

SOLENT GATEWAYS:

IMPROVING CONNECTIVITY BETWEEN SOUTHAMPTON AND THE ISLE OF WIGHT

*The Five Business Cases
Solent Local Enterprise Partnership
Implementing the Strategic Economic Plan*

December 2014



Contents

01	Introduction	01
02	Strategic Case	03
	2.01 Business Strategy	03
	2.02 Scheme Description & Rationale	07
	2.03 The Evidence Base	17
	2.04 Aims & Objectives	24
	2.05: How the Scheme meets the Local and Regional Policy Objectives	26
	2.06 Internal & External Drivers	34
	2.07 The 'Do-Nothing' Option	35
03	Economic Case	37
	3.01 Introduction	37
	3.02 Economic Impacts	44
	3.03 Environmental Impacts	53
	3.04 Social and Distributional Impacts	55
04	Financial Case	63
	4.01 Introduction	63
	4.02 Costs	64
	4.03 Budgets/Funding Cover	64
	4.04 Accounting Implications	65
	4.05 State Aid Implications	65
05	Commercial Case	67
	5.01 Introduction	67
	5.02 Output-based Specification	67
	5.03 Procurement Strategy	70
	5.04 Sourcing Options	71
	5.05 Payment Options	72
	5.06 Pricing Framework and Charging Mechanisms	73
	5.07 Risk Allocation and Transfer	73
	5.08 Contract Length	74
	5.09 Human Resource Issues	74
	5.10 Contract Management	74
06	Management Case	77
	6.01 Introduction	77
	6.02 Evidence of Similar Projects	77
	6.03 Programme/Project Dependencies	78
	6.04 Governance, Organisational Structure & Roles	78
	6.05 Decision Gateways	80
	6.06 Programme and Project Management Principles	81
	6.07 Project Plan	82
	6.08 Assurance and Approvals Plan	82
	6.09 Communications and Stakeholder Management	82
	6.10 Programme/Project Reporting	82
	6.11 Implementation of Workstreams	82
	6.12 Key Issues for Implementation	82
	6.13 Contract Management	83
	6.14 Risk Management Strategy	84
	6.15 Benefits Realisation	84
	6.16 Monitoring and Evaluation	85
	6.17 Contingency Plan	86
	6.18 Options	86

Foreword to the Business Case

Solent Gateways is a project forged in the true spirit of partnership between the public and private sectors. It will see £15m of public investment matched by Red Funnel's investment of a similar sum in its fleet and in new, state of the art ferry terminals at Trafalgar Dock in Southampton and East Cowes on the Isle of Wight.

The scheme provides a strong platform for economic growth in Southampton and on the Isle of Wight. By providing critical infrastructure, it facilitates improvements in connectivity across the Solent, while enabling stalled regeneration projects to come to fruition.

And by bringing forward the largest development scheme on the South Coast, Royal Pier Waterfront, this transport-led regeneration initiative lays the ground for large scale job creation in our marine, construction and tourism industries.

We are proud to present you with these five Business Cases and commend the project to you.



Councillor Jacqui Rayment
Southampton City Council



Councillor Ian Stephens
Isle of Wight Council



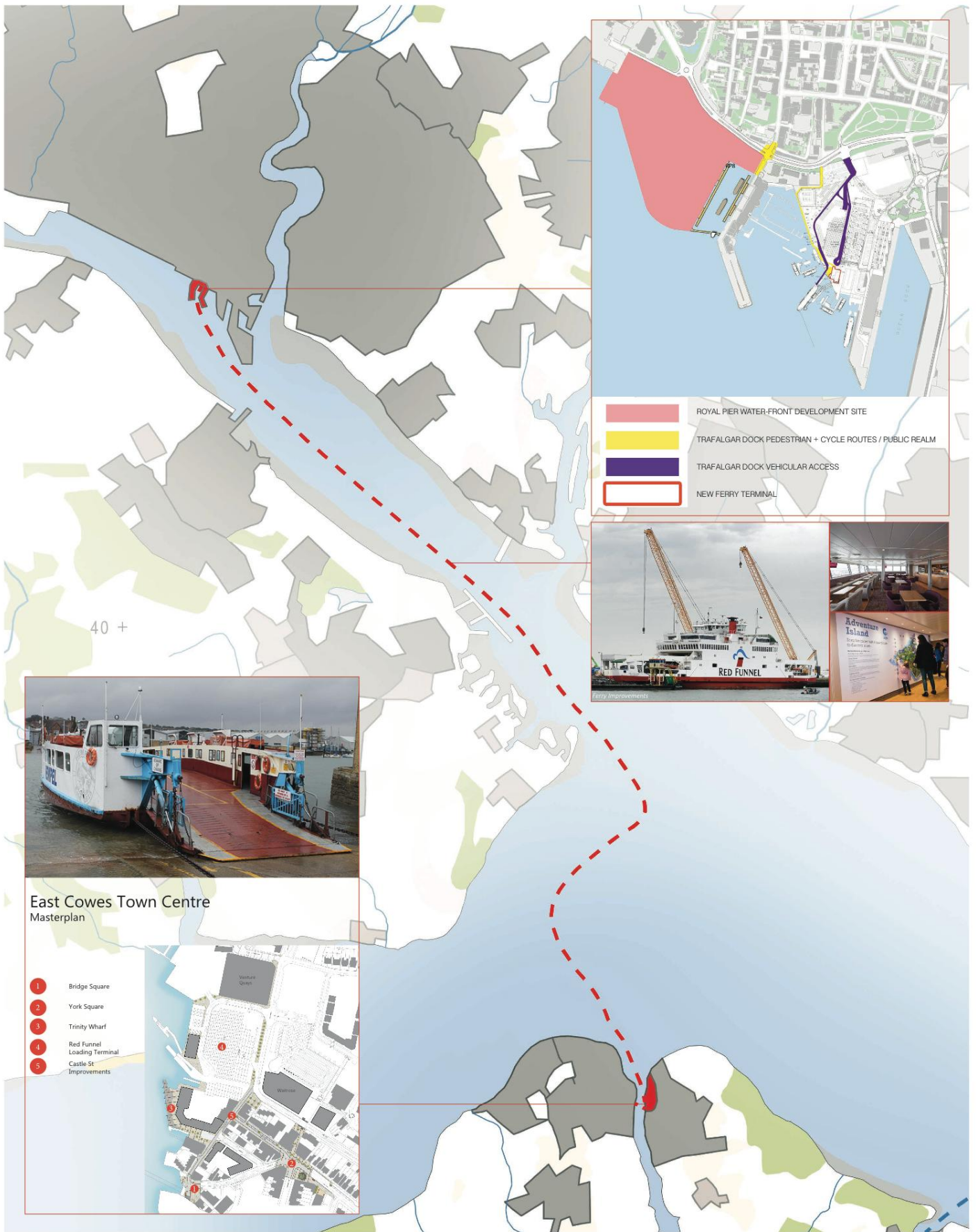
Kevin George
CEO, Red Funnel

01 Introduction

This **bid document** has been written to comply with Department for Transport guidance and with the Solent LTB Assurance Framework.

It presents our bid for funding within the **Five Cases** – Strategic, Economic, Commercial, Financial and Management.

The Project Board maintains and updates a comprehensive Risk Register and Implementation Plan to accommodate changes as the project evolves.



Royal Pier Waterfront
A PART OF THE SOUTHAMPTON WATERFRONT DEVELOPMENT



RED FUNNEL



ISLE of
WIGHT
COUNCIL



Homes &
Communities
Agency



SOUTHAMPTON
CITY COUNCIL

02 Strategic Case

2.01 Business Strategy

Introduction

The scheme removes existing connectivity and capacity constraints on the visitor economy, while unlocking major employment sites at Royal Pier Waterfront in Southampton - the largest single-site development on the south coast - and East Cowes on the Isle of Wight.

Specifically, the scheme creates the public infrastructure needed to re-locate the Red Funnel Ferry terminals on each side of the Solent, including access roads, cycling and walking routes, high quality waterfront areas, and a new 'floating bridge' between East Cowes and Cowes.

The scheme sponsors are the Isle of Wight Council and Southampton City Council (SCC), together with Red Funnel Group. This scheme was presented to the Solent Local Enterprise Partnership (SLEP) as a Strategic Outline Case in September 2013, and as an Outline Business Case in March 2014. This Business Case updates that outline case, in line with Department for Transport (DfT) guidance. It sits under, and is consistent with, the Assurance Framework agreed between the Local Transport Board (LTB) and the Department for Transport, adopted in February 2014.

The scheme directly responds to, and is an instrument of delivery for, the Solent LEP's Strategic Economic Plan, published in March 2014.

The two local authorities are responsible for the public highway network approaching the ferry terminals on both sides of the Solent, and for creating conditions that enable growth in the region. Red Funnel operate a Car Ferry and passenger-only high speed catamarans between Southampton and Cowes/East Cowes, two of six serving the island, all of which are privately managed.

By improving the Red Funnel Ferry terminals, marshalling capacity and access on each side of the Solent, this scheme addresses:

- a) Transport-related **connectivity & capacity constraints** on the visitor economy on the Isle of Wight and on the logistics industry (see letters of support);
- b) the growing needs of the cruise industry at Southampton, and of the port-centric logistics industry on both sides of the Solent;
- c) road access constraints on commercial and visitor vehicle movements through East Cowes and the Port of Southampton (currently creating queues on West Quay Road);
- d) the essential enabling work 'condition precedents' needed for the major employment sites at Royal Pier Waterfront in Southampton, and East Cowes on the Isle of Wight.

Addressing these problems creates a platform for the largest single development on the South Coast, bringing growth, jobs and prosperity to the Solent region. If the scheme does not go ahead, a huge opportunity will have been missed.

The Context: Enabling Growth

We have explained below how the Solent Gateways scheme fits with each of the six priorities set out in the Solent Strategic Economic Plan (SEP). We have added, for each, the objectives and growth targets alignment set against the following numbering system:

Solent SEP Objectives:

OBJECTIVE 1: Maximise Economic impact of Marine Assets

OBJECTIVE 2: Unlock critical employment sites

OBJECTIVE 3: Provide New Housing

OBJECTIVE 4: Ensure people have the right skills

OBJECTIVE 5: Support Small and Medium-sized Enterprises (SME's)

OBJECTIVE 6: Unlock innovation-led growth

Solent SEP Growth Targets:

1. 15,000 new jobs
2. 3% GVA growth
3. Increase Gross Value Added (GVA) per capita by £3k; employment by 2%; economic activity by 1%
4. Raise business birth rates by 0.5%
5. Improve business survival rate by 1.1%
6. Increase proportion of population with Level 4 and above by 4%
7. Raise education attainment rates above UK average
8. Increase level of Foreign Direct Investment (FDI) to at least 5% of UK total
9. Increase productivity (GDP per head) closer to UK average

Meeting the SLEP Strategic Priorities:

1. **Supporting New Businesses, Enterprise and ensuring SME Growth and Survival.**

Both Red Funnel Terminals at each side of the Solent now urgently need to modernise and improve in *quality* to be able to compete in the global tourist marketplace. The Solent LEP SEP acknowledges the size, value and potential for growth of the visitor economy in the area - a sector overwhelmingly characterised by SME's. At around 130,000, the Isle of Wight has a similar population to Brighton and Hove, yet the annual revenues from tourism of £264m (*Tourism Trends Quarterly Bulletin Spring 2013*), is significantly less than that of Brighton & Hove, which is in the region of £794m. (*Economic Impact of Tourism in Brighton & Hove, Tourism South East Research Unit, 2012*). The quality of the journey experience and ease of access to the Island is absolutely critical to the overall visitor experience – evidenced by customer complaints to Red Funnel about access arrangements. This project therefore also helps **safeguard** the 14,700 tourism related jobs (*NOMIS Official Labour Market Statistics, 2012*) on the Isle of Wight, allowing renewed promotion as an easily accessible and attractive tourist destination.

Similarly, growth in Southampton SME's supporting a growing visitor economy can build on the fledgling success of districts like Oxford Street, located near the proposed site for the new terminal. Research has shown (*City Streets: the Economic Benefits, Southampton City Council (SCC), Dec 2012*) that to attract businesses, places need to become attractive to live. This is particularly true of high growth sectors. This project improves the all round offer of the region as a place to locate.

For the local maritime economy, this project will realise an investment of c£7m for Red Funnel ferry refurbishments – the first of which was a refit at Southampton firms Trimline and Burgess Marine and commissioned in 2014.

- ALIGNMENT WITH SEP OBJECTIVES: 1,5.
- ALIGNMENT WITH SEP GROWTH TARGETS: 1, 2, 3, 4, 5.

2. **Enabling Infrastructure priorities including land assets, transport and housing**

This scheme is concerned with the direct expansion of transport infrastructure – acknowledged as a major constraint on growth on the Isle of Wight. Moving the ferry terminals enables critical land assembly to be released for the Royal Pier and East Cowes regeneration schemes. Both schemes also include housing, totalling 700 units. The project is therefore directly aligned with this Solent LEP strategic priority.

- ALIGNMENT WITH SEP OBJECTIVES: 1,2, 3, 5.
- ALIGNMENT WITH SEP GROWTH TARGETS: 1, 2, 3, 4, 5, 8, 9.

3. Establishing a Single Inward Investment model - NA.

4. Investing in Skills

It is envisaged that close ties will be made with sector education & training providers, including Solent University Tourism Department and the 2 Studio Schools in Southampton and East Cowes.

5. Developing Strategic Sectors and Clusters

This scheme provides for development in two distinct clusters: the visitor economy, and the marine industry.

By facilitating the growth in visitors to the Isle of Wight, this scheme supports the development of the visitor economy locally. By improving the quality of the journey experience, it is anticipated the local tourism offer will be able to attract higher-spending customers. *(See also detail for Strategic Priority 1 above).*

At the construction stage, the scheme will provide a direct boost to the marine industry through the refurbishment of 4 x boats: 3 Red Funnel ferries and the floating bridge ferry between East and West Cowes. In addition, at East Cowes, the new marina will help safeguard the 8,500 Solent marine leisure industry jobs.

- ALIGNMENT WITH SEP OBJECTIVES: 1, 6.
- ALIGNMENT WITH SEP GROWTH TARGETS: 1, 2, 3, 4, 5, 8, 9

6. Build on our substantial knowledge assets to support innovation and build innovative capacity

The visitor economy is high growth. *(See Solent LEP SEP page 30).* Innovation in the sector is vital. Locally, innovation will be less about technical change, and more about knowledge-based innovation in marketing and place-making, particularly around social media, and transport logistics. An opportunity exists to capitalise on Southampton's position as current holder of Transport City of The Year to foster tourist related innovation around the *MyJourney* brand successfully developed to encourage sustainable transport.

- ALIGNMENT WITH SEP OBJECTIVES: 5, 6.
- ALIGNMENT WITH SEP GROWTH TARGETS: 1, 2, 3, 4, 5, 6, 7, 8, 9.

2.02 Scheme Description and Rationale

The Limits of the Current Arrangements

The limited capacity of the Red Funnel ferry terminals for the Southampton-East Cowes route act as a direct physical constraint on the number of visitors to the Isle of Wight, where tourism is one of the most important sources of employment. The current access arrangements for vehicles have grown in an ad-hoc fashion on both sides of the Solent. This has resulted in marshalling yards now at capacity during peak periods, and, in East Cowes, split by an operational highway. This arrangement has a negative impact on East Cowes, a town that has declined in the second half of the 20th century.

Further, the current position of each site has been identified by the host authority as unfavourable to their long-standing aspirations to radically improve the waterfront areas in which they now sit, bringing better quality public facilities and higher value uses and jobs.

A cross-Solent approach has been developed, making it possible to move the project forward quickly, facilitating Red Funnels' need to upgrade the new terminals simultaneously, for obvious operational reasons.

Southampton

The Opportunity

A new site has been identified within the port at dock gate 5, in Trafalgar Dock. This enables the consolidation of the car ferry, hi-speed passenger ferry, Hythe ferry and administrative office in a single location – currently on three sites. The new site will significantly increase vehicle and passenger capacity and allow for a much larger vehicle marshalling area. A new terminal will be built. An access road, linked to the network improvements, made under the Platform for Prosperity scheme, to improve the flow of vehicular traffic to and from the port, will be built, while high quality public realm will improve access by the active modes of walking and cycling (currently 30% of the total passenger throughput). The free bus service operating from Southampton Central Station will be re-routed to the new site. The highway arrangements on the new site have been modelled and address an existing congestion issue. It is therefore complementary to the Platform for Prosperity scheme and Access to Eastern Dock proposal.

The Royal Pier Waterfront development is dependent on the Red Funnel Ferry terminal move. This releases the existing vehicle ferry site for higher value uses as the first construction phase of the development and provides a catalyst for the wider scheme totalling over 100,000m² office, retail and leisure space, 340 hotel beds, and 550 residential units supporting thousands of new jobs.

A major public park directly on the waterfront is included as part of the development.

The diagrams below show the current and proposed arrangements, with the latter also showing the Royal Pier development site that becomes possible by moving the Red Funnel Ferry terminal.



