



## Cornwall and Isles of Scilly 2007 - 2013 ERDF Convergence Programme

# Thematic Evaluation

## Transport Theme Report

May 2015

Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme evaluation supported by ERDF Convergence through the Convergence Support Team project, Cornwall Council and Cornwall and Isles of Scilly Local Enterprise Partnership



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### Transport Theme Report

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## Executive Summary

The Convergence Programme has provided funding for 20 primarily transport projects under Priorities 2, 3 and 4, mainly within the Strategic Investment Framework (SIF) areas, most importantly Camborne Pool Redruth (CPR). The total ERDF grant committed amounts to some £55 million with an average intervention rate of 55.8%.

There are strong interlinkages between many of the projects involved and with investments under the former Objective One Programme with: a number of projects designed to build upon past investment to secure the transition of Newquay Cornwall Airport to full civilian use and underpin its future commercial viability; a series of projects to unlock the continuing regeneration of the CPR area; investments to address the congestion problems around Truro associated with economic growth and previous, current and future planned ERDF funded projects, including Combined Universities in Cornwall (CUC); and, projects to increase the future resilience of the key transport links to the Isles of Scilly.

The general effect of Convergence funding has been to enable the domestically available resources to be spread further, allowing pipeline projects to be implemented more quickly than would otherwise have been possible or, no doubt in some cases, allowing schemes to go forward which might never otherwise have been implemented. The availability of a coherent package of 'spade ready' projects in the CPR area has been important in taking up resources which would have been difficult to utilise fully for workspace projects in the depressed economic climate over much of the Programme period.

Despite some inevitable issues in delivering complex capital schemes it is understood that projects have generally been reasonably free of major cost or timetable overruns. The SIF teams have played an important role in bringing forward some of the projects but there is a common perception that there is scope for the planning of transport interventions and other initiatives to be more 'joined up'.

Relevant projects have been required to be covered by CEEQUAL, the independently verified sustainability rating and assessment system. Both the costs and practical effects of this requirement have varied with the nature of the project concerned.

State Aids aspects have not been a major issue over the current Programme period. In the case of the only projects where issues have arisen (the A391 and Newquay Cornwall Airport) these were resolved satisfactorily.

The transport projects have delivered – and are projected to deliver – only very modest recorded outputs and results. This reflects a combination of: the fact that many of their key objectives, such as the reduction in congestion, are not reflected in the Programme targets and so are not picked by the monitoring system; the fact that many of their potential benefits will only be realised beyond the Programme reporting deadline; and, the practice of attributing the impacts of the funding of development projects entirely to the development funding, ignoring the likelihood that some of the schemes could not have been brought forward without the initial transport investment.

The investments involved should generate a range of further future beneficial impacts in terms of:

- alleviating physical and congestion related constraints on employment and housing development;
- generating time savings and other benefits to the business community, including underpinning the strategically important air links to London which are significant, inter alia, to the areas 'offer' to potential inward investment projects; and,
- enhancing the resilience of the crucial sea and air links to the Isles of Scilly.

In terms of the value for money of the investments involved:

- a reasonable level of economy should have been achieved through the use of OJEU compliant tendering processes, although despite following compliant procurement procedures, securing high levels of competition for contracts has reportedly proved problematic on occasions;
- where projects have been subject to an economic appraisal considering their transport efficiency benefits in terms of anticipated savings in terms of time, vehicle operating costs and accidents, this typically suggests that projects will have offered reasonable or good value for money in terms of their transport benefits alone. However, at this stage there is very little evidence on how far their projected benefits have been realised in practice; and
- whilst the investments have been crucial in unlocking workspace schemes, the combined costs of delivering these projects looks very high at this stage. Future value for money should be better as more of the development which has been unlocked comes forward and, potentially too, as the gap funding requirements of workspace schemes falls with the recovery of the national economy.

General lessons from the experience of the current Programme include:

- the need for a closer alignment between the objectives of possible transport projects and future Programme targets, with the latter perhaps taking into account the impacts of potential investments on intermediate objectives such as accessibility improvements and reduction of congestion;
- the need for greater clarity in the presentation of the wider economic case for transport projects; and
- the need for a much greater level of ex-post evaluation of how far the projected transport efficiency and wider economic benefits of transport schemes are achieved in practice.

# 1 Introduction

## 1.1 Overview

AMION Consulting, ICF International and Spirul were appointed by Cornwall Council on behalf of the Convergence Programme Local Management Committee (LMC) to undertake a thematic evaluation of the Cornwall and Isles of Scilly 2007-2013 European Regional Development Fund (ERDF) Convergence Programme. The evaluation has been structured to focus, in particular, on exploring the impact and difference that the Programme has made and its cost effectiveness, in the following four thematic areas:

- Business support;
- Innovation and Research and Development (R&D);
- Workspace; and
- Transport infrastructure.

In addition the evaluation has also explored a number of more qualitative and process-related issues in relation to the themes above, plus a further two focusing on:

- Regeneration/place-based interventions; and
- Environment.

This document contains the Thematic Report for Transport and forms one of six individual thematic reports listed above to accompany the final overall report. It provides an assessment of transport activities and projects delivered as part of the Convergence Programme 2007-2013. The assessment has drawn on:

- an analysis of Programme Management Information in relation to expenditure and outputs and results relative to targets;
- a review of programme/project documentation and other elements of the existing evidence base, including the Annual Implementation Reports, the SQW Interim Programme Evaluation (2010)<sup>1</sup> and available project evaluations; and
- stakeholder consultations, which followed a semi-structured topic guide.

