

TRANSPORT FOR LONDON

AGENDA

BOARD MEETING

**TO BE HELD ON WEDNESDAY 23RD JUNE 2004
IN THE CHAMBER, CITY HALL, THE QUEEN'S WALK, LONDON SE1 2AA
COMMENCING AT 10.00AM**

A meeting of the Board will be held to deal with the following business. The public are welcome to attend this meeting, which has disabled access.

Procedural business

- 1.1 Apologies for absence
- 1.2 Minutes of the previous meeting held on 29th April 2004
- 1.3 Matters arising, not covered elsewhere

Business Items

2. Commissioner's Report
3. Finance and Performance Report
4. PPP Contract Performance
5. Best Value Performance Plan
6. Piccadilly Line Extension to Heathrow Terminal 5

Procedural Items

7. Audit Committee Report
8. Finance Committee Report
9. TfL HSE Policy Statement

Items for Noting

10. Documents Sealed on behalf of TfL

Other Items

11. Any Other Business
 - Board Work Programme

Date of next meeting: Wednesday 22 July 2004 at 1000 hours

Transport for London

Minutes of a meeting of the Board
held on Thursday 29 April 2004, commencing at 1500 hours
in the Chamber, City Hall, the Queen's Walk, London, SE1 2AA

Present:

Board Members: Ken Livingstone (in the Chair)
Bob Crow
Stephen Glaister
Kirsten Hearn
Oli Jackson
Susan Kramer
Paul Moore
Sir Gulam Noon
Murziline Parchment
David Quarmby
Tony West
Dave Wetzel

In attendance:

Special Advisors: Lynn Sloman

In Attendance:

TfL Officers: Stephen Allen
Maggie Bellis
Barry Broe
Stephen Critchley
Mary Hardy
Peter Hendy
Tim Jones
Robert Kiley
Tim O'Toole
Fiona Smith
Jay Walder

Secretary: Horatio Chishimba

ACTION

107/04/04 APOLOGIES FOR ABSENCE

Apologies for absence were received from David

Begg, Sir Mike Hodgkinson and Bryan Heiser.

108/04/04 MINUTES OF MEETING HELD ON 24th MARCH 2004

The minutes of the meeting held on 24th March 2004 were **agreed** and signed as a true record.

109/04/04 MATTERS ARISING

Declaration of Interests

The Chair reminded Board Members of the requirement to declare any interests in the matters under discussion. No interests were declared.

Matters Arising

There were no matters arising.

110/04/04 WEST LONDON TRAM

Following a report on the discussions held at the Finance Committee and discussions on the timing of the consultation, traffic management measures, issues associated with the displacement of vehicles, the capital cost of the scheme, its financing and the interaction with Cross Rail the Board:-

- **noted** the contents of the report on the progress of the West London Tram project.
- **noted** that TfL would proceed with a public consultation commencing in June 2004.

111/04/04 PRUDENTIAL BORROWING

In Mike Hodgkinson's absence Jay Walder reported on the discussion at the Finance Committee and reported that they had:

- **noted** the following points in particular:
 - the paper sought approval of a borrowing plan for 2004/05 only.
 - it was likely that the plan would need to be reconsidered once the outcome of the Spending Review was known.
 - further work was being done on the options for borrowing and specific proposals would be presented to the Board at a future meeting.

and commented that:

- it was important that proceeds of prudential borrowing were applied to capital projects for which there was a strong business case.
- Prudential borrowing should be used in the first instance for projects which generate net revenue improvements provided that this did not distort TfL's overall planning priorities.
- in subsequent years, the prudential borrowing plan should be integrated into the business planning cycle. That would enable effective prioritisation of capital and revenue expenditures.
- Government should continue to be involved in discussions of TfL's prudential borrowing plans.

Following this report and discussion on it, the Board:-

- **approved** the contents of the report and the revised prudential indicators set out in annex 3.

112/04/04 ANY OTHER BUSINESS

There being no further business, the meeting closed at 1700 hours.

CHAIR

COMMISSIONER'S REPORT FOR JUNE 2004

1. PURPOSE

This is the Commissioner's written report for June 2004. This report provides an overview of major issues and developments since the last Board meeting and updates the Board on significant projects and initiatives.

2. TFL BUDGET AND BUSINESS PLAN / SPENDING REVIEW 2004

2.1 Budget and Business Plan

As you know, the 2003/04 financial year ended 31 March; the main operational, project and financial highlights for the full year are contained in the 4th quarter Finance and Performance Report included in these papers and will be discussed at the Board meeting.

TfL's net expenditure for 2003/04 was £2,073m, which is £326 lower than anticipated in the budget. This underspend was comprised of net additional income of £14m, deferral of programme delivery and business risks of £271m, cost savings and efficiencies of £56m and increases in scope and cost of £15m. The full amount of the underspend is being carried forward to 2004/05.

2.2 Spending Review 2004 (SR 2004)

The Department for Transport has submitted its bid for funding to the Treasury based on TfL's 2004/05 business plan. A decision is expected from the Treasury in July. However, we are aware that at that point the decision may not yet include the level of grant available for 2005/06 as this will still need to be determined by the DfT.

The support generated by our discussions on SR2004 with a broad range of stakeholders has been very positive. TfL hosted "London's Transport Summit" on 28 April, attended by over 110 stakeholders. The Commissioner was joined on the platform by representatives from Greater London Action on Disability (GLAD), the ALG, CBI and LCCI.

TfL has engaged in only limited activity in recent months due to the restrictions during the pre-election period. We are aware that other stakeholders have been engaged in a variety of activities supporting TfL's funding requirements. An Adjournment debate on 25 May, secured by Martin Linton MP, was extremely well attended (13 MPs in total) and all MPs that spoke referred to their positive relationship with TfL and the need for increased funding for transport in London. Numerous stakeholders have also submitted letters to the Government arguing this case. Regular discussions with the Government are also continuing.

3. TfL OPERATIONS

There are some operational issues to draw to your attention.

3.1 Surface Transport

3.1.1 London Buses

Bus patronage continues to grow; in Period 1 growth in ridership was 8.1% year on year. On Friday 23 April 2004, over 6m passenger journeys were undertaken on London Buses, the highest number in a single day for at least 35 years.

An Invitation to Tender for a replacement state of the art radio / Automatic Vehicle Location and Countdown system was issued on 5th April 2004. The current system is life-expired; we will be assessing the bids to see what the potential improvements are to the system, for example using newer technologies.

Since their introduction into London three Mercedes Benz Citaro buses have caught fire - on 3 December 2003, 7 February 2004 and 20 March 2004. All vehicles were operating on route 436. At the time of the third fire, there were 143 Mercedes Benz Citaro buses (of which 125 are articulated) operating on seven routes. On 24 March 2004, Mercedes Benz took the decision to withdraw all of the London fleet until the replacement and upgrading of the compressor system was complete. The reinstatement of these vehicles was complete on Monday 5 April 2004, and all have now been fitted with engine compartment fire suppression systems. The independent report on the fires is expected shortly.

3.1.2 Congestion charging

The 10-week public consultation on the proposed Western extension ended on 23 April 2004. Over 100,000 responses were received, making this the largest consultation exercise undertaken by TfL so far. TfL's analysis of the responses will be presented to the incoming Mayor in June/July 2004.

3.1.3. Transport Policing and Enforcement

Sunday enforcement of bus lanes was introduced on the 4th of May on 13 bus lanes. These bus lanes were selected for high levels of congestion and delays to bus services caused by illegally parked cars. Over 500 PCNs were issued on the first Sunday for bus lane offences.

Operation Stifle was a London-wide Metropolitan Police (TOCU-led) initiative carried out 5-19 April 2004. The operation focused on criminal damage, specifically graffiti on buses and bus infrastructure at identified hotspots across London. A number of different tactics were used including the deployment of high-visibility and plain-clothes officers, CCTV intelligence, and revenue protection ticket inspections. A total of 54 arrests were made as a result of the operation. Code red call data and MPS data are now being analysed to further evaluate the impact of the operation.

The pilot of the enforcement for moving vehicles violations (e.g., blocking yellow box junctions, banned U turns or right turns, school keep-clear markings) started on the TLRN on 21 June. The public information campaign started on the 16 June. TfL will use

the existing CCTV camera network at 25 locations to identify contraventions and issue PCNs. Six London Boroughs are working with TfL in a pilot that will run from July through August.

3.1.4. Traffic Management

TfL has determined that 15-20 congestion pinch points will be reviewed in depth each year. Focusing on pinch points will enable TfL to deploy scarce resources as effectively as possible. The first set – currently the top 20 pinch points (e.g., Kings Cross and Vauxhall Cross) – has been identified for priority action on signals, bus flow, signage and Metropolitan Police congestion unit deployment. This will be supplemented by Metropolitan Police deployed at these locations in the short term. Any quick wins will be made immediately, while longer-term fixes such as redesigning junctions could take several years and will require additional funding. In parallel with the pinchpoints work, an upgraded, web-accessible management database is in development to allow easy sharing of roads and traffic information among boroughs, utilities, TfL, and other parties.

The Traffic Management Bill is currently in the House of Lords. TfL continues to work with the Department for Transport through the parliamentary process and is represented on six of the working groups for the Bill. TfL is also contributing to the drafting of guidance and regulations that will accompany the Bill.

TfL hosted a visit by board members to the London Traffic Control Centre on 19 March 2004 to review current operations and future plans for managing the road network.

3.1.5. Blackfriars Bridge cycle accident

On 10th May a cyclist died after being struck by a bus on the northbound carriageway of Blackfriars Bridge. Cycle lanes had been recently installed as part of a bus lane scheme in both directions on the bridge. There was considerable attention from the press and from cyclist groups in the wake of the accident raising concerns about the nature of the cycle lane and the associated consultation process.

TfL had the bus lane and cycle lane removed from the northbound carriageway on 27th May 2004 pending the outcome of an independent review. This review will audit TfL's adherence to appropriate standards and procedures, review consultation undertaken during new cycle scheme designs, review the benefits enabled by cycling measures and review cycling provision on Thames bridges in general and Blackfriars bridge in particular.

3.1.6. Road safety

Casualty figures for 2003 show an 8.5% reduction in the number of people killed or seriously injured in 2003 compared to 2002. This is on-track to meet the 10-year target set by the Government and promulgated via the DfT of a 40% reduction by 2010. There were reductions in all categories except powered two wheelers, where remedial work continues.

3.1.7. A406 schemes review

A review has been completed of the costs and engineering aspects of the schemes inherited from the Highway Agency for the A406, including the A406/Golders Green junction, A406/Regents Park Road junction and the A406 Bounds Green to Green Lanes widening.

The schemes were reviewed against design, traffic, environment and cost criteria, taking into account current standards and legislation as well as the Mayor's strategies. The work included updating the previous cost-benefit analysis. The total capital cost of the three schemes at today's prices would be £519 million. The decision as to which of these schemes to pursue, if any, will turn on the outcome of the 2004 spending review currently underway.

3.1.8. Launch of Jan Gehl report

The Jan Gehl report on Public Spaces & Public Life for London, commissioned by TfL and the Central London Partnership, will be launched on 22nd June 2004 with the Mayor. TfL will work to use the philosophy of the report in making London more people friendly.

3.2 London Underground

3.2.1 Customer service and performance

All but one of LUL's year-end 2003/04 targets were met, the exception being percentage of schedule not operated (6.9% against a target of 6.2%). This was primarily due to the Camden derailment. Infraco availability performance for the year under the PPP has, however, been disappointing, with no clear improving trend. Total passenger journeys for the year were below target (948m against 970m budgeted), with a slight increase over the previous year total journeys of 942m.

In the 4th quarter of 2003/04, customer satisfaction scores of 78 were 3 points higher than in the previous 2 quarters. This is echoed by some improvements in Infraco ambience performance, as measured by the mystery shopping survey.

Operational performance as reflected in the performance-related payments to the Infracos shows total abatements for the year at £9.7m above budget. This does not include the significant amounts in abeyance that are yet to be allocated (840,000 lost customer hours as of the final period of 2003/04).

3.2.2 White City derailment

On 11 May 2004, a westbound Central Line train derailed at White City. There were no injuries and the 150 customers on board were detrained within 5 minutes of the incident. The Central Line was suspended through the area for the rest of the day but service was restored at the start of traffic the following day.

The interim report into the derailment was published 1 June and includes initial conclusions. The investigation is being performed by a joint team led by LUL and including representatives from the trade unions and Metronet – responsible for maintenance and renewal of the Central Line under the PPP. So far, the report has ruled

out driver error, signalling problems, components falling from the train, or vandalism/sabotage. The team is still investigating factors of train speed, train defect, and track defect.

A considerable amount of maintenance work had been done by Metronet at the derailment site just prior to 11 May. The investigation team is examining whether this work was done in compliance with LUL standards, particularly those measures required following the derailment at Camden Town.

3.2.3 Industrial relations

LUL has been holding extensive discussions with the trade unions regarding a long-term agreement. This agreement is intended to cover a range of issues, including the length of the working week, pay, grade structures, later running on Friday and Saturday nights, staffing levels, and the impact of new technology. Discussions have covered the financial constraints that the Underground faces, such that any changes will need to be self-financing as far as possible and should not lead to higher fares.

On 2 June, the RMT announced its intention to hold strike action on 10 June. Following discussions between LUL and the RMT, it was announced on June 4 that the RMT had decided to suspend the proposed strike action.

3.2.4 Underground capital renewal works

One of the first major capital renewal programmes on the Underground began in May with a series of weekend closures on the District and Circle Lines. These works include replacement of track, ballast and sleepers. An additional weekend closure had to be added to this schedule due to a partially-collapsed drain at Victoria which required emergency repair works. Affected stations remained open for ticket sales and to redirect passengers, including onto existing bus services.

Recent months have seen significant problems with engineering overruns by the PPP infrastructure companies. The Infracos have also struggled to complete the amount of work planned during nighttime track renewal works. LUL has invested significant time and attention in working with the Infracos to get overruns under control and disruption from overruns has improved significantly as a result.

The Mayor of London and Tim O'Toole opened two new entrances at the east end of Canary Wharf on 19 April. This improvement in station access has been supplemented by a one-hour extension of the peak service levels on the Jubilee line for both the morning and evening peak.

Other capital renewal projects are being progressed but visibility of PPP projects is still poor due to the limited information that is being provided by the Infracos. LUL continues to put pressure on the Infracos to provide the project information required.

3.3 Docklands Light Railway (DLR)

All DLR performance targets were exceeded in the last period other than departures at 97.4% (compared to a target of 98%). The primary cause for this was intermittent signalling problems; these are being investigated by the franchisee. Customer satisfaction results for the quarter to March 2004 included the highest ever scores for

overall performance and service information. However, the cleanliness score of 91.9% narrowly failed to achieve target of 92.1%; a specific programme of work is underway to improve performance in this area.

Following a change in the management team at Alstom and with additional specialist resource at DLR we are now working closely to agree a revised delivery programme for the DLR railcar refurbishment. This will ensure at least one railcar will be completed per week.

3.4 National Rail network

London Rail has made a detailed submission to the SRA's proposals on the Integrated Kent Franchise, expressing serious concerns on the lack of growth provision for London.

