

Birmingham Gateway

Business Case
Executive Summary
May 2008



Contents

BACKGROUND	3
ADDRESSING THE PROBLEMS	4
APPRAISAL RESULTS	7
CONCLUSIONS	10

Background

1. Network Rail, Birmingham City Council, Centro and Advantage West Midlands (the Partners) are working in partnership to develop a proposal for the transformation of Birmingham New Street Station and its immediate environment. The proposed ‘Gateway Plus’ Scheme goes beyond purely addressing the problems with the station, in favour of a comprehensive project to deliver national rail, regional transport and wider regeneration benefits within one integrated scheme. This integrated scheme aims to overcome the current problems and the future constraint on the development and economy of central Birmingham, the wider region and nationally. DfT Rail (and formerly the Strategic Rail Authority) has also provided active support to the Partners during the project development process.
2. The proposed scheme is designed to:
 - a. overcome the current problems and the future constraints that result from the existing station design
 - b. act as a catalyst for the continued regeneration of the “Southside” of Birmingham City Centre, the City of Birmingham as a whole and the wider West Midlands region
 - c. provide a “worldclass” station that reflects Birmingham’s status as the UK’s second city and a premier European destination
 - d. provide the city and the region with a “gateway” on to the rail network of which it can be justly proud
 - e. enhance the overall passenger experience by transforming the performance and appearance of the station, improving pedestrian routes and linkages to the city centre
 - f. facilitate integration with other public transport modes
 - g. bring forward the creation of an exciting opportunity for a major private sector commercial development to the southern aspect, all linked with significant new high quality public realm within and around the station environs
3. This wide range of stakeholder objectives has created a unique opportunity that will benefit people across Birmingham, the West Midlands, and the UK. The Partners involved with the proposed Birmingham Gateway project are united in their vision and determination to see the project fully delivered within the proposed programme and budget, and to a quality standard that will stand the test of time.

4. After a thorough design and development process and a rigorous appraisal, the Partners have selected the ‘Gateway Plus’ scheme as the preferred option. It is the only option that achieves the combined objectives of the partners by creating a world class gateway to the region, acting as a catalyst for economic development within the City and wider West Midlands Region and addressing major transport issues.
5. The Gateway Plus Scheme improves the performance of the station, transforms its external appearance, facilitates public transport interchange, improves pedestrian routes and linkages to the city centre, encouraging and accelerating the regeneration and re-development of the city and the region. The scheme represents high value for money and benefits are strong. The scheme also provides the opportunity to enable circa £200m of private sector commercial development, to the southern aspect and shopping centre. This is linked with significant new high quality public realm within the station environment to deliver an integrated development that will provide major impact and benefit to the city.
6. There is significant policy support for the transformation of Birmingham New Street station at the national, regional and local levels. Moreover, a wide spectrum of stakeholders including national and local politicians, key business leaders and the general public have strongly demonstrated their support for urgent action to address the acknowledged problems at the station and its immediate environment.
7. Birmingham New Street station is one of the biggest and busiest rail stations in the UK, and the hub of the local and national rail networks. It is a sub surface station and was the first in the UK to include the development of its “air rights”, a matter that has since become much more widely adopted and understood, particularly in connection with the need to utilise designs that ensure the optimum passenger experience. It serves as the largest interchange station outside of London with direct services to most of the country. However, many passengers using the station endure congestion and a poor travelling experience. All forecasts and trends show that the number of passengers is set to grow leading to the further exacerbation of the problems caused by the present station layout and design. There is clear evidence that, due to poor visual amenity, limited pedestrian access and unpleasant built form, the station drags down the city’s image and attractiveness to investors and visitors.
8. In addition to enhancing the image of the city, the transformation of the station will radically improve the visitor experience. As a major transport hub the station and its environment provide the first impression of the city and the wider region. Its importance for inward investment, which the region needs in order to grow its economic base, is widely acknowledged throughout the city and the wider region.

Addressing the Problems

9. The Business Case submitted to Government appraised a short list of four options in detail, from a long list, for the redevelopment of the station and its environs that seek to address the present and predicted transport and regeneration challenges. Table 1 summarises the performance of each option against the project objectives agreed by the stakeholders at the start of the business case work. These objectives are based on approved local, regional and national objectives. This analysis clearly shows that the Gateway options best meet these objectives.

