



**PROPOSED MERROW STATION**

**GUILDFORD LOCAL COMMITTEE**

**9<sup>th</sup> DECEMBER 2004**

**KEY ISSUE**

This report details the results of a recently completed feasibility study into the proposed new station in Merrow.

**SUMMARY**

Following the failure to secure funding for a new station at Merrow through several funding streams and given the commitment in the Local Transport Plan to pursue this project, it became necessary last year to update the previous demand studies carried out on the new station in the mid 1990s. The new study has now been completed and suggests that there is no business case for taking forward such a scheme. The report therefore recommends that no further work is carried out on this proposal unless there is a material change in the situation, and that the Transportation Service no longer seeks to safeguard land for the proposal

**Report by**

LOCAL TRANSPORTATION DIRECTOR

**Surrey Atlas Ref.**

Page 110, D4 and D5

**GUILDFORD B.C. WARD(S)**

MERROW  
BURPHAM

**COUNTY ELECTORAL DIVISION(S)**

GUILDFORD EAST

## **OFFICER RECOMMENDATIONS**

The Committee is asked to agree:

- (i) that the conclusion of the feasibility study, i.e. that the cost benefit case for the proposed new station at Merrow cannot be made, be noted
- (ii) that the County Council undertakes no further work to progress the new Merrow station unless there is, at some future date, a material change in the situation making it possible to justify the provision of a new station
- (iii) that the Transportation Service no longer seeks to safeguard land in the Merrow depot site for use as part of the proposed new station

## **INTRODUCTION AND BACKGROUND**

- 1 Surrey County Council (SCC) and Guildford Borough Council (GBC) have had a long-standing ambition to see the building of a new station at Merrow, on the outskirts of Guildford between the existing Guildford London Road and Clandon stations on the “new line” between Surbiton and Guildford. The proposed new station would be in the area of the Surrey County Council-owned Merrow Depot site off Merrow Lane, as show on the plan in **ANNEXE A**. The potential layout and ‘footprint’ of the proposed new station is shown in **ANNEXE B**.
- 2 The proposal for a station at Merrow is featured in Surrey County Council's Local Transport Plan. It was intended that people living in the local area could use Merrow station to reach Guildford, avoiding use of their cars on the congested local road network, as well as using the station to commute to London.
- 3 SCC commissioned three studies by Colin Buchanan and Partners on the proposed station between May 1993 and February 1995. These found a positive case for building the new station. Local train operator South West Trains has remained supportive in principle to the construction of Merrow station.
- 4 During the late 1990s, it was expected that the Strategic Rail Authority would award a new 20-year franchise for the South West Trains area. SCC expected that the substantial investment package to which a new franchisee would sign up would include construction of Merrow station. Unfortunately, by 2002 the SRA had failed to award such a franchise and had changed its policy in favour of short-term franchises. In November 2002, the incumbent operator South West Trains was awarded a three-year franchise, and informed SCC that it was no longer prepared to fund a new station at Merrow, because of the short-term nature of its new contract with the SRA. Many other infrastructure improvements through the South West Trains operating area were also dropped.

- 5 By this time, the SRA had introduced its Rail Passenger Partnership (RPP) fund, which was a centralised fund to which train operators, local authorities or other interested parties or partnerships could bid in order to deliver improvements to the rail network. New stations were eligible for funding through this source. Unfortunately in December 2002 this funding source was also withdrawn in response to a funding shortfall at the SRA.
- 6 Although there is currently no obvious immediately accessible funding source for a new station at Merrow, SCC was keen to ensure that should any become available, such a source could be exploited. However, the demand study was by now out of date, and it was known from experiences of other station construction projects that costs had risen substantially in the post-privatisation railway industry.
- 7 Railway consultancy experts Scott Wilson were therefore requested in December 2003 to undertake an update of the feasibility study for Merrow station, with new forecasts of patronage, costs of construction and cost benefit ratios.