Fig 2.1 Current arrangements on the Southampton Site– Royal Pier Waterfront 1/Trafalgar Dock

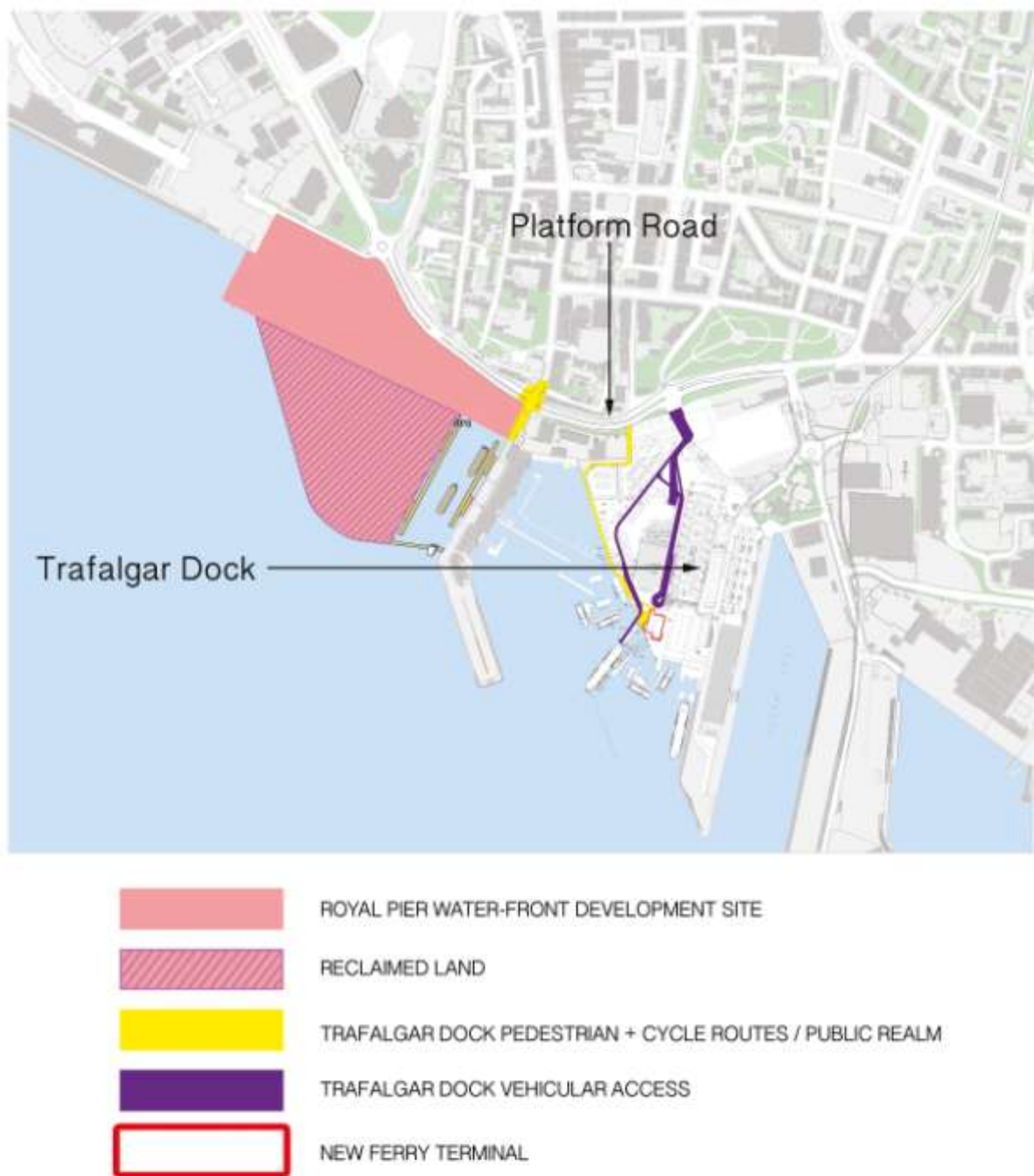


Fig 2.2: Royal Pier development site and Trafalgar Dock Scheme Extent

Isle of Wight: East Cowes

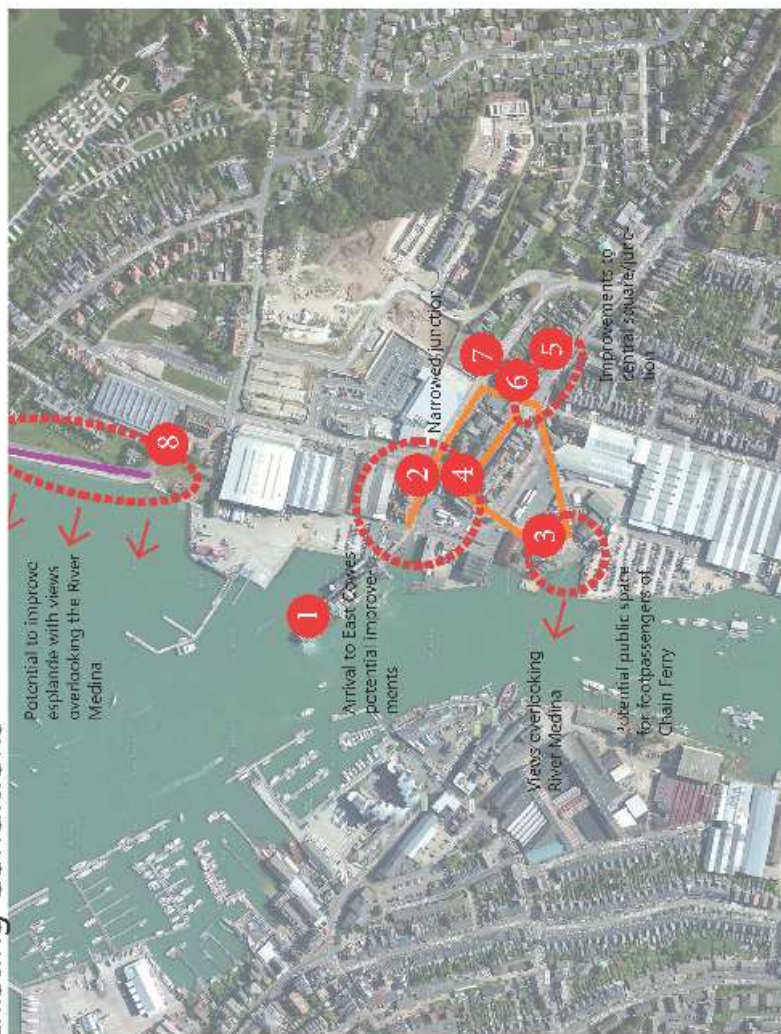
The Opportunity

The new site allows for a larger marshalling area. A new terminal will be built. Access to the new terminal will be routed through Well Road, removing the current need for the marshalling area to pass directly through the town centre. This makes it possible to extend and enhance the old East Cowes Town Centre, including a revitalised town square, to be improved through high quality public realm. Better public transport interchange, together with cycling and walking routes will be provided, encouraging the sustainable access to tourism promoted by visitor attractions around the Island and by the local authority through their Local Sustainable Transport Fund (LSTF).

The project will also see the 'Floating Bridge' connecting East and West Cowes, currently at the end of its life, renewed. At 38 years, the floating bridge is the oldest structure of its kind in the country and has to be replaced in the next two years. If it is not, significant congestion will result, including very large increases in journey times for the 1.8m annual passengers, including visitors, commercial vehicles and local foot & cycle traffic.

NB – a floating bridge (also called a cable ferry chain ferry, swing ferry, or punt) is a ferry that is guided (and in many cases propelled) across a river or large body of water by cables connected to both shores.

East Cowes Town Centre Existing Conditions



View from the ferry to East Cowes upon arrival



Dover Road - Poor quality public realm & links



Chair Ferry loading



Castle St active frontage



York Ave/ Ferry Rd Junction



Town centre public realm



Connection conditions from arrival to Waitrose



Start of the Esplanade

Fig 2.3: Current arrangements on the East Cowes site

East Cowes Town Centre Masterplan

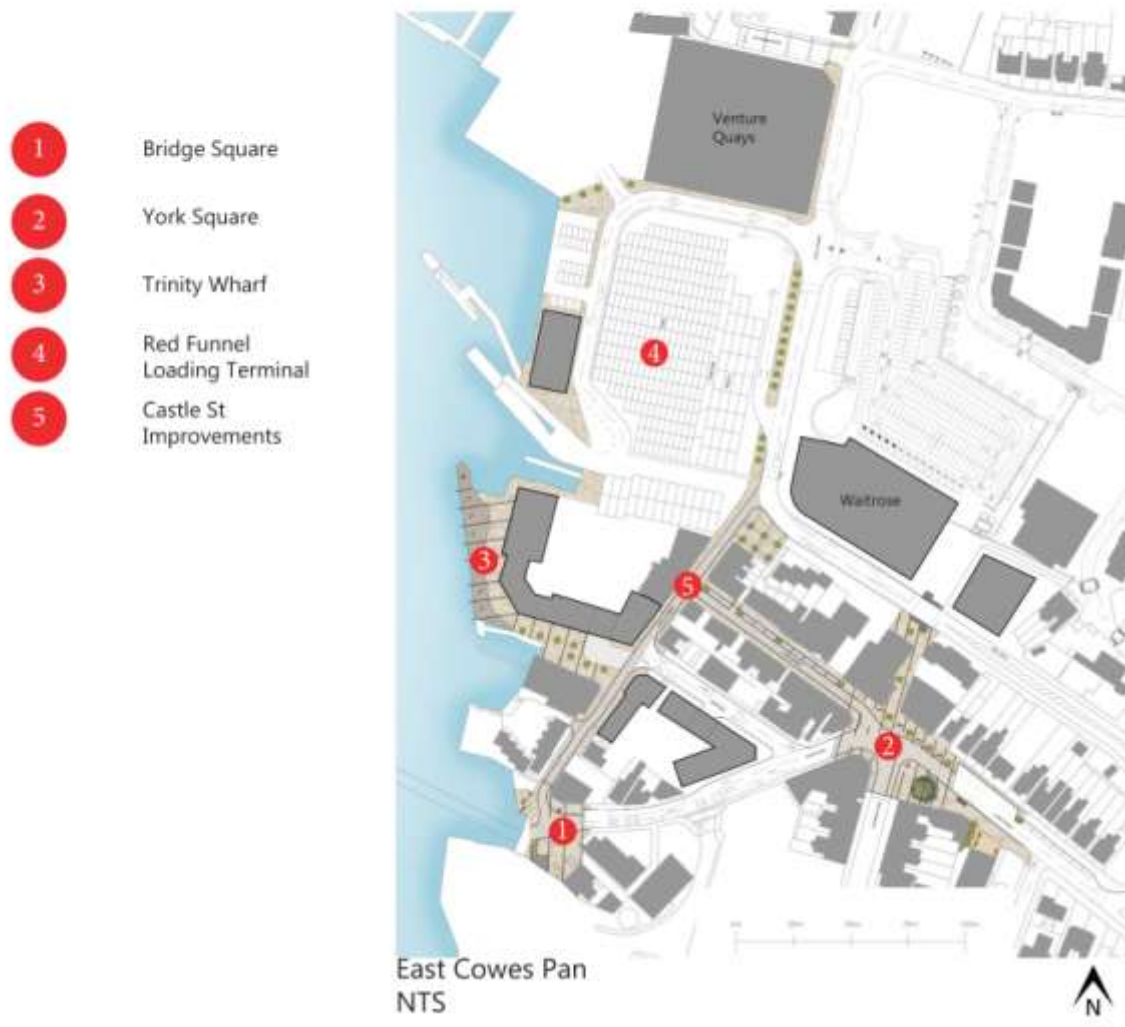


Fig: 2.4: East Cowes Development Sites and Proposed Scheme (concept stage only)

Improving the Strategic Transport Network

Southampton

In Southampton, The City Council has worked with partners to devise a series of infrastructure measures which will support the maritime sector, and support the wider City centre economy. These measures offer a comprehensive solution to the transport constraints and issues facing the Western and Eastern Docks and the City centre. This will allow the realisation of the Port of Southampton's Port Master Plan as well as a number of specific redevelopment proposals set out in the City Centre Master Plan, which are focused on Southampton's Waterside.

The diagram below shows the major developments together with the proposed major interventions.

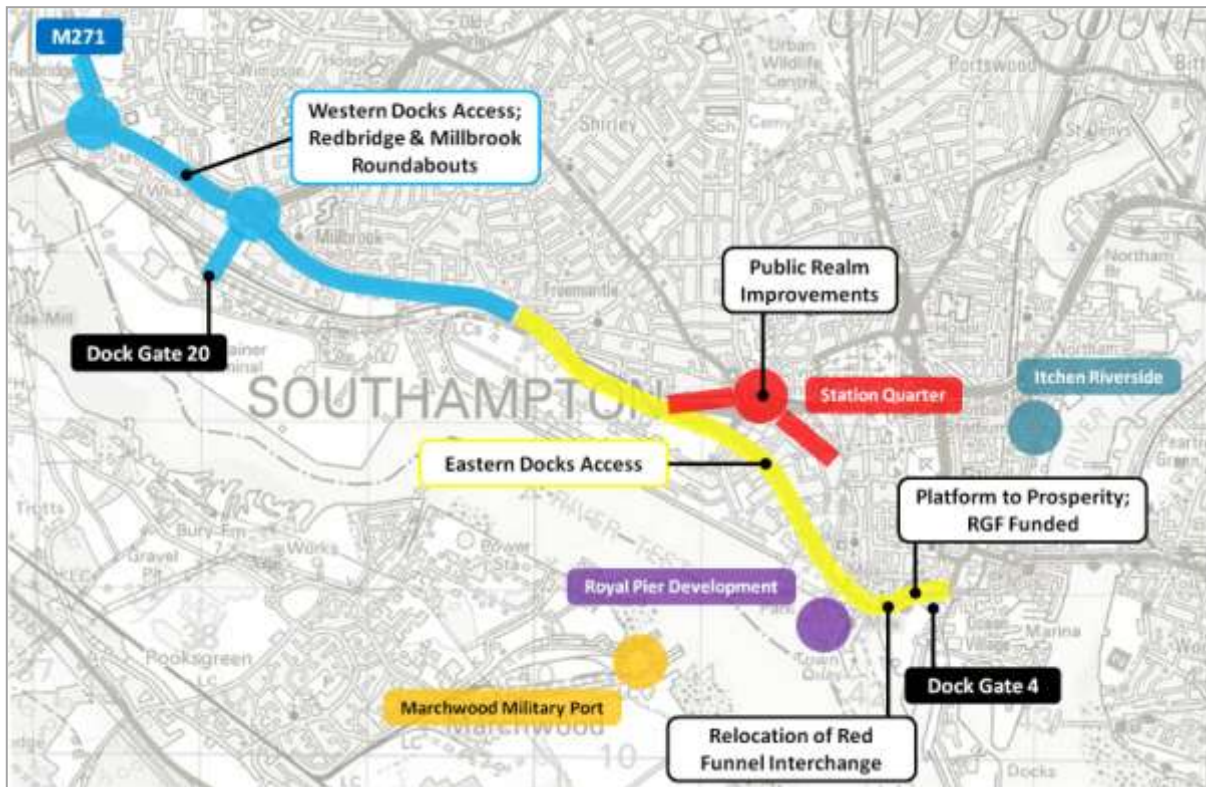


Fig 2.5: Major Developments and Proposed Transport Interventions

The first of the major transport interventions, *Platform for Prosperity*, has recently been completed, providing improved capacity for the port, simultaneously making the public realm a more attractive walking and cycling environment, and extending the burgeoning Oxford Street restaurant & café area. The Red Funnel Interchanges scheme links with the scheme.

East Cowes

The Floating Bridge between East and West Cowes provides a vital component of the transport infrastructure in the area. Without it, a trip of ten miles would be needed, placing stress on the already congested road network in Newport. (These impacts are presented in more detail within the Economic Case, Chapter 3 below).

As currently laid out, the marshalling, ingress and egress for the Red Funnel ferry traffic at East Cowes are inefficient, having developed in an ad hoc fashion as the volume of users has grown. With over 835,000 movements a year, the traffic carried by the ferry is of vital importance to the logistics and tourist industries. By improving connectivity with the mainland, this scheme therefore represents a key intervention in the strategic road network for the island.

