Solent Prosperity Fund

SWR Full Business Case Submission

September 2019

Solent Prosperity Fund: Full Business Case

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Summary

South Western Railway (SWR) is applying for £700,000 of grant funding ([redacted]% of total costs) towards the re-instatement of a passing loop at Brading station in order to facilitate the operation of an even interval 30 minute Island Line train service in place of the existing staggered 20:40 minute service.

This regular frequency will be easier to understand and better aligned with the schedule of other modes (especially ferries) making rail a more attractive and sustainable travel option for residents and visitors alike.

The LEP funding will be complemented by £300,000 from the Isle of Wight council and £[redacted] from the Department for Transport. The DfT contribution is part of a wider programme of investment in the Island Line's railway infrastructure worth £26m.

This scheme is at an advanced stage of design with a clear route to delivery and no need for development consent. The LEP funding would enable the leveraging of a significant level of investment by DfT in the Island's rail infrastructure. This will benefit rail users through more regular and more reliable travel times, which in turn can deliver wider impacts on the local economy through improved connectivity for visitors and residents alike. The construction programme is short which minimises risks to delivery.

The wider scheme has seen some changes since our original submission to the Solent LEP, most notably the rolling stock is now a lease purchase rather than an outright purchase but these changes have limited impact on the passing loop at Brading.

Strategic Case

Strategic Aims

The main strategic aim of this proposal is to create a passing loop at the mid-point of the Island Line at Brading station facilitating an even interval 30 minute train service. The work comprises reinstatement of a second track, installation of associated electrification, signalling and points and the recommissioning of Brading platform 2 for operational use. The current infrastructure only permits trains to pass at the one and two thirds points along the route (Ryde St Johns and Sandown) meaning that the two trains in operation are forced to provide an uneven interval 20:40 minute frequency. The proposal aims to grow usage of Island Line trains by providing a service which is easier to understand and more convenient. The experience of branch lines elsewhere in the country has been that more regular train services with improved connectivity deliver and sustain substantial increases in passenger numbers.

The proposal will connect communities through better integration with other modes. This is in line with Solent LEP's specified aim to "provide opportunities for organisations to deliver large capital projects that can […] connect communities and business (digital and transport)". Key connections which cannot properly integrate with the 20:40 train service include the peak time two vessel Wightlink cross Solent catamaran service which is currently forced to adopt a sub-optimal uneven frequency to fit with the trains and the 30 minute even interval Southern Vectis bus service between Shanklin station and Ventnor. A more attractive Island Line train service with better connections should encourage commuter, tourism and employment along the route. The electrified trains provide a green travel solution generating zero emissions on the Island. Although not under any immediate threat, a more financially resilient train service helps ensure long term job security for Island Line's 47 employees. These latter points align with Solent LEP's aims to support large projects which deliver employment growth and respond to key environmental challenges.

This proposal formed part of SWR's priced option for the future operation of Island Line submitted to the DfT on 31 May 2018. The wider programme includes fully refurbished replacement trains, track upgrade work, station improvements and commercial initiatives to rejuvenate the railway. Total capital expenditure is £26m (2017/18 prices) but the resulting, more sustainable operation, should result in a forecast reduction in net subsidy of c.£[redacted] per annum from 2025/26 onwards.

The proposal was well received by the DfT but they indicated the chance of success in their approval processes would be greatly enhanced if local funding contribution could be secured.

It has now been confirmed that the DfT wish to buy the Priced Option as presented by SWR in its entirety and this was announced on 16th September 2019.

Market Analysis

In Autumn 2017, South Western Railway conducted a stakeholder consultation on the future of the Island Line. There was universal criticism of the 20:40 service and the majority of respondents including the IoW Council, Wightlink and Southern Vectis favoured the 30:30 alternative. We have conducted a full investment appraisal comparing with a do minimum solution which replaces the trains but continues with the 20:40 frequency and an alternative option of three trains per hour on 20:20:20 frequency. Standard rail industry demand forecasting techniques were used to model the expected passenger revenue for each alternative. The 30:30 service including the Brading loop has a BCR in comparison with the do minimum solution of 2.54, the equivalent BCR for the 20:20:20 solution was 1.49. The economic appraisal was conducted by Arup and in consultation with DfT economists.