## 1.2 The Transport programme

The Convergence Programme has provided funding for 20 primarily transport projects under a mix of Priorities 2, 3 and, most importantly, 4 almost all of which fall within the Strategic Investment Framework (SIF) areas and which can be classified as follows:

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<sup>1</sup> SQW, October 2010, Programmes Review of European Regional Development Fund in the South West – Convergence Programme

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- a) Newquay Cornwall Airport:- Infrastructure and Business Development Package (Priority 3), Echo Apron and Taxiway (Priority 2) and Treloy Waterfront (Priority 3);
  - b) Camborne Pool Redruth (CPR):- A30 Junction Improvements, East-West Link, Sustainable Transport Phase 1, Transport Infrastructure Project, East Hill Capacity Protection and Tolvaddon Employment Infrastructure (all Priority 4);
  - c) Carludon A391 Road Improvement (Priority 4);
  - d) Truro:- Falmouth-Truro Rail Project, Truro East Park and Ride, Coosebean Commuter Link and Walker Business Park Junction (all Priority 4);
  - e) Isles of Scilly Related:- Penzance Harbour Options, St Marys and Lands End Airport Improvements, Porthmellon Estate Road, Porthloo Slipway (all Priority 4); and
  - f) Mid-Cornwall Rail Study (Priority 4).

The expenditure totals presented below also include the Tremough Infrastructure Design and Sustainability project funded under Priority 3. This is classified here as a transport project because it includes a junction improvement, footpaths and cycleways required for the development of the CUC campus in general and the Innovation and Performance Centres in particular. However, it also includes substantial non-transport related infrastructure investment including building utility services and IT investment linked to projects classified under other Themes. As it is clearly not a mainstream transport project and has apparently not been appraised as such, it is not considered further in this part of the Thematic Evaluation.

Only very limited evaluation evidence in relation to these projects is available at this stage. In addition, most of the projects concerned are primarily focused on laying the foundations for future development and growth rather than generating immediate impacts on Gross Value Added (GVA), employment or other Convergence Programme targets.

In the absence of a great deal in terms of hard post-implementation evidence the assessment here is based on a combination of: review of the original appraisals, business cases and other project documentation; review of Programme Management Information and other available data on project expenditure, outputs and results; and consultations covering in varying depth all of the projects concerned.

Whilst it is possible to identify the wider impacts and benefits which the investments involved are generating – or are likely to generate – in general terms, the eventual scale and timing of many of their main impacts in terms of employment and GVA are typically still very uncertain at this stage. Realisation of these impacts will generally depend both on the evolution of the economic context and to a substantial extent the availability of further EU and/or UK funding for the developments which the projects are designed to unlock.

## 2 The Strategic Role of the Transport Investments and Project Linkages

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As is reflected in the categorisations identified above, there are strong inter-linkages between many of the transport projects and in a number of cases there are also linkages to transport projects funded under the predecessor Objective One Programme, in particular:

- the Echo Apron and Taxiway project provides access to the runway from airport airside development on the South side of Newquay Cornwall Airport; the Treloy Waterfront project provides road access to this area and to the new business park development, whilst the revenue element of the Infrastructure and Business Development Package enables the development opportunities involved to be promoted to potential occupiers, not least with a view to underpinning the future commercial viability of the Airport. The projects as a whole – including the investment in the Terminal through the capital element of the Infrastructure and Business Development Package – build upon the investment in the transition of the Airport to full civilian use which was supported through the Objective One Programme;
- the CPR projects form interlinked elements of an established transport strategy designed to remove the potential barriers to the regeneration of the area, involving in particular: the new East-West link road to open up brownfield sites for development and relieve the existing A3047 route through the urban area; improvements in access to the Heartlands development opportunities from the strategic A30 route; improvements to the A30 junctions to overcome the anticipated blocking through the planning process of developments by the Highways Agency - through the use of (in current terms) Article 25 directions – as a result of the Agency’s concerns about associated effects in terms of traffic generation and congestion on the A30; and, the downgrading of the A3047 to more of a role as a public transport, cycling and walking corridor. Again, there are linkages to the Objective One Programme which supported the Barncoose Link Road which was effectively the first phase of the new East-West link road;
- the Coosebean Commuter Link, the Falmouth – Truro Rail Project and the Truro East Park and Ride Project and, in part, the Walker Business Park Junction are linked by the objective to address the congestion problems around Truro which have been created by economic growth and which will potentially be exacerbated by ERDF funded developments, especially in and around Falmouth – in particular CUC. Road based solutions to these problems have essentially been ruled out by environmental concerns, making the strengthening of public transport and improvements in opportunities for walking and cycling imperative;
- the investments in the port and airport facilities at Penzance, Lands End and St Marys will strengthen key parts of the infrastructure which underpins the transport links to the Isles of Scilly which are clearly crucial to their economic and social future. The significance of services by fixed wing aircraft has been increased by the withdrawal on commercial grounds of the helicopter service from Penzance. The harbour investments will help to protect the sea link from Penzance by enabling the route to be served by less specialised vessels if the ageing, specialised vessel which currently plies the route to the islands is withdrawn at any stage; and,

- the investments involved are also strongly linked to a variety of projects which are likely to come forward for ERDF support under the successor programme. These linkages are explored further below.

### 3 Funding and Implementation Aspects

Table 3.1 shows the total projected costs of the investments involved, the ERDF grant committed, the project intervention rate, the priority intervention rate and the expected date of practical completion for each project. The total grant committed amounts to £55.1 million, some 14% of the Programme total of £391.62 million.

Analysis shows 13 of the 22 projects had intervention rates below those of the Priority rate, some of which were significantly so - for example, the CPR East West Link at just 23.3% on a total project cost of £18 million compared with a Priority intervention rate of 61.2%. Likewise another sizeable project the A391 at Carludon has an intervention rate of 50% compared to a Priority rate of 61.2% on an £11 million project. However, 3 of these 12 had rates around 1% or less below the Priority rate. Overall, if each project had had an intervention rate equal to the priority intervention rate the total ERDF grant allocation would have been £61.5 million, some £6.5 million more than that actually approved.