London Rail's investment programme for South West Trains, Silverlink and Great Northern improvements at stations and on-train CCTV continues. A new station and control centre investment programme for Southern is being taken forward totalling £4.2m with TfL contributing £2.6m.

On fares, the North London Line and the West London Line, plus West Anglia routes to Seven Sisters, Tottenham Hale and Walthamstow Central were integrated into the LUL zonal system in May. A bespoke zonal system for Southern was also introduced in May.

4. MAJOR PROJECTS AND INITIATIVES

4.1 Crossrail

We are still awaiting the Government's response to the Montague Report on Crossrail which was passed to Secretary of State on 7 February. We do not currently have any indication as to when the decision will be made by the Government. The earliest possible timescale for lodging a hybrid Bill is now March 2005 and this date is now also in danger of slipping to November 2005.

The base reference case scheme has been adjusted following agreement between TfL and SRA in three areas.

- The scheme now includes the route from Paddington to Heathrow and also the London Suburban service to Maidenhead.
- At Custom House, the SRA's requirement to run freight trains and North London Line trains on Crossrail has been withdrawn.
- The site for the maintenance depot, which is a significant planning issue, has been agreed as Romford.

4.2 East London Line

Government has indicated that it is unlikely to be in a position to fund the full East London Line scheme and it has concerns about the proposed funding process using DBFT. The Mayor has written to the DfT proposing that TfL take over the project, funding it partly by Prudential Borrowing and implementing it in a phased way leading to the full project. The timings of these phases remain to be agreed.

The first phase has been subject to an agreement between the SRA and TfL in the form of a national rail service running from Dalston (with the bus interchange) to West Croydon and Crystal Palace. The routes to Clapham Junction and integration with the North London Line at Highbury and Islington would be completed in a later stage.

Regarding health and safety concerns and standards at Wapping and Rotherhithe, further work has resulted in an agreement to add Wapping back into the base case, which obviates the need to apply for closure of this station. Rotherhithe station is still subject to a closure proposal.

4.3 North London Line

We have been anxious to ensure that proper transport links are in place for the Olympics. However, we have not yet secured agreement from the SRA to convert the North London Line to DLR operation south of Canning Town, which would serve the international station at Stratford and the intermediate regeneration sites. Following a submission to the Minister, the DfT is setting up a working group to evaluate these proposals in place of the SRA.

4.4 DLR Capacity Upgrades and Extensions

The City Airport extension is one-third complete and on time and on budget for opening on 15 December 2005.

Following receipt of the TWA on 12 March, DLR and TfL have commenced with the concession competition for the Woolwich Arsenal extension. Four bidders have pre-qualified for the invitation to tender stage and are currently preparing tenders to be submitted to DLR on 1 September. The current programme assumes that a preferred bidder will be selected by Christmas with financial close by April 2005. This means that construction could start by summer 2005 and completed by end of 2008.

Three route options have been defined for Barking Reach and evaluated in terms of the full range of costs and benefits. A briefing with stakeholders has taken place and comments are being fed through into the evaluation process. The preferred route is a tunnel option that has the greatest transport/regeneration benefits and avoids any conflict with Port of London Authority requirements. Further engineering refinement of this option is underway.

Regarding the 3-car upgrade, LUL has approved the operational strategy for Bank Station and has commenced the master planning work for the long-term physical improvements to the station. LUL has met with the Corporation of London and is due to confirm to them the strategy that has been agreed for managing demand at Bank Station. DLR is progressing with the TWA submission (which has been agreed by the TfL Board) which will be submitted at the end of June.

4.5 Thames Gateway Bridge (TGB)

The TfL Board approved the TGB project in March 2004, which allows TfL to apply for Powers under the Highway orders and planning process. It is planned to submit the application documentation on 23 July 2004. This process would lead to the bridge opening for traffic in 2013.

4.6 West London Tram (WLT)

A paper on WLT was presented to the TfL Board on 29 April 2004. This noted that TfL would proceed with public consultation beginning in June 2004.

4.7 DfT Rail Review

TfL has made a submission to the DfT as part of its review of the rail industry. Discussions are continuing with the DfT regarding TfL's input. We are aware that the DfT will be issuing a white paper containing the results of its review; this is anticipated to be ready for publication in mid-July 2004.

Robert R. Kiley
Commissioner for Transport
June 2004

London Underground PPP Performance Report

To TfL Board

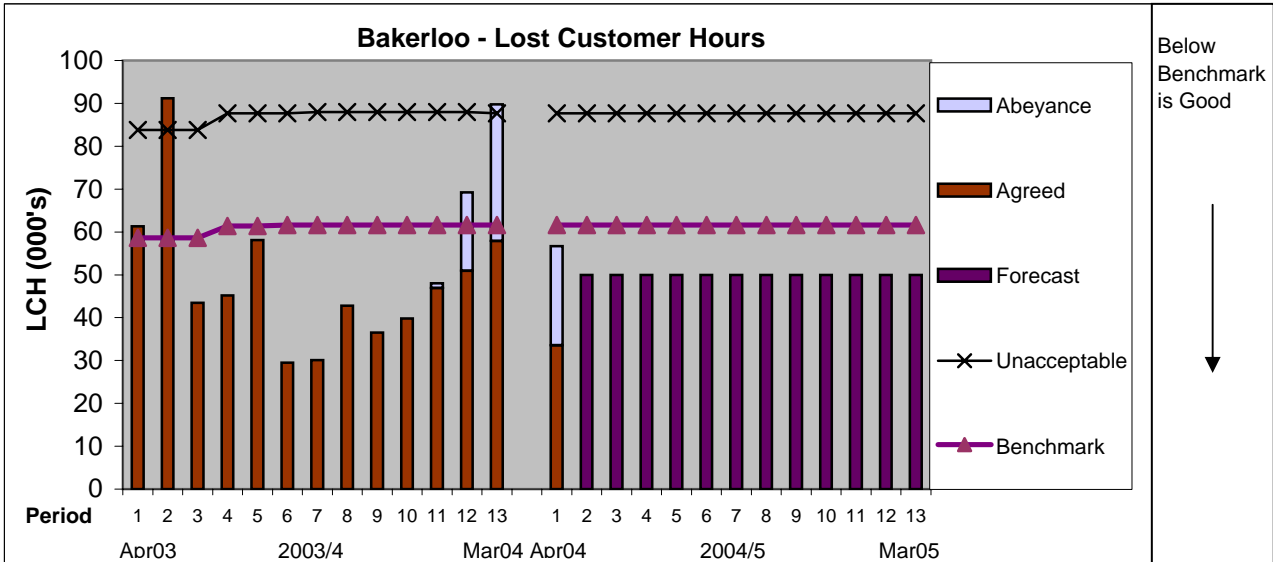
On 23 June 2004

Period 1 2004/2005
(01/04/04 to 01/05/04)

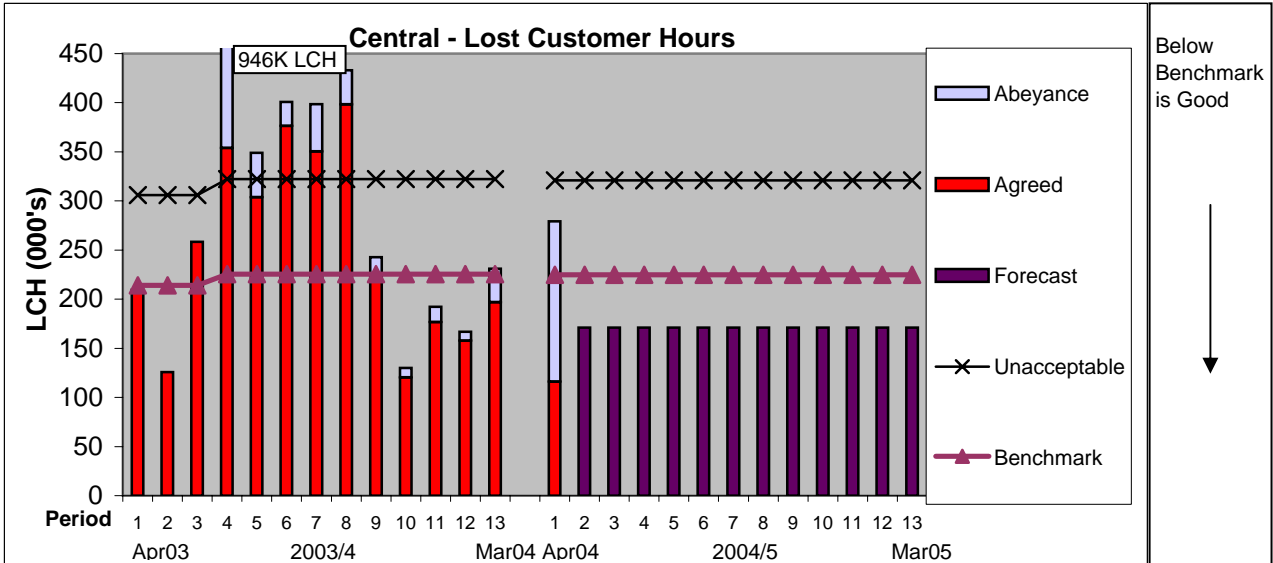


Performance figures are based on LU's reporting cycle of thirteen four week periods, starting on 1 April of each year and ending 31 March each year

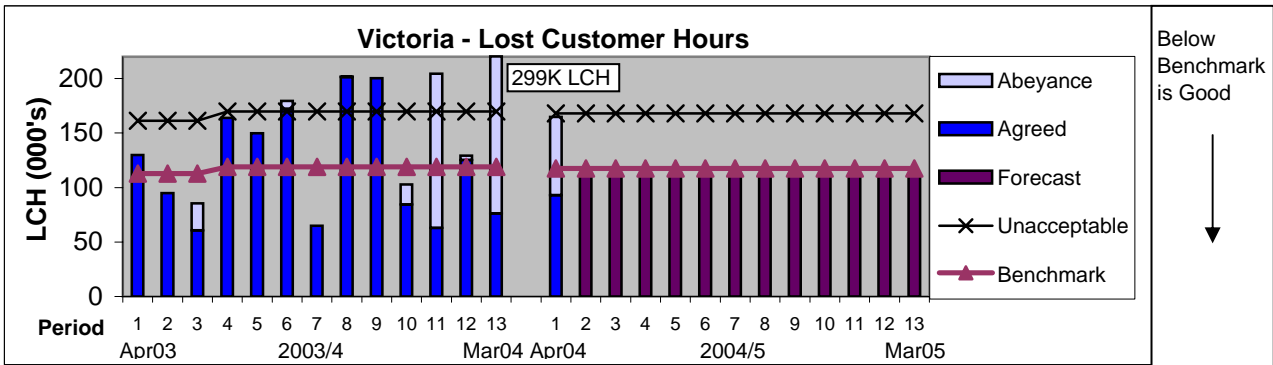
PPP PERFORMANCE - AVAILABILITY - BCV



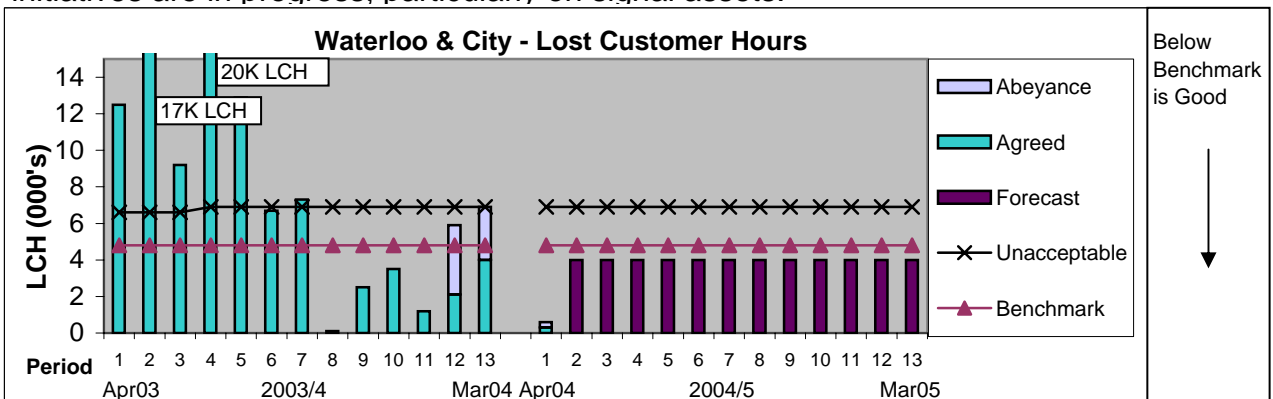
Agreed availability for 2003/04 was 25% better than benchmark. In 2003/04 the peak in period 2 was largely due to reports of smoke in a tunnel and lost air pressure on a train. In period 13 the peak was largely due to trackside fires and a failed block joint at Paddington. The largest incidents in period 1 of 2004/05 were a track side fire and a station closure due to a drainage problem, both at £12k each. There are no significant items in period 1 in abeyance. The train fuse replacement programme has been completed and the improved track cleaning programme has resulted in a significant reduction in track fires.



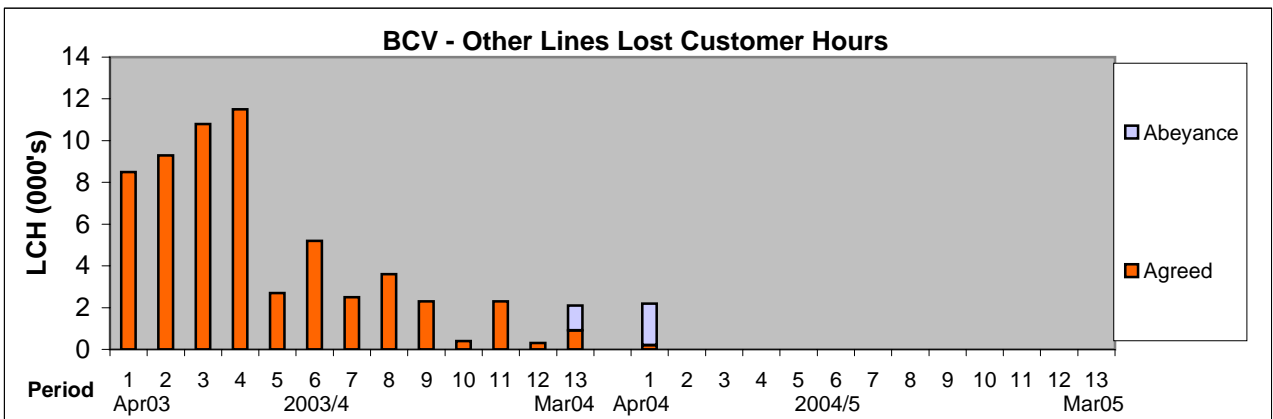
Agreed availability for 2003/04 was 11% worse than benchmark despite the 6 periods which were worse than benchmark due to train checks following Chancery Lane. Performance improved in the year following the introduction of specialist technical resource from Bombardier. In 2003/04 the peak in period 4 was due to a delay in returning escalators to service at Bond Street. The agreed availability has improved again for this period, despite two significant incidents due to a points failure at White City and a track circuit failure at Stratford. The relatively high in abeyance is mainly due to three incidents. A report of smoke due to locked wheels on a train at St Pauls, unsupported tunnel telephone cables between Marble Arch & White City and a train failure at Oxford Circus.