Financial Case

Project Costs

The tables in this section give details of estimated costs (Table 1), funding contributions (Table 2), as well as the annual profile of this funding (Table 3).

Table 1 - Details of the Project Cost Breakdown

Project Component Cost	Cost including VAT	Cost excl. VAT (£000s)	Date Estimated	Evidence
Track, signalling, electrification & points	As a VAT registered business making zero rated supplies SWR expects all VAT to be recoverable	[redacted]	May 2018	Linbrooke report (previously submitted)
Civil engineering interventions (bridge deck, wall etc.)		[redacted]	May 2018	Linbrooke report
Platform 2 reinstatement lighting & surfacing		[redacted]	May 2018	Linbrooke advice
IoW logistics premium – [redacted]% on base (Linbrooke reported costs based on mainland price experience)		[redacted]	May 2018	Linbrooke advice
Project management & procurement allowance – [redacted]		[redacted]	May 2018	FirstGroup allowance
GRIP 2 Optimism bias risk addition – [redacted]% on sub-total		[redacted]	May 2018	DfT guidance
Total		[redacted] [redacted]		2017/18 prices 2020/21 prices

*All costs shown in black text were estimated in 2017/18 prices. The rail franchise financial modelling process adds annual inflation applying the RPI index to costs.
** The nominal 2020/21 values are shown in blue-grey text.

Table 2 - Project Funding (by contributor)

Contributor Name	Public Sector/ Private Sector	Amount (£000s)	Nature of commitment Cash/ in-kind	Status Committed / Pending	Evidence
DfT	Public	£[redacted]	Cash	Committed	DfT Press Release
Solent LEP	**Public**	**£700**	**Cash**	**Pending**	
IoW Council	Public	£300	Cash	Committed	DfT Press Release & IoW Council Letter
Total		**£[redacted]** (2020/21 prices)			

*All costs shown in black text were estimated in 2017/18 prices. The rail franchise financial modelling process adds annual inflation applying the RPI index to costs.
** The nominal 2020/21 values are shown in blue-grey text.

Table 3 - Details of the Funding Profile (£000s)

	2018/19	2019/20	2020/21	2021/22 (loan funding only)	2022/23 (loan funding only)	Total
LEP Funding Required (Capital)			£700			
Local Contribution (Capital)			£300			
Local Contribution (Revenue)						
Third Party Contribution (Capital)			£[redacted]			
Third Party Contribution (Revenue)						
Total			**£[redacted]**			

*All costs shown in black text were estimated in 2017/18 prices. The rail franchise financial modelling process adds annual inflation applying the RPI index to costs.
** The nominal 2020/21 values are shown in blue-grey text.
***For clarity, we are seeking a combined nominal contribution from the LEP and the IoW Council of £1m in 2020/21.

Risk Allowance

We have included a risk uplift of [redacted]% to all capital costs based upon the GRIP 2 recommended optimism bias uplift for all projects in the current edition of the DfT's Recommended Adjustment to Optimism Bias Uplifts.

Table 4 summarises the main **financial** risk (other risks are outlined in the Project Risk Register in the Appendices) and what their impact on project finances would be.

Table 4 - Details of Financial Risks

Risk	Likelihood	Impact on Cost	Mitigation
Costs exceed forecast base amounts	Modifications to Victorian infrastructure mean a high likelihood GRIP 2 forecasts will be exceeded in some areas	Exceeds base price estimates	[redacted]% optimism bias risk allowance included

SWR will be committed to delivery of the project as an amendment to its franchise agreement with the DfT and will bear any cost overruns in excess of the of the risk additions included in the pricing for this element of the project.

Economic Case

Scenario Appraisal

SWR has considered two options and have defined a Do minimum scenario. The economic appraisal was performed by Arup on behalf of SWR.