<b>Table 3.1: Project Costs, Grant Committed and Expected Dates of Completion</b>					
	<b>ERDF</b>	<b>Total Cost</b>	<b>Project Intervention Rate (%)</b>	<b>Priority Intervention rate (%)</b>	<b>Completion Date</b>
<b>Newquay Cornwall Airport</b>	<b>11,144,830</b>	<b>16,309,142</b>	<b>68.3%</b>		
Newquay Airport Infrastructure and Business Development Package	£9,669,212	12,835,738	75.3%	66.60%	Aug-15
Newquay Airport Treloy Waterfront Phase 1	£1,083,997	2,168,000	50.0%	66.60%	Dec-13
Echo Apron Taxiway	£391,621	1,305,404	30.0%	70.40%	Oct-13
<b>Camborne Pool Redruth</b>	<b>13,503,755</b>	<b>31,626,950</b>	<b>42.7%</b>		
A30 Junctions Improvements	£649,843	1,073,829	60.5%	61.20%	Jul-14
Camborne Pool Redruth-East-West link	£4,213,999	18,064,645	23.3%	61.20%	May-15
Camborne Pool Redruth Sustainable Transport Phase 1	£125,889	251,778	50.0%	61.20%	Jun-14
Tolvaddon Employment Infrastructure	£2,382,029	3,194,778	74.6%	61.20%	Dec-13

<b>Table 3.1: Project Costs, Grant Committed and Expected Dates of Completion</b>					
	<b>ERDF</b>	<b>Total Cost</b>	<b>Project Intervention Rate (%)</b>	<b>Priority Intervention rate (%)</b>	<b>Completion Date</b>
CPR Transport Infrastructure Project	£6,015,090	8,856,717	67.9%	61.20%	Feb-13
East Hill Capacity Protection	£116,905	185,203	63.1%	61.20%	Jun-13
<b>Carludon A391 Road Improvement</b>	<b>5,906,343</b>	<b>11,812,687</b>	<b>50.0%</b>		
Carludon A391 Road Improvement	£5,906,343	11,812,687	50.0%	61.20%	May-15
<b>Truro</b>	<b>9,114,089</b>	<b>15,089,798</b>	<b>60.4%</b>		
Falmouth Truro Rail Link Improvement	£4,308,069	7,180,114	60.0%	61.20%	Dec-12
Truro Coosebean Commuter Link	£374,398	748,797	50.0%	61.20%	Sep-13
Truro East Park and Ride Infrastructure Project	£4,000,000	6,585,391	60.7%	61.20%	Jun-15
Walker Business Parker (Junction)	£431,622	575,496	75.0%	61.20%	Jan-14
<b>Isles of Scilly related</b>	<b>£13,167,276</b>	<b>£19,415,424</b>	<b>67.8%</b>		
Penzance Harbour Options	£450,000	1,200,000	37.5%	61.20%	Dec-10
Porthloo Slipway and Boatyard	£330,366	440,488	75.0%	61.20%	Jun-15
Porthmellon Industrial Estate Road*	£52,480	58,310	90.0%	61.20%	Mar-14
Redevelopment of St Mary's Airport, Isles of Scilly and the hardening of Land's End Airport Runways	£6,773,821	8,229,152	82.3%	61.20%	Dec-15
St Mary's and Penzance Harbour Options	5,560,609	9,487,474	58.6%	61.20%	Sep-15
<b>Mid Cornwall Rail Study</b>	<b>153,780</b>	<b>232,996</b>	<b>66.0%</b>		
Mid Cornwall Rail Study	£153,780	232,996	66.0%	61.20%	Jun-12
<b>Tremough</b>	<b>2,077,792</b>	<b>4,155,588</b>	<b>50.0%</b>		
HE Tremough Infrastructure Design & Sustainability	£967,680	1,935,364	50.0%	66.60%	Dec-10
Infrastructure Delivery and Sustainability phase 2	£1,110,112	2,220,224	50.0%	66.60%	Sep-12

<b>Table 3.1: Project Costs, Grant Committed and Expected Dates of Completion</b>					
	<b>ERDF</b>	<b>Total Cost</b>	<b>Project Intervention Rate (%)</b>	<b>Priority Intervention rate (%)</b>	<b>Completion Date</b>
<b>Total</b>	£55,067,865	£98,642,585	<b>55.8%</b>		

Source: Programme Monitoring Data

Note: Figures in blue indicate project intervention rates that are lower than Priority intervention rates

\*This project has now been withdrawn for ERDF funding by CloS.

### 3.1 The Effects of Convergence Programme Funding

Perhaps inevitably given its transportation role, the majority of the interventions are Cornwall Council projects. Many were originally developed for funding through the Local Transport Plan process and in more than one case as part of a potential major scheme bid to the Department for Transport (DfT), for example the A391 and the Penzance and St Mary's Harbour improvements. The general effect of the availability of Convergence Programme funding has been to enable the domestically available resources to be spread further, allowing projects to be implemented more quickly than would have otherwise been possible or, no doubt in some cases, allowing schemes to go forward which might never otherwise have been implemented.