The Target Beneficiaries

The scheme is designed to benefit these groups:

Transport Users:

- Ferry:
Reduced crossing times; improved interchange, terminals, and marshalling yards; improved on-board experience and better reliability and punctuality
- Pedestrians:
Reduced journey time; improved ambience including wider pavements & riverside access; reduced modal conflict; better 'linger' offer, better retail offer, improved wayfinding
- Bus:
Reduced journey times; improved information & access; higher frequency
- Cycle:
Reduced journey times; increase in covered cycle parking; link to local cycle routes & Cycle Tourism offers; reduced modal conflict
- Taxi:
Improved drop off and pick up areas; increased patronage
- Car:
Increased capacity at marshalling yards and on-board ferries; better drop off and pick up management
- Local Residents:
Improved public realm & retail offer; improved traffic routing within East Cowes; economic growth providing greater job opportunities
- Transport Businesses (Ferry Operators, logistics/freight, bus operators, cycle hire operators):
Increased capacity, improved marshalling areas, increased patronage; more efficient interface with other transport providers,

Retailers:

- SME's with premises abutting the new public realm areas:
Increased footfall
- Retailers benefiting from increased throughput to the ferry terminals:
Increased footfall; Southampton & East Cowes perceived as an improved place to shop and 'linger'

Other Businesses:

- Office/Leisure/Other commercial:

Southampton & East Cowes perceived as improving, more prestigious places to live and work; better link for cruise industry, better public realm making location for staff more attractive

Developers:

Clarity around land assembly and quality of public realm surrounding the sites, higher quality public realm to attract end users

The Port of Southampton:

Better link for cruise industry; reduced congestion

The needs, current behaviours and attitudes of these groups have been analysed through separate consultation exercises carried out for the Royal Pier and East Cowes regeneration schemes. Consultation is ongoing. Champions Groups will be formed from local stakeholders to inform the project as it moves through detailed design stage to implementation.

2.03 The Evidence Base

A) Southampton Royal Pier 1/Trafalgar Dock

There has been an ambition to create a publically accessible waterfront at the Royal Pier site in Southampton since 1962. Successive initiatives have fallen for a variety of reasons in no need of detailing here. During this period the docks have seen significant growth, including the arrival of the cruise industry.

There has therefore been a constant stream of analysis and consultation about Royal Pier, the aim of which has always been to marry the complex logistical demands of a thriving port, with the more localised desire from the largest city in the region - in common with cities across the world - to be able to use a part of its waterfront for leisure. Leisure has, of course, grown hugely as an industry, and this desire therefore arrives both from the 'citizenry' and from commercial interests.

In the meantime, Red Funnel Group, which began taking people across the Solent from Southampton to Cowes in 1859, has steadily increased its activities. The company now believe there is a real opportunity to improve their terminal at Southampton by moving across to Trafalgar Dock, allowing for an increase both in capacity *and* quality, for their customers.

The current development proposals are one of the key projects featuring in the Council's extensive publication *Masterplan for Renaissance*, published in 2012. This plan featured extensive consultation across the city and beyond. A cross-party consensus endorsed the plan, together with representatives from business and academia.

City Centre Action Plan

The City Centre Masterplan provided the overarching rationale for the formal City Centre Action Plan (**CCAP**) submitted to Government in December 2013. The formal hearing for the plan was held between March 30th and April 6th 2014.

The Background Transport Paper (Sept 2013) for the CCAP presented the scheme as one that would meet the requirement to facilitate significant growth in the city centre. The Background Paper provided transport evidence in support of the revised Core Strategy development targets and City Centre Action Plan. This predicts an increase in travel demand arriving in the city centre of nearly 13% during the AM peak between 2012 and 2026. In addition to the traditional weekday peaks, the focus of retail and leisure development in the city centre creates peaks of demand on Saturday lunchtimes, which can coincide with the peak embarkation period for cruise ships in the Port.

The current proposed development brings this long standing ambition closer to fruition than ever before. In February 2014, the principal parties, Associated British Ports (ABP), Royal Pier Waterfront (RPW) Ltd, Southampton City Council (SCC) and the Crown Estate, signed a formal development agreement. A Tripartite Agreement between ABP, RPW Ltd and Red Funnel is due to be signed imminently.

A further round of consultation is now in train. A presentation was made to SCC Members in November 2014 and a public exhibition will be held in Westgate Hall in December.

Site Conditions

The site, shown in greater details over the page, is currently being subject to rigorous modelling to test and validate the efficacy of the new arrangements. The scheme promoters are confident the modelling provides evidence for the efficacy of the project as a whole including the impact on the existing operations around the port and wider transport network serving the city.

B) East Cowes

In East Cowes, a Masterplan was formally agreed in 2007. Produced by LDA Architects Ltd, the plan followed a long period of consultation and analysis led by the main sponsors, South East England Development Agency (SEEDA). This body has since been disbanded with its functions moved to the Homes and Communities Agency who have been involved in the development of the current phase. The original Masterplan identified the need to re-configure the existing ferry terminal layout.

The first phase of implementation has seen the arrival of a new supermarket, medical centre and energy centre, together with 186 new housing starts. The plan stalled, like many others across the country, in the face of the acute recession that began around 2008.

Work on the £3m outer breakwater barrier near the main Cowes harbour entrance began in 2013 and is due to complete next year. The interventions under consideration in this document are largely concerned with the completion of the extant Masterplan. The next phase of the development which includes Venture Quays Marina, Trinity Wharf and Phoenix Yard sites in East Cowes, is set to provide up to 50,000 m² of office, leisure industrial space supporting up to 1200 jobs.

A renewed consultation process has been set in train, including local Members from IoW Council, East Cowes Town Council and a wide group of stakeholders. The Council are fully supportive of the scheme. They have also set in train a consultation process for the Medina Valley Plan (AAP) to support the Islands Core Strategy. The plan is due for independent examination in autumn 2015.

The Stakeholder Group met on 20th November. From it a Champions Group is being formed that will inform the progress of the project through detailed design and into implementation. It is understood at a political and technical level that there are different and sometimes conflicting interests within the stakeholder group. The main concerns are around a) the design of the access to the marshalling yard and the route taken to minimise the negative impacts on East Cowes and b) provision of parking. It will be the job of the project team to reconcile these through the Champions Group as the detailed design evolves.

The Site Conditions

The site has been re-examined as part of the preparation for this project. **Figure 2.3** above shows the key deficiencies of the site the scheme is looking to address.

C) Evidence from Elsewhere

The Role of Transport-led Development

Over the past decade there has been a growing recognition of the importance of, and potential for, transport-led-regeneration. In November 2011, Steer Davies Gleave (SDG) published *The Value of Station Investment*, a report commissioned by Network Rail. One part of this study identified how a poor quality environment around a station can be damaging to economic growth by:

- Restricting physical access across an urban area, due to the railway lines themselves, but also due to at grade car parks
- Discouraging investment by depressing developers' expectations of likely returns; and
- Creating a poor impression of a town or city, even undermining the effect of improvements in the centre and other areas away from the immediate station vicinity

The Ferry terminals at Southampton and East Cowes carry very similar characteristics.

In contrast to the negative impacts of a poor station environment, the SDG report contains a number of real life examples, where high quality station environments can have a significant positive impact on economic growth and regeneration.

Large scale projects around Cross Rail and HS2, major investments are planned in Birmingham, Bristol Temple Meads and Nottingham amongst others. A conference on rail-led Development held in February 2014, with keynote presentations from David Begg (Head of Property at National Rail) and Eddie Lister (Deputy Mayor for London), alongside private sector operators highlighted the growth of this convergence of transport and development objectives.

Southampton City Council commissioned a report, *Appraising the Economic Benefits*, on how the economic benefits of public realm interventions in the city could best be understood. A key finding was that some less-obvious factors influenced business location decisions. An extract is reproduced below:

Creating the Conditions for Growth

Propernomics researchers have studied the commercial property market of southern England for almost 20 years. This work has included commissioning and analysing business surveys involving thousands of companies on a variety of business and property related topics.

One such study examined potential office demand on the south coast between Brighton and Chichester. The research aimed to establish if there were any circumstances under which companies would pay more rent to help justify the cost of developing modern business accommodation. This is a critical question for locations where rents are below the “tipping point” at which construction becomes viable.

The research found that motivating factors that can encourage rental growth include being in an area with:

- A clear vision for positive change
- A strong economic development agenda and business image
- Proactive promotion of strengths
- Culturally dynamic and interesting activities
- An aura of being a prestigious place to be (to live, work, play and invest)
- Features that make it a practical place to operate

Ordinarily one would not expect businesses to vote for higher overheads but it became clear through research that companies are not overly price sensitive if they are given what they want. This research particularly highlights the importance of towns and cities being “prestigious” and “practical” if they are to attract rental growth and stimulate fresh investment.

Analysis commissioned by Southampton City Council from MVA on “willingness to pay” concluded that investment in the public realm *does* influence how an area is perceived and that a positive monetary effect can be attributed to it - i.e. investment in the public realm does influence behaviour and generate value. This finding appears to be entirely consistent with the study of office demand, which suggested that companies would be motivated to pay more rent for a location that offers a sense of prestige and is practical in which to operate. Hence, it would appear that investment in the public realm and transport improvements that enhance the appeal and functional operation of a place can be drivers of demand from consumers, office users and developers.

D) Development at Southampton's Royal Pier

The Royal Pier scheme, for which the re-location of the Red Funnel Terminal is a condition precedent, will become the largest single site development on the South Coast. The current ambition of the developer is to provide:

Residential	550 Units
Office	66,038m ²
Retail	6,368m ²
Leisure	5,492m ²
Hotel	340 bed

A planning application for Trafalgar Dock is anticipated this February, with the full Royal Pier application for the larger site coming in 2015.

E) Development at East Cowes

At East Cowes, development ambition for the sites at Venture Quays, Trinity Wharf, and Phoenix Yard are set to provide the following:

Residential	272 units
Retail	3,425m ²
Office	2,800m ²
Industrial	2,322m ²
Leisure (inc Hotel)	3,900m ²

These values have been derived from a combination of extant permissions at Venture Quays, and an initial appraisal by property consultants Savills for the Trinity Wharf and Phoenix Yard sites. The developments at Trinity Wharf and Phoenix Yard will be subject to hybrid planning applications that will also cover the Red Funnel marshalling yard, in 2015.

2.04 Aims and Objectives

The evidence base described in the previous section was used to generate the following high-level aims and objectives for the three elements of the scheme:

Southampton Royal Pier 1/Trafalgar Dock

1. Increase capacity including marshalling yard to 450 Car Equivalent Units (CEU's)
2. Reduce congestion on the adjoining road network
3. New, state of the art, terminals, with improved interchange
4. Improved taxi/private vehicle pick up/drop off
5. Improved commuter parking
6. Improved cycle links and cycle parking
7. Improved pedestrian walkway
8. Meet 'condition precedent' for Royal Pier scheme by freeing up waterfront land for development

East Cowes – New Floating Bridge

1. Reduced queuing times
2. Increased crossings per day
3. Shorter crossing times
4. Greater capacity for vehicles
5. Reduced running costs
6. Improved passenger accommodation
7. Reduced carbon emissions
8. Improved energy efficiency
9. Less congestion in and around Newport
10. Increased financial and operational security
11. Separation of vehicles and passengers
12. Introduce opportunities to advertise local business and attractions
13. Supporting the economic well-being of the towns
14. Introduce new technologies for payment: smart/proximity cards, mobile phone

East Cowes – Town Centre

- a. Increase cross-Solent capacity by accommodating a larger (450 CEU's) Red Funnel marshalling yard and more efficient access and egress
- b. Improve the efficiency for all road users of the arrivals and departures to and from the ferry onto the road network
- c. Provide for good quality transport interchange, including smooth passage for taxi's, buses, cyclists and pedestrians
- d. Improve the integrity and cohesion of the town centre, re-uniting currently disparate elements
- e. Improve the environment including the use of high quality materials
- f. Enhance East Cowes as a 'gateway to the island'
- g. Set out a cohesive waterfront including linkages to the Town Centre,
- h. Accommodate a mixed balance of land uses

2.05 How the Scheme meets the Local and Regional Policy Objectives

This section shows how the scheme fits within the local and regional policy context. The relevant policies are:

- a) Solent LEP Strategic Economic Plan (2014)
- b) TfSH/IOW Local Transport Plan 3 (2011-31)
- c) Southampton City Centre Masterplan (2012)
- d) Isle of Wight Local Transport Plan (2011-38)
- e) TfSHIOW Transport Delivery Plan (2013)
- f) Isle of Wight Core Strategy (adopted March 2013)

a) Match to Solent LEP Strategic Economic Plan (2014) Objectives

In addition to the schemes' fit with the SLEP's high level objectives, set out on page 5 of the Strategic Case above, we have provided further detail set against the broader SLEP objectives.

- 1 Maximise the economic impact of our economic assets in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace, both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.

By providing direct improvements to the transport infrastructure & the public realm, including the capacity and quality of cross Solent links, this project a) facilitates the growth of the advanced manufacturing, marine and aerospace sectors b) makes the area more prestigious one to settle, attracting the quality of workforce demanded by firms in this sector and raising its international standing c) directly facilitates the growth of the visitor economy.

- 2 Unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.

This scheme directly works to unlock the largest single development on the site at Royal Pier in Southampton, and large sites at Venture Quays Trinity Wharf and Phoenix Yard.

- 3 Provide new housing to support our growing workforce

The combined provision for housing on both sides of the Solent is up to 700 dwellings.

- 4 Ensure people have the right skills to access employment and support our growing sectors.
If the scheme is funded, the partners will develop links with academic institutions around specific visitor economy training initiatives

- 5 Provide effective support to our small and medium-sized enterprises (SMEs) to enable them to grow - including marine and maritime SMEs
The Solent LEP SEP acknowledges the size, value and potential for growth of the visitor economy in the area (pp 30-31) - a sector overwhelmingly characterised by SME's. This project is designed to facilitate the growth of this sector, together with the marine industry (eg at Venture Quays).

- 6 Unlock innovation led growth to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge-based partners.
The visitor economy is high growth. (See Solent LEP SEP pp 30). Innovation in the sector is vital. Locally, innovation will be less about technical change, and more about knowledge-based innovation in marketing and place-making, particularly around social media, and transport logistics. An opportunity exists to capitalise on Southampton's position as current holder of Transport City of The Year to foster tourist related innovation around the MyJourney brand successfully developed to encourage sustainable transport

- 7 Supporting new businesses, enterprise and ensuring SME survival and growth.
See above.

- 8 Enabling infrastructure priorities including land assets, transport and housing, reducing flood risk and improving access to superfast broadband.
This project directly addresses a recognised transport infrastructure deficit. Through more efficient land assembly, the project also frees up land for development

- 9 Establishing a single inward investment model to encourage companies to open new sites in the region, supported by effective marketing.
N/A

- 10 Investing in skills to establish a sustainable pattern of growth, ensuring local residents are equipped to take up the jobs that are created and businesses can source local skills and labour to underpin growth.

N/A

- 11 Developing strategic sectors and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon, digital and creative and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains.

See 5 & 6 above.

- 12 Building on our substantial knowledge assets to support innovation and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.

See 5 & 6 above

b) Match to LTP3 Objectives

Policy A: To develop transport improvements that support sustainable economic growth and development within South Hampshire

By improving the ferry terminals at Southampton and East Cowes, the is directly aimed at facilitating sustainable growth, while simultaneously relieving congestion on the road network

Policy B: Work with the Highways Agency, Network Rail, ports and airport to ensure reliable access to and from South Hampshire's three international gateways for people and freight

Associated British Ports are directly involved in the project at Southampton.

Policy C: To optimise the capacity of the highway network and improve journey time reliability for all modes

The improvements reduce journey time for all modes arriving at the ferry terminal as a result of: improved interchange with buses, increased cycle parking, better walking routes, and junction capacity improvements.

Policy D: To achieve and sustain a high-quality, resilient and well-maintained highway network for all

This scheme raises the quality of the highways network around the ferry terminals including residential areas.

Policy E: To deliver improvements in air quality

The improvements to the marshalling yards will contribute to reductions in CO₂ emissions and therefore improve air quality.

Policy F: To develop strategic approaches to management of parking to support sustainable travel and support economic development

At both Southampton and East Cowes, the scheme will generate rationalisation of car parking, including commuter parking.

Policy G: To improve road safety

The new layout is designed to reduce accidents, slips and trips in the area.

Policy H: To promote active travel modes and develop supporting infrastructure

See response to Policies A, B, C, D, E above

Policy I: To encourage private investment in bus, taxi and community transport solutions, and where practical, better infrastructure and services

This scheme continues private sponsorship of the free City Link bus service

Policy J: To further develop the role of water-borne transport within the TfSH area and across the Solent

This scheme is directly concerned with improvements to water-borne transport across the Solent

Policy K: To work with rail operators to deliver improvements to station facilities and, where practical, better infrastructure and services for people and freight

The ferry operator will continue to provide a subsidised bus service from Southampton Station to the Red Funnel terminal; freight movements between Southampton and the Isle of Wight will be improved

Policy L: To work with Local Planning Authorities to integrate planning and transport

The project is directly concerned with the integration of transport within planning permissions for development on both sides of the Solent

Policy M: To develop and deliver high-quality public realm improvements

This scheme includes high quality public realm improvements on both sides of the Solent

Policy N: To safeguard and enable the future delivery of transport improvements within the TfSH area.

