms of improved reliability, estimated increases in passengers and improved accessibility. Members would need to consider the results of this stage of the feasibility work at the time, so that an application can be made for funding to the Department for Transport for all of the phase 1 works except for those at Darlington Station.
19. The funding process for Darlington Station is different to the other, smaller, works. The work, to provide a two line local platform to the east of the East Coast Main Line (ECML) and to improve Garbutt Square Footbridge, is estimated to cost £9.4m. This means that a separate business case for funding has to be submitted to the DfT for approval. Such a business case needs to be submitted in spring 2010 to fit in with the delivery timescales proposed for the rest of the project, so the GRIP4 work for Darlington Station needs to be completed in less than a year. The improvement at Darlington Station is key to realising the benefits of the project since it means that Saltburn trains would no longer have to cross the ECML, so avoiding being delayed by main line trains. This would mean that all, or at least most, trains would no longer continue to Bishop Auckland or Newcastle. The advantage of this timescale is that members may know the response from DfT to this key component of the Metro project before making a decision on the other parts.
20. Whilst the remit of the GRIP4 is to examine the case for a new platform serving local trains only at Darlington Station; it would be very desirable if Network Rail would sponsor an investigation into extending the Metro proposals such that a new main line platform with associated footbridge be provided to the east of the ECML opposite the existing Station. This would mean that no trains need to cross the ECML to call at Darlington Station thus reducing delays, that the new platform would have better waiting and toilet facilities and that a better link could be made with the existing platforms (the new footbridge could run to the north of the south bay platforms in the Station and link with Park Lane to the south of the Portico). This option will be investigated in the GRIP4 work funded from the regional programme. If realised, this could mean that Darlington Station would receive a step change improvement to better serve local people in future. It is not recommended that this Council sponsors this work since, as the funding process stands, it would have to accept the financial risks of this significant addition.

Funding

21. The Interim Regional Transport Board (IRTB) has submitted a funding programme to the Department for Transport (DfT) that contains the elements of Phase 1 of the Metro project separately. This has been done to expedite the funding process since the evaluation process is simplified for schemes costing £5m or less. The DfT accepted the amended regional programme in their letter of 22nd July. In terms of Darlington Borough, £9.4m has been allocated to Darlington Station in 2009/12 and £5m to Durham Tees Valley Airport in 2010/12. As noted above, the process for obtaining funding for Darlington Station will need to follow the major scheme funding process due to the value of this component part of the whole project.

22. Funding for the subsequent phases (2 & 3) needs to be identified through the Regional Funding Allocation, the new franchise for local train services, developer contributions, the Third Local Transport Plan (3LTP) and Network Rail investment plans.
23. The latest cost estimate prepared by Network Rail for phase 1 is £31.2m (2009 prices) which, with the addition of an allowance for project risks means that the total is £33.9m. The estimated local contribution required from each of the partner Councils is £800,000 for phase 1. Sources of funding continue to be investigated but the fall back position would require funding from the Third Local Transport Plan (3LTP) since the contribution is due after March 2011. It is currently projected that 3LTP funding could be in the region of £2.1M per year, with £1.5M project for the Integrated Block. As an estimate, Members will need to confirm the amount and source of funding prior to any submission for funding approval to the DfT. Obviously, this commitment will have an impact on the amount of other schemes that may be funded through the 3LTP, although this will not impact on the recently announced major bus project, where funding is being provided within the LTP2 period.

Project Governance

24. Development of the project to date has been through a Project Board working to the mandate of the constituent Councils, consisting of officers from each Council, the Joint Strategy Unit, One NorthEast and the North East Chamber of Commerce. A representative of Government Office North East has attended as an observer. It is proposed that this arrangement is carried forward with the addition of Network Rail and train operator, Northern Rail due to the stage of the project. The Board intend to nominate a senior officer to act as “Senior Responsible Owner” with whom discussions with the DfT will be channelled to avoid any communication confusion.
25. Members are asked to authorise the Assistant Chief Executive (Regeneration) to proceed with the tasks outlined in paragraphs 17 to 20, via the Project Board and Senior Responsible Owner.