Whilst transport projects had to 'compete' with other eligible projects within Priority 3 and Priority 4 there was a clear need to provide improved transport alongside other developments such as workspace and regeneration projects to ensure that such projects did not worsen what was in many cases a constrained transport infrastructure position. With regards to the transport projects brought forward for funding there has been little effective competition for funding from other potentially eligible transport projects. No transport projects failed to secure funding because of constraints on the availability of EU funding, although one private sector scheme to unlock an urban extension in Redruth did not progress because of problems in financing the private sector contribution. The availability of 'spade ready' transport and public realm projects with a clearly articulated regeneration rationale individually and as a coherent package of funding developed by the former Camborne Pool Redruth Urban Regeneration Company has enabled the funding of transport projects under Priority 4 which might otherwise have been difficult to utilise because of the problems of bringing forward workspace projects in the depressed economic climate following the Global financial crisis.

### 3.2 Implementation aspects

The consultations indicate that in general terms the implementation of the projects under this theme has mostly proceeded reasonably smoothly. However, some consultees did express concerns about delays in securing approval for a number of projects highlighting consequential impacts on costs in some instances. Aspects flagged up as sources of delay included DCLG concerns about the lack of contribution to Programme targets in many cases, procurement/value for money and State Aids issues, aspects which are considered further at various points below.

Other consultees suggested that in some cases delays were occasioned by insufficient knowledge of EU procurement requirements on the part of the Council officials involved.

Project leads indicate that all projects have been tendered through OJEU compliant processes, either through open competition or, in the case of smaller projects, through a competitive process under frameworks established through OJEU processes. However, one case was cited to us where there is a dispute with the Managing Authority about whether the use of the accelerated procedure to appoint the contractor had been appropriate.

Cornwall and the Isles of Scilly face some particular issues in securing an adequate number of competitive tenders, in particular for road projects, because of the area's peripheral position and the traditional dominance of the market by Cormac – the Council's 'arm's length' TECKAL company. Consultees believe that there is a perception amongst other potential tenderers that Cormac enjoys a competitive advantage from its links to the Council which discourages them from bidding. In one case at least the lack of other bids led to a contract having to be retendered through an alternative framework. Concerns have been raised by a small number of consultees about the costs of securing variations in contracts with Cormac and about the issues which its dominant position creates for the retention of staff by other contractors.

As is inevitable in relation to complex capital projects, some problems have arisen in scheme implementation. For example, problems have arisen in relation to the construction of a bridge which forms part of the CPR East-West link road because of ground conditions. However, it is understood that the projects involved have generally been reasonably free of major cost or timetable overruns.

No major issues appear to have arisen in the post-completion monitoring process. The CPR East-West link road has an extensive future monitoring plan developed to meet the needs of the DfT funding partner which goes well beyond the requirements imposed as a condition of the Programme funding. However, it is noted that some of the EU project audits have clearly not gone smoothly and are perceived as having been unduly onerous by those involved, in particular because they have extended to cover aspects which related to internal issues rather than just to whether EU requirements and the conditions imposed by offer letters have been met.

The SIF Teams<sup>2</sup> have played a significant role in the process of development and taking forward of some of the projects involved. For example, the SIF is seen as having played an important role in securing Cornwall Council Cabinet approval for the Ecotown proposals<sup>3</sup> and the associated A391 improvements. However, there is a perception that there should be closer working between those responsible for transport and workspace projects both within and external to the Council Officer to inform scheme prioritisation and strategic objectives.

### 3.3 CEEQUAL

Where relevant projects have been required to be covered by CEEQUAL, the independently verified sustainability rating and assessment system. This involves registration and process costs

<sup>2</sup> See Cornwall and Isles of Scilly Convergence Evaluation Workspace Theme Report (April 2015) for further details

<sup>3</sup> A Government sponsored programme to develop new towns achieving exemplary standards of sustainability

and potentially more substantial costs in relation to the design and construction of the projects concerned. The consultations indicated a significant spread of views both on the extent of these costs and on the potential added value from its adoption:

- a number of consultees argued that CEEQUAL has only limited practical significance because it does little more than embody good practice in relation to aspects such as the reuse of materials to which Cornwall Council – the major delivery body involved - is anyway committed, implying that both its costs and benefits are relatively minimal; and
- at the other extreme, in relation to one project (the A391) it is evident that elements with significant environmental and ecological benefits and possibly positive effects on land values but also with significant financial costs were added at least in part in response to CEEQUAL. These include in particular two East-West connections across the new link in the form of a span bridge for use by cyclists and horses and a ‘green bridge’ for use by wildlife as well enhanced landscaping.

It has not been practicable within the timescale and resources of this study to undertake a rigorous independent assessment of the costs and benefits involved and it seems clear that these vary with the nature of the project concerned. In the case of the A391, it was suggested that the on-costs involved amounted to significantly more than 10% but this is probably atypical because of the particular focus on environmental and ecological aspects as part of the project’s objective to unlock a development badged as an ‘Ecotown’.

### 3.4 State aid

In most cases the investments involved are clearly public infrastructure and State Aid aspects have never been an issue. However, we are aware that issues have been raised in relation to at least two projects:

- following the Leipzig Halle (joined) cases which established, inter alia, that the construction of infrastructure with a view to its subsequent commercial use is prima facie aid to the operator, questions were raised by the Managing Authority in relation to the A391 project, presumably because of its potential private benefits in particular to IMERYS, the major owner of the land on which development was to be unlocked. Whilst it is understood that this concern was satisfactorily resolved – no doubt because of the wider transport benefits delivered by the scheme – this is one of the instances where the associated delays in securing approval are considered to have impacted on aspects of the scheme costs;
- the Airport development projects. State Aids for airports are covered by separate Commission Guidelines. Most of the investment involved is covered by Guidelines issued in 2005, although updated Guidelines were issued in February 2014. It should be noted that these include special provisions for airports like Newquay serving less than 700,000 passengers per annum for which Cornwall Council had argued and provided supporting evidence; and
- aspects of the investments under the current Programme were covered by Notifications under the former Guidelines in 2007 and 2009. There is some uncertainty about whether

