

Chair of the Transport Committee

Navin Shah AM

London Assembly Member for Brent & Harrow



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Heidi Alexander
Deputy Mayor for Transport
(Sent via email)

3 March 2020

Dear Heidi,

Thank you for attending the London Assembly Transport Committee meeting in July 2019 to discuss Transport for London's (TfL) decision to pause work on the proposed bridge between Rotherhithe and Canary Wharf. We appreciate you subsequently providing the Committee with the Institution of Civil Engineers' independent review of the value engineering report, which informed this decision.¹ Given that the proposed bridge will not be delivered at this time, the Committee is seeking further information regarding TfL's progress on developing an alternative option to the bridge, namely a ferry service. We would also like to understand what measures TfL has put in place to achieve more realistic cost estimates for major infrastructure projects in the future.

According to the Mayor's Transport Strategy, there is the potential to deliver more than 100,000 new homes and 170,000 new jobs in inner east London by 2041.² It is vital, therefore, to ensure this growth area is appropriately served by London's transport network. The Mayor's proposed pedestrian and cycling river crossing between Rotherhithe and Canary Wharf will not only support this projected housing and employment, but also help to deliver the Mayor's ambition for 80 per cent of trips in London to be made on foot, cycle or public transport by 2041.

As communicated at the Transport Committee meeting on 19 July 2019,³ we are concerned at the extent to which TfL's cost estimates during the design phase of this project varied so significantly – projections soared from £120-£180 million in November 2017⁴ to £463 million in March 2019.⁵ Your letter of June 2019 set out that as the "sheer scale and complexity of the engineering solution" became apparent, there was a risk that the cost of the scheme could exceed £600 million.⁶ This would constitute a five-fold increase from the original estimated cost.

This letter outlines the Committee's concerns regarding TfL's process for determining initial cost estimates for significant capital projects and highlights key considerations regarding the development of the Rotherhithe to Canary Wharf ferry service.

¹ *Letter from the Deputy Mayor for Transport, Heidi Alexander, to the former Chair of the Transport Committee, Florence Eshalomi AM* (6 August 2019):

<https://www.london.gov.uk/moderngov/documents/s78521/27%20FE%2006082019.pdf>

² Greater London Authority, *Mayor's Transport Strategy* (March 2018), pg. 15.

³ *London Assembly Transport Committee* (19 July 2019), *Transcript of Item 3 – Rotherhithe to Canary Wharf Crossing*.

⁴ *The Rotherhithe to Canary Wharf Crossing: Background to the Consultation Report*, TfL (November 2017).

⁵ *Letter from Deputy Mayor for Transport* to the former Chair of the Transport Committee (21 June 2019).

⁶ Ibid.

Costing capital projects

The challenge of estimating the initial cost for major infrastructure projects is not isolated to TfL; internationally, nine out of ten projects with a value of over US\$1 billion are delivered over budget or late.⁷ Additionally, in July 2019, the Budget and Performance Committee was informed that less than one per cent of projects are delivered on time, on budget and have the benefits that were expected when they started the project.⁸

TfL does not have extensive experience with building river bridges and greatly underestimated the engineering necessary for a bridge linking Rotherhithe to Canary Wharf. This led to a significant escalation in TfL's cost estimations during the feasibility stage, before project implementation had commenced. As outlined in the value engineering report, and through TfL's consultation with the Port of London Authority, this was because the requirements for ship impact protection were greater than originally envisaged. This meant the main towers that were to support the lifting element of the bridge would need to have been closer to the banks, thus impacting the span of the bridge and the span of the lifting part of the bridge.

The substantial increase in the expected cost of the bridge illustrates critical issues regarding TfL's estimation of capital project delivery costs during the feasibility stage.