Table 1 Performance against Project Objectives

Objectives		Do Minimum	Incremental	Capacity Masterplan	Gateway 1	Gateway 2
Transport (Rail)	Providing passenger capacity for forecast growth	-	Low	High	High	High
	Improving the facilities and environment within the station	-	Low	Medium	High	High
	Improving operation and management of the station	Low	Low	High	High	High
Transport (Multi Modal)	Access to and from the station and integration between modes	-	-	Medium	High	High
	Improving pedestrian routes in the city centre across and through the station	-	-	Medium	High	High
	Improving access to the commercial activities within the station from the hinterland	-	-	Medium	High	High
City / Region Regeneration Wider Economic Benefits	Transforming the visual impression of the station and its setting as a visible and attractive gateway to the city	-	-	Low	High	High
	Eliminate need for station closures and support public transport led city and regional growth	-	-	Medium	High	High
Other	Value for Money	-	Low	High	High	Medium
	Overcoming negative perceptions of rail and the city	-	-	Low	High	High
	Creating the stimulus for jobs and investment in Birmingham and the West Midlands	-	-	Low	High	High
	Kick start to regeneration in the south and west of the city	-	-	Medium	High	High
	Capacity constraints of station on further rail enhancement plans	-	-	High	High	High
	Inter-dependency of New Street and other LTP schemes	-	-	High	High	High
	Contribute to achieving modal shift from car use	-	-	Medium	High	High
	Supporting public transport led growth at Birmingham International Airport and NEC	-	-	Medium	High	High

10. The Incremental and Capacity Masterplan Schemes fail to meet key objectives, particularly with respect to city regeneration, and therefore do not have the support of the wider stakeholders. As a result the adoption of either of these schemes would not address local stakeholders funding criteria.
11. The principal conclusions of the work undertaken for the business case indicate there are considerable transportation and regeneration benefits delivered by the Gateway schemes. In summary these are:

A. TRANSPORTATION

- *Station Overcrowding:*
 - Without significant infrastructure changes the frequency of station closures will increase over time; leading to mode switch away from rail and a negative perception of Birmingham as a destination.
- *Train Service Performance benefits:*
 - Addresses the problem of trains, which have been re-platformed, extending their dwell time as passengers are delayed in getting to the new platform and boarding the waiting train;
 - Reduces reactionary delays across the UK rail network.
- *Rail user and non user walk time benefits:*
 - Reduces walk times between platforms and to and from station entrances;
 - Provides greater permeability of the station;
 - Aids city centre connectivity.
 - Provides for enhanced public transport interchange (bus, metro, station heavy rail)
- *Highway and safety impacts:*
 - Mode shift from road to rail will reduce congestion and road accidents.
- *Value of Station Facilities:*
 - Addresses current poor provision of station facilities;
 - Provides a high quality journey experience for all, including the mobility impaired.
- *Revenue impacts:*
 - More rail passengers will result in greater revenue income for the train operating companies; leading to
 - A revenue boost for DfT Rail as a result of a clawback mechanism in future franchise agreements;
 - Improved retail facilities will result in higher retail revenue levels for Network Rail.
- *Ticketless travel:*
 - Addressing loss of revenue due to ticketless travel on train services.

B REGENERATION

- *Property and regeneration:*
 - Creating a Gateway to the city and region
 - Catalyst for the regeneration of the City to the south and east of the Station
 - Redeveloping city centre brownfield land
 - Repositioning of Birmingham as a business location;
 - Promoting a positive perception of Birmingham as a destination
 - Leverage of private sector investment.
- *Employment:*
 - Creation and safeguarding of jobs.
- *Station Appearance:*
 - Improvement in the station's visual amenity including its internal and external appearance and the surrounding area.

Appraisal Results

12. The appraisal of the options has examined both transportation and wider regeneration benefits. Table 2 sets out the results of the appraisal of the scheme impacts against central Government's transport objectives. It demonstrates, for the Incremental option, that the proposals will deliver some benefits of a limited extent, but will not significantly address the issues around the current Birmingham New Street station. For many of the sub-objectives the option will have negligible effect.
13. The assessment of the Capacity Masterplan and Gateway schemes demonstrate that each scheme would lead to considerable net benefits. For most of the environmental sub-objectives they would achieve a similar level of benefit. However the Gateway schemes perform strongest overall given their more positive townscape impact, effect on physical fitness and net reduction in CO₂ emissions.
14. For safety all three of the major infrastructure schemes will provide an improvement, both for pedestrians and road users, in addition to their contribution towards personal security. Equally, these three schemes are consistent with and deliver benefits against the objectives of accessibility and integration.