these Notifications were necessary but the Commission raised no objections in any event, recognising in its response that the Airport is essential for connectivity and the regional development of the Convergence Area. Council Officers have taken opinions on the possible need for further Notifications but in light of the annual passenger throughput of only around 200,000 passengers and previous Commission decisions do not anticipate any substantial difficulties in securing approvals if/where these turn out to be required. However, some concerns have been raised. Notification was made and approval granted for the Isles of Scilly Airport and Lands End Runway project. There was uncertainty regarding whether a notification was a requirement in the circumstances. Clarity is needed with regard to the role of the Managing Authority and its position regarding advising applicants to seek notification or its ability to insist. Whilst it is recognised that there is a reputational risk to government if a notification is not made where it should be, ultimately the cost and time resource required to make a notification needs to be balanced with the fact that the risk falls to the applicant.

## 4 Outputs and results

### 4.1 Reported project outputs and results relative to targets

There is a lack of recorded management information available on reported outputs, results and impacts for projects within this thematic area. Table 4.1 sets out the contracted, achieved and forecast outputs and results.

<b>Table 4.1: Transport Infrastructure Theme – Outputs and Results</b>				
<b>22 Projects</b>	<b>Cost: £98.64m ERDF: £55.07m (55.8%)</b>			
	<b>Contracted</b>	<b>Achieved</b>	<b>Forecast</b>	<b>Achieved + Forecast</b>
<b>Outputs</b>				
Hectares of land for development	15.8	0	0	0
Projects achieving BREEAM excellent	11	0	2	2
<b>Results</b>				
Private sector investment (£m)	£0.14m	0	0	0
Gross new jobs created	274	0	8	8
Gross jobs safeguarded	205	0	0	0
Number of businesses using new infrastructure	2500	0	0	0
Gross increase in GVA (£m)	£7.87m	0	0	0

These figures need to be seen in the context that key aspects of the potential outputs and results of transport investments are not being routinely assessed. This reflects two issues:

- the fact that key project objectives – in particular the reduction of congestion in the ‘Tier Two’ Towns – are not reflected in the overall Convergence Programme targets so that there is no particular incentive to reflect them in project targets or to measure the extent of their attainment; and
- the potentially diffused nature of the mechanisms through which many transport projects are likely to impact on the high level Programme targets for GVA and employment and the practical difficulties which this would create for attempts at measurement. For example, to the extent that projects generate business travel time savings this should feed through to impacts on GVA but there is no easy or direct way in which these can be observed.

As noted previously, the major potential role of the transport investments is to unlock projected physical developments. However, many – and perhaps most - of the potential impacts of these developments will only arise beyond the Summer 2015 deadline for reporting on the Programme’s achievements.

In the case of the CPR area in particular, some of the developments involved have already taken place but their outputs and results have been attributed to the Programme’s funding of the associated follow-on development. This ignores the likelihood that some of the developments could not have come forward in the absence of the enabling transport investments. The corollary of the interlinkages between transport investments and development funding is, of course, that the costs of the necessary transport improvements should in principle be factored into value for money assessments when potential area development packages are appraised.

The conclusion of this review is clearly that a more comprehensive review of the actual and potential benefits and impacts of the transport investments is needed. This is attempted in the following sub-section.

## 4.2 The wider and potential future impacts of the transport investments

### a) Newquay Cornwall Airport

Three aspects need to be taken into account:

- (i) future employment and GVA impacts will clearly depend to a large extent on the future growth in passenger numbers. These fell sharply over the course of the recession but are now showing some signs of recovery. The Airport will clearly benefit from the recently announced four year DfT Public Service Obligation support for the key Gatwick service;
- (ii) the development of airport related activities on the South side area opened up by the Echo Apron and Taxiway and Treloy Waterfront investments. Progress is being made through attracting aviation users such as the Classic Aircraft Trust and there is reported to be good interest from businesses in the design and build opportunities which will become available on the business park. A study by Capita Consulting<sup>4</sup> suggests that the business park, which

<sup>4</sup> Newquay Cornwall Airport Economic Impact Assessment, 2011

forms part of the Enterprise Zone, has the potential to accommodate some 2,500 gross jobs by 2030.

(iii) Wider economic and social benefits associated with:

- inbound tourism. Capita Consulting estimated that the Airport generates 107,000 trips pa involving £35 million or more in local spend and supporting some 1,100 jobs, although this takes no account of the likelihood that a substantial proportion of these trips might otherwise be made by alternative modes;
- benefits to existing businesses, in particular in providing access to and for customers and suppliers, to other plants and companies within groups, and to business networks more generally. These aspects have significant potential implications for the turnover, particularly of international businesses, and according to recent studies<sup>5</sup> for business productivity. The survey work by Capita Consulting highlighted the substantial importance placed on the availability of air services by many Cornwall businesses, with 7 respondents rating them essential. Air links appear to be particularly important to some of the businesses located at Falmouth Docks;
- associated with the benefits to existing businesses, the availability of air services – particularly via Gatwick to international connections - is an important aspect of the ‘offer’ of Cornwall and the IoS to potential inward investment projects; and
- the time savings to users from the availability of local air services, the social opportunities which they create for Cornwall residents and the importance of the services to the Isles of Scilly.

**b) CPR projects**

Much of the development which has taken place in recent years could not have gone forward without the major improvements in road capacity which the Convergence Programme has helped to fund. The Adroit Economics Final CPR SIF Evaluation<sup>6</sup> states that, “without these supporting projects, none of the workspace or tourism development such as Heartlands would be able to happen”. As indicated, improvements were essential to overcome the constraints created by the potential impacts of development on congestion on the A30 and access issues within the urban area, especially around Pool.

