

Supplementary Agenda

Meeting: Programmes and Investment Committee

Date: Wednesday 15 May 2019

Time: 10.15am

**Place: Paddington Room, 11th Floor,
Palestra, 197 Blackfriars Road,
London, SE1 8NJ**

Members

Prof Greg Clark CBE (Chair)
Dr Nelson Ogunshakin OBE (Vice-Chair)
Heidi Alexander
Ron Kalifa OBE
Dr Alice Maynard CBE

Mark Phillips
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

This supplemental agenda is published with fewer than five clear working days' public notice in accordance with Standing Order 33. The Chair has agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that the papers on the Silvertown Tunnel be accepted as a late item as information in relation to the paper was not available at the time that the agenda and papers were published. The reason for urgency is that delaying the decision would further delay the progress of the project and the selection of a Preferred Bidder to deliver the project.

Copies of the papers and any attachments are available on tfl.gov.uk [How We Are Governed](#).

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jamie Mordue, Senior Committee Officer; Tel: 020 7983 5537; email: JamieMordue@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Friday 10 May 2019

**Agenda
Programmes and Investment Committee
Wednesday 15 May 2019**

12 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

12a Silvertown Tunnel

Director of Investment Delivery Planning

The Committee is asked to note the paper and the related paper on Part 2 of the agenda and approve Financial Authority, Programme and Project Authority and Procurement Authority.

14 Exclusion of the Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

16 Any Other Exempt Business the Chair Considers Urgent

Any Other Exempt Business the Chair Considers Urgent.

16a Silvertown Tunnel

Exempt supplemental information relating to the item on Part 1 of the agenda.

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Agenda Item 12a

Programmes and Investment Committee



Date: 15 May 2019

Item: Silvertown Tunnel

This paper will be considered in public

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that this item should be considered as a late item as information in relation to the paper was not available at the time that the agenda and papers were published. The reason for urgency is that delaying the decision would further delay the progress of the project and the selection of a Preferred Bidder to deliver the project.

1 Summary

1001/ST-PJ482C Silvertown Tunnel				
Existing Financial Authority	Estimated Final Cost (EFC)	Existing Programme and Project Authority	Additional Authority Requested	Total Authority
In the paper on Part 2 of the agenda	In the paper on Part 2 of the agenda	£65.0m	In the paper on Part 2 of the agenda	In the paper on Part 2 of the agenda

Authority Approval: The Committee is asked to:

- (a) approve Financial Authority;
- (b) approve Programme and Project Authority; and
- (c) approve Procurement Authority.

Outputs and Schedule: The Silvertown Tunnel (the Scheme), which is currently forecast to open in 2025, will provide a new Thames crossing connecting the A102 Blackwall Tunnel Approach with the A1020 Lower Lea Crossing. The Scheme includes proposals for user charging at the Silvertown and Blackwall Tunnels and is designed to relieve congestion and improve network reliability and resilience. It will also enable a step change in the provision of cross-river buses services to support planned economic growth in east and south-east London.

- 1.1 A paper containing exempt information is included on Part 2 of the agenda. The information is exempt by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and legally privileged advice. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

2.1 The Committee is asked to note the paper and the related paper on Part 2 of the agenda and:

- (a) approve Financial Authority (unbudgeted), Programme and Project Authority and Procurement Authority for the amounts set out in the paper on Part 2 of the agenda;**
- (b) approve entering into the proposed PPP agreement for the Silvertown Tunnel (the Project Agreement) as described in this paper and the paper on Part 2 of the agenda to the bidder submitting the most economically advantageous tender as described in the paper on Part 2 of the agenda;**
- (c) note that, as the proposed arrangements extend beyond the life of the current Business Plan, provision will need to be made in future Business Plans for these commitments; and**
- (d) note that, as the details of the user charges and bus service provision will be confirmed closer to the time of Scheme opening, it will be necessary to seek separate authority in due course to receive user charging revenue and incur additional bus service costs.**

3 Background

3.1 The Silvertown Tunnel proposals have been developed to address the significant issues of traffic congestion and unreliability at the Blackwall Tunnel and the consequential effects these have on travel, the environment, the economy and growth across the wider east and south east London area. The main issues are:

- (a) the Blackwall Tunnel is one of the most severely congested roads in London. In the peak periods, queues routinely stretch back up to two miles, adding around 20 minutes to journey times (it is estimated that some one million hours are wasted each year in queuing for the Blackwall Tunnel, equating to an equivalent cost of c.£10m of people's time);**
- (b) journey times for trips through the tunnel are more unpredictable than anywhere else on the Transport for London Road Network (TLRN), and despite ongoing efforts, each year there are around 1,000 closures (far more than on comparable tunnels, even accounting for its heavy usage). Many of these closures have significant ramifications for the performance of the wider road network across east and south east London;**
- (c) the current restricted height clearances in the northbound Blackwall Tunnel and the unreliable journey times mean that only one single decker bus service, the 108, is available for cross river bus connections between east and south east London;**
- (d) in the event of prolonged closures, rerouted drivers or bus passengers are forced to distant crossing points, which are themselves lacking in capacity and often along unsuitable routes, causing widespread disruption; and**

- (e) the area surrounding the Blackwall Tunnel is subject to enormous change with major employment and population growth taking place across the Isle of Dogs, Royal Docks, Greenwich Peninsula and Lea Valley. At present the Blackwall Tunnel provides the only strategic crossing of the river by road that serves these development areas (due to the physical and design restrictions on the Rotherhithe Tunnel and Woolwich Ferry). With the scale of growth taking place, there will be increasing pressure placed on the Blackwall Tunnel, which will exacerbate the issues identified above.

3.2 The Scheme would:

- (a) significantly contribute to eliminating congestion at the Blackwall Tunnel;
- (b) enable the provision of new cross river bus links, transforming bus services and significantly increasing the proportion of cross river trips made by public transport (details of the indicative future bus network are provided in Appendix 1);
- (c) significantly reduce the number of unplanned closures at Blackwall, in particular closures caused by vehicles which are too tall for the tunnel;
- (d) ensure the cross river road network is more resilient to incidents at Blackwall by providing a nearby alternative route;
- (e) reduce the environmental impact of traffic congestion on some of London's most polluted roads; and
- (f) support population and economic growth by enabling more reliable journeys, improving access to new markets and new homes and keeping traffic moving in east and south east London.

3.3 The Scheme consists of a twin bore road tunnel providing a new connection between the Greenwich Peninsula and the Royal Docks. There would be two traffic lanes in each direction with one lane reserved for buses, coaches and Heavy Goods Vehicles. Once open, the tunnel would be located within the proposed expanded Ultra Low Emission Zone, which could come into effect from October 2021. New junctions will be constructed to link the tunnels into the existing road network and new portal buildings to house the equipment necessary to operate the tunnels. A plan showing the location of the scheme and indicative visuals are provided in Appendix 2.

3.4 To ensure that traffic levels are managed and that the benefits of the Scheme are secured for the long term, a user charge is proposed at both the Silvertown and Blackwall tunnels. The user charge will also help pay for the new tunnel.

3.5 The Secretary of State for Transport designated the Scheme a Nationally Significant Infrastructure Project in 2012 and granted a Development Consent Order (DCO) on 10 May 2018 giving us the powers to construct and operate the Silvertown Tunnel, as well as introduce user charging at both the Silvertown and Blackwall Tunnels. The DCO documents are available publicly at: <https://infrastructure.planninginspectorate.gov.uk/projects/london/silvertown-tunnel/>

4 Procurement

- 4.1 The main works will be delivered through an agreement with a private sector special purpose vehicle (Project Co), who will be responsible for raising the finance, designing, building and maintaining the Silvertown Tunnel including the operation of associated equipment for a 25 year period following tunnel opening.
- 4.2 We will be responsible for delivering and operating the user charging, which will also apply at the Blackwall Tunnel. We will therefore retain the responsibility for setting the user charge, as well as any demand risk in respect of income, whilst the construction, maintenance and availability risks for the new Silvertown Tunnel will generally be passed to the Project Co.
- 4.3 We have developed a Project Agreement which sets out the contractual arrangements with Project Co. This agreement is generally based on PF2, the Standardisation of PFI Contracts, as issued by HM Treasury in December 2012 as a model for Public-Private Partnerships (PPP). The key exceptions are to address issues that are unique to the Silvertown project.
- 4.4 Under the terms of the Project Agreement, payments to Project Co are fixed and will only commence once the tunnel is operational, thereby ensuring there is a very strong incentive for the Project Co to deliver to time and budget. The proposed payment mechanism also contains strong incentives to maximise asset availability when it matters most, which not only reduces inconvenience for users but also minimises the impact of lost revenue on TfL and ensures Project Co adopts a whole life approach in the design.
- 4.5 Key steps in the procurement process to date have included:
 - (a) Mar 2016: Issue of Prior Information Notice;
 - (b) Oct 2016: Issue Pre-Qualification Questionnaire (PQQ);
 - (c) Dec 2016: Receipt of PQQ submissions from seven bidding consortia;
 - (d) Mar 2017: Shortlisting to three bidders;
 - (e) June 2017: Launch of Invitation to Negotiate;
 - (f) Mar 2018: the Skanska Strabag consortium pulled out citing strategic business reasons and the process has continued with the remaining two bidders; Hochtief PPP Solutions GmbH and Cintra Global Limited;
 - (g) July 2018: First submission of technical proposals for evaluation;
 - (h) Feb 2019: Final technical, commercial and financial submissions submitted; and
 - (i) April 2019: Evaluation completed.
- 4.6 The paper on Part 2 of the agenda provides more detail on the procurement process and the next steps to enter into the Project Agreement, which is currently planned for August 2019.