Table 2 Summary Scorecard of Appraisal of Central Government Transport Objectives

	Incremental option	Capacity Masterplan	Gateway 1 scheme	Gateway 2 scheme
Noise	0	+	+	+
Local Air Quality	0	+	+	+
Greenhouse Gases (in 2016)	+15 tonnes	-2,400 tonnes	-2,500 tonnes	-2,500 tonnes
Landscape	n/a	n/a	n/a	n/a
Townscape	0	+	+++	+++
Heritage of Historic Resources	0	0	0	0
Biodiversity	0	0	0	0
Water Environment	0	0	0	0
Physical Fitness	0	+	++	++
Journey Ambience	+	++	+++	+++
Accidents (over 60 years, 2002 prices, discounted to 2002)	£0.8m	£16.8m	£17.6m	£17.3m
Personal Security	+	+++	+++	+++
Public Accounts	£146.3m PV	£399.3m PV	£450.6m PV	£770.2m PV
TEE: Business Users & Transport Providers	£80.7m PV	£847.3m PV	£858.0m PV	£662.6m PV
TEE: Consumers	£18.1m PV	£548.3m PV	£572.4m PV	£566.9m PV
Reliability	+	++	++	++
Wider Economic Impacts	0	+	+++	+++
Option Values	0	0	0	0
Severance	0	++	+++	+++
Access to the Transport System	0	0	0	0
Transport Interchange	0	+++	+++	+++
Land-Use policy	0	+	+	+
Other Government Policies	0	+	+	+

Key: 0 : neutral; +, ++, +++ : slight, medium and strong benefit; -, --, --- : slight, medium and strong adverse

NB: scores are not additive

15. Greater detail on the monetised economic effects of the schemes is set out in Table 3. It demonstrates that both the Gateway 1 scheme and Capacity Masterplan scheme achieve a high benefit to cost ratio, exceeding the benchmark of 2:1 as set out in the Department for Transport's guidance on value for money. However, the Capacity Masterplan Scheme, being only a transport project, would not be supported by two of the key funding partners, BCC and AWM, as it fails to address the regeneration agenda. The Gateway 2 scheme performs well, but due to its significantly higher costs it achieves a medium benefit to cost ratio.
16. The Incremental option is a rail only scheme that only addresses some of the immediate congestion problems in the station and does not solve the predicted longer term capacity constraints. It can only be seen as a stopgap measure, and would defer the need for more substantial intervention in the longer term. It does not provide value for money and would not be supported by BCC and AWM as it essentially leaves the station working as it does currently and fails to address critical wider regeneration issues and opportunities.

Table 3 Summary of Economic Benefits Prior to Appraisal by Government

	Incremental	Capacity Masterplan	Gateway 1	Gateway 2
Rail User benefits	£26.8m	£761.5m	£796.6m	£792.1m
Pedestrian benefits	-	£143.0m	£150.5m	£148.5m
Road User benefits	£6.2m	£73.4m	£77.3m	£78.4m
Visual Amenity bens.	-	£42.8m	£211.5m	£211.5m
Employment bens*.	-	-	£11.3m	£11.3m
TOC revenue	£87.3m	£437.9m	£452.9m	£447.5m
NR retail revenue	-	£19.8m	£45.5m	£55.3m
Total Benefits (a)	£120.3m	£1,478.5m	£1,745.6m	£1,744.6m
Private sector costs (b)	£20.7m	£26.5m	£77.1m	£274.9m
Public accounts cost (c)	£146.3m	£387.3m	£437.5m	£747.9m
Economic Net Present Value (a-b-c)	-£47m	£1,065m	£1,231m	£722m
Benefit to Cost Ratio ((a-b)/c)	0.68:1	3.75:1	3.81:1	1.97:1

All £m figures are NPV at 2002 Prices, Discounted to 2002 except for employment benefit.

aThe Visual Amenity values were calculated based upon the Capacity Masterplan and Gateway (1) schemes. Therefore for the purposes of this exercise it is assumed that the value would be the same for both Gateway options.

bThe employment benefit assumes an indicative valuation per job of £27,000 NPV for 420 additional jobs

17. The transformation of the station also creates civic pride and social benefits for individuals who view it as part of the streetscape or who pass through it. These benefits are in terms of visual amenity, which people are willing to pay for because they value the improvement either for themselves personally or from a societal perspective. The identified benefits here are significant and substantial.