Agreed availability for 2003/04 was 4% worse than benchmark, with 6 periods worse than benchmark due to signal and train failures (such failures also explain the peaks in periods 8 & 9). The large abeyance for period 11 is due to a flooding incident between Finsbury Park and 7 Sisters and a train failure at Victoria and that for period 13 was due to an access booking issue for an escalator at Warren Street and a service suspension due to train traction shoes being knocked off by rails left overnight at Northumberland Park Depot. In period 1 of 2004/05 significant items in agreed availability are a signal failure at 7 Sisters and a broken track wire at Finsbury Park, each just over £100k in abatements. The largest item in abeyance is the failure of a signalling circuit at Pimlico. The train fuse replacement plan has been completed and a number of improvement initiatives are in progress, particularly on signal assets.

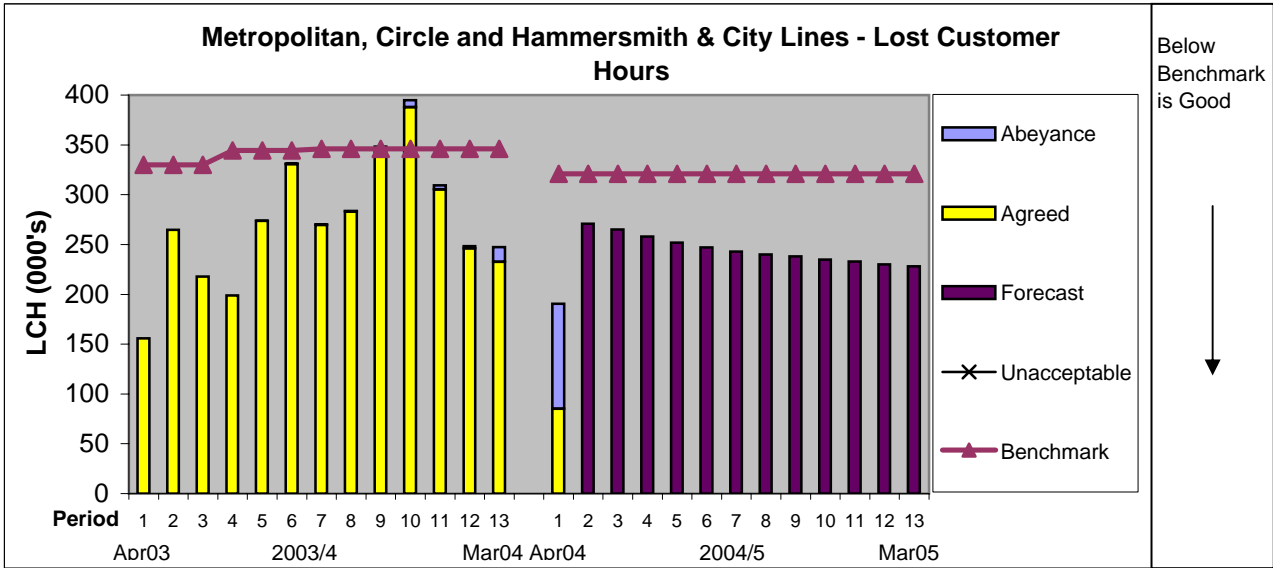


The poor performance at the start of 2003/04 was due to track defects. 2004/05 started well with a very low value of agreed availability for period 1. This arose from a single incident when a defective circuit led to a signal failure.

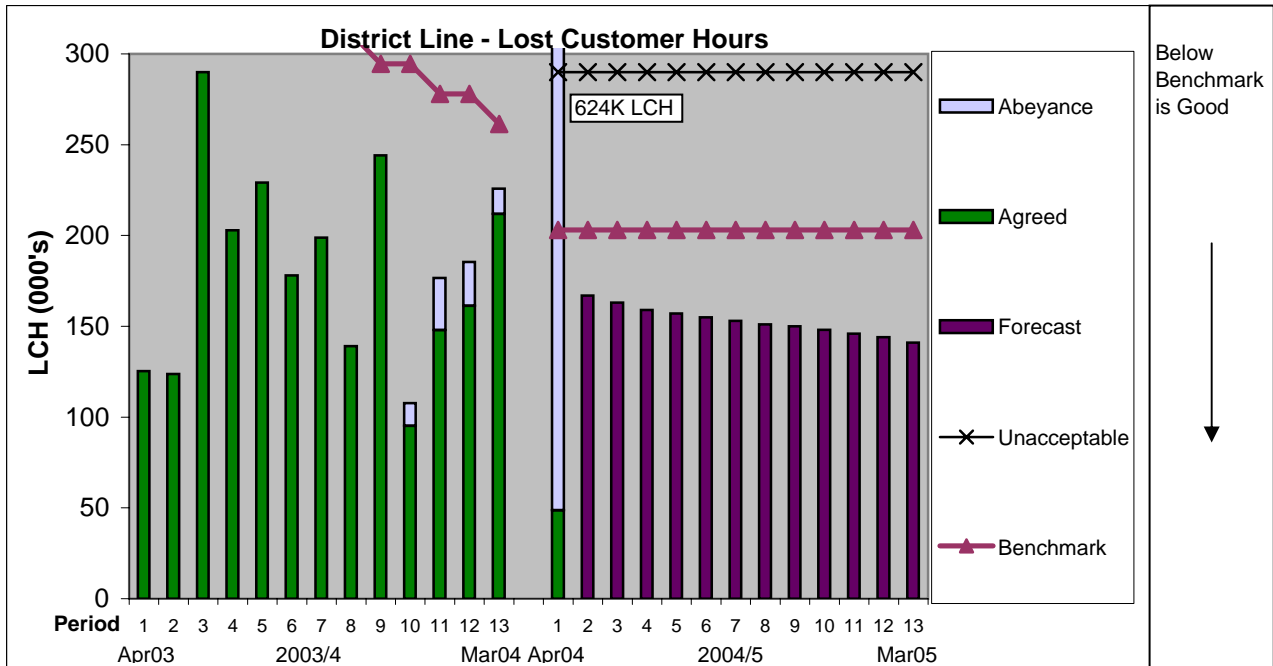


Performance last year showed a big improvement from period 5 of 2003/04 onwards. There have been no significant events in period 1.

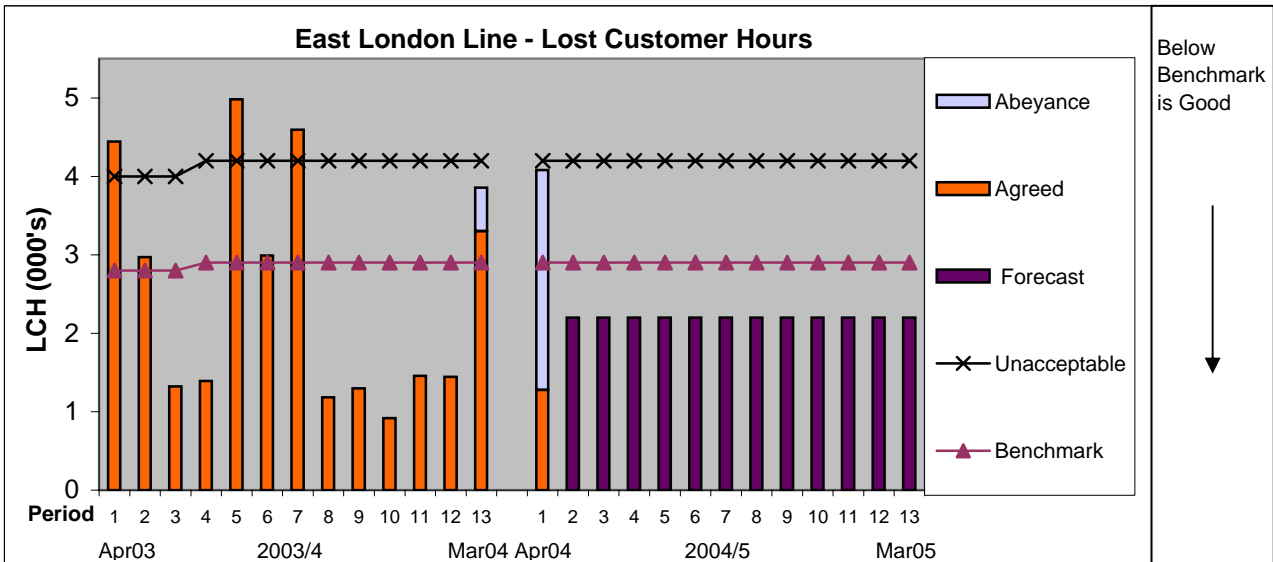
PPP PERFORMANCE - AVAILABILITY - SSL



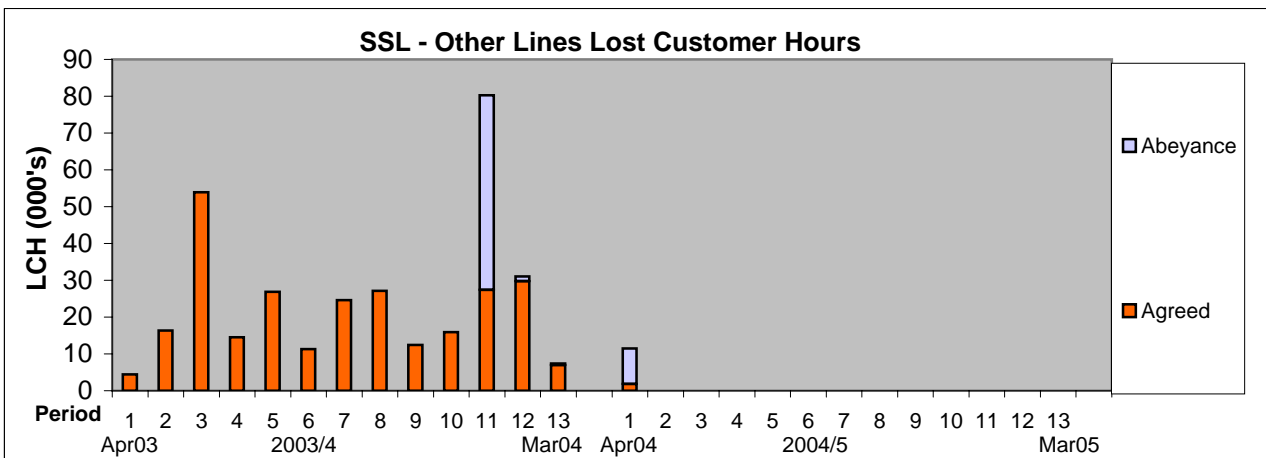
With the exception of period 10 performance in 2003/04 was better than benchmark due to good asset reliability and incident turn-around times and mitigation actions such as replacing block joints and track wires. Period 10 was worse than benchmark due in part to a number of signal failures between Baker Street and Liverpool Street. Performance for period 1 of 2004/05 is better than benchmark and has improved from period 13 due to improved train and signal reliability.



Performance for 2003/04 was better than benchmark due to reliability improvements to District Line trains and the removal of speed restrictions. The peak in period 3 was partly due to late depot start-ups, that in period 9 was largely due to a defective signal circuit at South Kensington and that in period 13 was due to a number of smaller issues mainly signalling related. The large abeyance for period 1 of 2004/05 is due to speed restrictions resulting from a defective drain at Victoria. If this is agreed to MRSSL, performance will be worse than benchmark and possibly worse than unacceptable. Benchmarks are tougher in 2004/05 reflecting the required improvement in Infracore performance.

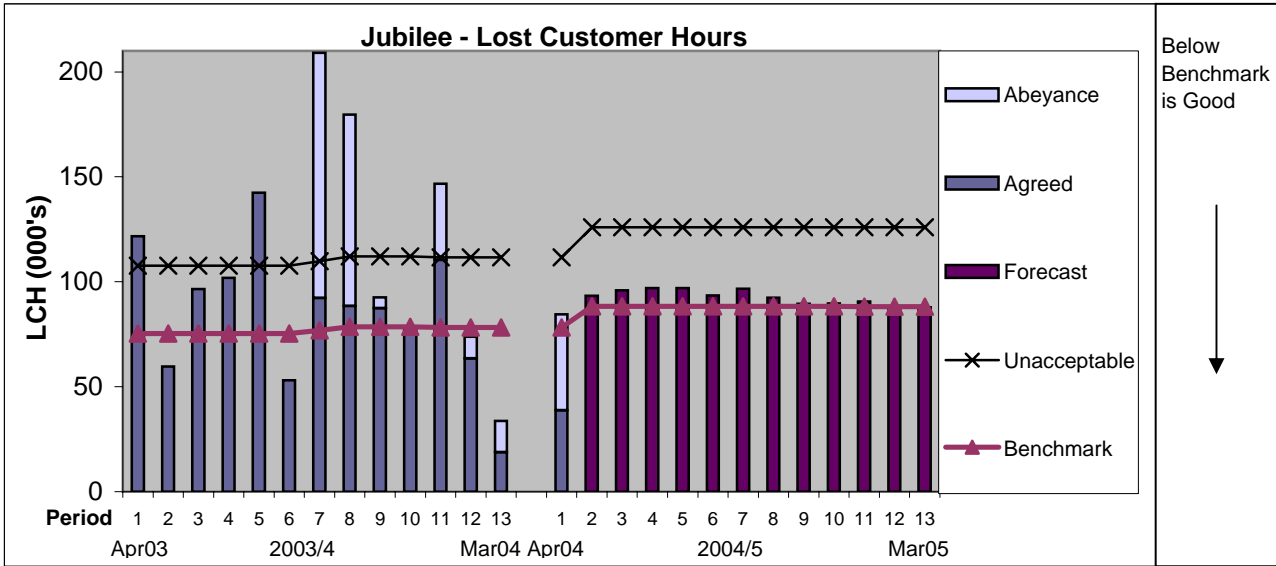


ELL is a small line with a low level of LCH, and therefore any incident tends to have a large impact on the graph above. Performance in 2003/04 was generally better than benchmark due to improved signal reliability with periods 1, 5 and 7 worse than benchmark primarily due to points failures, signal control computer faults and a faulty insulating pot respectively. Period 13 poor performance was mainly due to train defects. MRSSL's performance in period 1 of 2004/05 is likely to be worse than benchmark following attribution of abeyance items, the largest of which is a loss of signal control at Surrey Quays.