The East Hill Junction Project is identified as having unlocked or likely to unlock a number of specific projects:

- Heartlands Commercial – speculative workspace;
- Tuckingmill Phase 1 (Northlights) – speculative workspace;
- Western Unite Mines – company expansion space; and
- TRIP South - speculative workspace.

<sup>5</sup> For example, Oxford Economics: The Economic Contribution of the Aviation Industry in the UK, 2006

<sup>6</sup> Adroit Economics (2012) Final SIF Evaluation

The specific schemes which the East-West Link Road was designed to unlock comprise:

- Dundance Lane – 37,000 sq m mixed commercial/industrial;
- Western Power - 3,176 sq m mixed commercial/industrial;
- Tuckingmill Phase 2 - 1,000 sq m mixed housing/office;
- Barncoose – 8,200 sq m light industry/office;
- Redruth Corridor workspace – 800 sq m mixed use housing/commercial/workspace; and
- Tolgus Fields – 3,000 sq m mixed use housing/workspace.

The Sustainable Transport Phase I project - a Real Time Passenger Information scheme to benefit bus users which complements the highway investments - has at least contributed to a 5% increase in bus usage in the corridor concerned over its first year of operation with potential environmental and road user benefits<sup>7</sup>. However, the Report suggests that only 20% of the new users formerly used private car.

#### **c) Carluddon A391 road improvement**

As well as improving the road for existing users, including providing a more direct route for traffic accessing the Eden project (which now accommodates the relocated National Solar Centre), the improvements will provide access to employment and potential employment sites, including the St Austell Print Building and the proposed Technology Park which has been identified as a potential early project for support under the next programme.

The original AMION assessment of the Ecotown proposals (2012) which the project was designed to unlock (2012) indicated that the development would provide some 5,000 new homes by 2030 with the proposed related employment development eventually creating around 1,000 gross jobs and some £19 million in net additional GVA per annum – albeit with a further gap funding requirement of some £16 million to deliver the volume of workspace involved.

These proposals have not yet been taken forward because of the impacts of the recession on the commercial viability of the development. However, with the improvement of the economy a planning application to provide 1,550 homes and associated social infrastructure will be brought forward shortly. The consultations suggest that the overall level of development which was originally envisaged may eventually be delivered, albeit with the timescale extended to perhaps 2035.

#### **d) Truro projects**

The Park and Ride, the Falmouth-Truro Rail scheme and the Coosebean Commuter link are contributing/will contribute to the mitigation of the impacts of growth on congestion in Truro,

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<sup>7</sup> Monitoring Report 2014

alleviating the potential constraints which this imposes on future housing and employment growth in the City:

- the Park and Ride has the potential to remove a substantial number of car trips into the City from the East. It is located at the A39/A390 junction and the 19.5ha site involved will be the subject of a mixed use development potentially creating 88 gross jobs and providing nearly 100 housing units<sup>8</sup>;
- the Falmouth Truro Rail Project led to a near doubling of usage in the 3 years following its opening. Some fall in traffic levels on the A39 has been observed both in absolute terms and relative to general trends in Cornwall. It is now estimated that the project has the potential to remove 850 weekday trips from the route by 2022<sup>9</sup>;
- the Coosebean Commuter Link which provides a walking and cycling route from Highertown to Truro centre is well used, although usage falls significantly short of the 870 daily trips which were originally projected; and
- the Walker Business Park Junction project was designed to help address local congestion problems and improve access to a major 17ha employment site including areas of brownfield land. A specific early private sector development is identified in the project documentation as likely to deliver some 3,400sq m of workspace, nearly 80 jobs and some £2.8 million in GVA. It is understood that there is an issue that the planning condition requiring the traffic improvement applies to the occupation of the office space rather than the workspace – the latter is scheduled to be built last and is not the major element of the scheme.

#### e) Isles of Scilly links

The maintenance of regular air and sea links to St Mary's from the mainland is clearly crucial to the Isles of Scilly economy and society; they are crucial communication links. The islands largest industry is tourism which depends wholly on tourists being able to reliably get on and off the islands, it also depends on these transport links for agriculture and other commercial sectors for export to markets within Cornwall and beyond. With regard to general health and well-being for the residents of the island reliable transport is critically important not just in the 'tourist season' but all year round as many depend on hospital and other services only provided on the mainland.

The redevelopment of St Mary's airport and the hardening of the runway at Lands End have recently been completed so it is not possible at this stage to assess the actual economic and social benefits generated. However, it is possible to note that the number of lost flying days should reduce considerably and a more reliable 'year round' service will be provided on completion. This will undoubtedly improve the resident's quality of life and businesses access to markets as well as improving the tourist experience. Making improvements at both ends of the travel route was clearly critical to creating the level of reliability needed. The applicants continued maintenance of the physical asset to ensure it generates the benefits forecast will be important.

<sup>8</sup> Ecorys and Atkins 2012

<sup>9</sup> Annual Monitoring Report 2012

The harbour scheme will see the pier extended and widened at St Mary's, along with provision of new freight storage facilities and improved access for passengers. The Penzance work includes dredging and some highway improvements in Penzance. Whilst a substantial project investment of approximately £10 million the project is considerably reduced from that which was set out in the Strategy. The Route Partnership originally proposed a £63 million project that was considerably more complex and whilst it had the support of many it was rejected due to its scale and complexity suggesting that the focus in some cases should be on what is deliverable. The project is expected to deliver substantial benefits in terms of the islands' economy and civil society. Due to its current stage of implementation it is not possible to assess the generation of actual benefits and associated value for money. However, given the scale of the islands population and economy as well as the fact that construction on the islands often runs to 50% higher cost than on the mainland, the cost per unit of output measures are likely to be higher than the Programme average. The value to the islanders is though likely to be high.