N/A

c) Match to Southampton City Centre Masterplan Transport Objectives

- 1 Develop a modern access infrastructure with capacity to support the anticipated growth
By improving access to the ferry terminals by cycling and walking, and by improving the interchange with buses, the scheme will facilitate higher numbers of public transport users in Southampton associated with the current period of high growth, while simultaneously relieving congestion on the road network
- 2 Provide necessary modal shift to deliver growth
The scheme includes a range of improvements to encourage modal shift including better walking routes, vastly increased cycle, parking and an improved interchange with buses.
- 3 Significantly improve and extend the quality of the pedestrian environment
This scheme has consistently applied high quality design principles to the public realm.
- 4 Transform the Inner Ring Road into a series of civilised City Streets
N/A
- 5 Improve bus facilities and services to service an extended city centre
This scheme provides an improved interchange between the ferry terminal, the City Centre and the Rail Station.
- 6 Make access to and within the city cycle-friendly
This scheme links the emerging cycle network to the ferry terminal, and incorporates an expansion of cycle parking.
- 7 Improve the transport interchange and arrival experience at and around Central Station - as befits a principal regional city
N.A.

d) Isle of Wight's Local Transport Plan, Island Transport Plan (2011).

The scheme is consistent with this plan. In particular the emphasis on joint working, a commitment to supporting economic growth (Section C9) especially C.9.4 which seeks to support the tourism economy and C.9.3 cross-Solent Travel. stating:

"As an Island, residents, tourists and businesses are heavily reliant on cross Solent services for the movement of people and good and therefore maintaining and improving cross Solent connections is seen as essential for the economic and overall well-being of the Island.

Although not a ferry operator, the council has a key role to play in ensuring good access to terminals whilst minimising traffic impact on neighbouring residents and landscapes. The council will seek to make the best use of our highway space and will support the utilisation of appropriate traffic management and other techniques to improve information and accessibility to help tackle congestion in and around Island ferry ports."

e) Isle of Wight Core Strategy (adopted March 2013)

The project is also consistent with the Isle of Wight Core Strategy (adopted March 2013) especially through DM18 Cross-Solent Travel. To support the Core strategy an exercise is currently underway to consult on The Medina Valley Area Action Plan. Evidence is being gathered, to be heard in public in autumn 2015.

f) Transport for South Hampshire Isle of Wight Transport Delivery Plan (2011-26)

This plan, published in February 2013, covers the wider South Hampshire area. A key consideration of the Plan is the impact of transport constraints on economic growth, with the following analysis.

"The impact of the transport constraints.....on employment growth in South Hampshire has been modelled and is shown below. The employment gap between the red lines show the likely suppression of the expected employment growth trajectory if transport issues are not addressed. In other words, Economic Growth will be constrained. This will impact on the contribution that South Hampshire can make to the UK economy and have implications for the competitiveness of our businesses and the quality of life of our residents."

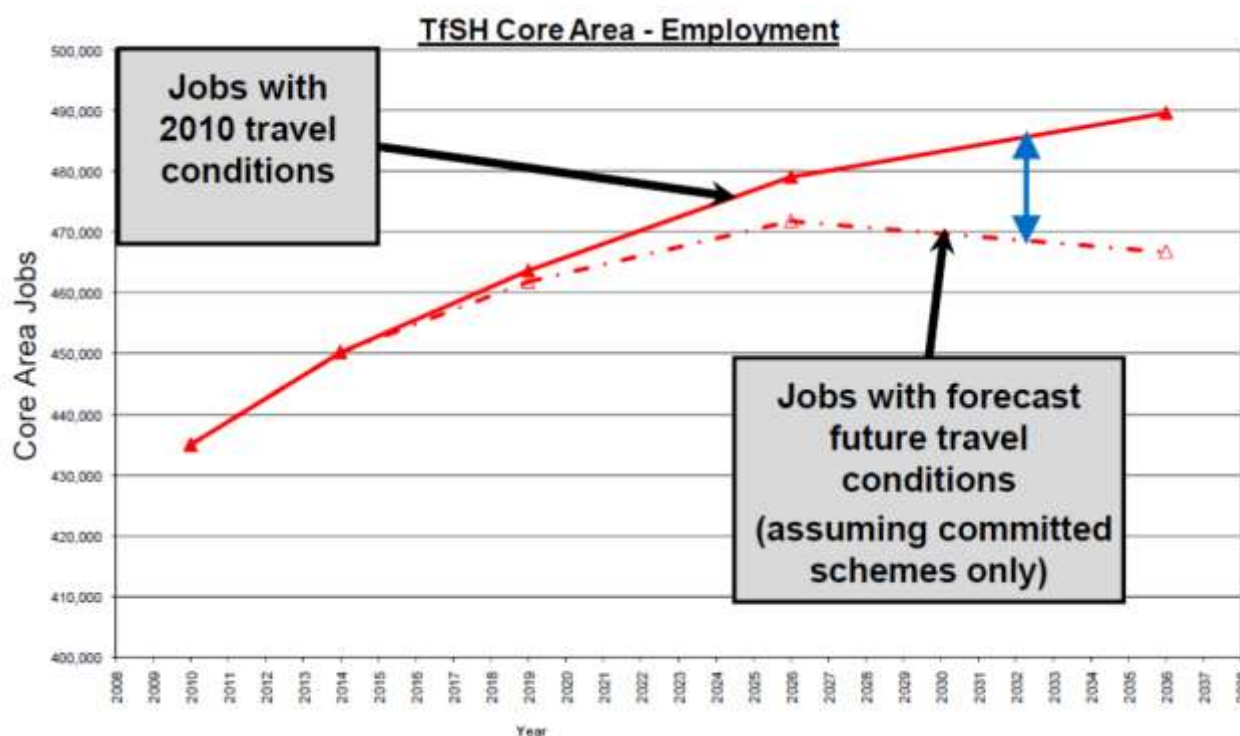


Figure 2.6: Impact of Transport Constraints on Employment Growth

“The evidence shows that there is a need for transport intervention to support sustainable economic growth. In the absence of transport intervention, transport will act as a constraint on sustainable economic growth.”

Of the four delivery strands set out in Section 6 of the TfSHIOW Delivery Plan, Strategic approach to delivery, the ‘Primary Delivery Focus’ (short and medium term) – Strengthening Movements within and to Existing Urban Areas Focussing on Short-Distance Movement – highlights the Southampton-East Cowes ferry route.

2.06 Internal and External Drivers

Where We Are Now: The Role of Transport in Facilitating the Ambition for Growth in Southampton & on the Isle of Wight

Over the past six months there has been a response to growth targets set out in the Solent LEP Strategic Economic Plan.

On the Isle of Wight the response has been slower. However, the recent announcement by Danish energy firm Vestas, that it will begin manufacturing Wind Turbine blades from its Isle of Wight operation, creating 800 jobs, is encouraging. The Solent Gateways project arrives at a point when developers have emerged from the recession.

The development planned for Southampton city centre is mirrored by the Port of Southampton Masterplan which forecasts significant growth, equating to roughly a doubling in activity over 20 years.

To put this in context the value of the port of Southampton to the national economy was assessed in 2011. It employs between 15,000 (direct) and 1,000 (indirect) jobs nationally. It contributed £1.75bn to GDP and £795m towards GVA.

As the recession recedes, the relative flat-lining of traffic movements in recent years is giving way to concerns that the rapid growth of the port, the retail, visitor, the office and leisure offer, together with a significant increase in housing starts, could precipitate a sharp rise in congestion, throttling the powerful latent demand. Indeed, the ports' dependence on land side logistics means this sector is particularly susceptible to the impact of congestion. The port operators, Associated British Ports, consider this issue to be the biggest land side infrastructure threat to growth.

The single most important drivers for the scheme are therefore:

- Internally from the Isle of Wight and Southampton City Council's in their roles as a facilitators of economic growth and highways authorities;
- Externally from companies wanting to invest in Southampton & Isle of Wight to grow their businesses;
- Externally from central government in its bid to promote economic growth and a reduction in CO₂ emissions.

2.07 The 'Do Nothing' Option (The Impact of not changing)

The components in this scheme have appeared explicitly in the following policy and planning documents:

- Solent Local Economic Plan (2014)
- Local Transport Plan 3, 2011-31 (published 2011)
- The City Centre 'Masterplan for Renaissance' (2012)
- Southampton City Streets Programme (2012)
- Transport for South Hampshire Transport Delivery Plan 2011-26 (published 2013)
- Southampton City Centre Action Plan (2014)

Each policy appraisal has endorsed and recommended the scheme components, both in terms of the 'problem' and the solution offered.

These specific outcomes would follow the "do nothing" option:

1. The Visitor Economy of the isle of Wight will not grow, falling further behind in the competitive global tourism market, creating a downward spiral, jeopardising the 14,500 existing jobs in this sector;
2. Constraints will remain on the operation of the port at Southampton (Western Avenue);
3. The East Cowes regeneration programme will not be completed, and the new marina will not fulfil its potential;
4. The Royal Pier regeneration scheme will not proceed, as moving the Red Funnel Terminals is a 'condition precedent' legally enshrined in the recently signed Development Agreement;
5. A significant part of the £15m private sector investment from Red Funnel ferries will be lost, much of it to the local maritime economy.

03 The Economic Case

3.01 Introduction

3.1.1 Options Appraised

To clearly demonstrate the benefits of the scheme elements, the following options were appraised:

- **Do-minimum:** No improvements to Red Funnel and no replacement of floating bridge, therefore when floating bridge reaches the end of asset life, the link is removed.
- **Do-something:** Red Funnel ferry refurbishment, new and relocated ferry terminals, larger and improved marshalling areas, improved access by all modes, floating bridge is replaced and maintained. Also increase in frequency on the floating bridge.

The full Transport User Benefits Appraisal (TUBA) tables and Appraisal Summary Table (AST) are available on request.

3.1.2 Modelling and Appraisal Approach

The Sub-Regional Transport Model (SRTM) forecasts weekday transport movements, assessing morning, inter-peak and evening peak conditions and applying changes to journey mode choice and trip distribution based on changes in relative travel costs. The model is based in 2010 with forecasts years possible for 2014/19/26/31 and 2036.

The SRTM modelling suite is an evidence-based land-use and transport interaction model developed to provide a strong analytical basis for the development of coherent, objective-led implementation plans to enable the changes in transport provision required to deliver prosperity to the area. The integrated forecasting approach contains a suite of transport models and an associated Local Economic Impact Model (LEIM). The toolkit has been developed to assist in the ongoing investigation, appraisal and assessment of different: policies; strategies; and infrastructure, management and operational interventions on land-use policies and transport provision

The main SRTM model area (shown in yellow in the figure below) contains detailed network models and this area, combined with the surrounding area (shown in green) is covered by LEIM.

Using LEIM, the changes in the supply of housing and employment floorspace are controlled in line with local planning policies and national figures in TEMPRO 6.2. Planning assumptions on permissible development were collected from the relevant local planning authorities and they cover the period up to 2026. For the period beyond 2026 LEIM assumes a greater intensification of use at existing sites only.

The overall growth of South Hampshire can be allowed to vary within constraints set by the TEMPRO data at a sector level, to test the impact of transport and planning policies, or it can be fixed to test the consequences of higher or lower levels of growth.

The outputs of the LEIM are used by the transport models to predict the demand for travel to and from areas within South Hampshire and these can be compared to assess the land-use/economic impacts of different planning and transport policies.

Within the SRTM model the LEIM, although available, was specifically not activated to assess any impacts on changes in employment and population resulting from changes in transport accessibility. This was because, while population and employment changes are valid impacts, they are not permitted to be quantified in the BCR section of an appraisal. They can be added as supporting benefits of a scheme but, in this case, it was considered more transparent to adopt a conservative approach in not claiming any changes brought about by actual and perceived accessibility improvements and keep jobs changes restricted to those associated with regeneration impacts. Future Reference case land use inputs were therefore used across all of the Do Minimum, both Do Something and Do Something component tests.

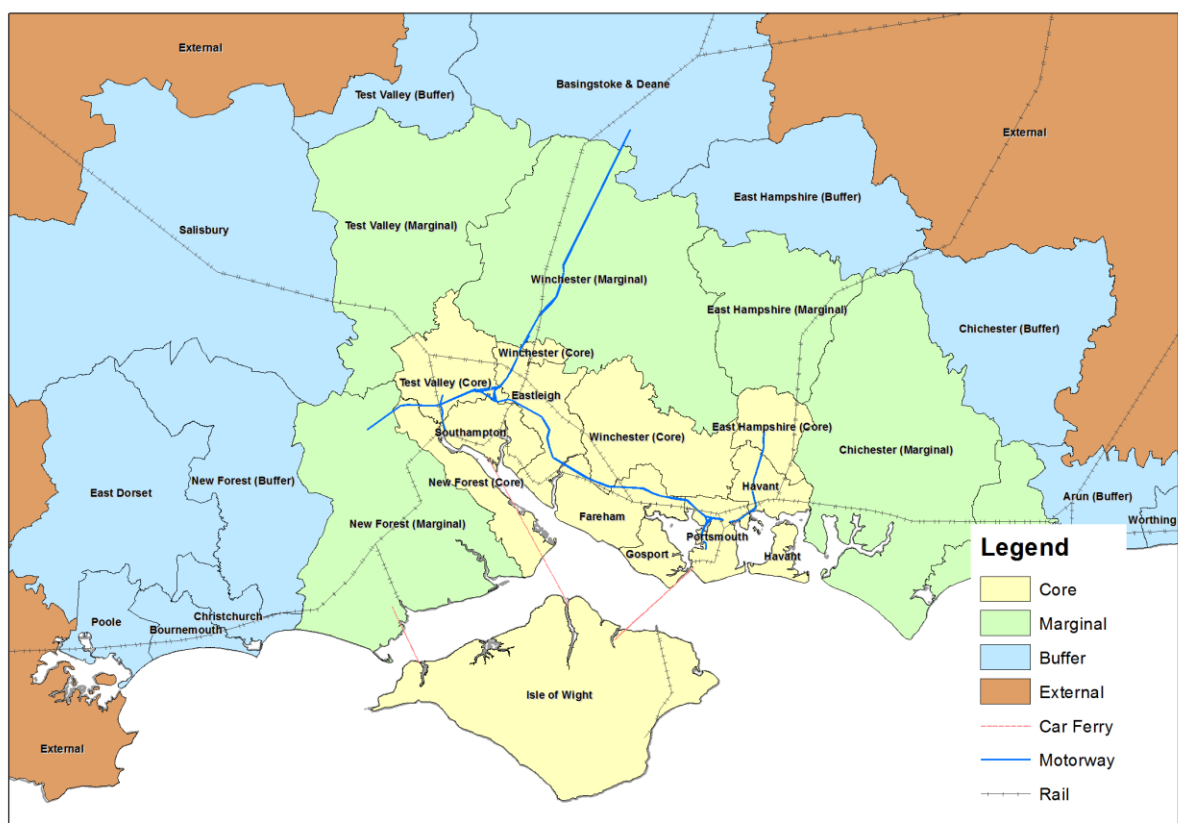


Fig 3.01: Main SRTM model areas

The suite of transport models comprises the Main Demand Model (MDM), the Gateway Demand Model (GDM), Road Traffic Model (RTM) and Public Transport Model (PTM). The figure below shows the interaction of the various models within the SRTM.

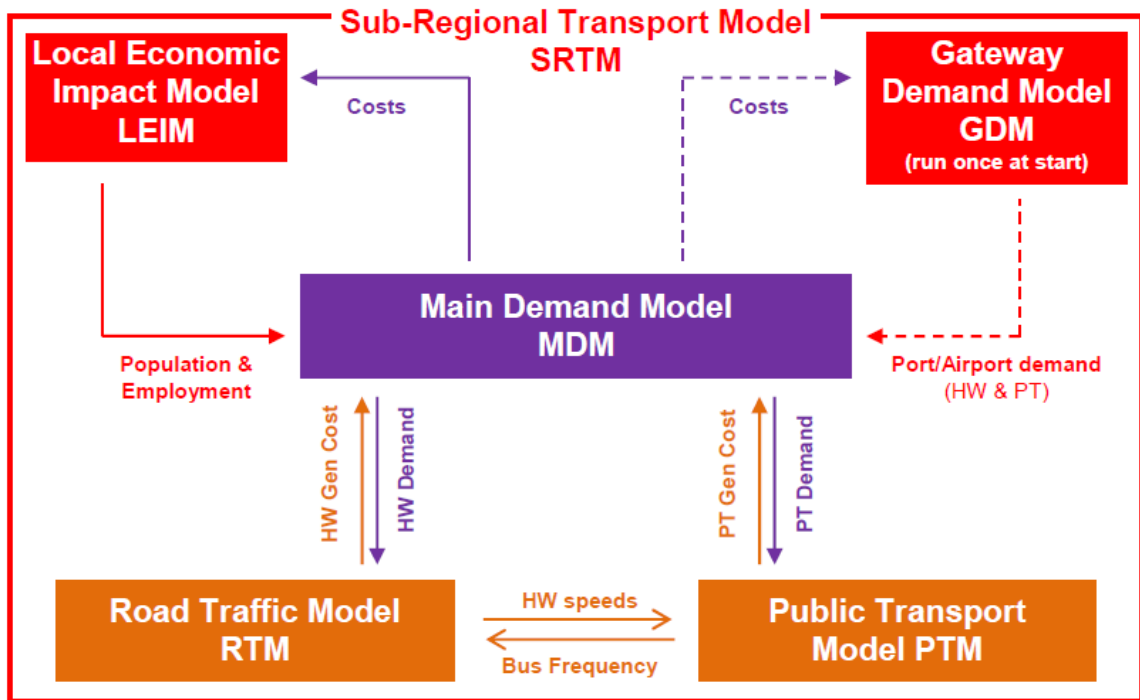


Fig 3.02: Interaction of Models within the SRTM

The table below gives details of how we have dealt with the specific scheme components within the SRTM.