Project risks

26. Three major project risks exist at the moment for Phase 1; the first being that funding approval is not given by DfT especially for Darlington Station (the most costly infrastructure component part), the second that construction costs exceed budget estimates (and therefore agreed funding packages) and third, that the Council as a sponsor has to underwrite the revenue costs of operating better trains more often and meet platform operating costs. The GRIP4 process described above will reduce some of uncertainty over capital cost estimates whilst the parallel work to understand operational issues will clarify revenue costs.
27. The first risk is that a component part of phase 1 is not approved by DfT for funding. This is most likely for Darlington Station since this is over the £5m threshold for smaller schemes. In this eventuality, the Council would need to decide whether to proceed with the Metro improvement scheme at Darlington Station given its importance to the project as a whole. One method of doing this would be by convincing Network Rail of the case for including the works within their investment programme for the 2014-2019 period (this would be a separate discussion to that about constructing a new main line platform). This

action is not desirable, but it would mean that the GRIP work undertaken to date would not be wasted.

28. The second risk is that associated with being a project sponsor under DfT funding rules. In the case of Darlington Station, this would mean the Council bearing half the costs of any overspend up to a threshold figure set at Programme Entry and 100% of costs after this. The threshold figure is the cost estimate plus an agreed allowance for risk. The Council has asked that Network Rail become the project sponsor for the implementation works at Darlington Station to remove this risk. In the case of the other component parts of Phase 1 (the new station at Durham Tees Valley Airport) the Council would have to bear 100% of any excess over the cost estimate at the end of GRIP4, as do all the other Tees Valley Authorities for works in their Boroughs. As noted above, the GRIP 4 process would reduce some of uncertainty over capital costs. One possible solution in this scenario would be to value engineer the component parts to reduce their cost or to not build a complete part. Again, this would be undesirable since it detracts from the concept of the project as a whole.
29. The third risk concerns the, as yet unknown, revenue implications of the new infrastructure and associated train service. A more intensive train service between Darlington and Saltburn using refurbished class 156 diesel multiple units (or similar) would mean higher operating costs than those applying at present (eg higher lease costs for better trains, higher fuel and staff costs). At the moment, the train operator, Northern Rail would look to the Council to underwrite these costs if they were not met from increased revenue. Similarly, the operating costs of new platforms and the new station at Durham Tees Valley Airport may be higher (since they have more facilities or require more staff time) so requiring underwriting. Whilst initial work supports the assumption that that these costs would be met from passenger receipts, the work described in paragraph 13 needs to be undertaken to clarify the values. The revenue guarantee would last until such time as the operation of the new infrastructure and train service specification is written into the franchise agreement for local rail services. Negotiations about doing this being included the new Northern Rail franchise agreement due to start in 2013 are ongoing, and any improvements to Darlington Station should be included within the base franchise for the East Coast Main Line when it is retendered in late 2010. Any revenue issues related to providing a shuttle service from the new Airport station to the terminal are expected to be met by the airport operator.
30. Due to the further work required assessing and mitigating these risks, authorisation is not being sought at this stage to submit funding applications for Phase 1 schemes. The GRIP4 works are funded by DfT, through the Regional Funding Allocation, direct to Tees Valley Joint Strategy Unit (JSU) and that GRIP4 work will be commissioned and sponsored by the JSU. There is a marginal risk to the Local Authorities for cost overruns of the GRIP4 process however, it should be noted that previous GRIP1 to 3 processes have been completed within budget, a contingency element has been provided within the RFA for this work and should there be a need to seek further funding then this would be addressed to the Regional Funding Board in the first instance.

Outcome of Consultation

31. Members of Darlington Transport Forum debated the principle of Tees Valley Metro at their meeting on 6 October 2008. They raised a concern over the need for the continuation of a through train service from Bishop Auckland to Saltburn, given the case for improving accessibility by train to jobs and services within Teesside. They noted the potential benefit for a regular, even frequency, train service between Darlington and Bishop Auckland should the line become self-contained.
32. A consultation exercise will be carried out as part of the GRIP 4 process to seek local peoples' views on the preferred option now that more detail is available. This exercise, led by the Project Board and supported by the JSU, has yet to be scoped but may include a Talking Together event in the Dolphin Centre as has been case for specific projects over the past year. It is currently anticipated that this work would be undertaken in Autumn 2009.