5 Business Case

- 5.1 At this critical stage prior to entering into the Project Agreement, the Business Case for the scheme has been revised to inform the investment decision. The Business Case has been produced in accordance with the Department for Transport's Business Case Guidance, as required for nationally significant infrastructure projects.

The Strategic Case

- 5.2 The Scheme is supported by a robust case for change that fits with wider public policy objectives – the 'strategic case'. There is a clearly demonstrated need to address the current traffic congestion and unreliability issues at the Blackwall Tunnel and to cater for the needs of future economic growth. The proposals are closely aligned with national, London-wide and local policy objectives.
- 5.3 As part of the DCO process, we produced a Planning and Compliance Statement which reviewed the Scheme against the policy requirements of the National Networks National Policy Statement (NN NPS). The NN NPS is the basis on which Nationally Significant Infrastructure Projects, such as the Silvertown Tunnel, must be assessed. This concluded the Scheme has been thoroughly assessed against the expectations of the NN NPS and, where necessary, mitigation measures have been embedded or proposed to address its impacts. The Secretary of State, in granting the DCO, has determined the Scheme is in accordance with the NN NPS, as well as regional policy such as the London Plan.
- 5.4 Notably since the DCO application, a new Mayor's Transport Strategy 2018 (MTS) has been published. Three key themes are at the heart of the new MTS, all of which are supported by the Silvertown Tunnel:
- (a) **Healthy Streets and Healthy People:** the Scheme will address the significant issues of congestion and unreliability at the Blackwall Tunnel, and the consequential impacts these have on local people and the environment. For example there is an overall beneficial impact on air quality as a result of the Scheme, with air quality further improved following the proposed introduction of the expanded Ultra Low Emission Zone. The Scheme also includes comprehensive improvements to the existing urban environment either side of the river, enhancing public realm and promoting more walking and cycling. The new tunnel itself will not permit walking or cycling, as it would not provide a suitable or safe environment, however, we are developing new cross-river cycling facilities which will be trialled once the new tunnel is open. Substantial works are also planned to the local highway connections either side of the river to support more active travel and better access to public transport.
 - (b) **A Good Public Transport Experience:** the Scheme presents an opportunity to radically transform the cross-river bus network in east London and we have committed to operate a minimum 20 buses per hour in each direction when the new tunnel opens. These services will also be supported by concessionary fares for people living in the local area for an introductory period to encourage early take up of new services. A comprehensive Bus Strategy has been established to ensure this network develops to provide a good public-transport experience that reduces reliance on the private car and supports good growth.

- (c) **New Homes and Jobs:** the current congestion and unreliability problems at the Blackwall Tunnel present a continued barrier to economic growth in east London, which is expected to accommodate substantial population and employment growth. The Scheme will directly address this congestion, as well as providing resilience and improved reliability for those needing to cross the river in south and east London. Furthermore, the user charging enables us to effectively manage the levels of traffic, which coupled with the new cross-river bus services ensures that any increase in trips are accommodated by public transport. In addition, by improving the streetscape and freeing up and improving access to safeguarded land either side of the river, the Scheme will allow substantial new development to progress around the tunnel portals.

- 3.6 The Mayor has also confirmed support for the Scheme and the MTS specifically references delivery of the new crossing in a number of its proposals, including:

“The Mayor, through TfL, will continue to support the construction and operation of the Silvertown Tunnel, together with the introduction of user charges on the Blackwall and Silvertown tunnels (once the latter is opened), to address the problems of traffic congestion and associated air pollution, frequent closures and consequential delays, and the lack of network resilience and reliability at the Blackwall Crossing.”