Location	Scheme Component	SRTM Assumption	Assumption Rationale
Southampton Terminal	Bus to Ferry Terminal	Routes uL1So (Airport – Southampton) and uL6So (General Hospital – Southampton) moved from old to new terminal	In line with SRTM highway changes
	Pedestrians walking to Ferry	Highway distances changed within SRTM (An additional 437m from A33 / Old Dock Gate to revised location of Red Funnel terminal)	This will account for changes in distance to/from the terminal. Expected that any disbenefits from extra walk distance will be mitigated by perceived improvements to pedestrian route/ environment giving a perceived journey time saving i.e. impact will be neutral.
	Active mode	No change in SRTM	Quantified outside SRTM - assumption is that improved pedestrian route/ environment will mitigate any increase in pedestrian journey time.
	Public realm improvements	No change in SRTM	as above
	Passenger processing times	No change in SRTM	Quantified outside SRTM based on passenger volumes and an assumed value for processing time savings on both Southampton and loW sides.
	Highway changes	No junction/highway improvements on Platform Road bar changes to Town Quay and Dock Gate 7 access due to relocation of terminal	Ramboll Drg No. 61033193-TD-MR-001 B
	Signals optimised	A33 Town Quay / High Street (AM, IP and PM)	Due to redistribution of traffic arising from the Red Funnel terminal move
	Signals optimised	A33 Platform Road / Orchard Place / Dock Gate 5 (AM, IP and PM)	Due to redistribution of traffic arising from the Red Funnel terminal move

Location	Scheme Component	SRTM Assumption	Assumption Rationale
	Signals optimised	A33 Platform Road / Dock Gate 4 (AM, IP and PM)	Due to redistribution of traffic arising from the Red Funnel terminal move
	Signals optimised	A33 Platform Road / B3039 Canute Road (PM)	Due to redistribution of traffic arising from the Red Funnel terminal move
	Highway changes	Red Funnel terminal relocated to proposed location between Dock Gate 4 and 5.	Ramboll Drg No. 61033193-TD-MR-001 B
	Highway changes	New terminal access modelled as a signalised junction and synchronised with related junction on Platform Road as no extra delays expected.	Information from Ramboll
Across Solent ferries (from Southampton)	All Southampton across Solent Ferries	Moved to new terminal. Distance on ferry link changed (and subsequently time travelled). Equivalent to a 60 second journey time saving.	Ramboll Drg No. 61033193-TD-MR-001 B
	Quality changes	Time saving of 30 seconds applied to highway and PT (modelled by reducing distance in the highway model and time in the PT model)	New ferry terminals and refurbished vessels will significantly improve the journey quality for passengers. Time saving used as a proxy for this benefit. This is similar to methodology used for new Rolling Stock in Passenger Demand Forecasting Handbook (PDFH) for rail appraisals, used in the absence of similar guidance for the maritime industry.
	Reliability change	Time saving of 22.5 seconds applied to highway and PT (modelled by reducing distance in the highway model and time in the PT model)	Red Funnel estimate punctuality improvements from 92% to 95% therefore 3% of passengers will lose at least 5 minutes delay. Reduced delay time weighted by a factor of 3, based on value from PDFH.
	Marshalling yard	See reliability impacts above	Increased marshalling yard will help improve reliability. Impacts and rationale

Location	Scheme Component	SRTM Assumption	Assumption Rationale
Cowes Terminal			described above.
	Buses in East Cowes	No change to 4 Ryde - East Cowes and 5 Newport - East Cowes	Can still use existing highway network so no changes to bus routes
	Highway changes	Junction/Highway improvements on York Avenue, Ferry Road, Link Road and Castle Street	pba Drg No. 14926/002/060 R (York Road pba drg no. 30774-001-05 and Castle Street pba drg no. 30774-001-06)
	Highway changes	New Red Funnel Terminal moved further north of Castle Street. Related junction modelled excludes proposed access to Waitrose and Land use changes have not been accounted for in the model.	pba Drg No. 14926/002/060 R
	Highway changes	Employment zone along Clarence Road provided better access as a result of partial two-way movement on Ferry Road	pba Drg No. 14926/002/060 R
Cowes Chain Ferry	Capacity	Capacity increase by 20% (15 – 18 vehicles)	Information from Isle of Wight
	Frequency	Frequency increase by 10% (5 per hour – 5.5 per hour)	Information from Isle of Wight
	Reliability	Time saving of 1.3 minutes for highway users	Information from Isle of Wight on days shows that current ferry was out of service 19 days per year in 2013/4, requiring car users to drive round. Assume that new ferry will only be unavailable for 2 days per annum. Effective time saving = (19-2) / total days in service (365) x alternative journey time in minutes (28)

3.1.3 Appraisal Assumptions

Standard inputs (scheme file) assumptions were used for the application of TUBA to assess the impact of demand and cost changes in matrices produced by the SRTM. TUBA version 1.9.1 was used with a standard (TAG recommended) set of discount rates, values of time inflators etc. All costs and benefits are reported in 2010 prices and values with scheme construction assumed to start in 2015, opening in 2016 and evaluation period running for the 60 years, 2016-2075.

Financial inputs to TUBA relating to scheme funding are as per the costs presented in the Financial Case. In addition, the document “1335 Cowes Floating Bridge Operations Review Online” provided estimates of operating costs of running the improved floating bridge service of £486k/year, calculated as current operating cost minus the expense of providing a replacement vessel.

In order to accurately assess the scheme impacts using TUBA, some additional processing has taken place on the outputs. This includes:

- Benefits/ tolls are only taken to or from Southampton and IoW sectors
- The tolls and operator revenue have been manually adjusted based on model flows to reflect how tolls are split between the floating bridge and the private ferry operators.
- The resulting tolls adjustment has been fed back in to the “Public accounts” table to arrive at the final PVC, where floating bridge and Itchen Bridge revenue increase has the effect of reducing the PVC
- The resulting private operator adjustment has also been fed back in to the TEE table to arrive at the final PVB, where increased operator revenue has the effect of increasing the PVB
- To realistically capture the benefits of the floating bridge to active mode users, their benefits and cost changes are recalculated based on PT trip generalised cost changes rather than assuming excessive walk times in the Do Minimum scenario
- Further, the benefit provided to active mode users utilising the floating bridge has been adjusted in all time periods to account for differences between 2010 model demand and observed demand

3.02 Economic Impacts

3.2.1 Value for money

The key outputs from the appraisal are:

Present Value of Benefits (PVB)	£107.8m
Present Value of Costs (PVC)	£9.5m
Net Present Value (NPV)	£98.2m
Benefit:Cost Ratio (BCR)	11.3

The table above demonstrates that the scheme represents extremely high value for money. The above indicates that anticipated benefits are well in excess of the costs of the scheme. This may initially seem overly optimistic but further investigation of the modelling and TUBA results reveal a number of reasons for this:

- The do-minimum scenario assumes the removal of the floating bridge as it reaches the end of its asset life. This has a significant negative impact on journey times and connectivity compared to the renewal of this service.
- The increase in capacity and frequency of the floating bridge provide additional revenue benefits to Isle of Wight Council, the operator, which reduces the PVC.
- The scheme encourages more people to come into Southampton to make use of the improved cross-Solent ferry and as a result of the associated highway improvements around Platform Road. This generates additional revenue benefits for Southampton City Council as more vehicles are crossing the Itchen Bridge.

Overall, the revenue generated by this scheme is forecast to be £17m over the 60 year appraisal period, exceeding the initial costs of the scheme. However, what the Councils cannot provide the full capital costs required upfront to deliver this scheme at this stage and funding for both the floating bridge and the Red Funnel improvements are critical to kick-starting the wider regeneration of the Southampton Waterfront and revitalisation of East Cowes town centre.

The specifics of the economic scheme appraisal are explored in more detail in the remainder of this chapter.

Journey Time Saving

This scheme will generate journey time savings for all ferry passengers arising from shorter waterborne journeys as terminals are closer together and the benefits of more efficient marshalling and access to the terminals, allowing for quicker ingress and egress at both ends of the ferry journey.

The movement of the terminals results in a 60 second journey time saving on the crossing alone and the benefits of the quicker ingress and egress are considered as part of the journey time reliability improvements discussed below. In addition to reliability, further journey time savings may be generated through improvements in smart-ticketing and self-checking facilities, similar to those currently used on Eurostar, which will deliver a seamless journey experience for passengers. Although the benefits of this in terms of reliability and punctuality are discussed below, they have not been explicitly modelled within journey time saving benefits as further work is needed to quantify the exact time savings that are anticipated.

Research commissioned by Red Funnel has shown significant benefits to passengers boarding the ferry as a result of the new terminal and marshalling arrangements. For example, on a busy Friday¹, average 'roll on' time in East Cowes is currently 4.6 minutes, with some vehicles taking nearly 15 minutes to load. With the new arrangements, this is forecast to reduce to an average load time of 1.8 minutes, with no vehicle taking more than 8.6 minutes to load onto the ferry.

The floating bridge, which provides a vital link between East and Cowes, is currently at the end of its asset life and therefore in need of replacement. If the bridge is not replaced, users face a 10 mile, 28 minute detour by road to complete their journey. These significant time savings delivered by the presence of a reliable floating bridge can be seen in the difference between the Do-Minimum and Do-Something scenarios. When considering both the floating bridge and the Red Funnel associated improvements, these journey time savings amount to £152.7m over the 60-year appraisal period. This includes £58.8m of journey time benefits for business users.

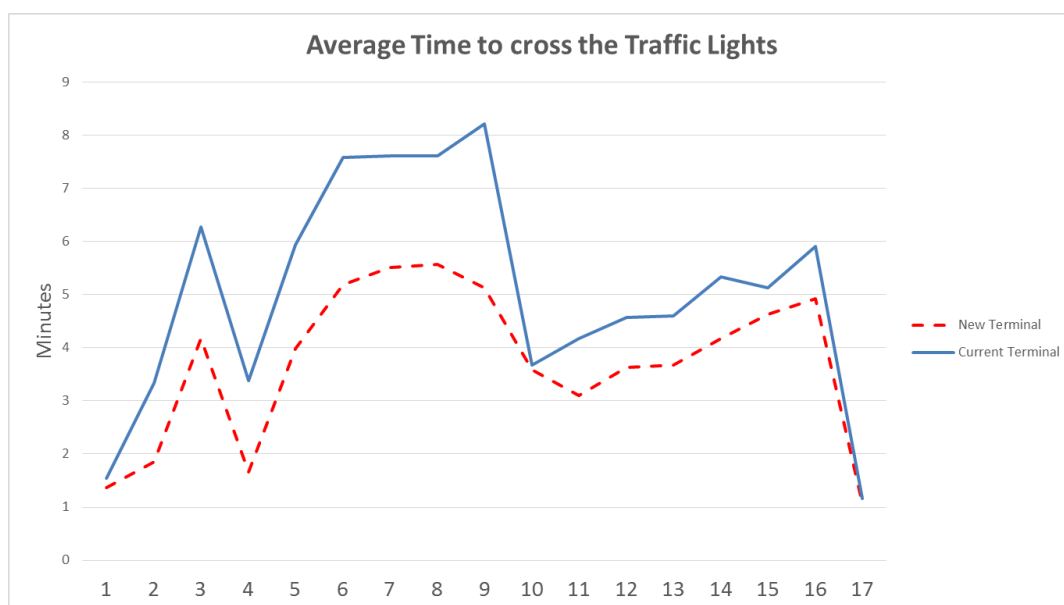
Local traffic around Southampton port and East Cowes town centre will also benefit considerably from the more efficient marshalling areas, which will reduce stress on key junctions near the ports and from the relocation of the marshalling area in East Cowes, which will reduce traffic through the town centre. Whilst considered within the monetised journey time savings, these decongestion benefits will also have a positive impact on journey time reliability.

¹ Based on demand from 14th June 2013

Journey Time Reliability

The current marshalling areas for Red Funnel on both sides of the Solent are a considerable constraint on the ferry operations and cause reliability and punctuality problems for the operators and passengers. Red Funnel have commissioned research into the current situation at the East Cowes terminal which has shown that on an extremely busy day, at least 5% of all vehicles take more than 15 minutes to roll-off the ferry², with the average time taken being 6.6 minutes. Even on a 'busy Friday', average roll-off time is 5.9 minutes.

Currently the size of the marshalling yard is limiting their ability to turn the ferries around in the allotted 30 minutes and the efficiency of the ferry loading. For example, the mezzanine level of the ferry, which holds 17 cars, cannot be deployed if a high-sided HGV is in a certain position on the lower level. Avoiding this requires loading vehicles in a particular order, which is more challenging when there is limited marshalling space to queue the vehicles in the right order and location. The Red Funnel-commissioned research has modelled the impact of new the marshalling yard arrangements at East Cowes and found that on a busy Friday, roll-off times are reduced by nearly a minute (to an average of 4.95 minutes) as a result of the new operational arrangements and terminal, with no vehicle taking more than 14 minutes to exit the terminal.



Customer satisfaction data from Red Funnel has also revealed that ferry loading is consistently one of the top five reasons for customer complaints, particularly from premium loading customers who don't actually get a premium service due to delays. The operator anticipates that improved vehicle marshalling and access, together with easier pedestrian and cycle access will lead to an improvement in ferry punctuality from 92% to 95% as a result of the scheme.

² Defined as higher demand than a 'busy Friday', which is based on demand from 14th June 2013.

Ferry punctuality is defined in terms of those that depart within 5 minutes of the timetabled departure time. Therefore, this improvement in punctuality (from 92% to 95%) equates to 3% of passengers losing a 5 minute delay, at a conservative estimate.

Red Funnel have reported that they experience capacity problems on every Friday, Saturday and Monday during busy months on the Southampton side. This often results in congestion and blocking back onto Platform Road as passengers queue to access the ferry terminal or are turned away due to lack of waiting capacity. This is exacerbated by other events and trip generators in the area including the cruise ships, Southampton football club and IKEA. Similar issues have been reported on the Isle of Wight where ferry traffic causes congestion as it queues through East Cowes town centre. The introduction of larger and improved marshalling areas and the better waiting facilities on offer will reduce this congestion on the local roads and help to spread demand as passengers have the facilities and the space to wait at the ferry terminals.

Given the age of floating bridge, reliability of the current vessel is an issue. Data from the past year shows that the vessel has been unavailable for service on 19 days. With the replacement of the bridge with a new, more reliable vessel we can assume a much better reliability and therefore a significant benefit to users in terms of reliability and journey time saving for those days, amounting to 78 seconds per highway user over above the current level of service provided.

We have calculated this as follows:

$$(\text{days unavailable}-2)/\text{total days in service}) \times \text{alternative journey time in minutes} \times \text{no of highway users of the floating bridge.}$$

Operator Savings and Revenue Benefits

The refurbished fleet of Red Funnel ferries and the slightly shorter crossing distance will have benefits for the operator too. Red Funnel have calculated that they can make significant fuel efficiencies, resulting in savings anticipated to be over £140,000 per annum. These fuel savings will also have benefits in terms of reduced carbon and improved air quality, which are discussed in more detail in Section 3 of this chapter.

The Isle of Wight Council, operators of the current Cowes floating bridge, will also benefit significantly from this scheme by way of reduced maintenance costs associated with the bridge. As it is approaching the end of its asset life, the vessel has become more unreliable and last year was out of service for 19 days. Information provided by the Council shows that this results in considerable addition costs for vessel maintenance, leasing a replacement vessel (that can only be used by foot passengers) and the associated premises, as well as lost revenue from car passengers. The new vessel will be more modern and reliable and so assuming 2 days of unavailability throughout the year, which the current ferry has achieved in past years, we have estimated that the replacement vessel will generate a £6.8m reduction in maintenance costs for the Council over the 60 year appraisal period. As reported earlier in the chapter, both the Isle of Wight and Southampton Councils will generate revenue from the charges for the floating bridge and the Itchen Bridge, and

with the scheme improvements increasing demand for these services, revenue will also increase.

Recent public consultation has taken place regarding the fares on the floating bridge. However, as the consultation has just closed and results have not been reported, we have assumed that charges for the bridge remain as they currently are.

3.2.2 Regeneration

TAG Unit A2.2 states that *'if accessibility is not currently a constraint, or a scheme does provide a significant change in journey times, journey costs, or journey reliability for trips to, from, and/or within a regeneration area, then a statement to that effect should be provided in the Appraisal Specification Report.'*

The Red Funnel improvements are likely to have a significant role in the regeneration of the Isle of Wight and its continued economic vitality as this cross-Solent route provides a crucial link between the Isle of Wight and the mainland. It will also support the continued growth of Southampton port and the regeneration of the waterfront area, particularly as relocating the Southampton ferry terminal will unlock land for development, which will form Phase 0 of the major Royal Pier development.