These options are:

1) **Do minimum**: Replacement trains deferred until next franchise in 2025, continued operation of 20:40 service, no upgrade to track.

2) **Option 1**: Proposal including 30:30 service with Brading loop, replacement trains in 2020 and track upgrade work.

3) **Option 2**: Proposal including 20:20:20 service additional train in service, no Brading loop, replacement trains in 2020 and track upgrade work.

Details of each of these options are given in Table 5, including Net Present Values (NPVs) and benefit-cost ratios (BCRs).

Within the options assessment, we calculate both benefits and costs based on the DfT's WebTAG standards. We calculate the associated transport benefits (i.e. demand, revenue, travel time savings, lower vehicle externalities) resulting from the proposed scheme. These calculations use the elasticity-based framework presented in the Passenger Demand Forecasting Handbook. These are compared to the capital and operating costs for each option. We compare the benefits and costs associated with a Do Minimum and each option over a 60-year appraisal period to assess the value for money of the scheme. All costs and benefits are compared in market prices, 2010 prices and discounted to the Department's Base Year (2010).

We select the option with the highest BCR as the preferred option for the scheme. Details of outcomes from the preferred option (including measures such as jobs created and jobs safeguarded) are given in Table 6.

Table 5 - Details of Options

	Option 1 (30:30)	Option 2 (20:20:20)
Quantified and Monetisable Benefits (e.g. Net Present Values of costs and benefits)	BCR of 2.54 and NPV of £[redacted] in comparison with do minimum solution.	BCR of 1.49 and NPV of £[redacted] in comparison with do minimum solution.
Other Qualitative benefits appraisal (e.g. other benefits)	Improved connectivity with half hourly bus and ferry services	Train service easier to understand with reduced maximum waiting time

Qualitative risk appraisal	Additional capital works necessary to deliver Brading loop	Significantly increased operating costs
Overall ranking	1	2

Table 6 - Details of Outcomes from the Preferred Option (Option 1)

Measure	Outcome / Output
Additional jobs created as part of the scheme	No new jobs are expected to be created directly from the scheme as existing staff will be used to operate the revised service. Jobs created during construction will be known following the OJEU procurement process. Improved connectivity should support wider employment by enhanced travel to work opportunities and promotion of tourism but it is not possible to estimate the number of additional jobs which would be created.
Jobs safeguarded: Jobs that will be lost in the absence of funding	No jobs are lost in the absence of funding as upgrades and new rolling stock are deferred until the next franchise. However, over the long-term, investment may be required to maintain the current level of rail service and related employment. Improved connectivity should support wider employment by enhanced travel to work opportunities and promotion of tourism but it is not possible to estimate the number of additional jobs which would be safeguarded.
Gross Value Added to the local economy	N/A

Supply Chain

As a minimum, we would expect the costs represented by the IoW logistics premium, £[redacted], to be incurred with Solent based suppliers. This represents ferry costs which will be incurred bringing labour and materials to the IoW and additional subsistence costs such overnight accommodation for personnel working on the Island. However, this will not be known until the procurement stage has been completed.

Wider Economic Benefits

The project will deliver better connectivity due to the 30-minute even interval service. Improved bus and cross Solent ferry connections will positively impact travel to work, education, leisure and tourism opportunities. Increased modal share from a more convenient electrified train service should also contribute towards reductions in traffic congestion and harmful emissions.

Assessment of the benefits of the project have focused primarily on rail users. We estimate quantity of users using historical revenue / journey data. We anticipate that the wider community will experience some marginal benefits (i.e. reduction in greenhouse gases, local congestion, accidents) resulting from people who switch from car to rail travel. We assess this based on the guidance in WebTAG.

In considering access and the Equalities Act 2010 the rail services on the IoW comply with the Code of Practice from the DfT. In addition, as part of the SWR Accessible Travel Policy, we provide disabled and older customers with full support when making journeys including with alternative transport to the nearest accessible station if a station is not accessible to them for any reason. All Island Line services operate with a Guard who is responsible for ensuring accessibility for all customers.

