Crossrail 2 Plans Meet Key Government Test For Go-Ahead

Monday 10 February, 2014

New line could avert 'intolerable pressure' on Londoners as city population hits 10m, study finds.

A new £12 billion underground rail line to ease chronic overcrowding on London and the South East's trains could be built with less than half the cost coming from central government, meeting a key Treasury demand.

Crossrail 2, the proposed new south-west to north-east rail line beneath the capital, would add 12% to London's rail transport capacity and should open by 2030, the report found.

It concludes the new line will be crucial to meeting otherwise 'intolerable pressure' on the capital's transport network as London grows by an additional 1.5m people over the next 20 years.

Overwhelming support

Crossrail 2 already has overwhelming public support, with a recent Transport for London and Network Rail consultation showing 95% of almost 14,000 respondents 'strongly supporting' or 'supporting' the scheme.

The report, 'Funding Crossrail 2', was produced by a taskforce formed by business group London First.

Taskforce members included KPMG, John Lewis, BAML, Tony Travers from the London School of Economics, and former transport secretary Lord Adonis.

Taskforce chair, Francis Salway, former Chief Executive of Land Securities, said Crossrail 2 was key to easing chronic over-crowding on many of London's rail lines in the near future.

"Failure to invest would make life intolerable for Londoners, hamper London's economic growth and hit government tax receipts," he warned.

"We may be half way through Crossrail 1, but its success - and the pressing need for extra capacity in London - means now is the time to be pushing forward with plans for Crossrail 2."

Funding sources

Last year, announcing the government's contribution of £2m to support initial work on the project's feasibility, Chief Secretary to the Treasury Danny Alexander challenged Crossrail 2 supporters to show "how at least half of the cost of the scheme can be met through private sources, ensuring it will be affordable to the UK taxpayer".

The London First study found that by combining funding from passengers, property developers, Network Rail, London businesses and residents, that challenge for green-lighting Crossrail 2 can be met.

Today's report identifies over £23bn of potential funding - almost double the estimated £12bn cost - with those who benefit most from Crossrail 2 doing most to fund it.

Even at the higher end of the cost estimates - which include a 66% risk premium required by the Treasury - the study found the line would generate £1.80 for every pound spent, rising to £4.10 for every pound spent if wider economic benefits are taken into account.

The amount each of the key funding sources could potentially contribute to the total identified funding is:

Funding Source 2012 prices

Central Government grants 4.00
Network Rail 2.00
Wider TfL farebox 3.12
Crossrail 2 farebox 3.00
Developer contributions 0.99

Related Sectors:

Business & Finance :: Travel & Tourism ::

Related Keywords:

Crossrail :: Travel :: London ::

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Intensification of development 2.40
Council tax 0.87
Business rates 1.81
Fiscal devolution 5.21
Total including fiscal devolution 23.40
Total excluding fiscal devolution 18.19

Cost Estimates:
Lower cost estimate 12.00
Upper cost estimate 20.00
Central cost estimate 16.00

All figures in £bn. Where relevant, indexed back to 2012 prices at 2.5 per cent p.a.

This suggests the final cost of the project could be split roughly into three equal parts, with central government and Network Rail paying one third, TfL and Crossrail 2 commuters another, while property developers, London business and residents would contribute the final portion.

However, the report also highlights that increasing the proportion of tax revenue generated by London that is kept by the Mayor and the boroughs to pay for infrastructure needs would add extra flexibility to funding.

Big benefits

The report justifies - in depth - each of these costs based on the benefits they bring to those paying:

- Central government will benefit from substantial tax revenues from economic growth supported by Crossrail 2;
- Network Rail, which forecasts capacity shortfalls equivalent to 20 train loads of passengers per hour by 2031, would see congestion eased on key SW London commuter routes and at major London stations, including Euston which will have HS2. It will also ease congestion on key commuter routes in the North East of London into Liverpool Street;
- Rail and tube passengers would see significant relief from congestion right across the network, with many benefitting from new and quicker routes into and across London. On this basis a five per cent rise in ticket prices, spread over a number of years (for example RPI+1 for 5 years), is one potential option set out in the report;
- Property developers will see a positive impact on property values and opportunities to participate in extra commercial and residential development along the line and around stations. The possibilities for substantial development at either end of the line could contribute to much-needed new homes in London - while also generating increased value that could pay for the scheme;
- Businesses would benefit from the connectivity and economic growth supported by Crossrail 2 and would contribute through extending the current business rates supplement introduced for Crossrail 1;
- As was done to help fund the Olympics, contributions could be sourced from council tax payers, based on the significant congestion benefits Londoners would see right across the public transport network. As for the Olympics this could equate to £20 a year for a Band D property.
- Giving London Government greater control over tax receipts generated in the capital could make a major contribution to funding. Barely seven per cent of all tax paid by London residents and businesses is kept by the Mayor and the boroughs. The equivalent figure for New York is over 50%.

- Ends -

Notes to Editors:

What is Crossrail 2?

Crossrail 2 is a proposed new south-west to north-east rail line providing services between Hertfordshire and parts of Surrey and Middlesex via a new tunnel under central London between Tottenham and Wimbledon.

The scheme is based on the Chelsea-Hackney route, which was first planned in the 1970s alongside an east-west link, which eventually became Crossrail. Land along the proposed route remains protected from new development.

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