TfL has acknowledged that its initial cost estimation is a weakness for the organisation and has also recognised that it is an area in which it needs to improve. During the July 2019 Budget and Performance Committee meeting, David Hughes (Investment Delivery Planning Director, TfL) noted that for TfL's track record on some of the bigger projects, "the initial estimates have been significantly short of what a more detailed estimate has then shown to be the case" and that "[TfL] are not good at the initial estimates.... it is certainly an area we need to improve."⁹ At this same meeting, the Director of Major Projects at TfL, Stuart Harvey, outlined how TfL is working to improve these processes. Work includes ensuring experienced project delivery people are involved in the very early stages of the project to advise on cost estimates.¹⁰

The Committee requests TfL to report back to the Committee with tangible evidence of how the changes the Director of Major Projects at TfL outlined have improved TfL's business planning process, with particular regard to costing capital projects.

If TfL can improve its initial cost projections during the feasibility stage for future capital projects, it could result in more projects being taken forward, instead of TfL losing money on developing projects which have an unrealistic costing such as the proposed Rotherhithe to Canary Wharf bridge. TfL should review its historic data to identify common themes for projects that have had significant cost increases to see what lessons can be learned as part of the current business planning process. To this end, the Committee would appreciate a response setting out the measures TfL has, or will, put in place to achieve, and incentivise, more accurate cost projections for future capital projects.

The Committee recommends that, by September 2020, TfL's business planning prioritisation process for 2021-22 is reviewed to reduce the risk that under-funded and therefore undeliverable projects are progressed as a result of unrealistic engineering proposals and low-cost estimates.

⁷ [Reducing the gap between cost estimates and outturns for major infrastructure projects and programmes](#), Institute of Civil Engineers (16 May 2019), pg. 3.

⁸ [London Assembly Budget and Performance Committee](#) (11 July 2019), *Transcript of Agenda Item 5 – Transport for London Capital Projects Delivery*, see quote from guest Nicole Badstuber, Research Associate in Urban Infrastructure Policy and Governance, University of Cambridge), pg. 6.

⁹ *Ibid*, pg. 5.

¹⁰ *Ibid*, pg. 5.

Ferry Services

You advised the Committee in June 2019 about plans to develop a fast ferry service with a lower capital cost than a bridge or tunnel which could be introduced more quickly. TfL's initial estimate of the ferry was £32m for the capital cost, £64m for the outturn cost and with a net financial effect over 60 years of £121m.¹¹

At the meeting you seemed confident that you would have more information by October, but we still await an update. **Can you please advise the Committee on the following:**

- Whether it will be a free or fare-charged ferry service;
- The effects on predicted use of the service that a free or fare-charged service would have;
- How responsive the initial and long-term service could be to demand;
- If there is a fare, the expected fare level for the service and what the payment method will be (including whether Oyster Cards will be accepted);
- The type of vessel that will be used;
- Any trade-offs being considered for the type of propulsion of the vessel;
- How many vessels would be procured and how this would relate to demand;
- The frequency of the service (and the number of passengers that can be accommodated);
- Whether the ferry service will require new infrastructure, or if TfL will adapt an existing river travel service;
- What land purchases you are envisaging, and what issues on feasibility they may pose;
- What land or other infrastructure would be needed for servicing and storing the ferry;
- What TfL's plans are to consult community and resident stakeholders, including engagement with London Boroughs on the north and south of the river;
- The revised cost estimates for delivering the ferry service; and
- The expected commencement date of the service.

The Committee would kindly request this information be provided, if possible, by 20 March 2020. If the specified information is not available to TfL at the time of providing a response, the Committee would appreciate a detailed plan for how TfL will determine this information and when it will be provided.

Yours sincerely,



Navin Shah AM

Chair, Transport Committee

¹¹ TfL, *briefing: Rotherhithe to Canary Wharf Crossing - New Electric Ferry Service Option* (16 May 2019), paragraph 3, Capital and Operating Costs. Available online at: <https://www.london.gov.uk/moderngov/documents/s78523/16%20May%202019%20-%20R2CW%20ferry%20briefing.pdf>