Assumptions and Details of Approach

Benefit to Cost Ratio (BCR)

In estimating the BCR, we have followed the approach outlined in DfT WebTAG and the Passenger Demand Forecasting Handbook (PDFH).

Calculating the benefits involved estimating the monetary value of benefits derived from travel time savings and increase in rail journeys/revenue. Expected travel time savings benefits are monetised using the value of time series within WebTAG. Total user benefits are calculated based on the rule-of-half. Expected new users are counted to gain half the benefit of existing users, but also have the benefit of reducing car travel externalities. These benefits were compared to capital and operating costs of the amended service. The upgrades will also disrupt operations on the Island Line over a 6-week period in winter 2020/21, affecting revenue and journeys. The impact of this was estimated based on revenue/journeys lost during a similar engineering works closure in 2014/15. This results in a 1.79% reduction in forecast journeys in the year of construction.

Benefits and costs of each option are compared to a ‘Do Minimum’ scenario.

A discount factor of 3.5% is used for years 1-30 of appraisal and a discount factor of 3.0% is used for years 30-75 of appraisal, as per WebTAG guidance.

Nominal prices are converted to real 2010 prices using the WebTAG GDP deflator series.

The PVB is £[redacted] and the PVC is £[redacted]. The BCR is 2.54. These values reflect the entire project (including rolling stock, and operations).

The BCR presented here is the BCR for the whole of the Priced Option. It was modelled this way because the whole Island Line Priced Option was developed as a single package (driven by DfT’s desire for them to be presented with a single priced option). Given this aim, we did not consider the individual components separately during development.

It would be extremely difficult to split out the Brading Loop (or any of the other individual elements of the Priced Option) and model BCRs for each of them because of the way they were treated as a whole package with the cost assumptions based on the whole scheme, utilising economies from the other elements of the project.

To provide a BCR for the Brading Loop only would require the Do-Minimum and Do-Something to be remodelled into scenarios that would not achieve the aims set out by the DfT for Island Line and so which would not be acceptable. The scheme as outlined and the benefits that will be realised, particularly for improved connections with the mainland and other modes, will not be possible without the Brading Loop.

Timing and Duration of Benefits

We assume an appraisal year of 2019/20, an opening year of 2021/22, and a base year of 2010. A 60-year appraisal period (following the scheme opening year) has been used to appraise this scheme. This is consistent with WebTAG guidance.

The travel time benefits associated with this scheme are assumed to last throughout the appraisal period. The benefits grow in line with exogenous GDP, employment, and population forecasts for 20 years after the appraisal year. After year 20, benefits grow in line with population forecasts only.

Uncertainty

The BCR may change slightly as elements of the project are discussed with the DfT. For example, the DfT are considering lease rather then outright purchase of the new rolling stock which is expected to marginally improve the BCR.

Sensitivity Analysis

We have conducted a suite of sensitivity analyses on the following key inputs:

1) Removal of population extrapolation after the demand cap year
2) Demand Cap Year (10, 20, 30, and 40 years)
3) Assumed elasticities (PDFH 5.1 vs. 6.0)
4) GDP series (+1.0% p.a. +0.5% p.a., -0.5% p.a., -1.0% p.a)
5) Employment series (+1.0% p.a. +0.5% p.a., -0.5% p.a., -1.0% p.a)
6) Population series (+1.0% p.a. +0.5% p.a., -0.5% p.a., -1.0% p.a)
7) Value of time series (+25%, -25% for commute and business trips; +60%, -60% for all other trips)
8) Fare sensitivities (K=0, K=2, and K=3 after 2020)

In almost all cases, the BCR represents medium (>1.5) to high (>2.0) value for money.

Solent LEP recommends a sensitivity test with a 25% increase in costs and 25% reduction in benefits. This yields a BCR of 1.52. However, it should be noted that this sensitivity increases costs that already include a [redacted]% optimism bias.