“The Silvertown Tunnel will provide new bus links as well as ensure that there is a reliable and resilient road link between east and south east London”

The Economic Case

- 5.5 The Scheme continues to present a very good economic outcome and very high value for money. The Scheme has been evaluated using a Net Present Value (NPV) in line with HM Treasury Green Book Guidance. This is calculated as the difference between the value of benefits and the value of costs. The Scheme using national values of time has a NPV of £519m to £708m (the latter when reliability benefits are included). These values increase significantly if London values of time are used in the appraisal with the benefits rising to £849m to £1,039m (the latter for the adjusted estimates). A Benefit to Cost ratio (BCR) has also been calculated at 8.7 (without reliability benefits) and 11.5 (with reliability benefits).

The Financial Case

- 5.6 The Scheme is financially affordable. The structure of the Project Agreement ensures the majority of costs are paid during a 25 year period after the new tunnel opens through ‘Availability Payments’ linked to the provision of a safe, reliable and functional asset by Project Co (these are further described in the paper on Part 2 of the agenda). The DCO gives us powers to charge users of the Silvertown and Blackwall Tunnels and the income from the user charge funds the majority of these costs.
- 5.7 A number of sensitivity tests have also been undertaken to consider the affordability of the Scheme in alternative scenarios. The Financial Case is discussed further in the paper on Part 2 of the agenda.

The Commercial Case

- 5.8 The Scheme is commercially viable. We have received two qualifying bids and the evaluation process has been completed allowing us to progress to financial close with a Preferred Bidder. The proposed Project Agreement allocates an appropriate level of risk to the private sector and has been developed through negotiation with bidding consortia to ensure their capacity and capability to deliver.
- 5.9 The Commercial Case is discussed further in the paper on Part 2 of the agenda.

The Management Case

- 5.10 We have put in place an experienced team to manage the Scheme who bring a wealth of technical and project experience from recent schemes such as the Bank Station Capacity Upgrade and Northern Line Extension.
- 5.11 Furthermore, the team involved in developing the Project Agreement and working with bidding consortia through the negotiation process have a comprehensive understanding of long term maintenance and operation of road tunnels in London.
- 5.12 The Project Agreement sets an appropriate structure for management of the PPP relationship with clearly defined roles, responsibilities and risks for both the construction and operational phases.
- 5.13 Design, construction and maintenance risks for the tunnel have been passed to the private sector consortium, which has proven its competency, capacity and is generally best placed to manage these risks. Payments will only be made if/when the tunnel is operational and deductions will be made for performance failures, including poor performance and excessive closures.
- 5.14 We have undertaken substantial assessment of our retained risks through the next stage. Certain key risks relate to interfaces with third-party stakeholders, and we have put in place agreements to manage the process. Further information is provided in the paper on Part 2 of the agenda.
- 5.15 Strategies and plans have been developed to enable clear assessment of the Scheme's benefits as it progresses into construction and then operation. Comprehensive proposals for monitoring and mitigation have been secured through the DCO and will allow robust assessment of the Scheme impacts (and allow for further mitigation, where necessary).

6 Equality and Diversity

- 6.1 A Health and Equalities Impact Assessment has been undertaken for the Scheme. This includes an assessment of the impacts on air quality, noise, road safety, active travel, accessibility, access to jobs, social capital and other matters. In summary, the assessment concludes that there are no significant cumulative effects on health, wellbeing and equalities arising during the Scheme construction or operation. The assessment identified the benefits of the Scheme, including the improved accessibility as a result of the better walking and cycling routes, upgraded Boord Street Footbridge and the increase in bus services. It also concluded that appropriate mitigation has been incorporated into the Scheme

where required, for example, we have committed that any new buses using the Silvertown Tunnel will be Euro VI or equivalent.

- 6.2 The Project Agreement reflects the most recent GLA Group Responsible Procurement Policy and the Transport Infrastructure Skills Strategy (TISS).

7 Key milestones

- 7.1 The key milestones for the project are set out in the table below:

Milestone	Target Date
Select Preferred Bidder	May 2019
Execute Project Agreement	August 2019
Silvertown Tunnel works complete	2025 (TBC with contractor's programme as set out in the paper on Part 2 of the agenda)

8 Assurance and Governance

- 8.1 The programme has recently been the subject of a full Integrated Assurance Review (IAR) by TfL Project Assurance, an External Expert and the Independent Investment Programme Advisory Group (IIPAG). The review did not identify any critical issues and the relevant reports are included with this paper.
- 8.2 Further specific reviews have been undertaken by our advisors as described further in the paper on Part 2 of the Agenda.