**f) Mid-Cornwall rail study**

This obviously produced no direct economic outputs and it failed to provide evidence that the cross-county links on which it was originally intended to focus were feasible, potentially economically viable in cost benefit terms and fundable under prevailing circumstances. However, it did contribute to the development of proposals for improved signalling on the main line through the county to permit a two trains an hour each way service which are likely to come forward as a priority investment under the next programme as set out below.

## 5 Value for money

Value for money (VFM) is normally assessed through a '3Es' framework considering in turn economy, efficiency and effectiveness. This section follows a broadly similar analytical approach, although the limitations of the available evidence and the diffused and uncertain nature of the potential impacts make it impractical to adopt an entirely rigorous approach to many of the investments involved.

### 5.1 Economy

The general view of consultees is that a reasonable level of economy has been achieved through:

- the extensive use of options assessment in the process of development and presentation of the business cases for the projects involved. In the case of the CPR East-West link road this led to significant compromises in project design through 'value engineering' in order to reduce costs;
- the use of OJEU compliant tender processes as described above. However, as noted, some project managers raised concerns about the reluctance of contractors in some areas to tender for some projects. This is seen as less of an issue where the project involved was a

relatively straightforward one and cost benchmarks to assess the reasonableness of tenders were available; it has been more of an issue for 'one-off' projects. Achieving a greater level of competition within the tender process would as a minimum help to build confidence that costs are being minimised and might, of course, actually generate savings. It is also important to ensure a credible bidding environment so that businesses are not deterred from bidding so that competition is maintained. It is understood that the scrutiny of costs by the Managing Authority has been a source of delay in securing final approval in some cases so the availability of evidence of greater competition could also have benefits in process terms; and

- as discussed above, CEEQUAL has clearly added to costs though in the instance where the impact was apparently most significant (the A391) there was a clear judgement that this was warranted by the environmental and ecological benefits. Some project managers expressed greater concern to us about the cost implications of the perceived 'gold plating' of equalities and diversity requirements in relation to some transport projects.

## 5.2 Efficiency and effectiveness

It is useful to consider two aspects of the issues here, namely:

### a) Transport efficiency

Some, but by no means all, of the projects were subject to a transport economic efficiency (TEE) assessment in accordance with DfT (webtag) guidance comparing aspects such as user time and vehicle operating cost savings and accident reduction effects, as relevant, with project costs. This approach was only undertaken where the project was seeking Department for Transport (DfT) funding. The approach represents best practice and other transport projects not seeking DfT funding may have benefitted from a similar process of assessment.

#### (i) The CPR East-West link road

The most recent estimate of the Benefit:Cost ratio (BCR) for the project is 1.8:1. The original project application estimated a BCR in the range 2.8:1 to 3.3:1, depending on the level of population and employment growth in the area which was assumed. The BCR will clearly be influenced by the implementation of other aspects of the CPR strategy but, on the surface, the estimate suggests that the project will be value for money as a 'standalone' scheme in purely transport terms. We have not so far had sight of – and are not aware of – TEE assessments in relation to other CPR schemes and we are informed that there was no such assessment of the A30 Junctions scheme.

#### (ii) Carludon A391 road improvement

The TEE in this case estimated a BCR of almost 9.6:1 - with further wider economic benefits, primarily in terms of competition related benefits, raising this to approaching 10:1<sup>10</sup>. This suggests that the project represents exceptionally good value in terms of its transport benefits alone, even before taking account of the development related benefits set out in

<sup>10</sup> AMION Final Report, 2012

Section 4 above. A significant caveat to this conclusion is that the appraisal did not model a 'no development scenario'. To the extent that levels of development associated with the Ecotown proposals turn out to be delayed or are lower than assumed in the modelling the eventual scheme benefits will be reduced, perhaps very substantially so.<sup>11</sup>

### (iii) Truro projects

- the Truro East Park and Ride was subject to a TEE assessment as part of a wider package - the Truro Sustainable Transport Strategy<sup>12</sup>. This estimated a BCR of 3.8:1 rising to over 5:1 under some assumptions and with wider economic benefits potentially adding a further 10% to the benefits. Overall the package is assessed to represent 'high' value for money in terms of DfT criteria. However, it needs to be noted that the package included a variety of other elements, including substantial road improvements, and the Park and Ride scheme was not modelled as a 'standalone' scheme. Whether it would still represent value for money if assessed in these terms must be a matter of speculation;
- the Mott MacDonald multi-modal study for the Falmouth-Truro Rail Project<sup>13</sup> which considered both public transport and highway user benefits projected a BCR of 2.13:1 for a hourly service on the line rising to 6.44:1 for a half hourly service (the 2012 Monitoring Report on the scheme reports a service of 29 trains a day at that time). Bearing in mind the rapid build-up in patronage since the scheme opening, the implication is that the project almost certainly represents good value for money in purely transport terms; and
- the Coosebean Commuter Link was originally projected to generate transport benefits of some £300,000 per annum. Experience of forecasting usage of such schemes is probably somewhat limited but, as actual usage is understood to be significantly lower than was anticipated, the presumption is that this estimate overstates at least the current transport benefits involved.

### b) Unlocking workspace provision

Consultees see the opening up of land for employment developments as perhaps the most successful aspect of Transport Theme projects, although there is a perception that the transport team and the economic development team within Cornwall Council need to work together more closely to agree priorities. In principle the costs of the enabling transport investment should be taken into account in the assessment of the value for money of the development projects as a whole.