Commercial Case

Procurement

We will appoint a Principle Works Contractor to deliver the main elements of the Brading Loop, Class 484 new rolling stock enabling works and Track Condition work as there should be synergies between these elements of our programme. Our intention is that the Principle Works Contractor will be responsible for the Detailed Design Phase and the Preliminary Design Phase will be completed by the SWR team headed by our Head of Infrastructure Projects.

The contract value for the infrastructure work Principle Works Contractor will trigger OJEU procurement requirements which will be our chosen procurement route. Other than these OJEU requirements, there are no other dependencies on statutory and procedural requirements. The Preliminary Designs will be the source for the tender submissions and the contract will be let as a full Design and Build style contract. This is a standard procurement method within the rail industry for similar projects and will enable SWR to streamline the management of this procurement process and the delivery of the works.

We will commence the OJEU procurement process in early Autumn 2019 in time for the selected contractor to commence work on the Island at the end of October 2020.

Table 7 outlines details of the key project aspects.

Table 7 - Details of Procurement Framework

Key Project Aspects	Summary Description	Procurement mechanism	Start Date	Finish Date	Evidence
Preliminary Design/ Specification	Creates the Specification ahead of OJEU	Internal/ Preferred Supplier	July 19	Sept 19	
TOTAL OJEU Process	• PIN Issue • ITT Issue • Receipt of Tenders • Evaluation against Award Criteria • Award Contract • Standstill Period • OJEU Award Notice	OJEU	Sept 19	April 20	
Preliminary OJEU Phase	Output: PIN & EoI from potential suppliers	OJEU	Aug 19	Sept 19	PIN issue (COMPLETE)
OJEU Phase 1 - PQQ Process for potential suppliers	Output: Shortlist of Bidders ITT Issue	OJEU	Sept 19	Oct 19	Shortlist of bidders & ITT
OJEU Phase 2 – Tender Preparation	Output: Tenders Received	OJEU	Nov 19	Jan 20	

Key Project Aspects	Summary Description	Procurement mechanism	Start Date	Finish Date	Evidence
OJEU Phase 2 - Receipt & Evaluation of Tenders	Output: Preferred Bidder	OJEU	Feb 20	Mar 20	
OJEU Phase 3 - Design & Build Contract	Output: Contract Award	OJEU	Apr 20	Apr 20	Contract Award & Standstill Period

Procurement Strategy

The infrastructure upgrade works will be issued as a turn-key project using relevant Joint Contract Tribunal (JCT) suite of industry standard contract terms and conditions. The selected contractor will expected to deliver all the elements of the work by utilizing skills from their supply chain.

The use of a Principal Works Contractor to deliver the scheme reduces the risk to SWR and reduces the Project Management and resource requirement to manage multiple contractors and sub-contractors. Breaking up the project into smaller lots may protract the procurement process and increase the level of resource coordination required at project implementation as well as making it harder to introduce the new rolling stock by creating too many project dependencies.

With the use of a Principal Works Contractor one of the biggest risks for SWR will be scope creep. To mitigate this the project deliverables and timescales will be clearly defined at tender stage for potential contractors' consideration before submitting their bids. In addition the tender will be let at a fixed price to ensure the essential outcomes are delivered for the Project while avoiding unnecessary elements being added by the PWC.

In line with Public Procurement - The Utilities Contracts Regulations (2016), Restricted Procedure will be used for this project. This is to demonstrate value for money through a competitive tendering process. Restricted Procedure is a 2 staged Tender process that allows the pre-qualification of potential contractors who have shown interest in bidding for the project.

Contractors will be pre-qualified by assessing their financial standing, insurance levels, past experience, professional capabilities, health and safety and other relevant aspects of their business.

This will provide the opportunity to identify contractors that have the required capability and capacity to deliver the works.

A Periodic Indicative Notice about the project has been published to a wider European market to attract potential contractors with skills required for this project. Already, a healthy number of potentially capable contractors have expressed their interests in the opportunity.

Management Case

Project Plan

Table 8 gives details of the Project Plan, identifying key project milestones and the associated timeframes.