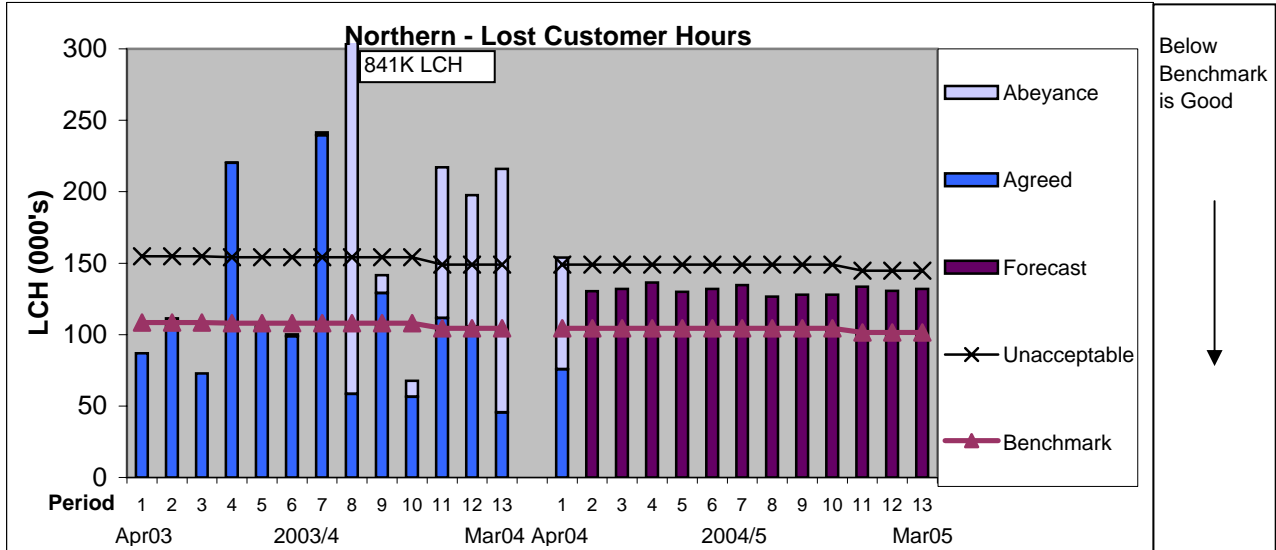


Performance in period 3 of 2003/04 was poor due to a track fault that delayed a Piccadilly Line train. The large abeyance in period 11 was largely due to Jubilee Line train cancellations caused by snow and ice-related issues at Neasden Depot. Note there is no benchmark or forecast for other lines as it is impossible to predict the full effects on BCV and JNP lines of incidents on SSL lines.

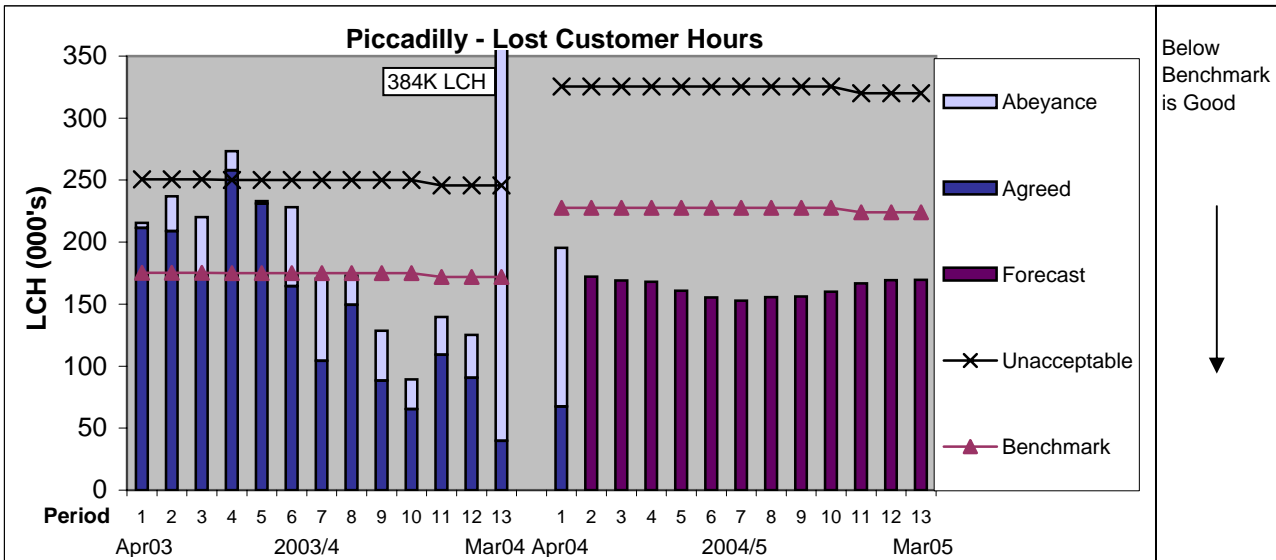
PPP PERFORMANCE - AVAILABILITY - JNP



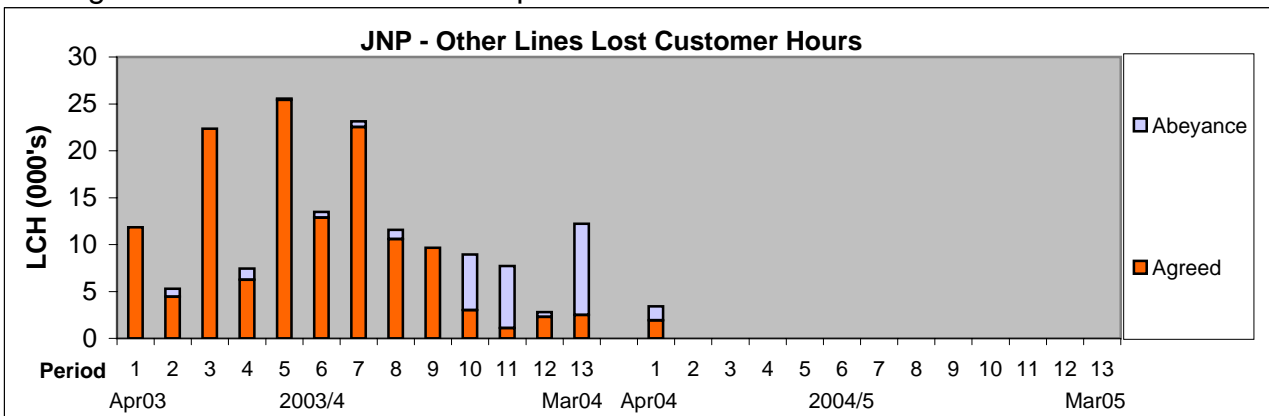
2003/04 Performance was variable, with 5 periods better than benchmark, 5 periods worse than benchmark and 3 periods (1, 5 and 11) worse than unacceptable due to signal and control system failures and winter weather disruptions. Performance in periods 7 and 8 would also be worse than unacceptable if the Green Park signalling failures (referred to Dispute Resolution) are accepted by Tube Lines. Period 1 of 2004/05 agreed performance is currently better than benchmark, the largest incident in abeyance is a signal failure at Southwark which would reduce the Tube Line bonus payment by approximately £40k. Changes to benchmark and unacceptable reflect Wembley Park adjustments.



Performance in 2003/04 was variable, with 7 periods better than benchmark, 4 periods worse than benchmark and 2 periods (4 and 7) worse than unacceptable. Agreement of the incidents currently in abeyance, including the Camden derailment (period 8, referred to Dispute Resolution), the Angel compressor failure (period 11) and a signal failure at Finchley Central (period 13) would put performance in periods 8, 11 and 13 worse than unacceptable. Period 1 of 2004/05 agreed performance is currently better than benchmark, the largest incident in abeyance being a signal failure at Mornington Crescent/Camden worth approximately £34k.

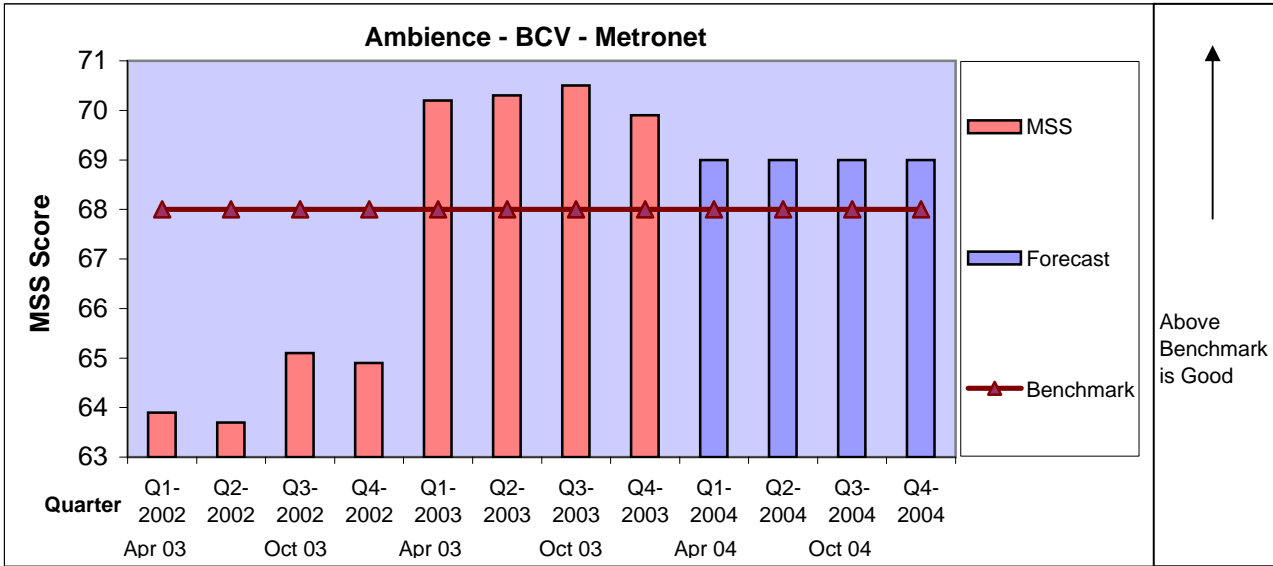


Performance for the first 6 periods of 2003/04 was worse than benchmark, with period 4 worse than unacceptable, however 6 of the last 7 periods were all better than benchmark. Period 13 of 2003/04 has some large incidents in abeyance, including signal failures at Arnos Grove and Russell Square necessitating a Special Timetable. In period 1 of 2004/05 performance has continued the recent trend and is better than benchmark. The largest incident in abeyance is a train delay at South Kensington. Changes to benchmark and unacceptable reflect axle box works.

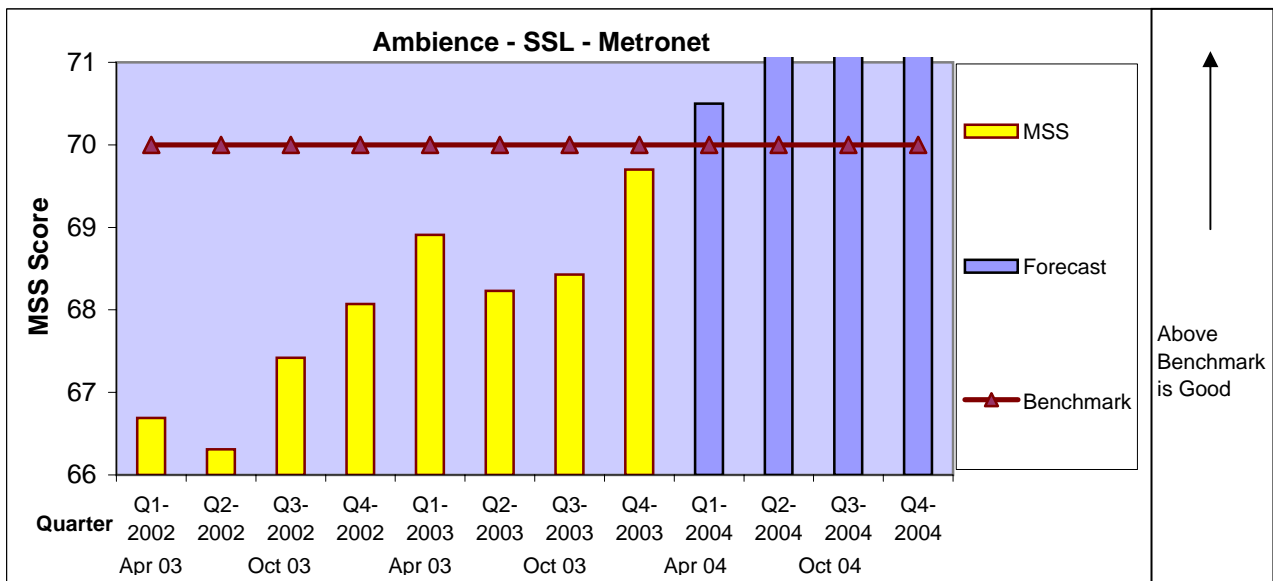


Performance generally improved throughout 2003/04. An engineering overrun at Ealing Common Depot in period 13 worth £43k in lost customer hours and a further £22k in service points is still in abeyance. Period 1 of 2004/05 performance is the best since transfer.

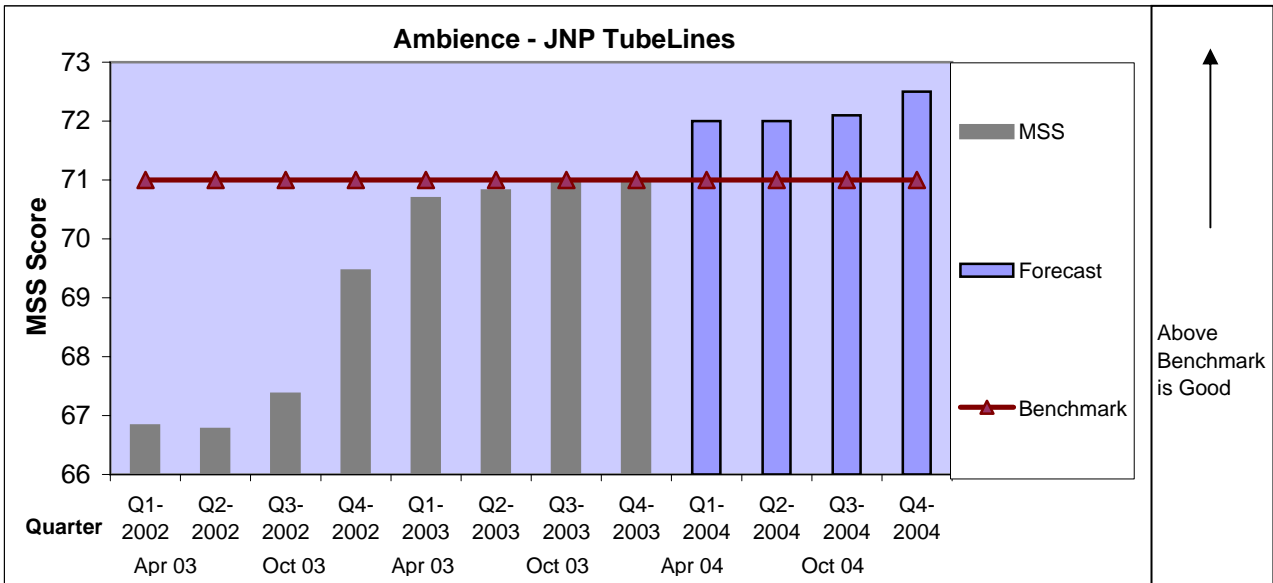
PPP PERFORMANCE - AMBIENCE



The recently published result for Q4 continued the excellent trend of better than Benchmark performance, despite a slight fall on the Bakerloo Line due to cleanliness and the Victoria Line due to signage. LU expect the scores to fall slightly going forward as Major Works at stations get underway.

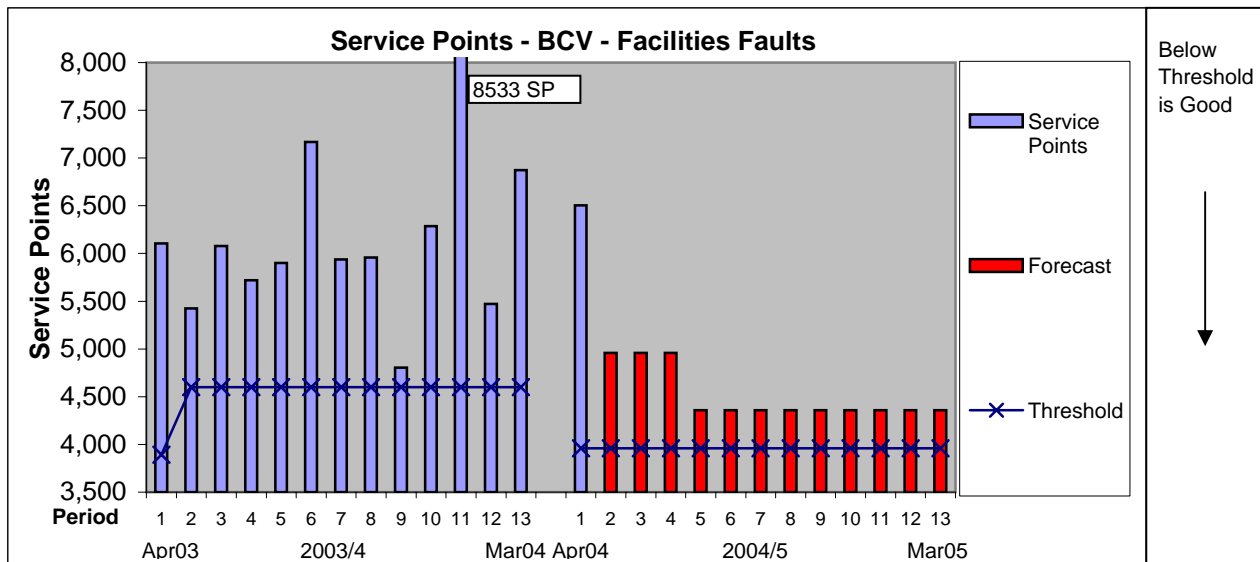


Performance for 2003/04 was worse than benchmark, largely due to graffiti on trains. The improved performance in quarter 3 is due to MRSSL's focus on trains, such as cleaning and sealing floors and new seat covers for the District Line trains. Performance in quarter 4 has improved towards benchmark due to completion of the train anti-graffiti initiatives and increased cleaning frequencies. The forecast for the year 2004/05 is based on initiatives in MRSSL's Annual Asset Management Plan.

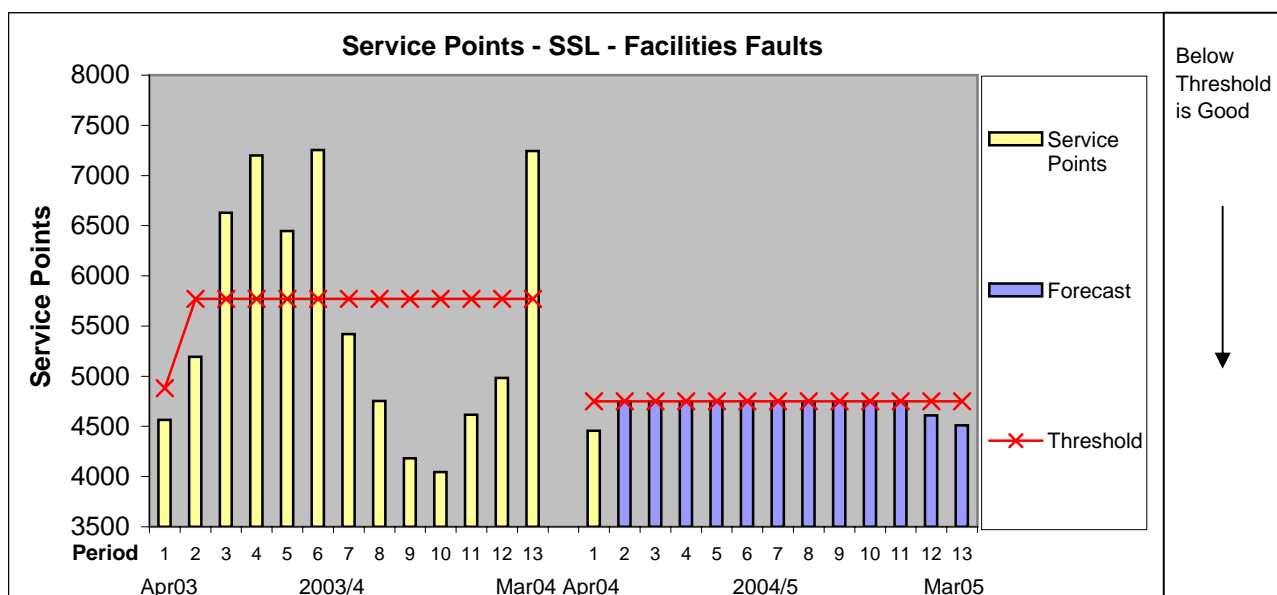


Ambience performance for 2003/04 has been worse than benchmark although there has been a gradual but continuing improvement. Quarter 4's performance has seen continued good performance on the Piccadilly Line while there have been reductions in scores for station cleanliness, graffiti and litter control on the Jubilee and Northern Lines.

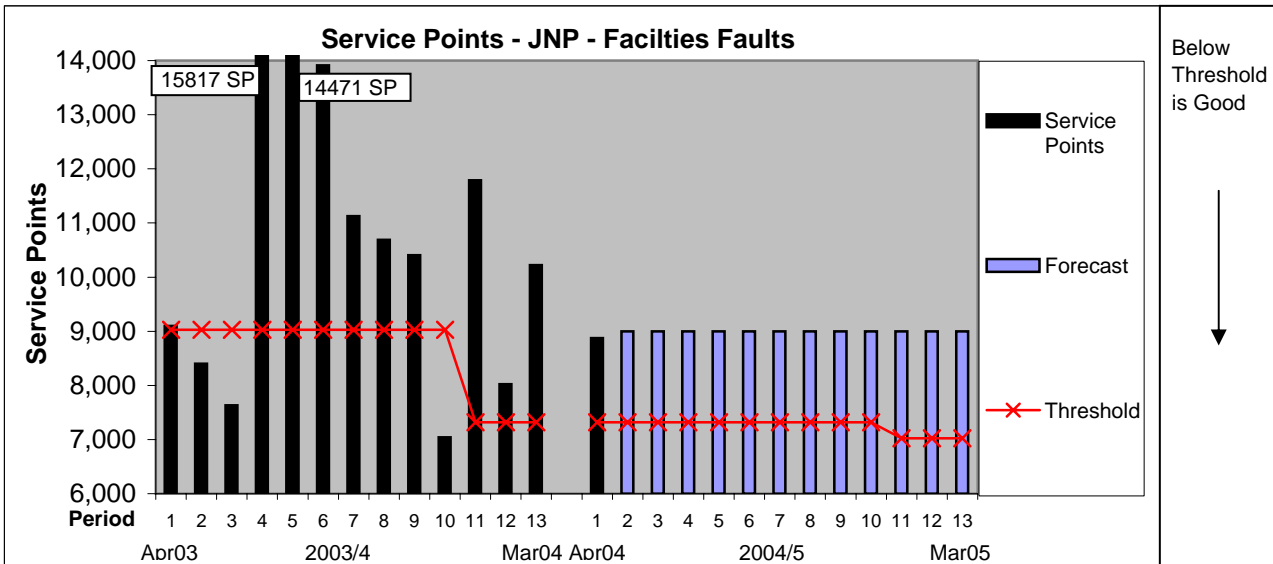
PPP PERFORMANCE - SERVICE POINTS ON FACILITIES



Performance throughout 2003/04 was worse than threshold. The performance improved slightly in period 1 of 2004/05 but remains worse than threshold. This was due to an improvement in CCTV which was however offset by a worse performance for dot matrix (time to next train) indicators. The improvement which is forecast will be delivered by increased investment in CCTV and toilet cleaning regimes. Thresholds are tougher in 2004/05 reflecting the required improvement in Infraco performance.



Performance for 2003/04 improved over the year, periods 3 to 6 being worse than threshold due to dot matrix indicator and PA faults. Performance in period 13 is worse than threshold due to an increase in CCTV faults and worse cleaning performance. Performance in this period is expected to be worse than threshold due to the level of CCTV and public address system (PA) faults. Thresholds are tougher in 2004/05 reflecting the required improvement in Infraco performance.



Performance for 2003/04 has been worse than threshold in 10 out of 13 periods. The particularly bad performance in period 6 results from large numbers of CCTV, Public Address and Dot Matrix (time to next train) indicator faults. The performance for period 1 of 2004/05 is worse than threshold with CCTV faults remaining the largest category within the total. Thresholds are tougher in 2004/05 reflecting the required improvement in Infraco performance.

TRANSPORT FOR LONDON

STAFF SUMMARY
Board Meeting

**SUBJECT: THE PICCADILLY LINE EXTENSION TO HEATHROW
TERMINAL 5 – APPROVAL TO SIGN THE PROJECT
AGREEMENT**

MEETING DATE: 23 JUNE 2004

1. INTRODUCTION

1.1 This paper:

- Outlines the Piccadilly Line Extension to Terminal 5 (PiccEx) project to meet the terms of the Terminal 5 planning approval issued by the Secretary of State in November 2001.
- Describes the proposed Project Agreement.
- Describes the financial impact and risks to London Underground Limited (LUL) of signing the Project Agreement.
- Seeks Board approval for the resolution in section 10.

Attached to this staff summary is Appendix A providing further information on Demand Scenarios.

All prices are March 2003, unless otherwise stated.

2. BACKGROUND

2.1 London Transport made representations in support of the PiccEx at the planning inquiry into BAA PLC (BAA) application to build Terminal 5 at Heathrow.

2.2 In September 1999, LUL and Heathrow Airport Limited (HAL), a wholly owned subsidiary of BAA, entered into a non-binding Heads of Terms Agreement. In November 2001, the Secretary of State approved the T5 planning application with the condition that the new terminal must be served by an extension of the Piccadilly Line before the main terminal building can open. Further proposals were then developed based around the Heads of Terms, which were approved by the September 2002 LUL T5 Board Sub-Committee.

2.3 Following the Secretary of State approval for Terminal 5, LUL and HAL jointly completed the Transport and Works Act Order for the PiccEx.

3. THE PICCEX PROJECT

- 3.1 The project will deliver an extension of the existing Piccadilly Line, 2km in length, to a dedicated station at the new Terminal 5 building. The extension will bifurcate from the current Piccadilly Line at a junction west of the current Heathrow T123 station.
- 3.2 During construction from January 2005, the T4 Loop will need to be closed for 20 months to facilitate safe construction of the junction connecting the new PiccEx tunnels to the existing tunnels. During this period, all trains will go direct to Heathrow Terminal 123 station and services to Terminal 4 station will be suspended. During the suspension of service to Terminal 4 station, HAL have an obligation to provide a rail replacement bus service between Hatton Cross and Heathrow Terminal 4 at their cost. The bus service will comply with the requirements of the Disability Discrimination Act and will have additional capacity for luggage. Both LUL and HAL are committed to maintaining customer service and are jointly planning all requirements for the closure.
- 3.3 The PiccEx station will be fully integrated within the terminal building, providing a high quality transport interchange between air services and the Underground, along with interchange opportunities to other modes. PiccEx will provide fully integrated, step free journeys between all passenger levels at Terminal 5 and the Underground network. The station will be operated by Heathrow Express Operating Company which currently provides station services for Heathrow Express. All LUL services within the station will be constructed and maintained to an equivalent level as the Heathrow Express services.
- 3.4 Following opening of PiccEx, planned for April 2008 when Terminal 5 will open, Piccadilly Line services to Heathrow will be split. The Terminal 4 service will continue to operate around the T4 Loop serving the Terminal 4 station and returning to London via Terminal 123 station (north platform). The Terminal 5 service will operate directly to Terminal 123 station (south platform) without going around the T4 Loop, then onto Terminal 5 station where the service will reverse and return to London via Terminal 5 and Terminal 123 station (north platform). The precise split of service will be determined closer to the opening date by LUL, following liaison with HAL around detailed Terminal planning. The revised operating arrangement will create an opportunity for passengers whose destination is T123 to reduce their journey time by travelling directly to T123 on the T5 service.
- 3.5 The PiccEx has been tested against various demand scenarios and compared to current BAA forecasts to ensure the existing Piccadilly Line service can manage the additional demand generated by Terminal 5. The results show that the Piccadilly line is not adversely impacted by any perceived demand scenario, including the latest demand forecasts recently discussed with BAA. Further details of the analysis is included in Appendix A.
- 3.6 The potential impacts of the proposed CrossRail project on PiccEx demand have also been considered. Analysis has concluded that CrossRail has only a relatively small impact on PiccEx demand, due to the fact it serves a different geographical market. Appendix A provides further details of this analysis.

3.7 The PiccEx provides an opportunity for LUL to be an integral part of a major gateway to London with the resultant increased worldwide exposure of LUL and TfL services. The project will increase the public transport mode share for both air passengers and staff travelling to and from the airport, reducing dependence on the car, and therefore easing road congestion.

4. PROPOSAL

4.1 It is proposed that the Board approve the resolution in section 10, in order that LUL can enter into the Project Agreement with HAL. It is planned that the final Project Agreement documentation will be complete by the time the proposal is reviewed by the Board, with the parties currently undertaking final checks of the documentation.

4.2 The Project Agreement offers favourable terms to LUL which have been extensively negotiated resulting in significant Value for Money and a forecast neutral cash flow impact, and are unlikely to be bettered by prolonging negotiations any further. This proposal is also in line with the Secretary of State T5 planning condition, placing a requirement on the extension of the Piccadilly Line to the new Terminal 5 building before it can open for public use. Failure to enter into this Agreement would almost certainly result in BAA lobbying government, claiming LUL were acting unreasonably.

4.3 The key elements of the proposal can be summarised by the following:

- HAL will fund and carry out the design and construction of the Piccadilly Line Extension according to LUL's requirements.
- HAL will have responsibility for compliance with HMRI, LUL standards and other applicable statutory and safety requirements.
- LUL will procure certain of the PiccEx Works, the "**LUL Works**", on behalf of HAL from its existing PPP/PFI contractors, for which HAL will reimburse LUL (HAL costs of approximately £59m). HAL will retain overall risk for the delivery and integration of the LUL Works, along with integration of all other assets to the Piccadilly Line.
- LUL's liability to HAL for any breach arising from the LUL Works is limited to the overall £5 million limit on liability within the Project Agreement. The only exception to this is where LUL receives monies following a successful claim against the PFI/PPP.
- LUL will fund certain elements of signalling upgrade on the existing Piccadilly Line up to a cap of £4 million, and initial start-up costs relating primarily to customer information (although HAL will contribute 50% of these start-up costs up to £1.2 million).
- BAA will guarantee the design and construction obligations of HAL under the Project Agreement. The guarantee remains in force until the expiry of twelve years from opening for revenue service and is only in respect of obligations that arise in the Design and Construction Phase of the Agreement.

- In the operations phase LUL will pay for and be responsible for the carrying out of maintenance of the non-station railway assets. HAL will be responsible for the maintenance of the station, station ventilation, reversing sidings civil build and cut and cover tunnel structures, at their cost, for the duration of the Project Agreement.
- Upon opening LUL will be granted two leases in accordance with the terms of an Agreement for Lease. The leases are for 999 years and provide for station and tunnel access following the commencement of revenue service.
- HAL will operate the LUL station at Terminal 5, including the provision of a ticketing system compatible with LUL's existing ticketing system, including Smartcards. Operations at the station will be governed by a performance regime, which is set out in a schedule to the Project Agreement.
- LUL will share a percentage of the incremental revenue it receives with HAL for a fixed period of 30 years. The basis of this payment will be that for demand up to the forecast level LUL will share its incremental revenue less LUL forecast operating costs less contingency. Should demand be greater LUL shares a much reduced percentage with HAL.
- Following the conclusion of the Project Agreement, LUL will be relieved from the revenue share. The operating arrangements at the station will remain and LUL will agree a station access charge with HAL for the T5 station according to a lease agreement.
- On signature of the Project Agreement, HAL will make an additional contribution of £17m (January 2003 prices) for general improvements to the Piccadilly Line in the Heathrow area and for any potential tax liability for Stamp Duty. It is planned to use this for the refurbishment of T123 to reduce congestion and bring it up to modern standards.

A legal overview of the Project Agreement is available from the Secretariat.

5. OUTSTANDING ISSUES

LUL Works

- 5.1 It is anticipated that the contractual arrangements (Specified Right and Variations) for the LUL Works will not be finalised until after the Project Agreement is signed. Agreements for the LUL Works will therefore be conditions precedent to the Project Agreement. LUL will enter into these arrangements once final positions have been reached with each of the contractors, to the satisfaction of the Managing Director Underground. The PPP and PFI contractors are already undertaking some activities in relation to the LUL Works to facilitate meeting HAL's construction programme. This will continue and will include the letting of certain key sub contracts by LUL's PFI/PPP contractors prior to the main arrangements being entered into. LUL are fully indemnified by HAL for all associated costs.

If the conditions precedent have not been satisfied by November 2004 e.g. were LUL unable to negotiate acceptable commercial terms with the PPP/PFI contractors, the Project Agreement expires and LUL's costs in relation to the LUL Works will be met by HAL.

Secretary of State Consent

- 5.2 The Greater London Authority Act 1999, requires TfL to obtain the consent of the Secretary of State before it, or any of its subsidiaries, enters in an agreement where a contractor provides a “reserved service” which includes “any station operating function”. As HAL will be selling tickets and operating the station, consent of the Secretary of State will be required. This issue has been discussed with the Department of Transport and appropriate consents have been drawn up. The Resolution to sign the Project Agreement is based on these consents being given.

Balance sheet treatment

- 5.3 LUL's auditors KPMG will confirm the accounting treatment of the Project Agreement. The current draft indicates that the project will be an off-balance sheet transaction.

6. KEY FINANCIAL IMPLICATIONS

Construction

- 6.1 LUL's obligations and risk are funded from the Group Budget and Business Plan up to 2008/09 (UIP8791), which includes £18.52 million for the following;
- Tube Lines Support Costs - the cost of Tube Lines supporting the project in addition to their LUL Works. This primarily includes design review and assurance for assets designed and constructed by HAL that will, later be adopted by Tube Lines.
 - T4 Loop Closure - LUL's own cost in organising the T4 Loop Closure i.e. timetables, driver retraining and publicity.
 - Control Upgrade - the contribution made by LUL to the upgrade of the existing Piccadilly Line signalling to support the extension.
 - LUL additional support costs-any external support required to support LUL's obligations, for example, Chief Engineers Directorate procuring specialist resource to assure a specific design.
 - LUL start up costs for passenger information modifications (HAL contribute up to £1.2 million towards LUL costs).
 - Risk-LUL's risk contingency for the project.
- 6.2 The Group Budget and Business Plan 2007/08 (UIP8301) includes a provision to facilitate the procurement of the LUL Works on behalf of HAL. The estimated cost of the LUL Works is £59.08 million (including forecast contingency and risk), although the net cost to LUL will be zero. Tripartite discussions continue with the PFI/PPP Contractors, HAL and LUL on final cost estimates.
- 6.3 During the Design and Construction phase LUL will have an operating cost budgeted of £1 million per annum for the contract management team, which is included within the LUL Chief Programmes Office operating budget.

- 6.4 LUL leases the T4 Station from HAL. During the T4 Loop Closure HAL has agreed to a 50% reduction on the lease payment estimated at £1 million to compensate for reduction in LUL revenue. During the T4 loop closure HAL will also provide and fund a replacement bus service between Hatton Cross and Terminal 4.

Operating Costs

- 6.5 Following the completion of PiccEx, LUL will be required to adopt the non-Station railway assets (HAL also retain station ventilation, reversing siding civil build, T4 Junction civil build and all cut and cover structures) for operations and maintenance at an estimated cost of £1.96 million/annum including contingency. A range of measures have been included in the Project Agreement to mitigate adoption risk.
- 6.6 Once PiccEx is in passenger service LUL will make payments to HAL according to the revenue share payment mechanism, this is estimated at £123.5 million PV¹ over 30 years. After a demand build up to 2017/18 the payment is forecast at £8.7 million/annum. Payments to HAL increase each year by RPI from the Q1/2003 base, so real fare changes outside of RPI will result in the changes to the forecast neutral cash flow.
- 6.7 It is forecast the additional revenue from T5 will be £154.18 million PV (based on £2.60 per passenger), sufficient to fund the operating costs and the payment to HAL. The Project Agreement is forecast to have a neutral impact on cashflow for the operations phase, when comparing revenue received against payments to HAL under the revenue share and operating costs. The deal is structured to ensure that LUL's Gross Margin excluding fixed costs is robust under different levels of demand generated by the T5 development. For levels of demand generated by wider economic issues, LUL's Gross Margin benefits in all circumstances compared to the no T5 scenario.
- 6.8 The Gross Margin analysis assumes a step-up in demand for all LUL's Heathrow services upon the opening of PiccEx due to the additional passengers of PiccEx. However, some of this T5 demand will be experienced ahead of opening in 2008 because airlines have chosen to remain at Heathrow, instead of moving to other airports, in anticipation of T5 opening. This 'anticipated demand' is due to the airlines and the airport squeezing capacity at Heathrow in advance of T5. The effect of this is that LUL will receive additional revenue attributable to the opening of T5 several years ahead of PiccEx actually opening.
- 6.9 Following the expiry of the Project Agreement, LUL will agree a service payment with HAL who will continue to maintain and operate the T5 station in the same manner. The arrangements for this stage, including the basis for service and service payment is detailed in the lease documents. HAL have indicated that these costs will average £3 million per annum, therefore based on forecast demand PiccEx will make a contribution to LUL's income post 2038.

¹ Uses 3.5% discount rate - Equates to £80.2m using 6% discount Rate.

Business Commentary

- 6.10 The benefit costs ratio is 2.6:1 in the Mid Demand scenario. The procurement mechanism generates value for money in the forecast demand scenario, which is maintained in all other demand scenarios tested. This is due to the fact that LUL are contributing only a share of revenue generated towards the HAL capital construction and station operating and maintenance costs.

7. Risk Assessment

- 7.1 A risk register was presented to the LUL PFI Risk Review meeting on 16 February 2004, and approved as an accurate representation of the risk retained by LUL at signature of the Project Agreement. The expected value of risk for this project is evaluated at £7.87 million across 2004/05-2008/09. Mitigation plans are being further developed for each of the risks to reduce the probability and/or impact of each risk.

- 7.2 The top five risks are;

- LUL is not risk free in relation to the LUL Works because it must exercise its rights under the PPP and PFI contracts (e.g. in relation to poor performance) with reasonable skill and care. If HAL can show LUL has not done this LUL may incur liability, albeit capped.
- Failure or delay to receive payment from HAL for LUL works or associated contractor claims.
- Variation to LUL's specification to HAL due to emerging business requirement resulting in a discretionary variation (ie. at LUL's cost) under the Project Agreement.
- HAL claim for LUL stakeholders that act unreasonably in reviewing HAL designs during design review and Works Plant and Equipment (Her Majesties Railway Inspectorate) approval process.
- Higher than budgeted cost (£3 million) for contribution to the signalling upgrade on the existing Piccadilly Line (albeit this risk is capped at £1 million).

- 7.3 In considering the magnitude of risk, LUL has in general terms a capped liability of £5m for contractual breach with additional liability in relation to PFI/PPP contracts limited to that which is actually recovered from the PFI/PPP contractors.

- 7.4 Risks around demand have been considered in the analysis undertaken outlined in section 3.5 and 3.6 and are relatively small. The Project Agreement further mitigates the financial impact of demand risk by LUL only having an obligation to pay HAL for actual usage and by incurring no minimum payment.

8. SAFETY

- 8.1 To facilitate the construction and opening to revenue service of the PiccEx, the Piccadilly Line Heathrow area needs to change operations in several stages. Those stages are:
- Stage 1: Closure of the T4 loop to facilitate the construction of the PiccEx Junction, when the train service will run direct to T123.

- Stage 2 : Re-opening of the T4 loop without the PiccEx, when the train service will resume to Terminal 4.
- Stage 3 : Trial operations of the PiccEx and opening to revenue service, when the split train service commence.

8.2 The split for safety responsibility between HAL and LUL for the Construction Design Management Regulations is clearly defined within the Project Agreement. LUL take Client responsibility for the operational railway and HAL take Client responsibility for the construction site.

8.3 A safety case plan has been developed to detail the requirements for HAL to assist LUL in obtaining the amended operating safety case. In this plan, the case for safety submissions are identified with the programme dates that these approvals are required.

9. RECOMMENDATION

The Board is asked to approve the resolution at section 10.

10. RESOLUTION

That the Board:

1. Approve the contents of the Project Agreement, Parent Company Guarantee and the Agreement for Lease (an overview of the Project Agreement is available from the Secretariat), subject to such additions, deletions or amendments as may be authorised by the Commissioner or the Managing Director Finance and Planning.
2. Agree, subject to the consent of the Secretary of State having been obtained pursuant to Section 207 of the Greater London Authority Act 1999:
 - i) that the Commissioner or in his absence the Managing Director Finance and Planning shall have delegated authority on behalf of TfL to permit execution by London Underground Limited via any one of its company directors, LUL company secretary or LUL Head of Legal Services to sign and/or seal and deliver on behalf of London Underground Limited the Project Agreement, Parent Company Guarantee and the Agreement for Lease (including any additions, deletions or amendments as may have been authorised by the Commissioner or the Managing Director Finance and Planning in accordance with Resolution 1 above)
 - ii) that the Commissioner or the Managing Director Finance and Planning shall authorise London Underground Limited to do all such further things necessary in connection with completing the Project Agreement and authorise LUL to sign and/or seal such further documents including contracts as are required in connection with the documents referred to above.
3. Approve and release funds from the Group Budget and Business Plan UIP 8791 to the value of £18.52 million across 2004/05 to 2008/09. Further release funds from UIP 8301 to a value of £59.08 million across 2004/05 to 2008/09, fully reimbursable by HAL.

Appendix A

PiccEx Demand Scenarios

1. Introduction

- 1.1. This appendix outlines key demand issues regarding the Piccadilly line extension to Heathrow Terminal 5 (PiccEx).

2. What is the forecast demand for the PiccEx?

- 2.1. Currently 9.6 million passengers per annum (mppa) use the Piccadilly Line to travel to Heathrow, which handles approximately 65 mppa (2003).
- 2.2. Throughput at Heathrow has continued to grow substantially since 1991, with the only year to counter this trend being 2001 (attributed to September-11). Terminal 5, when at full capacity, will be larger than Gatwick airport with a design capacity of up to 35-40 mppa. BAA's current 10-year forecast for all of Heathrow with T5 is 87 mppa, with an end-state forecast of 95 mppa. The figure presented at the Planning Inquiry assumed usage to reach 90 mppa. [CHART-1]
- 2.3. BAA have also indicated that, if runway inter-operability is approved and the terminals can cope, airport capacity could reach up to a maximum 115 mppa in the long-term end state.
- 2.4. Several PiccEx demand scenarios - from low to very high - have been tested to reflect varying economic conditions; varying fare levels on Heathrow Express; new rail services including CrossRail and demand for air services at Heathrow. As an indication, these macro-economic drivers of demand are grouped into a Heathrow Airport usage figure. The very high demand scenario assumes airport usage in excess of 120 mppa, far higher than BAA's forecast maximum achievable design capacity, and therefore proves a valid test for a 'worst case' demand impact on the Piccadilly line. [CHART-2]
- 2.5. The MoU (Memorandum of Understanding) represents the forecast that underpins the T5 deal, which equates to around 4.2 mppa travelling on the PiccEx by 2016. This assumes Heathrow airport provides a capacity of 90 mppa. Prior to the introduction of Heathrow Express in 1998, the Piccadilly line traffic was some way above current levels. In fact the forecast demand on the Piccadilly line post-T5 would be no higher than these historic levels. [CHART-1]

3. What will be the Impact on the Piccadilly Line?

- 3.1. This section confirms that the additional demand attributed to Terminal 5 would not adversely impact on the Piccadilly Line. LU undertook substantial analyses to study the impacts of Terminal 5 on the Piccadilly line for the Public Inquiry in 1997 and demonstrated that T5 would not adversely impact on the Piccadilly line. This work has been reviewed and updated in the last year. The key factors are explained below.
- 3.2. Heathrow traffic is spread throughout the day and is not concentrated during the AM or PM peaks. Peak demand from Heathrow occurs between 1400 and 1600 when the Piccadilly line is relatively lightly used. During the Eastbound morning peak around 600 customers per hour board at Heathrow, a fraction of the total train capacity. [CHART-3]. The Westbound PM Piccadilly line peak more closely coincides with peak arrivals at Heathrow, though this peak is much less concentrated. [CHART-4]
- 3.3. Although there are high levels of usage on the Piccadilly line during the peak hour, T5 will only lead to a small increase in usage, even in very high demand scenario, which is equivalent to Heathrow airport operating at above 120 mppa. The difference in Piccadilly line customer volumes in the AM peak hour with T5 is equivalent to an extra 2 persons per car at Acton Town (3 in the very high demand scenario) and less than 1% of total demand on the busiest Piccadilly line section between Gloucester Road and South Kensington. [CHART-5 and CHART-6]
- 3.4. Although the Piccadilly line service on the Heathrow branch is not scheduled to improve from 12tph to 15tph until the line upgrade is due in 2014, T5 is not forecast to reach its full capacity until 2016. Through all T5 demand scenarios, Piccadilly line loadings remain within the planning capacity for the line, which broadly equates to one person standing to every person sitting. [CHART-5 and CHART-6]

- 3.5. The current Piccadilly line service is split evenly between the Rayners Lane and Heathrow branches. Additional capacity could be provided but this would be at the expense of the Rayners Lane branch.
- 3.6. A significant benefit of T5 to LU, in common with current airport usage is that a large proportion of T5 customers will travel during the off-peak, providing a good source of additional revenue with no extra operating costs i.e. good utilisation of spare capacity during the off peak.

4. What is the Impact of CrossRail on the case for PiccEx?

- 4.1. PiccEx and Heathrow Express/CrossRail generally serve different geographical markets in the corridor west of London, as shown in the map in FIGURE-1.
- 4.2. The new 'Heathrow Express Connect' stopping service will be introduced in February 2005, though it is currently proposed to be replaced by CrossRail if/when it is introduced at Heathrow. CrossRail will run on a 6tph service to Paddington and central London, compared to a more frequent Piccadilly line service (of up to 15 tph). Much of the demand that will be attracted to a stopping service to London along the CrossRail route, if any, will already have switched away from LU prior to the introduction of CrossRail.
- 4.3. We also know that 50% of current demand for the Piccadilly line into central London comes from west of Earls Court, with a significant proportion coming from Hounslow alone reflecting the large volume of airport workers using the line from the local catchment area. In addition, 35% of Heathrow passengers travel to/from the area immediately east of Earls Court - Victoria and Covent Garden - where the District/Piccadilly line is much the more convenient route even with CrossRail in place. Therefore, it is not believed that CrossRail will take more than a further 5% of demand away from Piccadilly line. This view is shared by the CrossRail team. [CHART-7]

5. What is the case for PiccEx?

- 5.1. The PiccEx is a significant part of the T5 Public Transport Interchange, and will maintain LU's presence at the airport, providing direct Tube connections between all Heathrow terminals and central London. The Piccadilly line is complementary to Heathrow Express, providing a low cost and high frequency service into the heart of London with good connections and direct access to the hotel areas of Gloucester Road and Russell Square, and convenient access to Westminster and the City. The line importantly, also serves airport workers within the local catchment areas.
- 5.2. Should the Piccadilly line not serve T5, this would create confusion for existing customers and potentially impact LU use (and hence revenue) at Heathrow's other terminals, exacerbated by the long interchanges and less frequent alternative services available to/from T5.
- 5.3. The project is worthwhile in terms of social benefits and the deal represents good value for money when compared to alternative funding options. LU have undertaken substantial analyses to study the impacts of Terminal 5 on the Piccadilly line for the Public Enquiry in 1997 and have continued to review and demonstrate that T5 would not adversely impact on the Piccadilly Line.

FIGURE-1

Piccadilly Line and Hex/CrossRail Corridors

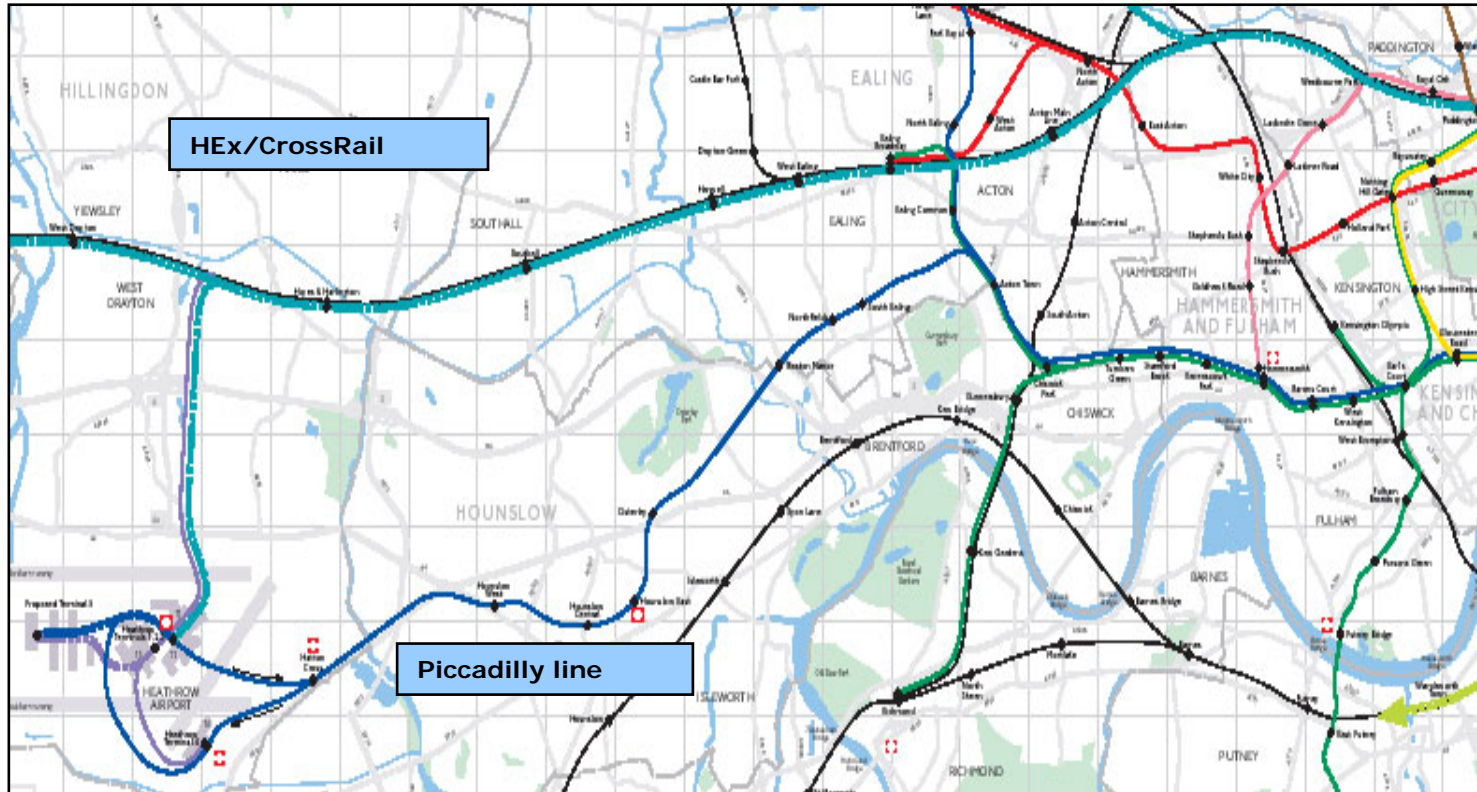


CHART-1

Annual usage at Heathrow Airport
(Actual and Forecast - BAA Figures)

Passengers (000's)

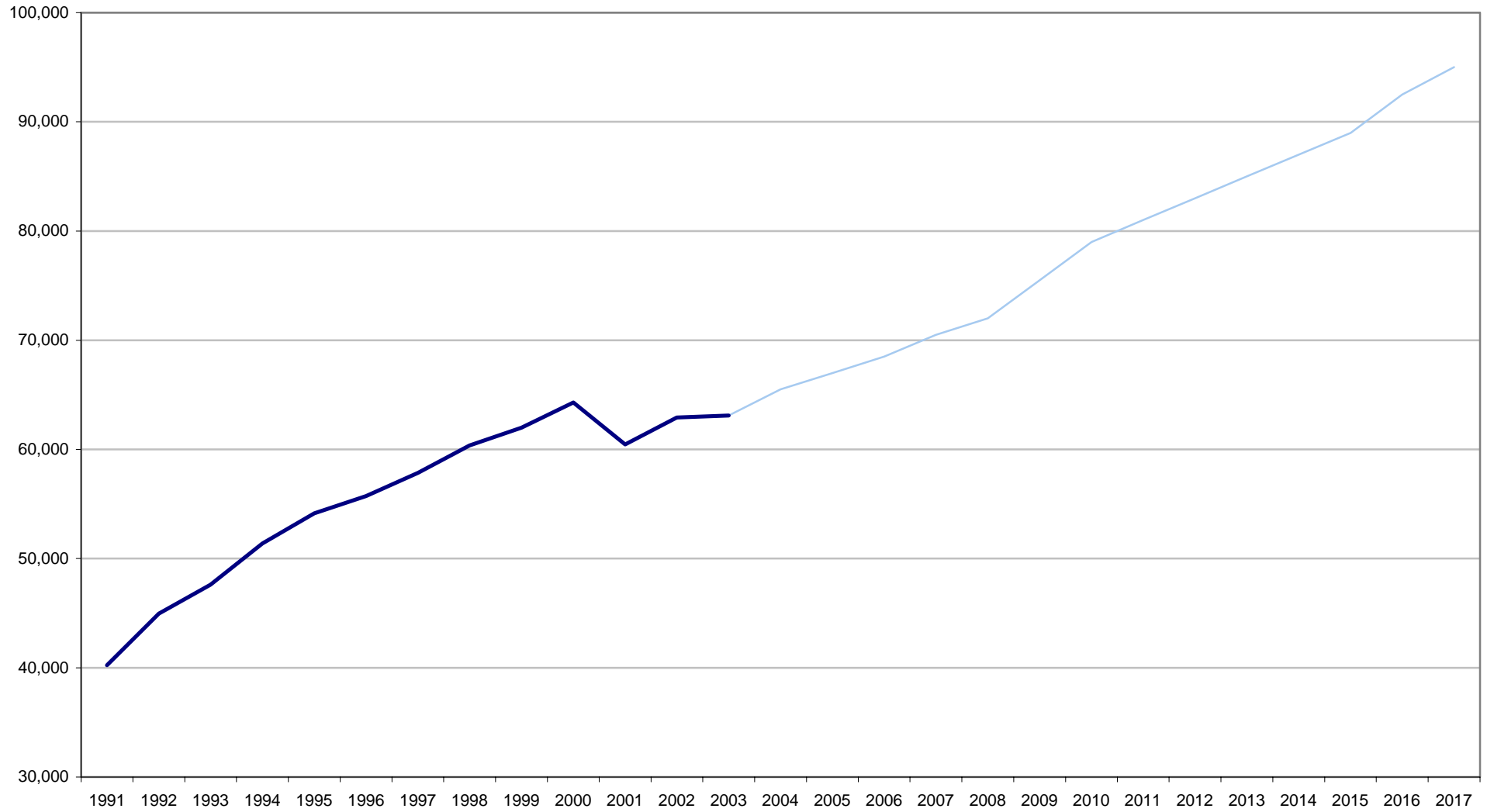


CHART-2

Passengers (000's)

Annual Usage by Heathrow Piccadilly Line Stations

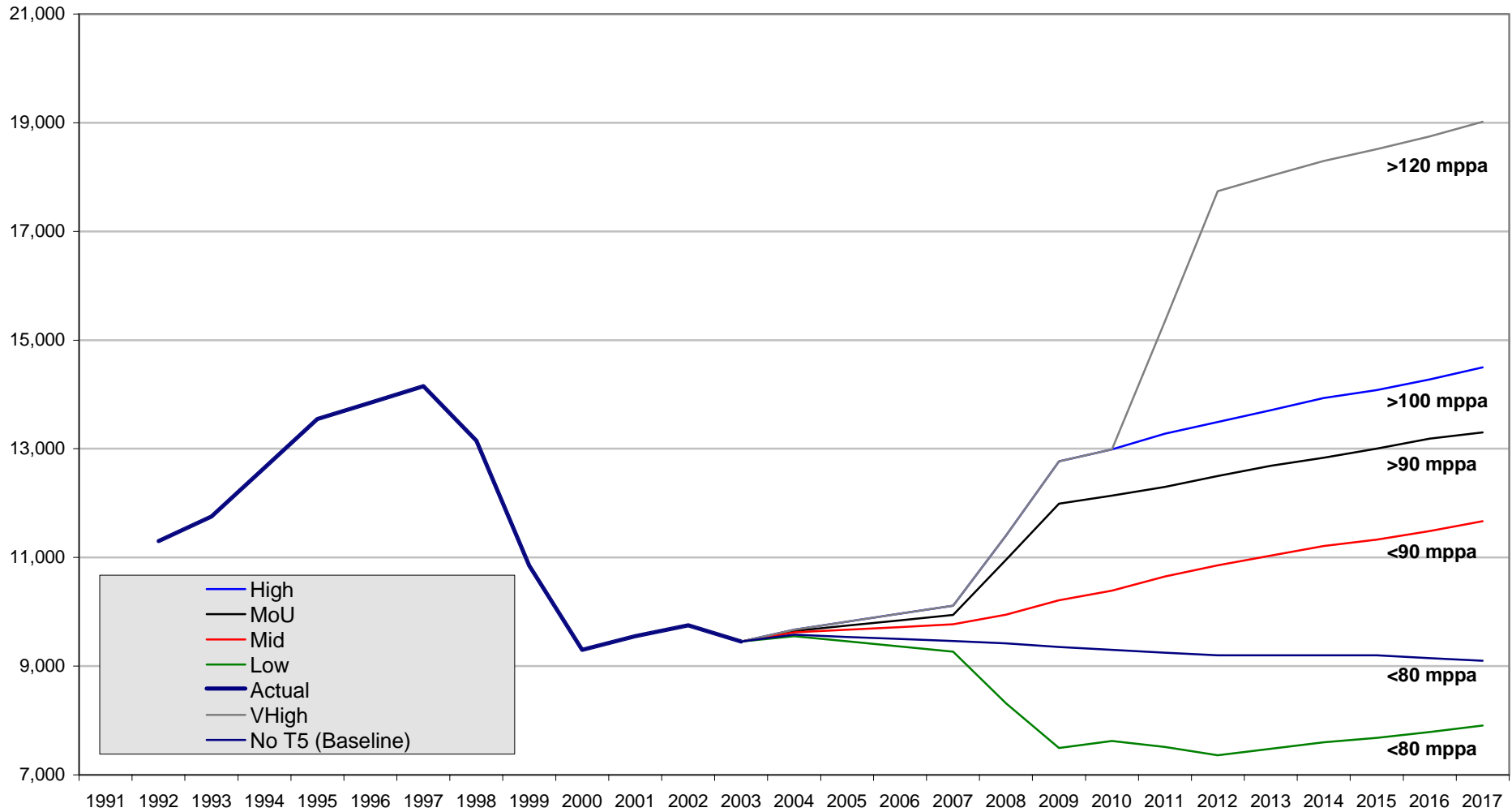


CHART-3

Piccadilly Line Eastbound

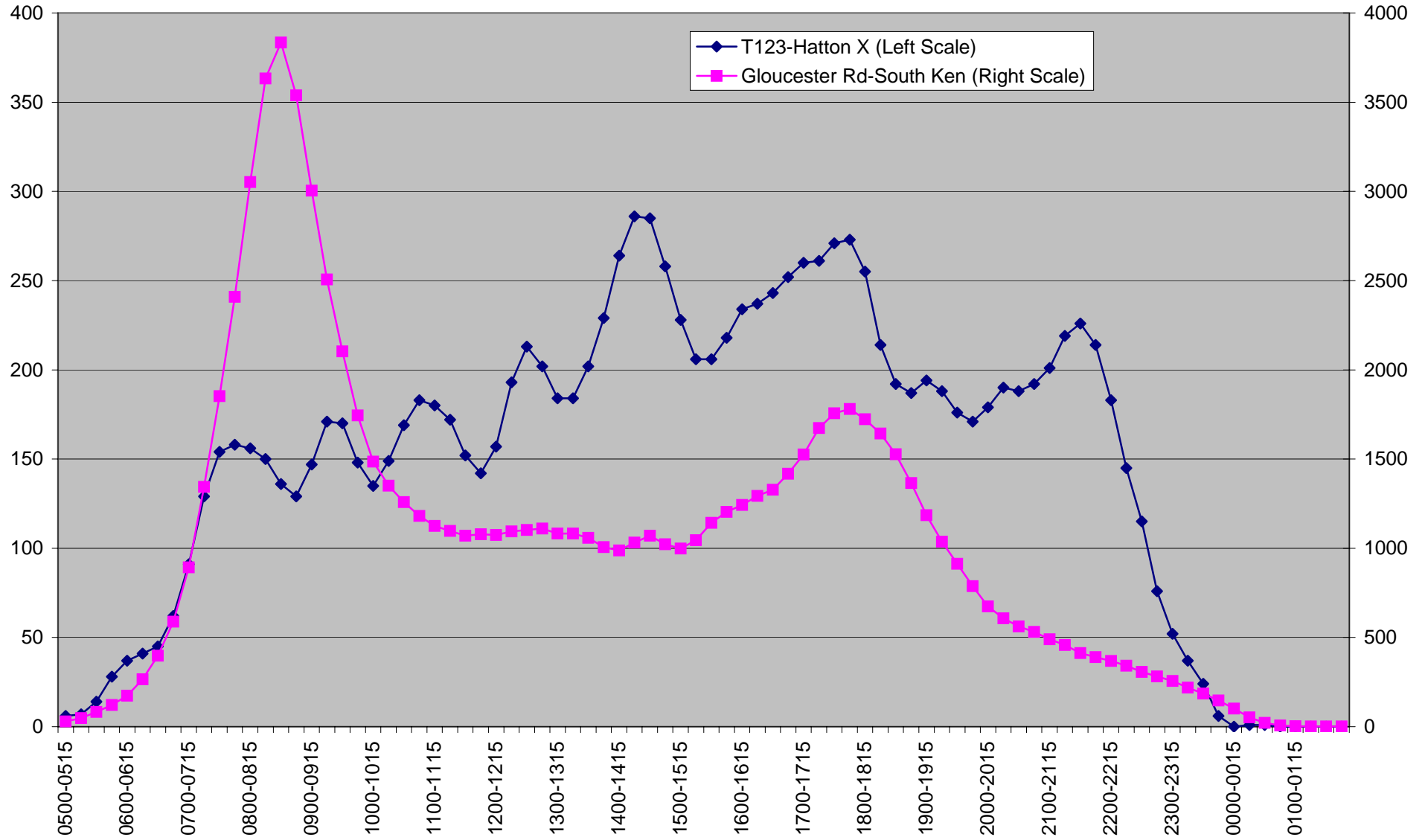


CHART-4

Piccadilly Line Westbound

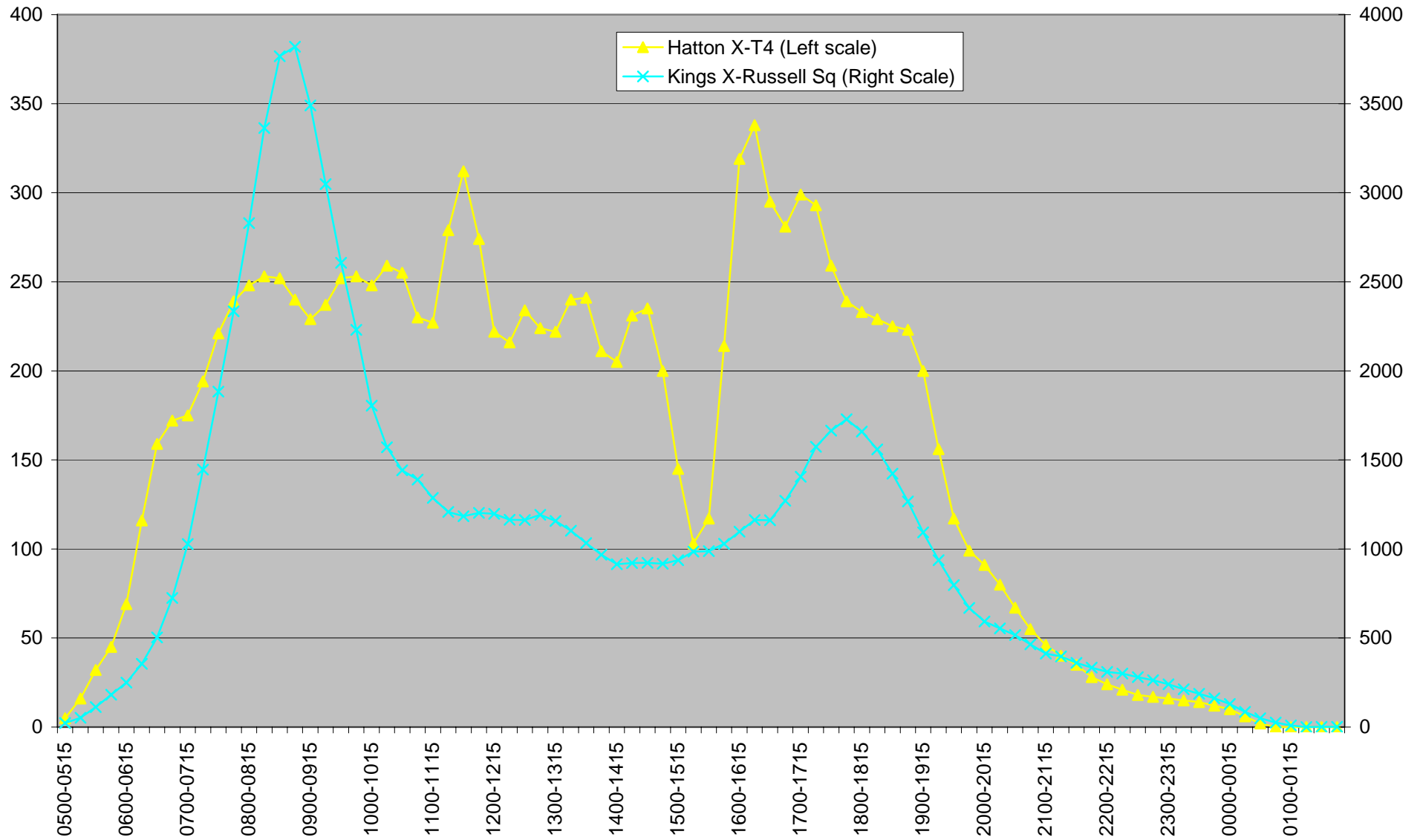


CHART-5

AM Peak Hour Piccadilly Line EB Flows - 2016

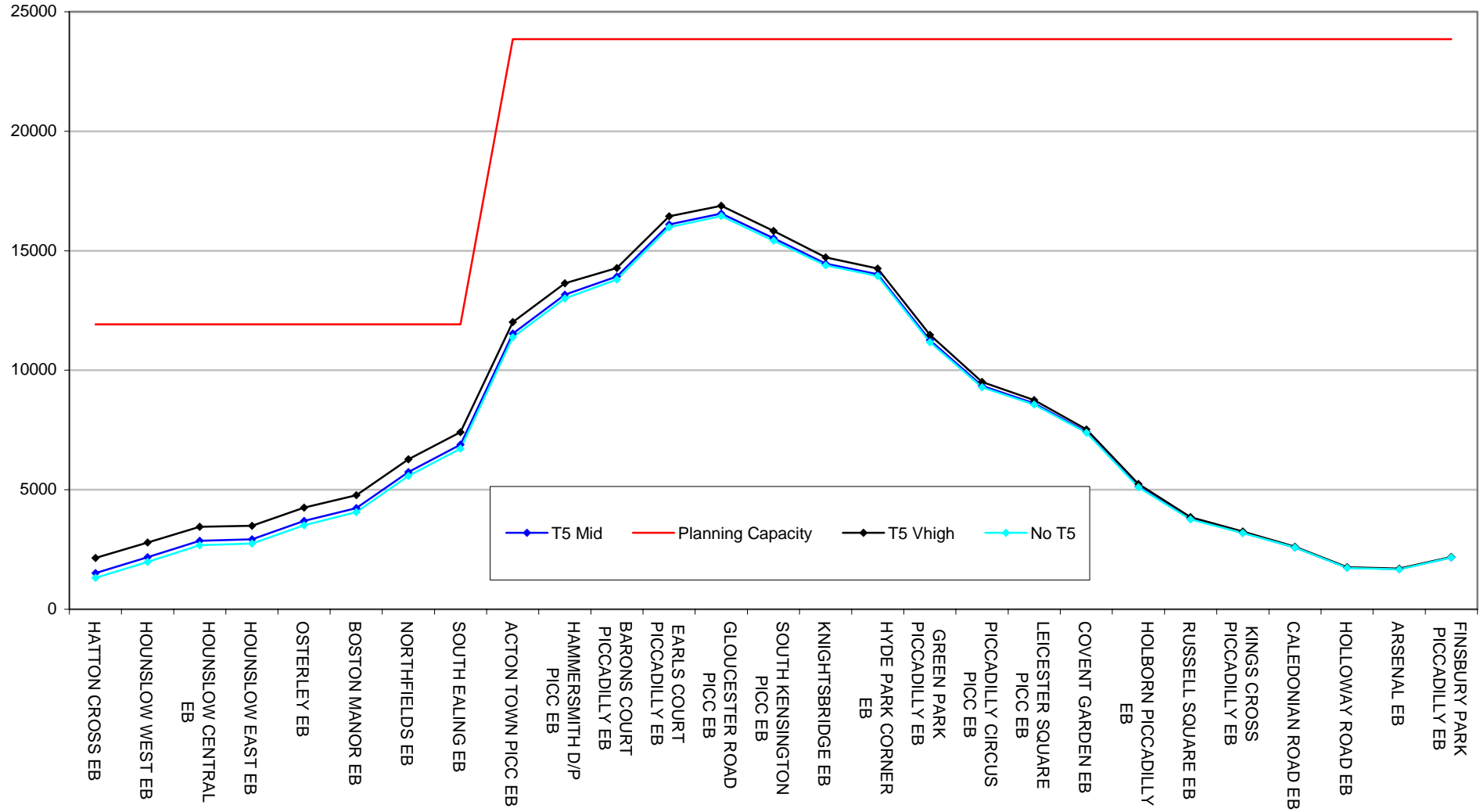


CHART-6

AM Peak Hour Piccadilly Line WB Flows - 2016

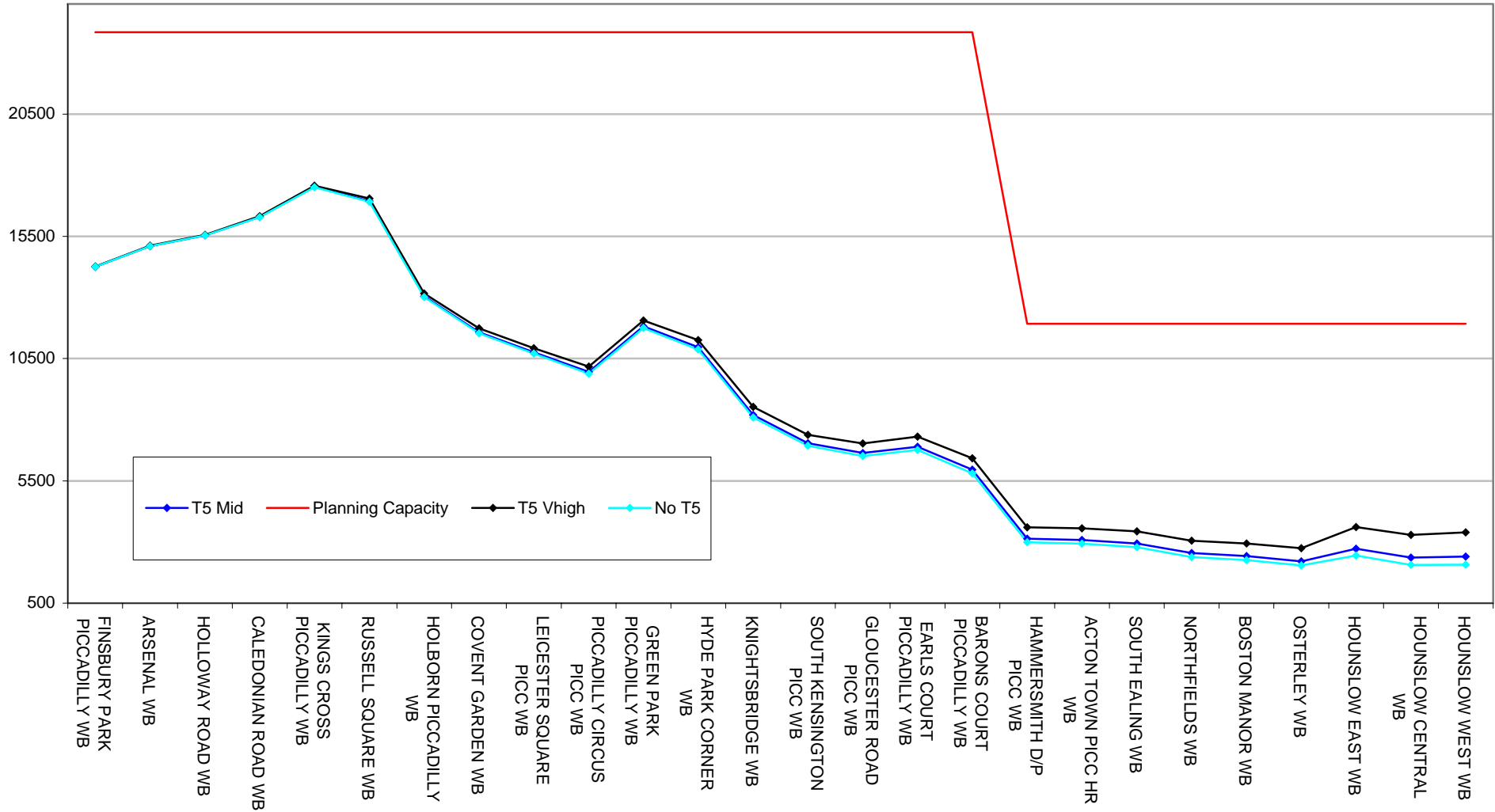


CHART-7

Heathrow Passenger Demand Distribution on the Piccadilly Line (Eastbound)
 (Interchanges and Final Destinations - Heathrow Passengers on train leaving the station)