If the transport costs were to be combined with the other CPR investments the total costs would be substantially higher – adversely affecting value for money in relation to economic development outputs. In relation to the SIF areas AMION estimated a figure of around £100,000 per net job created in taking account of costs and job creation to date and anticipated future costs

<sup>11</sup> A lower number of users has a substantially more than proportionate impact on vehicle speeds and operating costs under congested conditions, potentially greatly reducing the time and vehicle operating cost savings which will result from link capacity and junction improvements

<sup>12</sup> Ecorys and Atkins 2012

<sup>13</sup> Mott MacDonald multi-modal study (2006)

and benefits.<sup>14</sup> This figure is well above established benchmarks. The growth in the gap funding required to deliver office and industrial developments over the course of the economic downturn – to as much as 55% of project costs in the case of office schemes and nearly 60% of total costs in the case of industrial development<sup>15</sup> – has had a substantial impact on the figures. The figures underline the difficulties which have been encountered in achieving VFM in creating economic activity and in achieving the Programme’s high level employment and GVA targets through a combination of enabling transport investments and follow-on development.

However, it needs to be stressed that the cost per job involved should fall over time. Gap funding requirements should decrease as the economy recovers and the transport investments funded through the current Programme should underpin substantial future development, not just the development which has taken place to date. Finally, of course, this aspect of the analysis takes no account of either the transport efficiency benefits or the range of wider benefits set out in sub-Section 4.2 above.

## 6 Key conclusions

The key conclusions of the evaluation in relation to the transport theme are:

- the projects supported under these schemes mostly fall into groupings which have substantial shared objectives and, typically, strong linkages with each other, with projects which have been funded under the current Convergence Programme and/or the predecessor Objective One Programme or which are likely to be brought forward under the new programme;
- whilst a range of issues have inevitably arisen, the process of developing, assessing and implementing the interventions involved has mostly gone reasonably smoothly with most projects being delivered broadly to budget and timetable. CEEQUAL requirements have imposed significant process and project related costs though in the instance where the project related costs appear to have been greatest there have been significant associated environmental and ecological benefits. State Aid issues have not been a major practical constraint on this aspect of the programme;
- projects have delivered only a relatively modest contribution to the Programme targets, exacerbating the wider problem of meeting the high level targets, particularly for P4. This reflects a range of issues associated with the long-term nature of the benefits of transport projects, the difficulties of identifying and quantifying their wider economic benefits (broadly defined) and the practice of attributing all of the impacts of development projects to the projects themselves, ignoring the contribution of enabling transport investments;
- the transport investments have delivered, are delivering, or will in future help to deliver, a wide range of wider economic and social benefits, most importantly in terms of:

<sup>14</sup> SIF Evaluation, Draft Final Report 2012

<sup>15</sup> *ibid*

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- transport efficiency improvements including the reduction of congestion, with potential consequential business and GVA benefits;
  - alleviating both area wide and site specific constraints on employment and housing development;
  - helping to maintain and develop the direct and wider economic benefits associated with Newquay Cornwall Airport; and
  - contributing to the resilience of the socially and economically vital transport links to the Isles of Scilly;
  - the indication is that a good level of economy has been achieved in the delivery of the transport projects, although there are concerns about the lack of effective competition resulting from the tendering process in at least some cases;
  - for the minority of projects for which transport appraisals are available these suggest that the projects involved should represent value for money in purely transport terms, although there are significant issues in drawing definitive conclusions from this evidence; and
  - the overall costs of generating economic activity where - as in the CPR area - both major transport investment and gap funding of developments has been necessary look very high relative to established benchmarks, although it is difficult to see how much in terms of regeneration could have been delivered without this investment. The unit costs involved should fall in the future as the economy recovers, reducing gap funding requirements, and the transport investment is spread across a larger number of projects.

## 7 Lessons for the future

The Common Provisions Regulation for the new Programme involve a focusing of transport investment on “promoting sustainable transport and removing bottlenecks in key network infrastructures” (Thematic Objective 7 Transport). This is likely to shift the emphasis of transport investment with the identified projects of dualling of the Carland Cross – Chiverton section of the A30 and signalling upgrades on the main rail line (as referred to above) identified by Cornwall Council as major priority investments.

Whatever the eventual content of the new programme a number of major general lessons arise from the experience of the current Convergence Programme, most importantly:

- there needs to be a much clearer read through from the objectives of the transport interventions to the associated programme targets which is shared across partners. This has to confront the inevitable lags between delivering such projects and achieving high level economic objectives, perhaps through specifying more in terms of operational targets for

projects and intermediate targets for aspects such as accessibility or congestion which relate more directly to the interventions potentially involved;

- linked to the above point, it is important that the wider economic development case for funding particular transport projects is clearly articulated at the application stage and that the necessary economic, financial and management resources to support the development, presentation, delivery and monitoring of projects are available to the transport teams involved;
- also related to the points above, it is important from the outset that there is a clear framework for assessing transport projects which is consistent with DfT best practice and which is consistently applied wherever this is proportionate to the scale of the expenditure involved. Subsequent monitoring and evaluation should then focus on assessing how far the expected results are achieved in practice and identifying, and learning from, the reasons for any major divergences – the approach now adopted in relation to major Highways Agency projects and to which the Council is committed in relation to the CPR East-West Link Road;
- whereas, for example, in the CPR area in relation to the current programme - projects are closely linked to other interventions, it would be desirable to undertake an economic appraisal for the package as a whole rather than simply considering the components of the package as separate entities; and
- it would be useful to consider means of securing a greater level of competition in the tendering process.

In addition, of course, there are a range of more detailed good practice lessons which have been identified by consultees in relation to detailed project implementation aspects such as procedures for pre-booking the road space required by projects. There is clearly value in these being as widely shared as possible.