

Secretary of State

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## **CENTRAL RAILWAY**

### **Issue**

How to respond to Central Railway's request for a hybrid Bill, in the light of Richard Bowker's latest advice (attached) and meetings of DfT and SRA officials with representatives from Central Railway.

### **Recommendation**

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### **Timing**

3 In the course of business; but you are meeting Central Railway on Tuesday and may want to keep the options in mind.

### **Consideration**

4 There are a number of factors to be weighed in this decision. We start by explaining what CR want. We then look at the various factors which might cause you to want to agree or disagree with their proposal.

#### *What CR want*

5 CR have repeatedly claimed that they are not seeking any form of Government financial assistance for the project. What they want is assistance in securing the powers to build it. CR have made clear that they do not want to follow the TWA route. They want a Hybrid Bill, which is in the Government's legislative programme and which gets Ministerial backing during its passage. There are four main reasons for

this. First, they are promoting a genuinely national rail project for which the Bill route is appropriate. Second, they require the regulatory regime for the line to be specified on the face of the Bill. Third, they will have noted the fate of Thameslink. Last but not least, they are aware from their own experience of the problems with the TWA route, where their first attempt failed at the Parliamentary TWA stage, by 172 votes to 7. This past experience of CR also explains why Government support for the Bill is important to them. They want to ensure that the Government facilitates the passage of the Bill, rather than presenting it to Parliament in a neutral or non-committal manner.

6 Ideally, CR want the hybrid Bill in the 2003/04 Session. But we have made it clear to them that this may not be deliverable, and that they would have to take their place in the legislative queue.

7 There's a problem with this proposal which we shall need to resolve in discussion with Parliamentary Counsel and others. The conventional approach to a Hybrid Bill implies that Ministers stand ready, in principle, to defend every detail, even though the spade-work is done by the promoters and their Parliamentary Agents. That would be the right approach to a Crossrail, where the Government will have to approve the business case and underwrite the cost of the project. But it does not seem to me to be the right approach to the CR Bill, where we would need to preserve some distance between the Government's broad support for having the line built and the promoters' responsibility to justify the detailed designs. I do not think we should be put in a position where the SRA and Highways Agency have to sign off every facet of the design before the Bill is introduced in order that Ministers can defend a CR proposal to design a particular junction in a particular way.

#### *Finance*

8 CR assert that they can finance the whole scheme from private sources. They have told us they do not want any element of public funding, as this would risk compromising their clear business plan. That assurance is helpful. But, if the project runs into difficulty there will certainly be pressure for a rescue, drawing on public funds.

9 You should be aware that the SRA and their consultants have serious reservations on the viability of the project. There are doubts about the costings. There are also serious doubts about its revenue-earning potential. To be successful, they need to secure 40-50% of cross-channel freight traffic, which is pretty ambitious. If this were a publicly funded or supported project, we should have to advise that the business case for the investment did not yet exist and could probably not be made.

10 If the project goes ahead there is a range of possible outcomes. **Scenario 1** is that the backers give up once it's made crystal-clear to them that there'll never be any Government money. **Scenario 2** is that they can't persuade Parliament. **Scenario 3** is that work starts but peters out, leaving an uncompletable railway. **Scenario 4** is that the promoters go bust during construction, but somebody else picks up the pieces at a knock-down price. **Scenario 5** is successful completion. **Scenario 6** is that the project is completed but then can't generate enough business to be viable. **Scenarios 4 and 5** are good outcomes. **Scenario 1** isn't a problem. On the other hand, **scenarios 2 and 3** mean blight for communities along the route of the line with nugatory benefits, and political embarrassment for the Government. **Scenarios 3 and 6** risk Government coming under pressure to support the project financially.