Appraisal & Refinement of the Gateway Scheme

18. The Business Case was submitted to Government in May 2006. As part of the Government appraisal process a number of refinements to the Gateway scheme were examined. These refinements included the examination of a Lower Cost Option, to test whether the majority of the benefits of the Gateway 1 Scheme could be delivered at a significantly lower cost. The appraisal of the Lower Cost Option indicated a significant reduction in benefits over the Gateway 1 Scheme with only a relatively modest decrease in cost. However, the appraisal of the Lower Cost Option revealed a number of opportunities to further enhance the Gateway 1 Scheme and a further option was developed called the ‘Gateway Plus’ Scheme.
19. The Gateway Plus Scheme provides improved pedestrian connections to the east compared to the Gateway 1 Scheme along with access at the southern end of Navigation Street Bridge. These enhancements significantly increase pedestrian benefits for the Gateway Plus Scheme, and while the cost of the Gateway Plus Scheme is slightly higher than the Gateway 1 Scheme, the overall result is a significantly improved business case.
20. Due to the different appraisal process undertaken by DfT and Department for Business, Enterprise and Regulatory Reform (BERR) the transport benefits and wider economic benefits are reported separately. Table 4 illustrates the final business case position of the Lower Cost Option, the Gateway 1 and Gateway Plus Schemes following the conclusion of appraisal by DfT. Table 5 illustrates the wider economic benefits

Table 4 - Summary of Transport Benefits following Appraisal by Government

	Lower Cost Option	Gateway 1	Gateway Plus
Rail User benefits	£562.0m	£796.6m	£1,001.0m
Pedestrian benefits	£140.5m	£150.5m	£136.8m
Road User benefits	£50.m	£77.3m	£116.5m
Local Highway Decongestion Benefit	£86.3m	£62.4m	£62.4m
TOC revenue	£314.3m	£452.9m	£637.2m
NR retail revenue	£23.3m	£65.4m	£59.5m
Total Benefits (DfT)	£1,176.3m	£1,605.1m	£2,013.4m
Private sector costs	£73.1m	£77.1m	£92.4m
Public accounts cost	£385.1m	£441.6m	£487.2m
Economic Net Present Value (DfT)	£718.2m	£1,086.4m	£1,433.8m
Benefit to Cost Ratio (DfT)	2.86:1	3.46:1	3.94:1

Table 5 - Summary of Wider Economic Benefits following Appraisal by Government

Wider Economic Benefits - Gateway/ Gateway Plus

Potentially 125,000m2 of additional office development across the city centre by 2018, leveraging around £620m of private sector investment and accommodating some 11,100 additional direct jobs (12,800 net additional jobs in total) (PV2002)

Generate productivity benefits across the city centre resulting from the agglomeration effects of the additional new jobs of some £35bn p.a. by 2018 (PV2002)

Uplift in the value of existing property and potential development of 16 development sites identified in the southern half of the city centre amounting to a potential uplift of £100m; and by up to an additional £100m from the regeneration of other existing property in the area of the city to the south of the Project (PV2002)

Uplift in Business Rates Income from 16 development sites identified in the southern half of the city centre of £74m by 2020 (PV2008)

Visual Amenity Benefits (to users and non-users) - £165m (PV2002)

Conclusions

21. The Gateway Plus scheme meets the project partners transportation and regeneration objectives and, as it has their full support, enables access to Local Transport Plan and regeneration funding via BCC and AWM. It achieves an economic net present value of £1,434m and a benefit to cost ratio of 3.94:1 (based on the Department for Transport's appraisal guidance). In addition, the scheme is forecast to create significant wider economic benefits including additional employment of over 11,000 direct jobs.
22. Furthermore the scheme contributes strongly to central Government's other transport objectives and supports other schemes included in the Provisional West Midlands Local Transport Plan. The Regional Prioritisation process has confirmed the scheme to be a top priority.
23. The Gateway Plus scheme transforms the external appearance of the station and shopping centre into a striking addition to the city's built environment. It helps to promote private sector investment in underused land to the south and east of the Station by improving pedestrian connectivity through and across the station. Likewise it also allows a further enhancement to the station environment by allowing natural light to the concourse level thereby enhancing the visual appearance and visitor experience.
24. The Gateway Plus scheme achieves these additional benefits in a cost effective way through a design which would allow the transformation of the Pallasades shopping centre through a negotiated deal with leaseholders, thus avoiding significant compensation costs. Gateway Plus meets the stakeholders' parallel transportation and regeneration project objectives and has the full support from all funding partners.
25. The Gateway Plus scheme has all the attributes required to demonstrate joined up thinking right across both the public and private sectors.