### **THE SITE OF THE PROPOSED STATION**

- 8 SCC's Transportation Service view has remained that the footprint identified in the Colin Buchanan study should continue to be safeguarded. However since the case for the station was based on an outdated demand study, this position needed to be reaffirmed through a reappraisal of the overall business case.
- 9 Despite this SCC has never passed a resolution to safeguard land at Merrow for the new station, since it was argued firstly that there was no need to protect land which is already in SCC ownership, and secondly that if the station were to go ahead, land to the north of the railway should be used for the parking and associated infrastructure.
- 10 The release of SCC-owned land for any purpose would have to go to the SCC's Member Asset Panel (MAP) and thence to the Executive for formal ratification. The MAP is the appropriate forum to consider the Transportation Service's interest in part of the site taking into account the potential impact on both ongoing operational uses and potential future redevelopment options.
- 11 For 3 or 4 years the whole of the depot site, with the full support of MAP and the Executive, has been included in the Office Project as a key site to be made available to the successful contractor for disposal for redevelopment which, subject to satisfactory relocation of existing operational activities, will help fund the delivery of the project. In recent months, therefore, Equion, SCC's preferred contractor, has been actively marketing the site along with other SCC assets. The result of that marketing and the bids received are due to be considered by the MAP on 6 December. The result of the new Merrow Station study will also be reported. Officers will provide an oral report of the outcome at the meeting of the Local Committee.

## KEY FINDINGS OF THE NEW STUDY

- 12 The new study by Scott Wilson illustrates that there have been significant cost increases in the construction of the new station, compared to the Colin Buchanan and Partners study of 1993. There have also been significant changes in the number of trips the new station is expected to generate, as summarised in **TABLE 1** below.

Element	Buchanan 1993 report	Scott Wilson 2004 report
Predicted trips per year	(1) 254,970	(1) 89,000
Construction cost of station	£1,049,000	£4,980,000
Annual operating costs of station	£143,920	£174,300
Annual revenues	£238,615	£221,500
Net present value	£545,000	-£1,800,000
Benefit : cost ratio	1.52	(2) 0.79 (3) 1.42

**TABLE 1: COST BENEFIT COMPARISON OF THE 1993 AND 2004 STUDIES**

Notes: (1) with car parking charge  
(2) if societal benefits are excluded  
(3) if societal benefits are included

- 13 The 2004 figures for cost include “optimism bias”, which is required by the Government for rail schemes because of their historical tendency to go over-budget. Any bid for central government funding for the station would have to be on the basis of this biased cost. Had the optimism bias not been included, the cost of the new station would have been £3,004,000 and the annual operating costs £116,200.
- 14 The cost increase is unsurprising given that projects on the rail network have become more expensive following the privatisation of the network. This has been for a variety of reasons, including higher compensation costs paid for disruption during construction works and a scarcity of labour for railway work given that a huge number of labour-hours are being put into maintaining the existing network.
- 15 The marked difference in predicted numbers of passengers is more of a surprise, but is explicable considering the more powerful predictive models now available to Scott Wilson, compared to those available to Colin Buchanan.
- 16 As can be clearly seen, the net result of the changes is that there is no longer a business case for the construction of a new station at Merrow. Although revenues are higher than running costs, they are at a level that makes practically no impact on repaying the costs of constructing the station, which is why the station has a negative net present value of -£1.8m.

- 17 The benefit : cost ratio (BCR) is 0.79, excluding any wider benefits to society such as reduction in traffic congestion and accident savings. A BCR of 1.00 indicates a neutral BCR; anything less than this indicates that the costs outweigh the benefits and anything more indicates that the benefits exceed the costs. The predicted BCR suggests that the benefits are substantially less than the costs. When factoring in wider societal benefits the ratio rises to 1.42, but as Scott Wilson conclude, “a BCR result of less than 1.4 may not be sufficient to encourage Government support. When the societal benefits are included in the assessment the results exceed this threshold, but past precedents suggest that the existence of such benefits does not necessarily guarantee Government support”.
- 18 Merrow’s BCR is on the bottom edge of acceptability if wider benefits are taken into account, and those benefits are not usually recognised by the Government as acceptable in presenting a railway business case such as Merrow represents. It may also be worth noting that in an announcement made on 9 September 2004, the Strategic Rail Authority noted that proposals for a new station in Gloucester had a positive business case in both purely financial and wider terms (which Merrow does not) but that it was not prepared to contribute any funding itself because it had none available.