In addition, the renewal and retention of the 'floating bridge', connecting East Cowes and Cowes, would safeguard against journey time increases of 28 minutes, if passengers were forced to take the road alternative. While the retention of the 'floating bridge' does not introduce significant transport benefits over the existing situation, if the scheme did not progress there would be a significant transport dis-benefit to the regeneration of East Cowes when the infrastructure is removed at the end of its asset life in 2016.

The Medina Valley, where the floating bridge and Isle of Wight Red Funnel ferry terminal are situated on the Isle of Wight is a designated regeneration area. Using the structure of the TAG Regeneration worksheet included in Unit 2.2, this business case has already set out a number of the expected impacts in relation to regeneration including:

- Current economy of the area and transport constraints on economic activity (see Strategic Case)
- Quantified impacts on journey times, journey time reliability, including for business trips (see Economic Case Section 2.1)

We have also provided an analysis of the development potential indirectly unlocked by the scheme, and the potential uplift to jobs and GVA resulting in the Isle of Wight Council (IoWC) Southampton City Council (SCC) areas, which is described in the following section.

Given the potential of the scheme to act as an enhanced gateway to the Isle of Wight and to maintain important connectivity with Southampton, we assess that the scheme will have a **large beneficial** impact on regeneration.

3.2.3 Employment and GVA impacts

The employment, housing and GVA impacts have been assessed using anticipated growth projections from the Isle of Wight Council (IoWC) Southampton City Council (SCC), including the SCC Major Projects Operational Report, East Cowes Masterplan, Southampton City Deal, Planning Applications and the SCC City Centre Delivery Plan Report. The scheme is expected to improve capacity, journey time reliability and quality, improving overall accessibility between Southampton and the Isle of Wight. The scheme would also replace the existing 'floating bridge', currently at the end of its asset life, retaining an important connection between East Cowes and Cowes.

As a result, the scheme is expected to generate a range of direct and indirect employment opportunities across a range of sectors, unlock the potential for future housing delivery and increase the number of visitors.

Direct transport-related construction jobs

The direct employment outputs are taken to be those created during the construction process of this scheme and have been estimated at **410** temporary construction jobs based on 12.5 FTE/£million of the total scheme spend.

Isle of Wight Tourism Jobs

In addition, we have used the Isle of Wight Tourism Trends Quarterly Bulletin Spring 2013, to forecast the impact of the scheme on tourism-related jobs. The bulletin is compiled using data gathered from face-to-face interviews among a sample of approximately 4,700 passengers on board the six ferry routes to the Island.

The principal methodology is:

- 1) Take the anticipated increase in total visitor numbers on the Southampton-East Cowes route provided by Red Funnel, and multiply by the aggregated per-head spend at a ratio of 57% (the percentage of those passengers who are visitors). This gives an increase in total spend of £29.6m
- 2) Also assume a per-head increase in spend of 7% on the total spend, resulting from the higher quality journey offer, giving a further increase of £20.0m
- 3) Take the combined total of £49.6m and an assumption of £30,000 cost per FTE job give a total of **1,653** jobs created. These jobs will be generated as a direct result of improved connectivity between Isle of Wight and Southampton and the continued provision of the floating bridge service between Cowes and East Cowes.

Development-Related Jobs

The table below summarises the forecast development-related indirect outcomes predicted for the scheme:

Type	Forecast Indirect Development
Residential	700 units
Employment	74,685m ² gross external area
Leisure	33,296m ² gross external area
Retail	7,863m ² gross external area
Hotel	340 beds

The total development floor space that will be indirectly facilitated by the scheme is **115,664m²**.

The scheme will release land for higher value uses and help facilitate 66,038m² of B1 employment uses, 35,117m² of retail/leisure and a 340 bed hotel at the proposed Royal Pier Waterfront mixed use development in Southampton. The development includes a major enhancement to the Mayflower public park, directly on the waterfront, providing a hugely valuable asset in the city's drive to improve rental and capital values and GVA.

The scheme will also help support the reclamation and regeneration of the East Cowes town centre with 8,647 m² of B1, 2 and 8 employment uses and 5,862 m² of retail/leisure at the proposed Venture Quays, Trinity Wharf, Kingston Marine Park and Island Technology Park sites. The renewal of the 'floating bridge' will also maintain a vital connection between East and West Cowes.

A total of **700** housing starts will be indirectly facilitated by the scheme.

The scheme will help bring forward 550 homes within Southampton at the Royal Pier Waterfront Development and 150 homes on the Isle of Wight at Venture Quays and Trinity Wharf. The scheme will bring about improvements to the public realm through the major enhancements to the Mayflower public park and the removal of marshalling areas from East Cowes town centre, adding to the vitality of the local area, improving the urban area and removing the transport barriers and congestion which currently frustrates growth in East Cowes. The replacement and retention of a 'floating bridge' removes a potential transport barrier and severance of two urban communities.

The application of employment densities taken from the Homes and Communities Agency 'Employment Densities Guide' 2nd Edition 2010 (Driver Jonas Deloitte) indicates that if this level of development was realised, up to **6,225** indirect gross Full Time Equivalent (FTE) jobs would be created.

Indirect Employment outputs are taken as those jobs created at development or re-development sites in close proximity to the scheme which could be facilitated by the implementation of the scheme or where the scheme will form a key part of the access strategy for sites that are further afield; or those jobs which have been safeguarded or prevented from moving out of the area.

As such the following categories of beneficial indirect employment outputs have been identified:

- those relating to the facilitation of regeneration and development sites through release of land following the relocation of Red Funnel activities including terminals and marshalling areas. In this context it is anticipated that approximately with 4,598 gross jobs will be facilitated at the Royal Pier development and 397 gross jobs at the various East Cowes site;
- those relating to safeguarded jobs which may otherwise be lost with any drop in business resulting from ageing infrastructure and poor connectivity and journey quality. In this instance existing jobs relating to the tourist industry would be at risk. A conservative estimate calculates that 191 (2%) of existing jobs in the Isle of Wight tourism sector would be safeguarded if the scheme went ahead.

With the exception of safeguarded existing jobs, it is not possible to predict whether the jobs will be 'new' to the SCC and IoWC economies or relocated from elsewhere in the councils' boundaries, if this level of employment is achieved. Only the former will represent an expansion in the local economy. We have taken the conservative view that only 20% will be net additional jobs, a total of **1,330**. It should be noted this is a purely notional conservative estimate and it is anticipated that any net additionally could be as high as 40% as suggested by HM Treasury guidance.

The table below summarises the gross and net additional jobs created or safeguarded by the scheme.

	Total Jobs	Net Additional Jobs (@20%)
Total Jobs safeguarded	191	191
Total gross jobs indirectly created	4,995	999
Total Temporary Construction Jobs	410	82
Total Direct Tourism-related jobs	1,653	331
Total Gross and Net Additional	7,249	1,603

Wider Impacts

The 2011 Annual Business Survey, produced by the Office of National Statistics suggests that 37% of construction spend in the UK relates to the sector's GVA contribution nationally. The direct impact of the scheme construction investment (£32.8m) is therefore approximately £12.14m based on the ratio of total turnover to GVA. The indirect impact of construction investment into the associated development sites at Royal Pier and East Cowes (£458m) is therefore approximately £169m. This equates to £29,610 of GVA per temporary construction employee directly or indirectly involved with the scheme.

Oxford Economics report Solent LEP Economic Output (March 2014), states that average productivity in 2013 for the Solent LEP area was just under £38,000 per annum. Assuming this level of productivity for the 1,603 additional jobs created by the scheme, then a total GVA uplift would be £60.9m per annum.

The scheme will trigger significant wider economic benefits improving overall access to the Isle of Wight and assist with the 8,320 homes, 42 hectares of new economic development and 7,550 jobs to be delivered across the lifetime of the IoWC Core Strategy up to 2027. The relocation of marshalling areas, removal of congestion, enhanced public realm and improved ferry interchange brought about by this scheme will help ensure this area remains an attractive proposition for businesses and safeguard jobs. Without this investment, land would not be made available for future regeneration and a vital transport link between East and West Cowes would not be retained. Furthermore, existing local employment and tourism markets in the immediate area would be more vulnerable as infrastructure is not improved.

3.03 Environmental Impacts

3.3.1 Air Quality

The SRTM has an inbuilt Emissions Assessment Tool (EAT) application, which provided outputs for carbon and other greenhouse gas emissions. The SRTM-EAT uses the same underlying methodology as used in the DEFRA Emissions Factor Toolkit. The results from EAT are shown below:

	Nox kg / 12hr	PM10 kg / 12hr	HC kg / 12hr	CO kg / 12hr	Carbon kg / 12hr
New Forest	0	0	0	0	18
Test Valley	0	0	0	-2	-131
Southampton	1	0	0	1	311
Eastleigh	-1	0	-1	-8	-417
Winchester	0	0	0	-1	-22
Fareham	0	0	0	0	31
Gosport	0	0	0	0	-6
Portsmouth	0	0	0	-1	-81
Havant	0	0	0	-1	-29
East Hampshire	0	0	0	0	3
Isle of Wight	-1	0	-1	-9	-518

From Core	-2	0	-2	-20	-841
-----------	----	---	----	-----	------

Marginal	0	0	0	-2	-48
Buffer	0	0	0	1	48
External	0	0	0	0	-22
Total	-2	0	-3	-22	-863

The results show a reduction in emissions on the Isle of Wight, caused by drivers utilising the shorter route across the floating bridge which is now available rather than rerouting a longer journey. The results also show that Southampton and the surrounding area has an increase in emissions as it attracts increased highway flows to the improved Red Funnel service and city centre improvements.

There are a number of elements of this scheme that will contribute to changes in air quality. The improved vehicle marshalling areas should reduce the number of turning movements and therefore engine start/stops, reducing emissions. The ferry operator already uses 0.1% sulphur fuel ahead of the introduction of this

requirement under EU regulations in 2015. By moving both terminals nearer to each other, the ferry operator estimates fuel savings of up to 1.5%, offering knock-on carbon savings.

The overall impact of the scheme is a reduction in all emissions except PM10 (which is neutral) and particular benefits in carbon, where we see a reduction of 841 kg of carbon per 12 hours. This is equivalent to over 269 tonnes per annum³.

Since November 2011 TAG guidance has measured greenhouse gas impacts in terms of tonnes of carbon dioxide equivalents, prior to this it was measured in tonnes of carbon equivalent. Therefore, in order to convert the SRTM-EAT outputs to the latest unit of measures we have multiplied it by the conversion factor of 44/12 based on the relative molecular mass of carbon dioxide to carbon. This would result in a saving of 986 tonnes of carbon equivalent per annum.

3.3.2 Noise

This scheme will not result in significant highway or maritime traffic flow changes and therefore our assessment is that it will not have a noticeable impact on noise levels in the area. Therefore, the impact is ***neutral***.

3.3.3 Landscape, Townscape and Historic Resources

The redesign of the Red Funnel marshalling yards will reduce the impact of ferry traffic on the local area, thus improving the townscape in these locations, particularly East Cowes. Scheme elements also include landscaping and improved pedestrian and cyclist access to the terminals, which should create a more pleasant environment.

Crucially, this scheme is the catalyst for the redevelopment of Southampton Waterfront and the revitalisation of East Cowes town centre. The relocation of the ferry terminal in Southampton will allow the Royal Pier development to proceed; the first phase in regenerating the waterfront in Southampton and providing attractive access to the port and the Solent.

The potential is significant although we recognise that this scheme is only the first phase in unlocking that larger potential, therefore, we assess the impact of the scheme to be ***moderately beneficial*** to landscape, townscape and historic resources.

3.3.4 Biodiversity and Water Environment

Although this is a waterborne scheme, we do not anticipate any significant impacts on the biodiversity or water environment of the surrounding area because the scheme involves improvements to pre-existing ferry services. In terms of their impact on the environment, these services will not be materially different from

³ Assuming a 1.265 factor for the 12hr period between 1900 – 0700, based on variation in highway demand observed in the SRTM and 253 working days per year.

those currently in place and therefore we anticipate a **neutral** impact on biodiversity and water environment.

3.04 Social and Distributional Impacts

An analysis of the Social and Distributional Impacts of the Red Funnel scheme has been undertaken following the principals laid out in TAG units A4.1 (Social Impact Appraisal) and A4.2 (Distributional Impact Appraisal).

In line with this guidance, an approach that is proportionate to the size of the investment and nature of the scheme has been taken.

The following table summarises the indicators included within the Social and Distributional Impacts analysis, and the analytical approach we have taken for the scheme. Blank cells indicate that no analysis is required by the guidance. Note that there is a screening stage for Distributional impacts to determine whether a detail appraisal is required. In several cases below only the screening stage has been undertaken as this has indicated that no further analysis is required.

Area	Proposed Social Assessment	Proposed Distributional Assessment
User Benefits	Assessed quantitative under Economic Impacts section.	Qualitative Only. As per example in TAG unit A4.2. Suggests lower income groups could be disproportionately impacted by removal of floating bridge (in do-minimum scenario)
Physical Activity	Analysed using Health Economic Assessment Tool (HEAT).	
Noise		Screening stage only. Changes in traffic flows are not significant enough to require an assessment. Also no schools or other children's facilities which would require an assessment.
Air Quality	Analysed using Emissions Assessment Tool (EAT).	Screening stage only. Changes in traffic flows are not significant enough to require an assessment. Also no schools or other children's facilities which would require an assessment.
Accidents		Detailed analysis not required as no significant changes in traffic flows.
Security	Qualitative assessment only using criteria set out Table 4.1 of TAG unit A4.1.	Not appropriate to identify an impact area, given that this scheme covers ports.
Severance	Largely qualitative assessment using criteria set out Table 5.1 of TAG unit A4.1. Additional supporting quantitative analysis of journey time impacts considered under Economic Impacts.	Quantitative assessment using the model demand by time of day, which highlights potentially disproportionate impact on school children.
Journey Quality	Largely qualitative assessment using TAG unit A4.1. Some quantitative assessment made using PDFH values as a proxy.	
Option and Non-Use Values	No impacts. Scheme does not "substantially change the availability of transport services within the study area."	
Accessibility	Undertaken as a Distributional Impact.	
Personal Affordability	Undertaken as a Distributional Impact.	

The following sections describe the approach and results of these analyses for each indicator.

3.4.1 User Benefits

The user benefits are calculated as part of the Economic Impacts and are reported in that section of this chapter.

A distributional impacts analysis is required where the impacts of a scheme can be ascribed to specific residential areas, as an analysis against the income profile of those areas can be made. As the ferry ports draw passengers from a large catchment area it is difficult to determine the profile and therefore TAG Unit A4.2 recommends a more qualitative approach.

Considering that the floating bridge is within a defined regeneration area, we may infer that those affected by its removal (in the do-minimum) may be of lower income groups and would be disproportionately affected by the loss of this connectivity as they lack the means to make alternative arrangements. Further analysis of the distribution of scheme benefits by modes shows that active and public transport mode users receive around £61.0m benefit from the scheme over the 60-year appraisal period, which is more than half of the overall user benefit of the scheme. In general, the users of these modes – bus in particular – have lower incomes than car users. It is therefore possible that the benefits of the scheme may be in fact weighted towards these groups and that these lower income groups would be disproportionately impacted if the scheme was not implemented.

3.4.2 Physical Activity

Whilst the scheme is not directed at active modes, there may be some benefits arising from the continued provision of the floating bridge link, which will facilitate pedestrian and cycle journeys across the Medina. The scheme also includes investment to improve the walk and cycle access to the cross-Solent ferry terminals and the provision of facilities such as secure cycle parking, again encouraging integration between the ferry and active modes.

We have assessed these potential benefits using the SRTM. The SRTM incorporates the World Health Organisation's Health Economic Assessment Tool (HEAT). HEAT calculates the number of preventable deaths per person as a result of changes in walking and cycling. It includes using the DfT's statistical value of lives and mortality rates and therefore giving values to the changes in mortality. In addition to preventable deaths the HEAT tool also calculates the benefits of reduced absenteeism as a result of extra active mode trips (over 30 minutes in duration).

The results from the HEAT analysis for the scheme are as follows:

Lives Saved			
	Cycle	<i>persons /yr</i>	-0.0002
	Walk	<i>persons /yr</i>	-0.0005
	Total	<i>persons /yr</i>	-0.0007
Mortality			
	Cycle	<i>£/yr</i>	-227
	Walk	<i>£/yr</i>	-592
	Total	<i>£/yr</i>	-819
Absenteeism Benefits			
	Cycle	<i>£/yr</i>	8
	Walk	<i>£/yr</i>	246
	Total	<i>£/yr</i>	254

These results show that there is a very small disbenefit in terms of lives saved and mortality benefits, driven by an increase in 12 hour pcu kms driven in the model area by 3,525. However there is a positive absenteeism benefit due to the net improvement in overall air quality.

Based on these results, the Physical Activity SI assessment for the Red Funnel scheme is ***neutral***.

3.4.3 Noise

The screening criteria require that a Noise DI distributional assessment impact is undertaken if the intervention causes:

- Significant changes in traffic flow, speed or %HDV content (>+25% or <-20%)
- A change in the separation between people and traffic
- There are schools or other places where children spend significant time outside in the vicinity.