List of appendices to this paper:

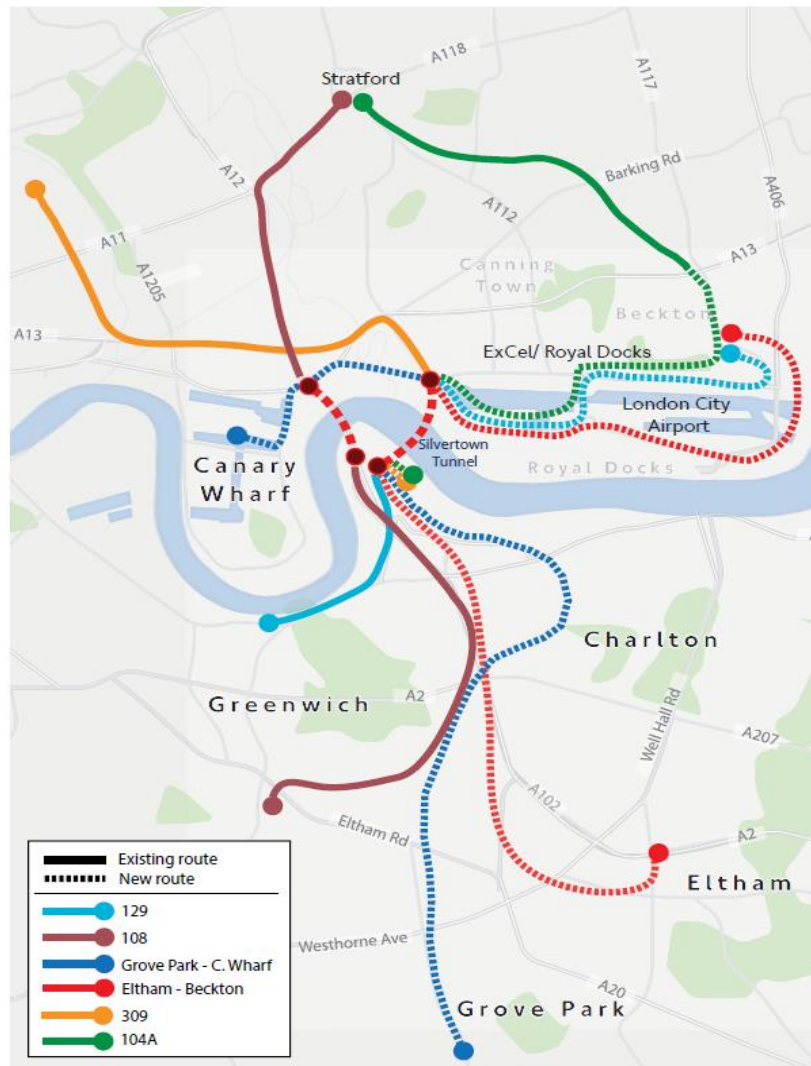
Appendix 1 – Silvertown Indicative Future Cross River Bus Network
Appendix 2 – Proposed Layout and Illustrative Plans for the Silvertown Tunnel
Exempt supplemental information is contained in a paper on Part 2 of the agenda

List of background papers:

Development Consent Order for Silvertown Tunnel (2018)
Mayor's Transport Strategy (2018)
Full Business Case

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Appendix 1: Silvertown Indicative Future Cross River Bus Network



The step change in cross river bus services shown on the plan reflect those put forward as part of the Development Consent Order (DCO) application for the scheme.

They effectively 'in fill' the gaps in rail provision in this part of the London resulting in:

- service frequency increase from the current 6 buses per hour via the Blackwall Tunnel to a minimum of 20 buses per hour in each direction during peak hours;
- a projected increase from 10 per cent to 30 per cent for proportion of trips made by public transport using Blackwall / Silvertown river crossing; and
- increased public transport accessibility for key development sites, such as the Royal Docks, Isle of Dogs and Greenwich Peninsula.

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Appendix 2: Proposed Layout and Illustrative Plans for the Silvertown Tunnel



Plan showing the proposed Silvertown Tunnel



Illustrative design for southern tunnel portal



Urban realm proposals looking south west towards tunnel portal across Tidal Basin Roundabout

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