Table 8 - Details of the Project Plan

Project Milestones/Key Stages	Summary Description	Start and Finish Date	Additional comments
Rolling Stock Order Placed	Order placed for the new trains	August 2019	COMPLETE
Rolling Stock Design & Manufacture	Full Design & Manufacture Process	Starts July '19 Ends – final delivery	
Rolling Stock Delivery	Trains are delivered to the IoW and old trains removed	Exact dates TBC from Summer 2020	Also includes mileage accumulation process
Preliminary Design	Outputs Include: • Form A traction power and low voltage power • Form 001 civil engineering design • Form 001 track design • Signalling scheme plan and specification • Geotechnical analysis • Topographical surveys • Independent design and technical assurance	Jul 19 – Sept 19	
Detailed Design	• Form B traction power and low voltage power • Form 002 and Form 003 civil engineering design (and other Forms as appropriate) • Form 002 and Form 003 track design • Signalling detailed design	April 20 – Sept 20	Principle Works Contractor
Construction	• Enabling Works • Construction Main Works • Stageworks	August 20 – Dec 20	Principle Works Contractor
Testing & Commissioning	• Form E EiS • TC 001 S&T commissioning		

Assurance and CSM	• Independent design and technical assurance • CSM Assurance	Aug 20 – Dec 20

A project plan for the Brading Loop is given in the Appendix.

Management Structure

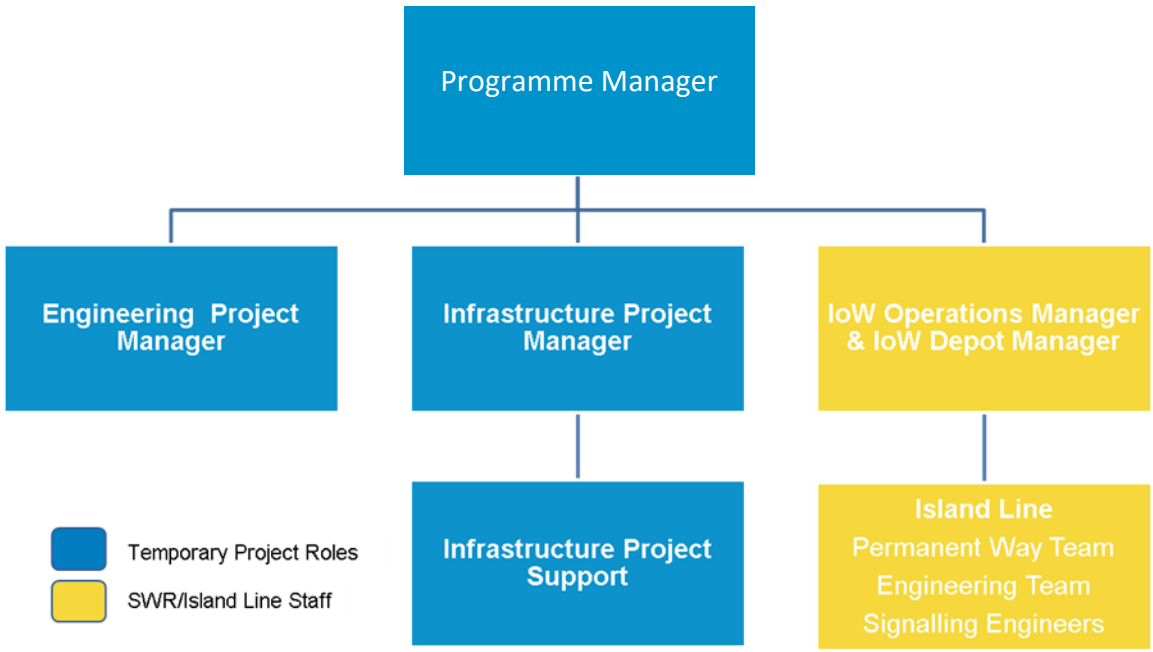
Table 9 gives details of the management structure, indicating skills capability and management experience to deliver the Project Plan within each role and where known the person in the role. Figure 1 shows the associated organisation diagram.