None of the above applies for this scheme. Therefore no DI assessment has been made, and as the changes in traffic flows resulting from the scheme are minimal, the SI is assessed as ***neutral***.

3.4.4 Air Quality

The same screening criteria used for Noise also apply to Air Quality, so on the same basis the SI assessment for this indicator is **neutral**, and no DI analysis is required.

3.4.5 Accidents

The new vehicle marshalling areas on both sides will mitigate existing pedestrian/vehicle conflicts, especially in East Cowes where the two marshalling areas are bisected by an A road (A3021), which carries not only internal town traffic but also vehicles leaving the floating bridge – the most direct link between Cowes and East Cowes. The replacement floating bridge will also provide a greater degree of separation between vehicles and passengers on the vessel, thus reducing the level of conflict.

Therefore we might expect a small reduction in accident levels is anticipated in the slight injury category. However, the overall impacts will be small and there are not recognised safety concerns that this scheme seeks to address so we assess the overall impact to be **neutral**.

Security

New facilities and improvements to public realm can contribute to perceptions of a safety environment. However, as security arrangements are already in place at the ferry terminals (including guards and CCTV), there is not expected to be a material change in the security as a result of the scheme and therefore we assess its impact to be **neutral** overall.

3.4.6 Severance

The benefits of this scheme in terms of reduced severance compared to the do-minimum scenario are significant. Without the floating bridge connection, users of the service would be forced into a 10 mile detour to travel between East Cowes and Cowes and pedestrians would therefore have to switch modes to car or public transport in order to complete this journey or not travel at all. In addition, modelling results have shown that a lot of demand for the floating bridge is actually passengers travelling across from Southampton via the cross-Solent ferries and therefore it is not just local residents that would be affected by the removal of this link. Around 2,000 pedestrians and cyclists a day (average weekday) would be affected by the removal of this link and would be forced either to take alternative modes or not travel at all. Overall, the floating bridge carries around 3,680 passengers on an average weekday.

Continued and improved cross-Solent ferries are also vital to connect the Isle of Wight to the mainland and support its population in terms of providing access to jobs and key services and in providing a route for tourists to the island, who are vital to ensuring its economic sustainability. If the scheme is not in place then these movements will be constrained by the capacity, frequency and reliability of the current service.

Modelling results have shown the peak in demand for the chain ferry around the start and end of the school day, indicating the importance of this connectivity to

local school children, who would be disproportionately affected by the loss of this link, particularly those travelling via active modes.

Therefore we assess the scheme to have a **large beneficial** impact in terms of reducing severance.

3.4.7 Journey Quality

Refurbished ferries and new ferry terminals, along with the improved marshalling arrangements will result in significant positive journey quality benefits for cross-Solent passengers. Significant investment from Red Funnel will provide modern terminals and vessels, vastly improving the end to end journey from arrival, check-in, facilities on offer at the terminal, and boarding, alighting and on-board services. This will include facilities such as automatic self-check-in, greatly improved range and quality of retail at the ferry terminals and more comfortable, quieter vessels. A new, more reliable floating bridge will also represent a significant improvement to passengers.

As the difference in journey quality is considerable, we have provided a monetised benefit for this on the assumption that the quality improvements are equivalent to a 30 second journey time saving for each passenger. This is based on a similar methodology used for new rolling stock in the Passenger Demand Forecasting Handbook (PDFH) for rail, in the absence of similar guidance for the maritime industry.

In addition, the re-routing of ferry traffic to avoid East Cowes town centre will also have a significant benefit for East Cowes residents and visitors, providing a much more pleasant environment in the town centre.

As the details of the public realm improvements are still in development, we have not yet undertaken a full economic assessment of the overall benefits that will be accrued from the improved pedestrian and walking access to the terminals and the re-claiming of East Cowes town centre as a result of the changes to traffic flow arrangements for the ferry there. The latter is likely to be particularly beneficial for passengers as well as visitors, local residents and businesses in East Cowes.

Therefore we assess the scheme to have a **large beneficial** impact on journey quality.

3.4.8 Options and Non-user Values

Continued provision of the floating bridge will have a **large beneficial** impact on options and non-user values as it represents a step-change in service compared to the do-minimum scenario where no such link exists. Output from the SRTM suggests that 3,680 passengers make use of this link on a daily basis. However, it is difficult to estimate the full catchment of the floating bridge because although it provides a local link between Cowes and East Cowes, model outputs show that it draws traffic from Southampton and further afield as cross-Solent traffic looks to continue its journey via the floating bridge, once reaching the Isle of Wight.

3.4.9 Accessibility

Removal of the floating bridge between Cowes and East Cowes would have a significantly detrimental effect on accessibility, not just for those in the immediate vicinity of the transport link. It is also vital to maintain the connectivity between Isle of Wight and Southampton as this provides access to employment and numerous key services, particularly healthcare. The impacts of the loss of this connectivity are also discussed under the Severance section.

We have assessed the scheme as having a ***large beneficial*** impact on accessibility.

3.4.10 Personal Affordability

The impacts on personal affordability are likely to be ***slightly beneficial***, particularly in relation to the provision of the floating bridge service as this provides a cheap or free for pedestrians and cyclists, mode of transport across the Medina. This provides benefits to a number of vulnerable groups, such as those on low income, the young, students and the unemployed.

04 Financial Case

4.1 Introduction

This section sets out the approach taken to assess the affordability of the Solent Gateways scheme. Each of the three components will, in its financial aspects, be managed under distinct regimes of cost control. These are described in the Commercial Case below.

An overarching Risk Register is maintained and updated by the Project Manager on a monthly basis.

We have set out in 4.2 below a high-level estimate of scheme costs, broken down into its three main components. These costs represent estimates against current known specifications and quantities.

4.2 Costs

SOLENT GATEWAYS					FUNDING PROFILE	
PROJECT COMPONENT	2015/16	2016/17	2017/18	TOTAL	SLEP Funding	Private Funding
1 Project Management & Scheme Development						
<i>PM Sub-Total</i>	£187,500	£48,000	£12,000	£247,500	£247,500	
2 Ferry Upgrades						
<i>Ferry Upgrades Sub-Total</i>	£5,000,000	£0	£6,000,000	£11,000,000		£11,000,000
3 East Cowes						
Public Realm & Floating Bridge	£4,492,500	£2,286,700	£708,300	£7,487,500	£7,487,500	
Land Assembly	£2,550,000			£2,550,000		£2,550,000
Ferry Terminal Construction		£1,500,000		£1,500,000		£1,500,000
<i>East Cowes Sub-Total</i>	£7,042,500	£3,786,700	£708,300	£11,537,500	£7,487,500	£4,050,000
4 TRAFALGAR DOCK (ROYAL PIER)						
Public Realm	£1,320,000	£3,469,300	£2,475,700	£7,265,000	£7,265,000	
Ferry Terminal Construction		£2,500,000		£2,500,000		£2,500,000
<i>Trafalgar Dock Sub-Total</i>	£1,320,000	£5,969,300	£2,475,700	£9,765,000	£7,265,000	£2,500,000
TOTAL	£13,550,000	£9,804,000	£9,196,000	£32,550,000	£15,000,000	£17,550,000
<i>Profile of LEP funding only across funding period</i>	£6,000,000	£5,804,000	£3,196,000	£15,000,000		
Assumptions						
All figures are estimates only						

4.3 Budgets/Funding Cover

The table above shows the costs attributable to the project, together with a breakdown of the funding partners' contributions. The private sector partners have confirmed their commitment to funding the specific elements of the project attributable to their organisation.

East Cowes

Red Funnel Group have entered a borrowing arrangement under the SLEP Growing Places fund, for the capital needed for the land assembly at East Cowes. The loan from the LEP will be a formal agreement subject to various terms including such items as the interest to be charged and the repayment schedule.

This loan is subject to Board approval and also has to meet the rules laid down for such transactions contained within the Red Funnel banking facilities agreement.

There is very little risk with servicing the repayment and interest.

The future maintenance of the Floating Bridge will be covered through continuation of the current charges levied at point of use, which are sufficient for this purpose, based on historical precedence.

4.4 Accounting Implications

Southampton

The public access works at Trafalgar Dock works create highways assets on ABP land, and subject to the designs being to an adoptable standard, will be adopted by Southampton City Council. The assets will therefore be added to the asset register held and maintained under the Balfour Beatty Living Places/SCC Highways Partnership. A commuted sum will be used to cover this cost over the life cycle of the asset.

East Cowes

The public realm works at East Cowes will be carried out on the public highways. The works will therefore fall within the assets held and managed by Island Roads under a Private Finance Initiative, within an SOPC4 contract. This is described in more detail in the commercial case below. Where necessary within the conditions of the contract, a commuted sum will be used to cover this cost over the life cycle of the asset.

4.5 State Aid Implications

Advice has been sought by the Project Board. We believe no part of the project implies State Aid.

05 Commercial Case

5.1 Introduction

This section sets-out the approach to commercial viability for the Solent Gateways scheme.

5.2 Specifications

Southampton

The developer, Royal Pier Waterfront Ltd, has prepared a masterplan for the development of the site, undertaken significant survey work and negotiated legal agreements with the landowners to enable the development to proceed. A Development Agreement was signed in February 2014.

Under the terms of the tripartite agreement being drawn up between RPW Ltd, Red Funnel (the ferry operator) and Associated British Ports (the land owner), the developer is responsible for facilitating the move of the ferry operation to Dock Gate 5 (Trafalgar Dock). Using its retained consultants, AECOM and Ramboll (Transport), the developer has prepared an outline General Arrangement for the scheme, including the public realm components, as show at **figure 2.6** in the Strategic Case above, set against these outcomes:

1. Increase capacity including a marshalling yard to 450 CEU's
2. Reduce congestion on the adjoining road network
3. New sate of the art terminal and improved Interchange
4. Improved taxi/private vehicle pick up/drop off
5. Improved commuter parking
6. Improved cycle links and cycle parking
7. Improved pedestrian walkway

This specification will be developed into detailed design once the go ahead is given for the scheme and will include:

- Access Road 590m long loop
- Traffic light control to access road
- Electronic bus information services
- Pedestrian Route and Cycle Path Berth 50
- Allowance for associated contamination remediation

- Cycle Path and upgrade up to High Street - say
- Public Realm Works to Terminal Building
- Demolition of Pump House
- Works to Pump House
- Relocation of Sub-Station
- Renovate Railway Lines and Bollards
- Re-Use Heritage gate posts
- Relocate and external painting of Calshot
- Repair works to Quay
- Contingency for Heritage items
- Removal of existing dolphins
- Flood defence works - raising terminal and sub-station
- Dredge of basin to navigation channel
- Enhancement of Terminal Building 10% of Stage C value
- Premium on timing/sequence
- Vehicle linkspans, e.o. cost of new against credit for existing
- Provision of temporary pedestrian walkways and relocation
- Incoming service utilities to Trafalgar Dock
- Lighting to pedestrian route at 10% of total site lighting costs
- Footpath alongside access road
- HV diversions as no jointing permitted
- Amendments to triangle car park
- Enhancement to decked car park - cladding
- Security for barrier/kiosk entry
- EO costs for public access viewing platform to Terminal Building
- Interactive public displays and interpretative boards
- and appointment of Heritage Consultant
- Bridging car park over access road
- Demolition of existing Red Funnel buildings and return to public realm
- Removal of existing Red Funnel berths
- Professional Fees
- Additional Surveys - included with Professional Fees

Isle of Wight

Floating Bridge

An Official Journal of European Union (OJEU)-compliant procurement process was set in train by the Isle of Wight Commercial Manager in September 2014. A suppliers' day was held on 2nd December 2014 to gather intelligence for the specification, which will be taken forward as soon as the scheme is given the go ahead by the SLEP. The specification includes the following outcome-based aspirations:

1. Reduced queuing times
2. Increased crossings per day
3. Shorter crossing times
4. Greater capacity for vehicles
5. Reduced running costs
6. Improved passenger accommodation
7. Reduced carbon emissions
8. Improved energy efficiency
9. Less congestion in and around Newport
10. Increased financial and operational security
11. Separation of vehicles and passengers
12. Introduce opportunities to advertise local business and attractions
13. Supporting the economic well-being of the towns
14. Introduce new technologies for payment
15. smart/proximity cards, mobile phone

The Isle of Wight Council has organised its tender process to ensure graded options are offered against the specification. In this way, value engineering is built into the process to ensure an affordable option is available for selection. The project is recruiting an expert in the field to assist with the Floating Bridge procurement. The selection panel will be mindful of the opportunities to explore local options under the Assisted Area Status regime now operating.

East Cowes Town Centre

A concept design has been prepared, against these outcomes:

1. Increase cross-Solent capacity by accommodating a larger (450 CEU's) Red Funnel marshalling yard and more efficient access and egress
2. Improve the efficiency for all road users of the arrivals and departures to and from the ferry onto the road network
3. Provide for good quality transport interchange, including smooth passage for buses, cyclists and pedestrians
4. Improve the integrity and cohesion of the town centre, re-uniting currently disparate elements
5. Improve the environment including the use of high quality materials
6. Enhance East Cowes as a 'gateway to the island'
7. Set out a cohesive waterfront including linkages to the Town Centre
8. Accommodate a mixed balance of land uses

The concept designs have been shown at a public exhibition and are available on request. 1st Order costing has been undertaken, including a 30% provision for Optimism Bias.

5.3 Procurement Strategy

Southampton

Southampton City Council selected Morgan Sindall Investments Limited (MSIL) through an OJEU compliant competitive procurement process. MSIL were selected on the basis of a 20 year works concession. RPW (Southampton) Limited is a joint venture company set up specifically to deliver the project owned by MSIL and funders Lucent Group.

Under the terms of the tripartite agreement to be signed between RPW Ltd, Associated British Ports and Red Funnel, RPW Ltd are responsible for completing the access works needed at Trafalgar Dock that will make possible the move of the Red Funnel ferry operation. A General Arrangement plan has been produced. Outline cost estimates have been drawn up against the plan by their retained cost consultants, AECOM, including those areas to be adopted by Southampton City Council as highway. Final design & layout will be approved by SCC Transport & Highways Officers.

RPW Ltd will carry out a competitive procurement exercise for both professional services and construction work; Initially a review of the prospective consultants and contractors will be undertaken to ensure they have appropriate experience and available resources capable of taking on the required work. Quality of similar size projects will be reviewed along with their ability to work as part of a large construction team.

An independent cost consultant will be employed to produce tender documentation and oversee the tender process, ensuring that bids are comparable and fully complete. The cost consultant will produce a tender report with recommendations for award, following which contracts will be awarded.

Any overruns will be the responsibility of the developer, RPW Ltd.

Isle of Wight

a) Floating Bridge

A full OJEU compliant process has been set in train by Isle of Wight Council. (See above at 5.2). Advice has been retained from the most recently procured Floating Bridge in the UK, the King Harry in Poole, to establish the most advantageous methodology and payment sequencing.

Any overruns will be the responsibility of Isle of Wight Council.

b) East Cowes

A shared service arrangement with SCC/BBLP Highways Partnership has been put in place to progress Detailed Design and Project Management for the scheme.

Construction will be carried out by Island Roads. Island Roads is a partnership established by the Isle of Wight Council, VINCI Concessions, Meridiam Investments and Ringway to provide the highway maintenance services on the Isle of Wight from 1st April 2013. It is a competitively tendered 25 year 'pathfinder' Private Finance Initiative (PFI), using a Special Purpose Vehicle, sponsored by central government, deploying an SOPC4 contract. It includes a 7 year Core Investment period of which 1.5yrs has elapsed. The contract has provision for bespoke programmes of work. The East Cowes Town Centre works will be accrued into the asset register, ensuring consistency and v-f-m within the terms of the contract. An **Independent Certifier** has already been appointed as part of the partnership arrangements. The IC will be given specific instruction with regard to the East Cowes Town Centre works programme. Under the agreement, Island Roads must have regard for the contract's carbon and water footprints.

5.4 Sourcing Options

The sourcing options are described above in the procurement strategy. The strategy has been designed to maximise value for money, based on experience of how to make complex projects work on the ground. **Risks** will be **shared**, while **quality**, **timeliness** and **innovation** will specifically feature into the contracting regime of each of the three distinct elements.

Within each of the three contracting arrangements, there is provision to utilise a range of specialist sub-contractors to augment the capacity of the principal contractor.

5.5 Payment Options

Southampton

The payment arrangement for the works will be regulated by the provisions of an agreed Building Contract (JCT or similar approved) whereby monthly applications will be made by the Principle Contractor to the Independent Certifier. The application will include all subcontractor and direct trade costs incurred during that month.

The Independent Certifier will review the application against an anticipated cash flow and will also consult with the Design Team for approval to verify that the works claimed for have been carried out and are constructed to a standard as defined within the detailed design.

Subject to any adjustment to the application value the Independent Certifier will issue a valuation, to both SCC and RPW Ltd with a copy to the Principal Contractor. RPW will then raise an invoice and submit to SCC for payment. The Principal Contractor will raise an invoice and submit to RPW for payment. All payment terms will be in accordance with the provisions of the Building Contract.

Isle of Wight

a) Floating Bridge

The tender specification will set out staged payments against delivery on the following basis:

- Payment at contract award
- Acceptance of general drawings/layout
- Purchase of materials (steel etc)
- Payment at 50% completion of hull
- Payment at 100% hull + 80% prows assembly
- Completion of all internal & external painting; chain wheel fabrication, watertight doors, main hatches; car deck gates and handrails installed. Vessel delivered for fitting out
- Cable Tray installation; switchboard onboard ready for connection
- Main engines & drive wheels installed
- Installation for all major systems
- Fit out complete & dock trials commenced
- Final delivery and acceptance
- Release of retention

b) East Cowes

Payments will be made to the contractor under the provisions of Island Roads existing SPOC4 contract for bespoke packages of works.

5.6 Pricing Framework and Charging Mechanisms

Southampton

The tender specification will set out the pricing framework and charging mechanisms for the package of works, in line with the provisions of the contract (see below at 5.7).

Isle of Wight

Floating Bridge

The tender specifications will set out the pricing framework and charging mechanisms for the package of works, in line with the detail set out above at 5.6.

East Cowes Town Centre

The pricing framework and charging mechanisms will be those provided for in the provisions of Island Roads SPOC4 contract. Where bespoke items are priced, these will be assessed by the Independent Certifier against agreed benchmark rates (eg SPONS).

5.7 Risk Allocation and Transfer

Southampton

The construction works will be competitively procured and the appointment of the principle contractor will be subject to the entering into of an agreed Building Contract (JCT or similar approved) with RPW, together with a requirement to entering into a collateral warranty and a parent company guarantee.

Any subcontract and or direct trade works will be subject to a separate contract with the Principle Contractor which will reflect the provisions of the main Building Contract.

In addition the main contract will include a liquidated and ascertained damages provision which will enable a pre determined sum to be recovered from the Principal Contractor if they are late in handing over the works.

Isle of Wight

Floating Bridge

A project risk register will be developed by the Council. It will focus on the high level risks i.e. programme, costs, key deliverables – in addition to this the successful contractor will be required to maintain a construction based risk register which will be subject to the Council's regular review.

East Cowes Town Centre

The Island Roads SPOC4 contract sets out the method of risk allocation & transfer.

5.8 Contract Length

Southampton

The contract will be designed to ensure delivery within the timescales set out in the Tripartite Agreement.

Isle of Wight

Floating Bridge

The specification requires tenderers to set out timescales for the delivery of the vessel, taking into account all industry variables (eg purchase of steel) .

East Cowes

The Island Roads PFI has 23 years to run. The bespoke package of works for East Cowes Town Centre will be time limited, using the provision and incentives set out in the SPOC4 contract.

5.9 Human Resource Issues

There are no HR issues associated with the contracting for this scheme.

5.10 Contract Management

Details of the contracting arrangements are also set out within the Management Case below.

Southampton

The Trafalgar Dock works will be managed by Nick Condon, Project Manager, on Behalf of RPW Ltd, with independent certification (name t.b.c.)

Isle of Wight

Floating Bridge

The Design and Build contract will be managed by the Isle of Wight Commercial Manager, Sean Newton, assisted by an expert in the field.

East Cowes

The public realm works will be managed through the provisions of the PFI contract. The Project Team will comprise:

Isle of Wight	Transport & planning authority
BBLP/Southampton Highways Partnership: (as a shared cross-authority service)	Project Management, Detailed Design
Island Roads (IoW PFI contractor):	Construction, CDM, Network management
Mouchel	Independent Certification

Each component within the scheme has been deliberately separated into distinct elements for implementation. This provides a simple means for value engineering, allowing the scheme promoters to reduce the scope against unforeseen cost increases.

06 Management Case

6.01 Introduction

The scheme sponsors are Southampton City Council, Isle of Wight Council, and Red Funnel Group. An outline Business Case for the scheme was presented to the Solent LEP in March 2014. The scheme sits under the Assurance Framework agreed between the Solent LTB and the DfT in February 2014.

This section sets out how the two authorities, together with Red Funnel, plan to manage, deliver and evaluate the project and its three distinct elements.

6.02 Evidence of Similar Projects

Whole Project

John Roseveare (Parose Projects) the Project Manager, has worked on similar cross-authority projects and private/public partnerships with complex stakeholder groups, including a series of large-scale public realm projects for Cross River Partnership, a grouping including Westminster, Lambeth and Southwark Councils, together with the City of London and private sector interests.

Southampton

Royal Pier Waterfront Ltd is a special purpose vehicle established by Morgan Sindall and Lucent Group (see above in the Commercial Case). Morgan Sindall are a large construction company with extensive experience of designing and building success infrastructure across the world. Morgan Sindall plc is building elements of the following large mixed use regeneration schemes at present:

- Stockport Exchange (for MUSE Developments, a sister company) <http://www.musedevelopments.com/case-study/stockport-exchange>
- Salford Central (for English Cities Fund, part owned by MUSE Developments, a sister company) <http://www.salfordcentral.com/>
- Longbridge (for St.Modwen) <http://www.longbridgebirmingham.co.uk/>

Isle of Wight

Floating Bridge

As there are only seven Floating Bridges in the UK, each being replaced on average every 20-30 years, previous experience is not common in this case. IoW Council are retaining the services of the PM for the most recently let FB design and build contract, the King Harry at Poole in Dorset.

East Cowes

Island Roads is a special purpose vehicle established by Vinci Concessions, Meridiam Investments and Ringway. Vinci Concessions are one of the largest construction companies in the world. Ringway are a large contracting company in the UK, providing services to a wide range of local authorities and private sector clients. They have extensive experience of completing public realm works.

Red Funnel

Red Funnel have been operating and refurbishing their fleet on this route for over 150 years.

6.03 Programme/Project Dependencies

The Solent Gateways scheme has deliberately been designed for completion through a series of distinct phases on each side of the Solent. Each can be delivered independently.

There are a series of dependencies. These are set out in the Risk Register and Implementation Plan, and are updated on a monthly basis at the Project Board.

6.04 Governance, Organisational Structure & Roles

The governance structure for the project is set out below at **Fig 6.1**. The Steering Group meets quarterly, covering key decision at the senior political level. The Project Board meets on a monthly basis, receiving a pre-meeting report highlighting the key operational decisions required.

Separate Design Teams, comprising a mix of client, design consultants and engineers, together with local authority officers, is responsible for progressing the project components through to completion of Detailed Design.

Coastal Concordat

The Royal Pier Waterfront, floating Bridge and Town Centre regeneration proposals include both terrestrial and marine elements which require a number of permissions, consents and licences to be obtained from statutory bodies. A national 'Coastal Concordat for England' has been developed between Defra, DCLG, Department for Transport, the MMO and the Local Government Association (LGA) to simplify and better coordinate the regulatory regimes in the coastal zone (November 2013).

An initial eight coastal local authorities have formally adopted the Concordat and others have agreed to informally apply its key principles to a range of coastal development projects. An Agreement under the Coastal Concordat to apply the generic principles of the concordat to this development has been signed by Southampton City Council as Local Planning Authority, the MMO as marine licensing authority and the Applicant, RPW (Southampton) Limited. It sets out the general principles for the handling of the various applications required and timescales.

Solent Gateways: Governance, PM & contracting arrangements November 2014

PROJECT STEERING GROUP:

Isle of Wight Cllrs: Ian Stephens, Shirley Smart, Steven Stubbings | Southampton City Council Cllrs: Jaqui Rayment | Red Funnel, Paul Winter, Murray Carter | IoW Officers, John Metcalf, Wendy Perera, Ashley Curzon | SCC Officers, Stuart Love, Paul Walker, Emma Meredith

PROJECT BOARD:

Isle of Wight: Chris Wells, Andrea Jenkins | Red Funnel (Chair): Paul Winter, Murray Carter | Royal Pier Waterfront: Nick Condon, Nick Weston, Homes and Communities Agency: Paul Flatt | Southampton City Council: Pete Boustred, Emma Meredith | Parose Projects (client-side project management & reporting to SLEP) John Roseveare

Royal Pier: 1 – Trafalgar Dock

Red Funnel: Paul Winter, Murray Carter,
Royal Pier Waterfront: Nick Condon, Nick
Weston, Southampton City Council: Pete
Boustred, Emma Meredith.

East Cowes Town Centre :

John Roseveare: Client-side PM,
Andrea Jenkins: IoW lead
officer,
Red Funnel: Trinity Wharf &
Phoenix Development Site,
Marshalling Yard, AN Other
Marina Development

FLOATING BRIDGE:

Sean Newton, IoW Commercial
Services Manager

Design Team:

Led by Nick Condon, RPW Ltd –
Ramboll, AECOM

Design Team:

John Roseveare: Client-side PM; Simon Taylor,
BBLP/SCC Partnership, Chris Wells (IoW
Transport); Savills (for RF), Island Roads

Design & Build:

AN Other Contractor to be selected
under competitive tender May '15

AN Other Contractor:

To be procured by RPW Ltd under
competitive tender 2015

Contractor: Island Roads:

Highways delivery agents under a PFI
contract with 23 years to run

Figure 6.1: Governance Chart

Stakeholder Engagement

At **East Cowes**, a series of early briefing meetings have been held with Members and interest groups. A stakeholder design session was held on 25th November. A Champions Group will be established from this group which includes

- East Cowes Town Council
- East Cowes Business Association
- Whippingham Parish Council
- Cowes Harbour Commission
- The Mayor, Cowes Town Council
- East Cowes Heritage Society
- GKN
- Osborne House
- Police
- Local schools
- Visit Isle of Wight Ltd
- Southern Vectis
- Southern Water
- East Cowes Sailing Club

A public exhibition was held in November/December at East Cowes Town Hall, East Cowes Heritage Centre and Waitrose.

For **Royal Pier Waterfront**, local interest groups were engaged at the master-planning stage. In July 2014 design workshop with local groups were held on priorities and public exhibitions were made to provide an introduction to the project. A further public exhibition is to be held on 8th December 2014, to show detail of Red Funnel proposals prior to submission of planning application and principles of main development.

For the **Floating Bridge** a consultation exercise took place over October 2014, including a survey of attitudes to charging, and preferences for the new vessel.

6.05 Decision Gateways

The decision gateways all appear in the Implementation Plan, updated monthly at the Project Board, a copy of which is sent to the SLEP.

6.06 Programme and Project Management Principles

Both authorities operate project management systems along the following lines:

There are four key pause-points:

- **Scoping** – before feasibility, an outline business case sets out the provenance, need, aims and links to strategies. Identifies risks, funding potential and desired outcomes.
- **Design** – at end of feasibility, full business case updates the previous, focussing on the deliverables and outputs. Sets baseline budget and programme.
- **Implementation** – before procurement, appraisal to review and refresh business case, and seek relevant procurement approvals.
- **Review** – at end of project, measure of success, covering; process, key dates, finance, and outcomes.

The most popular project management methodology, PRINCE2™, is a complex and thorough set of processes suitable for larger projects. Each authority has many trained and competent practitioners delivering a varied programme of projects already. However, the level of effort and importance placed on project management procedures need to be commensurate with the complexity and risk exposure of each project. The prescribed procedures under PRINCE2™ can be burdensome for smaller projects, and each authority has developed a local, less complex, set of standards to support delivery of its own capital and revenue programmes.

Standard documentation includes:

- **Brief and Plan** – Project brief from the client. Project Plan from the project manager. Initial estimate and programme.
- **Change Control** – Agreed changes in scope, cost or duration are logged and signed off by client and project manager. Baselines adjusted.
- **Risk Management** – Commensurate to the size and/or importance of the project, a risk log is maintained and, where appropriate, costed.
- **Monitoring** – Regular communication and monthly progress updates. Spend and delivery monitoring against agreed milestones.
- **Approvals** – Reports to Chief Officers and/or Executive Member

6.07 Project Plan

Project Plans for the three distinct elements have been amalgamated into the SLEP implementation plan (see below).

6.08 Assurance and Approvals Plan

This scheme falls within the framework assurance between the Solent LEP and DfT agreed in February 2014.

6.09 Communications and Stakeholder Management

The principal stakeholder management is through:

- A Quarterly Steering Group
- The monthly Project Board (see above at **Fig 6.1**)
- The Champions Group (meets as required)

A detailed Communications Plan (available on request) is held by the Senior Communications officer for the SCC Council, lead body for the project, working in close conjunction with the Isle of Wight, Red Funnel and Royal Pier Waterfront communications teams.

6.10 Programme/Project Reporting

Project Board:	Monthly – high level key issues only
PM Connect:	Monthly
Partnership for Urban South Hampshire (PUSH):	As required
Design Team:	Monthly

6.11 Implementation of Workstreams

The implementation plan held by the SLEP describes the phasing of the project.

6.12 Key Issues for Implementation

All implementation issues are dealt with through the Risk Register maintained and updated by the project manager and sent to the SLEP on a monthly basis.

6.13 Contract Management

The Governance and organisation structure is show at **fig 6.1** above. Separate contract will operate for the three distinct elements of the scheme, using resource profiles set out below.

Project Director:	Strategic management and resource co-ordination Overview of Project Lifecycle
--------------------------	--

Project/Design Management:	Delivery and quality auditing Cost control and spend profiling Resource planning CDMc
-----------------------------------	---

Design Engineers:	Design Production Cost production
--------------------------	--------------------------------------

Safety Audit:	Stage 1,2,3 Safety Audits
----------------------	---------------------------

Construction Manager:	Co-ordinating construction team, QS and construction cost management Progress reporting and monitoring change control Co-ordination of design disciplines Cycle Route Audit Specification and Documentation Site management team CDM Health and Safety
------------------------------	--

Post-Implementation Maintenance

The public access elements of the scheme will be adopted by SCC onto the highways asset register. The Highways Service Partnership agreement (above) includes the ongoing maintenance of all adopted public highways in Southampton and will incorporate these.

The public realm works at East Cowes Town Centre will be accrued to the Island Roads asset register.

6.14 Risk Management

The process of identifying, assessing, responding to, monitoring, controlling and reporting risks is summarised in this section. It outlines how risk management activities will be performed, recorded and monitored throughout the lifecycle of the project and sets out proposed risk management structure, within the existing governance illustrated above.

Risk identification is the responsibility of the entire project team, including appropriate stakeholders. Local authority project managers overseeing delivery of named projects will be responsible for identifying impact and interdependencies, paying careful attention to environmental factors and organisational culture, as well as scope, schedule, cost and quality factors.

All risks will be logged onto a project register. Key risks will be allocated an owner. The risk owner will be responsible for assessing, in more detail, the range of possible outcomes, defining the level of risk, contingency planning, monitoring, controlling and updating the status of the risk throughout the lifecycle of the project.

Key risks will be reported up to the SRO. New or updated risks across the range of projects being delivered will be discussed and challenged by the delivery boards before reporting issues and exceptions to the steering group.

Risks closure will be considered by the project manager when the event has passed, is no longer valid or considered a risk. These will remain on the log and associated costs will either be transferred to the project, or removed.

Beneath the overarching Risk Register, a separate cost risk register is held by the contractors where appropriate.

6.15 Benefits Realisation

A Benefits Realisation Strategy and Plan will be developed, linked to the Monitoring and Evaluation of the programme (see below).

We recognise that the underlying principles of the evaluation should be proportionality, partnership and prioritisation (targeting key evidence gaps).

Existing data sources including Local Transport monitoring data and national datasets such as the National Travel Survey and Census 2011 data will be used where possible to establish the baseline against which the scheme will be evaluated.

In considering both the benefits realisation and the monitoring and evaluation of the programme, we will look to link in with DfT's overarching evaluation framework. As such, the Benefits and Realisation Strategy is a working document that will be developed as the overarching framework for monitoring emerges and following discussions with those responsible for neighbouring bids and complementary work.

Specific benefits for the Solent Gateways scheme are set out in the Strategic Case above).

6.16 Monitoring and Evaluation

The principal means of monitoring and evaluation will be through:

1) The Isle of Wight *Tourism Trends Quarterly Bulletin* which uses face-to-face interviews carried out amongst a sample of 4,700 passengers on board the 6 ferry routes to the Island. The monitor covers:

- Volume of passengers and breakdown by type (domestic/overseas, day/short stay etc)
- Group purpose
- Length of stay
- Type of accommodation used
- New versus repeat visitors
- Visits to island attractions
- Mode of transport
- volume and value of tourism

2) Red Funnel performance data including :

- Punctuality statistics
- Total passenger numbers and modal split
- Customer satisfaction ratings
- Customer complaints
- On-board spend

3) Jobs data:

A method for agreeing job creation has been agreed with the DfT for SCC's Platform for Prosperity Scheme. This will be used for the Solent Gateways Scheme. The annual employment rate will also be used where appropriate.

4) Transport related via:

- Smart Card data:
- Travel Attitudes surveys
- Average Daily Vehicle Movements (Annually)
- Road Transport CO₂ Emissions
- Levels of congestion

6.17 Contingency Planning

Each of the three project elements is developing a contingency plan in the event of unforeseen circumstances (eg site conditions). The remaining known known's and unknown knowns are included in the Risk Register.

6.18 Options

This Business Case assumes the project will go ahead within the Milestones set out by the Solent LEP in recent communications.