



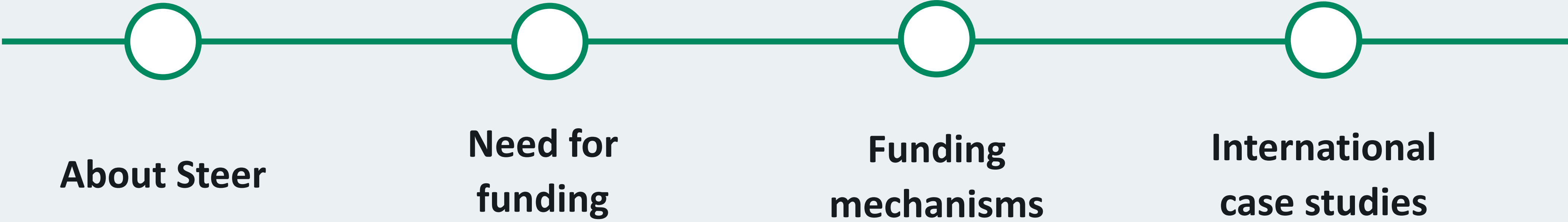
Funding mechanisms for major rail projects

International case studies

6 October 2021

steer

Content of the presentation



About Steer

Steer is the leading international business consultancy in transport and cities.

We provide economic, financial, commercial, strategic and technical advice in the development of major infrastructure projects, with particular expertise in the rail sector.

We have provided advice in the context of flagship major rail projects, such as Crossrail, HS1 and HS2 and the extensive programme of rail enhancements in the North of England.



About myself



Antonio Beltrán Arranz
Principal Consultant
Steer's Project Manager

Expertise in rail and public transport projects, including:

- Business case development, including Cost Benefit Analysis
- Rail concessions and franchises advisory, in the UK and Europe
- Strategic and commercial advice to rail operators and investors

Experience includes CBA for North of England investment programme, French intercity services tendering, rail open access opportunities in Spain, France, and Portugal



Funding mechanisms

Why the need to use them?

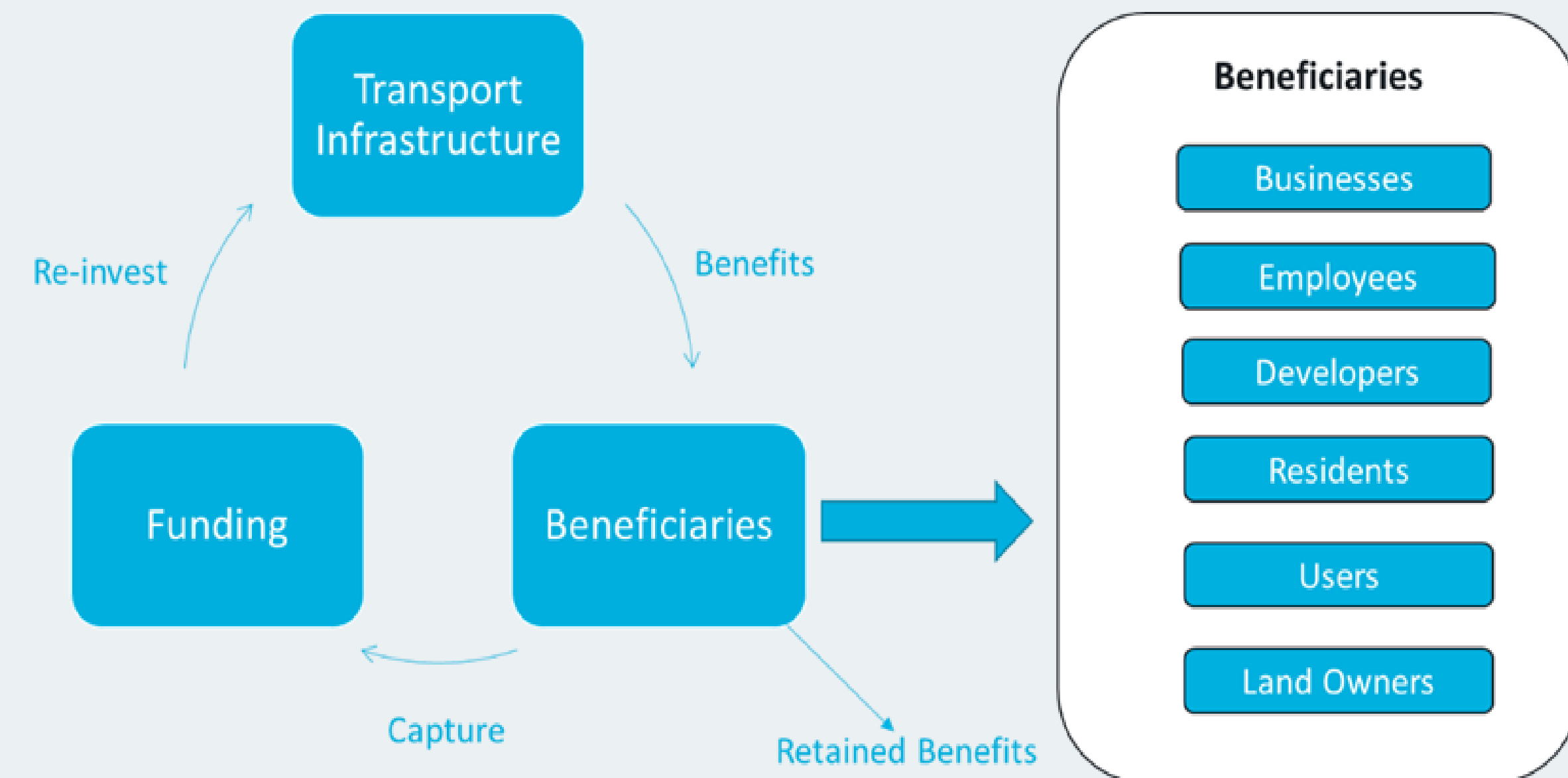
- Major infrastructure projects require substantial amounts of funding
- Public funding is limited and there is typically high competition for it (across transport, education, health projects)
- There is a difference between funding (sources used to ultimately pay for scheme, usually over life of asset) and financing (sources to provide capita, usually upfront)



Funding mechanisms

‘Beneficiary pays’ principle

- Rationale is that whoever benefits from the scheme should contribute to its funding





EU and National Funding

EU Grant Funding

- Grant funding from European Commission/European Investment Bank/European Regional Development Fund (ERDF)

EU Green Funding

- European Green Deal - launched by the European Commission to combat climate change

Central Government Funding

- Provided from the central government's budget

Land Value Capture

Use of Publicly Owned Land

- Sell publicly owned land around the stations to private developers
- Capture future value of land post-development

Developer Levies on Private Land

- Levy a tax on private developers for land they develop in the vicinity of stations
- Ringfence this tax for funding the scheme





Modal Shift

Parking Levy: tax on privately owned car parking spaces

Intelligent Charging/Congestion Charging: charge to road users within a defined zone



Tax Funding

Retaining tax as a result of the project e.g. petrol tax, tourist/visitor tax, transfer tax, building tax, land tax, etc.



Other

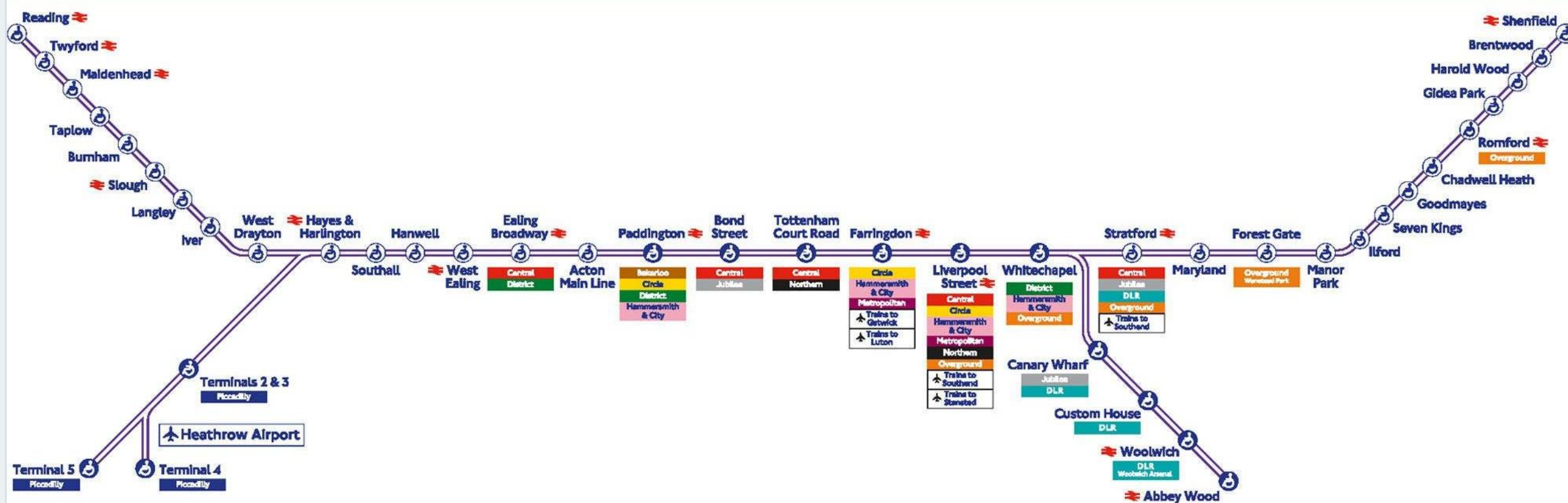
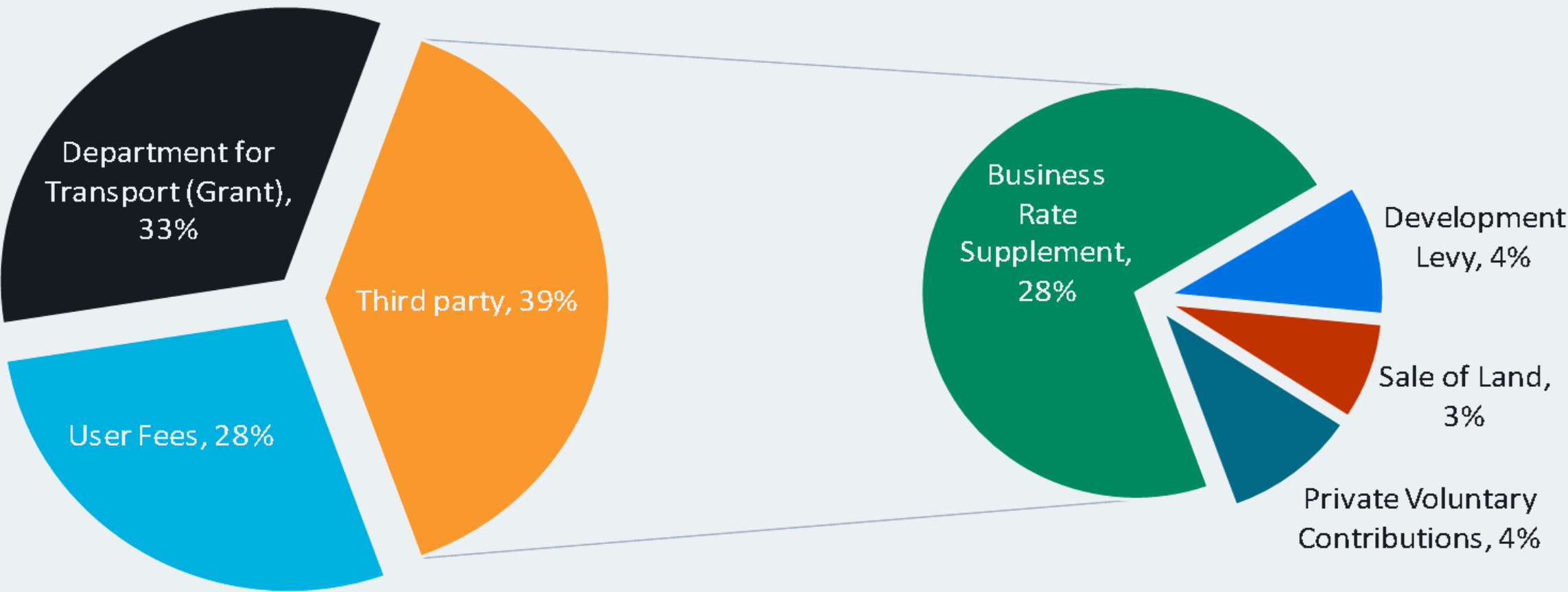
Direct Contributions from Stakeholders: stakeholders who benefit may make contributions

Farebox Surplus: a percentage of additional fare revenue created by the project

Case Study 1: Crossrail (London, UK)

Steer was instrumental in establishing the business case for Crossrail.

With our support the approval of a **£14.8bn (€17.3bn) funding package** demonstrated the economic benefits of Crossrail to businesses.



Case Study 2:

Northern Line Extension (London, UK)

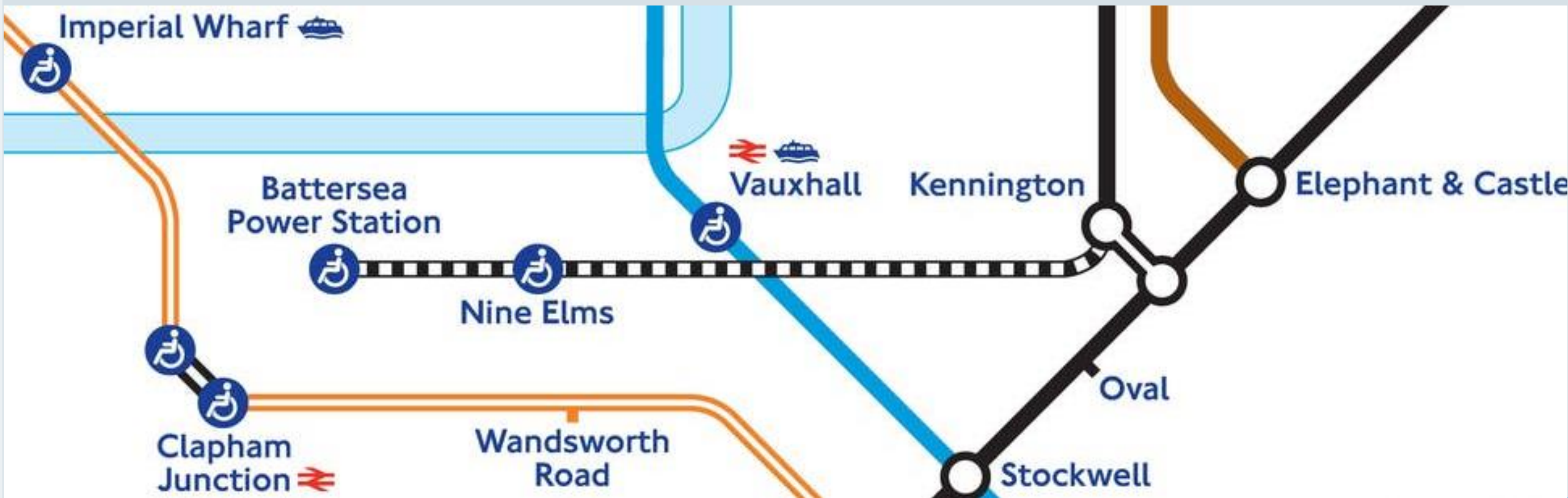
Steer has been involved in the Northern Line extension since 2007, with **total cost of £1.2bn (€1.4bn).**

Our role included developing the business case, assessing transport effects and supporting the Public Inquiry.

Funding source	Amount of funding received	% of total scheme costs
Enterprise Zone	£700m (€800m)	58%
Community Infrastructure Levy and Section 106 agreements	£270m (€310m)	23%
Cost covered by third party funding	£1.0bn (€1.2bn)	81%
Total scheme cost	£1.2bn (€1.4bn)	100%

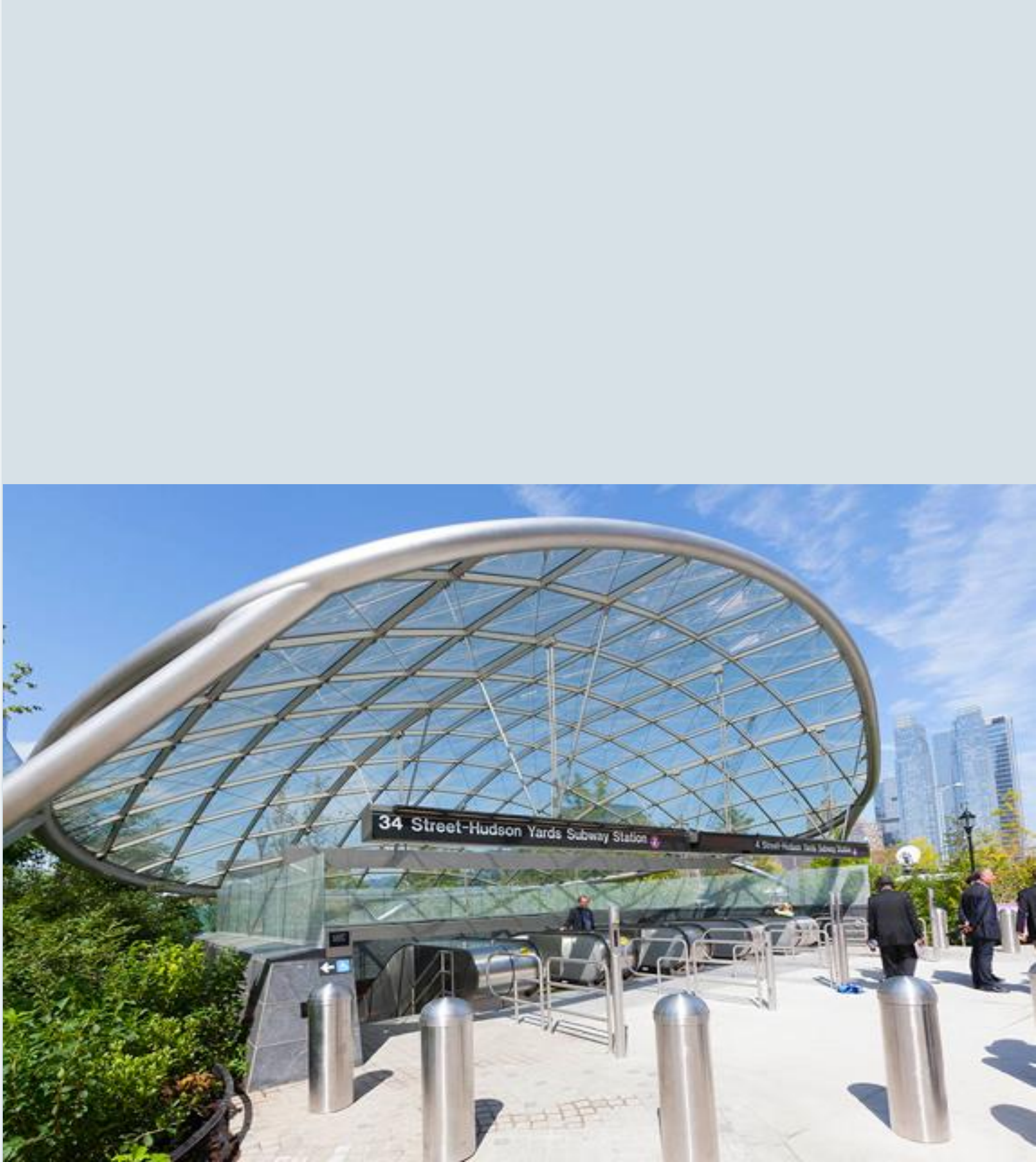
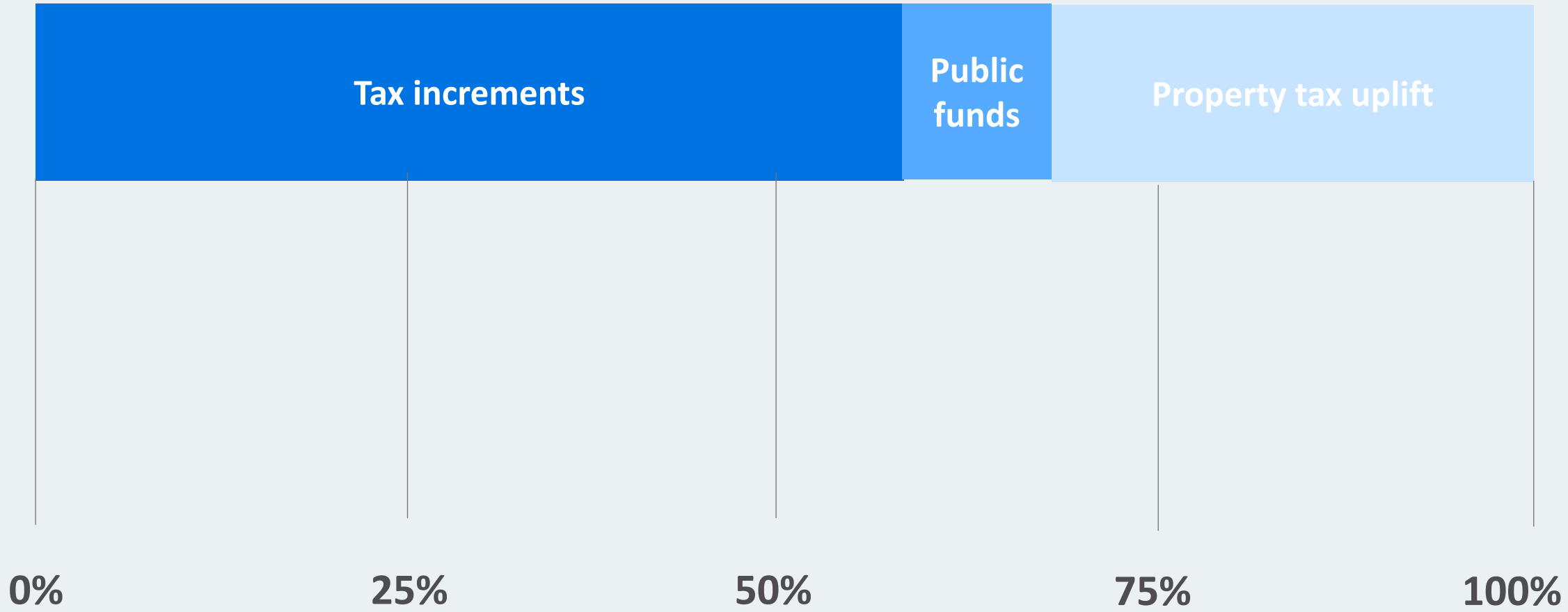
London Underground's Northern line extension comes into service

Mon 20 Sep 2021 05.00 BST



Case Study 3: Hudson Yards programme (New York, USA)

Large-scale redevelopment programme in New York City, including an extension of the Subway’s line 7 at an **expected total cost of \$2.4bn (€2.0bn).**



Application to the Budapest Rail Investment Programme



- The Budapest Rail Investment Programme is a major scheme with significant investment costs
- The Danube rail tunnel will unlock economic benefits, bringing the suburbs closer to the city centre
- There is potential to explore alternative funding mechanisms for the scheme, for instance, linked to the land freed around Nyugati station, using the ‘beneficiary pays’ principle

Thank you

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Complex questions
Powerful answers