Table 9 - Details of the Management Structure

Role	Responsibilities
Major Projects Director Mac Andrade	• Lead Director for the project. • Responsible for Governance and Oversight • Chair of the Steering Group
Programme Manager Damian Power (CV attached)	• Manage the SWR Specialist Project Team and interface with the Island Line team for this Project • Overall project management of the works and ownership of the Customer proposition • Scope of works • Financial management of the Programme • Stakeholder liaison • DfT Reporting • Risk management
Infrastructure Project Manager Andy Mundy (CV attached)	• Ensure detailed plans in place for all the infrastructure works • Tender of works and evaluation • Contract award – value for money and to meet timescales • Management supervision of the works • Work with the Infrastructure Team on the Island Line
Engineering Project Manager (being recruited covered by Chris Field in interim)	• Lead the procurement of the fleet on the Island Line • Co-ordinate with Vivarail regarding arrangements to deliver trains to Sandown • Testing, commissioning and acceptance of new trains • Lead the engineering interface within the project • Author all associated policies, procedures, RA's, training packs and standards for review.
Infrastructure Project Support (being recruited)	• Management of the contracts • Maintain project plans to ensure that works and contracts let to time • Ensure that equipment complies with standards • Cost Control

Role	Responsibilities
ETCS Manager (existing SWR resource)	• Project advisor on delivery of infrastructure works, specifically signaling works • Cost and supplier evaluation

Figure 1 - Project Organisation Chart



Stakeholder Management Plan

SWR has been actively consulting with Island Line Stakeholders since before the franchise began and has extensive experience managing stakeholder engagement across the business.

Stakeholder engagement for this project is led by Jane Lee, Head of Communications and Phil Dominey, Senior Regional Development Manager for the area.

Table 10 gives details of the existing stakeholder support. Letters of support from key stakeholders are included in the Appendix.

Table 10 - Details of Existing Stakeholder Support

Stakeholder	Interest/ Role/ Relevance	Involve/ Inform/ Consult	Medium of engagement	When to engage	Additional notes
Bob Seely MP	Local MP	Involve	Regular briefings		Letter of support attached
IoW Council	Local authority	Involve	Represented on Steering Group meeting SWR monthly with the DfT during priced option preparation period		Updated Letter of support attached
IoWBRUG	Local bus & rail user group	Inform	Consultation respondent. Participant in four monthly Island Line Stakeholder Forum		Connectivity must improve, support either 30:30 or 20:20:20 frequency dependent on best value
Island Line CRP	Community Rail Partnership	Inform	Consultation respondent. Participant in four monthly Island Line Stakeholder Forum		Support 30:30 frequency
Wightlink, Red Funnel & Hovertravel	Ferry operators	Inform	Consultation respondents. Participant in four monthly Island Line Stakeholder Forum		Wightlink prefer 30:30, Hovertravel 20:20:20 frequency
Southern Vectis	Bus operator	Inform	Consultation respondent.		Support 30:30 frequency

Stakeholder	Interest/ Role/ Relevance	Involve/ Inform/ Consult	Medium of engagement	When to engage	Additional notes
			Participant in four monthly Island Line Stakeholder Forum		
Visit Wight	IoW tourist body	Inform	Consultation respondent. Participant in four monthly Island Line Stakeholder Forum		Support 30:30 frequency for improved connectivity
IoWSR	Heritage railway	Inform	Consultation respondent. Participant in four monthly Island Line Stakeholder Forum		Prefer 30:30 frequency
Solent Transport	Regional transport co-ordinator	Inform	Consultation respondent. Participant in four monthly Island Line Stakeholder Forum		Support 20:20:20 frequency

Legal Agreements and Statutory Consents

Network Rail (as freeholder) and the ORR (as safety regulator) are aware of our proposals and we will continue to discuss the scheme with them as the project develops.

We do not believe that planning permission, listed building consents or other statutory approvals will apply.

Project Risks

The Project risk register details the main risks and proposed mitigations.

