CoNNeCT WHITE PAPER

The CoNNeCT Guide to Line Re-openings

BUSINESS CASE FACTORS

The CoNNeCT Guide to Line Re-openings

The final White Paper discussing important aspects that need consideration to ensure a thorough and positive Business Case exploring re-opening proposals.

Due consideration of the following points are essential when assessing the business case of any proposed re-opening project.

CAPEX

It may seem prudent to ensure that all capital expenditure is kept to an absolute minimum in order to maximise the business case potential, this can adversely impact upon the revenue due to a poor quality project. Alternatively, be certain that desired quality and specification levels are sensible, will not impact upon the customer experience and last the duration of any finance and/or investment.

To do this, the full CAPEX programme should be analysed and based upon a 15, 25 or 40 year investment programme. This approach coupled with an accompanying Life Cycle Cost assessment will ensure that correct levels of quality, longevity and cost efficiency are achieved.

Check that all of the key cost drivers discussed in the CoNNeCT White Paper 2 of 3 are assessed properly and accompanied by suitable levels of risk allowances within the business case costs—all of our White Papers are available on our website.

TIP: Use a Lifecycle Cost Model to shape the project in terms of when and where to invest project funds. This model can also be used to help model environmental impact.

OPEX

It can be easy to forget the ongoing operational costs of any re-opening project, secure the route, build the infrastructure, lease the vehicles and away you go! The operational costs ranging from train servicing through to station utility costs can break a project's financial credibility if overlooked or under-estimated. Consultation with likely operators remains to be the most accurate means of assessing likely OPEX costs.

Asset managers with a background in transportation can advise on expected costs for maintaining and managing the infrastructure and such specialists should be consulted to add accuracy and credence to re-opening projects.

TIP: A fully developed Lifecycle Cost Model should include all OPEX costs, supported by a cashflow analysis, this information will provide funders with an understanding of forthcoming expenditure.

Revenue

Once all CAPEX and OPEX costs have been collated, risks assessed and valued and Cash Flow analysis achieved through your Lifecycle Cost Model, the approach to revenue calculations should be assessed in 3 differing methods:-

Method 1: Research similar services and use the fare for that route as a benchmark for your calculations. With this information carry out a simple calculation to understand how many passenger trips you will need to generate your required income levels covering any loans, OPEX and CAPEX costs incurred.

Method 2: Again utilising known data as a benchmark, estimate how many passenger trips you are likely to generate from the population and employment centres on your route. This can be difficult to assess however bear in mind that the further the centres of population or footfall are away from stop locations, the lower the percentage of passengers can be assumed to use the re-opened line.

Method 3: Seek professional advice regarding your assessment of revenue. As a positive promoter and firm advocate of your re-opening project, it is safe to assume that your revenue estimates may well be high!

We hope that you have found this series of CoNNeCT White Papers informative.

If you would like further advice regarding re-opening disused transport corridors, please contact us.

Our contact details are available on our website: cnnctconsultancy.com

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