#### **EFFECTS OF THE MERROW PARK & RIDE PROJECT**

- 19 In addition to changes in the rail industry, SCC was also keen to ensure that other passenger transport developments in the Merrow area had been considered. Specifically, there was a concern that the proposed Merrow bus-based Park & Ride might have an impact. The report noted that the station might serve a limited role as a Park & Ride site, though the car park would be only of a very limited size, but that “once established, the Merrow Bus Park & Ride site could in fact abstract Park & Ride trips away from the proposed new railway station.”

#### **EFFECTS OF ADDITIONAL HOUSING ALLOCATIONS IN THE AREA**

- 20 SCC’s recently approved Structure Plan contains a contingency to use the area north of the proposed new station as a ‘new community’ for housing, should the urban capacity of Guildford town not provide enough sites to meet Guildford borough’s housing allocation. The consultants also looked at whether the station would be viable if this development were to go ahead. GBC’s present opinion is that there is no need for this development to take place. However, the consultants undertook this work as a “what if?” scenario in order to ensure completeness.

- 21 They found that if 2,000 new houses were to be built to the north of the proposed station site, the predicted number of trips per year from Merrow station would increase to 140,000. The BCR would rise to 1.40 excluding societal benefits (again, right on the bottom edge of the limits of acceptability for seeking Government funding) and 2.51 if the societal benefits could be included. As noted above this is far from guaranteed to be acceptable to Government. **TABLE 2** below summarises the position with and without additional housing.

Element	Scott Wilson 2004 report			
	No additional housing assumed		2000 additional houses assumed	
Predicted trips per year	(1)	89,000	(1)	140,000
Construction cost of station		£4,980,000		£4,980,000
Annual operating costs of station		£174,300		£174,300
Annual revenues		£221,500		£396,500
Net present value		-£1,800,000		+£3,400,000
Benefit : cost ratio	(2)	0.79	(2)	1.40
	(3)	1.42	(3)	2.51

**TABLE 2: 2004 STUDY COST BENEFIT COMPARISON WITH AND WITHOUT ADDITIONAL HOUSING DEVELOPMENT**

Notes: (1) with car parking charge  
 (2) if societal benefits are excluded  
 (3) if societal benefits are included

- 22 This information should not be read as implying that it is in any way seeking to justify the construction of new houses north of the proposed station site. The case for and against additional housing is a matter of separate debate, and once this has been finally resolved, the case for or against the proposed station should follow as a secondary matter.

## FINANCIAL IMPLICATIONS

- 23 The cost of this feasibility study was some £80,000 and was funded by an allocation of Local Transport Plan funds for Passenger Transport improvements. This report has no direct financial implications.

**CONCLUSION AND REASONS FOR RECOMMENDATIONS**

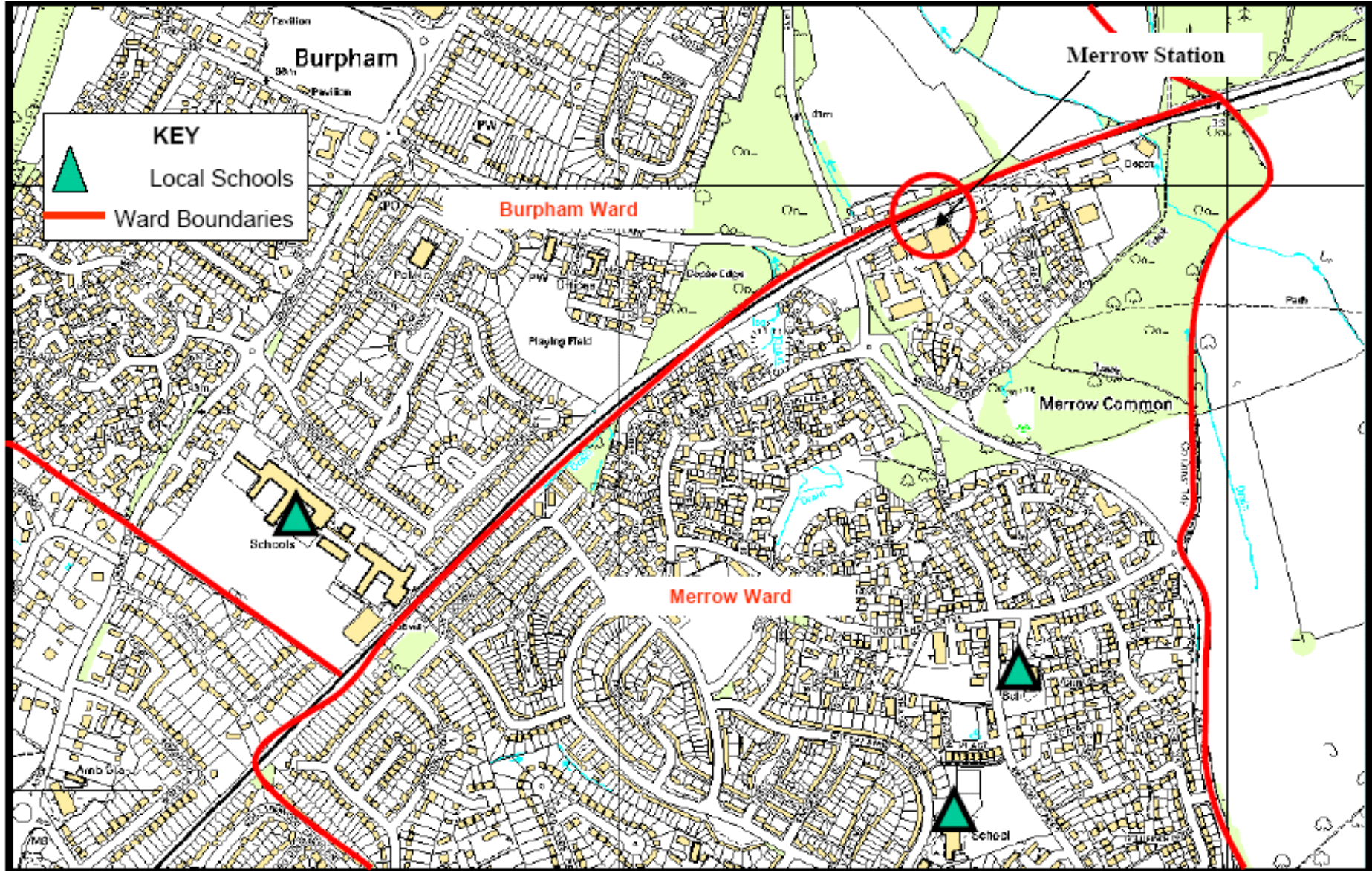
- 24 Taken together, the figures for demands and costs without and with new housing near the new station indicate that the station project is not viable and should not therefore be pursued for the time being. However, in the event that the site earmarked in Surrey's Structure Plan for a potential new community does need to be used, it would be worth examining whether the new station might be then be an appropriate part of a package of measures to ameliorate the transport impact of such a development. The same would be true if other external circumstances were to change, such as the greater availability of funding for rail projects
- 25 It remains to be decided whether or not the Merrow depot site owned by SCC should continued to be safeguarded for a future station in the long term. The feasibility study indicates that the case for a station without additional housing is so weak hat it can effectively be ruled out. In these circumstances, no case can be made for the safeguarding of the site.
- 26 The case for the station in the event of significant additional housing development is still not strong, but is marginally possible. In these circumstances, it would be reasonable to expect the developer of the site to provide the land for the station, i.e. on the north side of the rail line, and to contribute to its cost. The station would only require land on one side of the railway for the car park, ticket office etc. The platform and facilities on the far (south) side of the rail line could be accommodated within existing rail land. Once again, there is no case to be made for the safeguarding of the Merrow depot site.
- 27 In view of this, it is not considered practical to retain any part of the Merrow depot site, and it is therefore recommended that SCC should no longer safeguard this land.

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<b>BACKGROUND PAPERS</b>	Feasibility Study Report

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LOCATION PLAN OF PROPOSED NEW STATION





POTENTIAL LAYOUT & FOOTPRINT OF THE PROPOSED NEW STATION