Table 11 - Risk Register

Risk	Likelihood	Impact	Responsibility	Mitigation measures
Infrastructure work cannot be designed and procured in time for Autumn 2020	Low	Medium	Infrastructure Project Manager	We believe sufficient time is available for design and OJEU process. Contingency to perform work in Jan – Mar 2021 if slippage occurs.

Risk	Likelihood	Impact	Responsibility	Mitigation measures
Infrastructure cannot be delivered in TPOD two plus four week window	High	Medium	Infrastructure Project Manager	We believe the programme is robust, final week of TPOD provides scope for testing, snagging and limited slippage
Gauging of Class 484s resulting in fouls.	High	Med	Infrastructure Project Manager	Assessment of the train-infrastructure carried out by D-Gauge. Low Speed operation, Contingency in place if minor network alterations are needed. Also opportunity to make adjustments when tracks are tamped and platform heights addressed.
New train build delayed as Vivarail is a small and inexperienced manufacturer have not previously built a third rail EMU.	Med	Med	Engineering Project Manager	Vivarail diesel Class 230s are now in service with West Midlands. SWR engineers are very experienced in third rail EMUs and work closely with Vivarail to monitor and support progress. Retain existing rolling stock as contingency. Contractual provisions for LDs and default.
Signalling System not compatible	Low	Low	Infrastructure Project Manager	TPWS - Established and proven technology. Trials carried out elsewhere to demonstrate compatibility. Infrastructure testing and commissioning process.
Infrastructure Works – Track Lowering	Med	Low	Infrastructure Project Manager	Full assessment of gauge on platforms undertaken. Will do test bores and check of gauge clearance before and after works with float in project plan used for any adjustment work required

Risk	Likelihood	Impact	Responsibility	Mitigation measures
Signalling and TPWS commissioning	High	Low	Project Manager	Project allows 4 weeks for works between Ryde St Johns Road to Shanklin to reduce risks on delivery

A detailed risk register is included in the appendix.

Monitoring and Evaluation

Monitoring Framework

Table 12 gives details of the outcomes we propose to track within the monitoring frameworking, including how these will be measured over time.

Table 12 - Details of Outcomes Tracked under Monitoring Framework

Desired output/ outcome	Indicator	Anticipated timeframe	Named owner responsible for monitoring
Regular status reports of project workstreams	Plan on a Page reports using RAG status indicators	Every four weeks	Engineering and Infrastructure Project Managers
Readiness to achieve project milestones/key stages identified in Table 8.	Readiness review in advance of planned milestone date	Up to one month prior to milestone date	Major Projects Director

Financial Reporting

Island Line is part of the South Western Railway (SWR) rail franchise operated on behalf of the DfT which commenced on 20 August 2017. Island Line is a business unit within the franchise and financial reporting is done on the 4-weekly reporting cycle that is used across the rail industry.

Financial controls in place for the project are the same as those being used for the wider franchise and include periodic financial reporting both to the DfT and to FirstGroup/MTR the parent organisations for SWR.

The DfT have requested a [redacted] sharing arrangement for any savings against the infrastructure costs they fund; appropriate emerging cost reporting arrangements will be put in place to report progress to the DfT.

Post-delivery, Island Line will continue to be reported financially as a separate business unit within the wider SWR franchise.

Legacy & Sustainability

The Island Line priced option has been devised with the improved sustainability of the line as its key objective. The even interval 30 minute service should result in an increasing number of rail users and a reduction in the ongoing requirement for operating subsidy. This renaissance in the island's railway could form the springboard for further investment in the core route with improved connections to the Isle of Wight Steam Railway and potentially other destinations currently unserved by rail.

We define sustainability more widely than money. In addition to financial sustainability, our proposals address performance and connectivity enhancement, environmental considerations, customer service improvements and customer benefits, delivering on stakeholder aspirations and future proofing Island Line as a sustainable operation.

Submission

SWR is delighted to submit this Full Business Case for the Brading Loop element of the Island Line Priced Option.

Name: Andy Mellors

Signed: