

M6 TOLL, WEST MIDLANDS, UK

OVERVIEW

LOCATION: WEST MIDLANDS, UK
SCOPE: INTER-REGIONAL
TRANSPORT MODE: ROAD
PRINCIPAL CONSTRUCTION: AT GRADE
NEW LINK: NO

PRINCIPAL OBJECTIVES

INCREASED CAPACITY
CONGESTION RELIEF
ACCESSIBILITY
LOCAL/REGIONAL TRANSPORT LINK
'NO COST TO PUBLIC SECTOR' (EMERGENT)

PRINCIPAL STAKEHOLDERS

CLIENT: DEPARTMENT OF TRANSPORT
CONCESSIONAIRE:
MIDLAND EXPRESSWAY LTD (MEL)
DESIGN & CONSTRUCTION:
CAMBBA (CARILLION, McALPINE, BALFOUR BEATTY, AMEC)
MAIN CONSULTANTS:
OVE ARUP/WS ATKINS
FUNDER: McQUARIE/AUTOSTRADA

PLANNING AND IMPLEMENTATION

APPROX. PLANNING START DATE: 1980
CONSTRUCTION START DATE: 10/2000
OPERATION START DATE: 12/2003
MONTHS IN PLANNING: 244
MONTHS IN CONSTRUCTION: 38
PROJECT COMPLETED: 1.5 MONTHS
AHEAD OF SCHEDULE

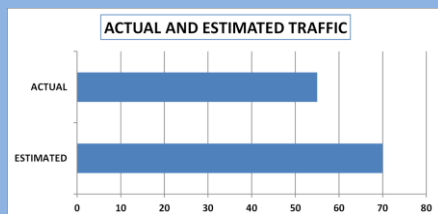
COSTS (IN 2010 USD)

PREDICTED COST: 1.44BN
ACTUAL COST: 1.68BN (TOTAL);
0.89BN (CONSTRUCTION ONLY)
PROJECT COMPLETED:
16% OVER BUDGET
FUNDING: 1% PUBLIC : 99% PRIVATE

INFRASTRUCTURE QUANTITIES

LENGTH: 43KM
NUMBER OF JUNCTIONS: 9
NUMBER OF BRIDGES: 57
COST PER KM (2010 USD): 0.04BN

PATRONAGE



INTRODUCTION

The first and only road to be built under the UK's Private Finance Initiative, the M6 Toll is a dual three-lane motorway, 43km in length, providing a tolled alternative to a section of the toll-free M6 motorway in the West Midlands conurbation. It opened in 2003.

The road joins the M6 at both ends and has seven junctions with other roads along its length.

BACKGROUND

Originally known as the Birmingham Northern Relief Road (BNRR), the project's initial objective was to provide additional capacity to relieve a heavily congested section of the M6 motorway. Following the government's decision that the road should be a privately financed tolled link, the objective of providing a congestion free alternative route (rather than relieving congestion on the M6 itself) emerged as a key feature of the concessionaire's business model.

The project was initially developed as a traditional public sector road scheme, with local objections prompting a public inquiry in 1988. However, the inquiry report was never published, as government policy changed to favour private financing of new road schemes in 1989, and the BNRR was chosen as a 'test case'. Tenders were invited for a privately funded scheme in 1990, and a new set of detailed route proposals were prepared by the successful bidder.

As with the initial scheme, the process of developing these proposals involved an environmental impact assessment, published in 1993. This prompted further objections, leading to a second public inquiry (the longest ever for a road scheme) and extensive debate about the environmental impacts of the scheme in 1994-95.

The Secretary of State took the final decision to proceed in 1997, but legal challenges delayed construction by a further two years.

TIMELINE

- CONCEPTION: 1980: NEED FOR ROAD IDENTIFIED
- CONCEPTION: 1984: PUBLIC CONSULTATION ON ROUTE OPTIONS – PUBLIC SECTOR SCHEME
- INCEPTION: 1986: PREFERRED ROUTE ANNOUNCED, GROUND SURVEYS BEGIN
- DELAY: 1988: PUBLIC INQUIRY HELD TO CONSIDER PUBLIC OBJECTIONS TO SCHEME
- CONTEXT: 1989: GOVERNMENT GREEN PAPER EXPLORES SCOPE FOR PRIVATE FINANCING OF ROAD SCHEMES
- CONCEPTION: 1989: GOVERNMENT ANNOUNCES SCHEME WILL BE PRIVATELY FINANCED
- INCEPTION: 1990: PRE-QUALIFICATION – THREE CONSORTIA INVITED TO PRESENT BIDS
- CONTEXT: 1991: NEW ACT PROVIDES STATUTORY BASIS FOR ROAD TOLLING
- INCEPTION: 1992: CONCESSION AGREEMENT SIGNED, ROUTE PUBLISHED
- INCEPTION: 1993: ENVIRONMENTAL STATEMENT PUBLISHED, OPEN TO CONSULTATION
- DELAY: 1994/95: SECOND PUBLIC INQUIRY
- INCEPTION: 1997: SECRETARY OF STATE APPROVES PROJECT
- DELAY: 1998/99: LEGAL CHALLENGES FROM OPPONENTS
- INCEPTION: 2000: MEL INVITES TENDERS FROM CONTRACTORS FOR DESIGN & CONSTRUCT CONTRACT: CAMBBA SELECTED
- CONSTRUCTION: 2000: DESIGN WORK STARTS
- INCEPTION: 2001: MEL’S 53-YEAR CONCESSION AGREEMENT BEGINS
- CONSTRUCTION: 2001: EARTHWORKS START
- CONTROVERSY: 2003: DIRECTOR OF McQUARIE RESIGNS AFTER COMMENT OVER TOLL LEVELS
- DELIVERY: 2003: CONSTRUCTION COMPLETE, ROAD OPEN TO TRAFFIC
- DELIVERY: 2005: EVALUATION OF PROJECT
- DELIVERY: 2005: AUTOSTRADA SELLS STAKE TO McQUARIE. TOLL LEVELS INCREASE
- DELIVERY: 2006: PROJECT REFINANCED

CHARACTERISTICS

Midland Expressway Ltd (MEL), a subsidiary of McQuarie Bank of Australia, is the concessionaire, with exclusive rights to set toll fees under a concession agreement until 2054. High fees have caused some controversy and in 2005 a parliamentary committee expressed concerns about this independence from national transport policy.

No official data on estimated or budgeted costs are available, although MEL was reported to have raised GBP 0.75bn in finance by 2001¹. The final project cost was GBP 0.9bn (USD 1.68bn at 2010 prices), including construction costs of GBP 0.485bn. The government provided GBP 18m to rebuild part of a connecting road.

MEL invited construction tenders in 2000 and awarded a design and construct contract to CAMBBA (a consortium of Carillion, McAlpine, Balfour Beatty and AMEC). Ove Arup and WS Atkins were design consultants. MEL and CAMBBA were in dispute for several years after construction.

TIMELINE ISSUES

There were two major sources of delay to the project. Firstly, the change in government policy towards private financing of motorway construction led to the abandonment of detailed proposals and the preparation of a new scheme.

Secondly, the project faced significant public opposition, leading to two lengthy public inquiries and subsequent legal challenges. This delay, and the risks associated with the planning process, have been identified as a cause of cost escalation for MEL.

FUNDING

The concession agreement was based on forecast revenue of GBP 100,000 per day, with traffic forecasts (unofficial) suggesting 70,000 vehicles per day. However, in 2005, the project made a loss of GBP 26.5m, with traffic volumes of only 55,000 vehicles per day. A revised tolling strategy was introduced in 2007 to address the deficit.

The project was financed by GBP 685m debt and GBP 215m equity. McQuarie bought out its minority (25%) partner, Autostrada, in 2005 and re-financed the project for a substantial profit in 2006: complaints of windfall profits led to an inquiry into the refinancing deal by a parliamentary committee.

¹ Costs have been converted to USD at 2010 prices, using historic inflation rates and current exchange rates, to allow comparison between projects.