11 These scenarios are not all equally likely. In particular, **scenarios 3, 4 or 6** would only materialise if (a) the project's financial backers misread the viability of the project or (b) backed the project, despite misgivings, under the misapprehension that Government would underwrite it. It is therefore important that the question of Government support be put beyond any doubt. We suggest you stipulate that the terms of the Bill should preclude public funding, and that, before any Bill is introduced, there must be clarity about sources of funding, including to cover contingencies. If this is done, the markets will gauge the viability of the project, and it is not necessary for DfT or the SRA to do so.

### *Engineering issues*

12 The SRA consultants' advice, provided last year, criticised some of the engineering aspects of CR's proposals. These have been addressed in subsequent meetings between SRA, DfT officials and CR, and most have been resolved. The SRA still has specific concerns about:

- the need to immunise existing signalling equipment against electrical interference from CR's high powered locomotives. CR accept that unless they can find a solution their scheme will not be able to proceed. But they point out that similar problems have been successfully addressed on the Continent;
- extensive civil engineering work required in deep cuttings and other constrained locations around High Wycombe. But CR assert that this work can be done, or if not have offered an alternative route which would avoid the most difficult engineering.

13 The SRA does not suggest that these problems are insoluble. Richard Bowker considers that they represent a much greater risk to the existing railway than CR have acknowledged. CR have been able to suggest engineering solutions to each objection as it has been raised (though some of these must make the business case even more dubious). But the SRA remains sceptical of their viability and cost.

14 Given CR's assurances, we think that if you agree in principle to a Bill you should stipulate that CR would be responsible for delivering the project with the minimum disruption that they have said they can achieve. They should be responsible for compensation as per the current regime for possessions and be subject to escalating penalties if they fail to deliver. While this wouldn't guarantee delivery it would make CR (and its backers) put their money where their mouth is.

### *Operational impact*

15 For the most part CR would follow new alignments. But it would run on one of the existing four tracks through Manchester Victoria, which is a busy city centre station, and on an existing route from Manchester to Liverpool. It would also run on vacant trackbeds, parallel to the existing railway, through Leicester, and on a widened alignment parallel to the existing Chiltern line through High Wycombe.

16 Manchester Victoria is a significant constraint. Widening the station would be exceptionally difficult if not impossible. It may be possible to accommodate existing services on the three remaining tracks, though we suspect that safety and amenity issues would arise. But any future ambitions, for instance to run new Transpennine

services through the station or to improve services on the local heavy rail network served by Victoria, would be seriously compromised. CR acknowledge this, but clearly consider that in terms of relative priority their project has the edge. CR also say, however, that they can if necessary offer alternative alignments through or around Manchester which avoid Victoria.

17 At other locations, in particular around Leicester, the SRA has expressed concern about the impact on the network of 1.5 km long freight trains with distinctive operational characteristics. To mitigate (but not remove) this impact it has suggested that CR tracks should wherever possible be physically separate (with flyovers etc) from the existing railway. CR have indicated they would be willing to undertake additional works to achieve this.

18 We suggest that you should stipulate that the scheme should avoid Manchester Victoria, and should include any enhancements to the existing network required by the SRA or Network Rail to reduce or remove potential impacts of long trains on performance and capacity.

19 Apart from the day-to-day operational impact the SRA is particularly concerned about impacts during construction. There is a significant difference of view on this point. CR say for instance that their proposed works on Chiltern would require only nighttime works and a few weekend possessions. The SRA believes that in practice there would be much more widespread interruption of Chiltern services while the works were going on. Similar concerns arise at Leicester and Manchester. We do not think this point is capable of being conclusively resolved either way: it depends whether you take West Coast route modernisation or CTRL construction as the more reliable precedent. Richard Bowker makes clear his view that the CTRL precedent is not to be relied upon.

20 It would be unwise to trust CR's assurances alone, and we suggest you should stipulate a penalty regime to apply if the assurances are not delivered.

21 The gap between CR and SRA on operational and engineering issues has greatly narrowed. I think it would be difficult to justify rejecting the CR proposal outright on the basis of the residual concerns. But it is important to stress that one major reason for the narrowing of the gap is the CR's apparent willingness to incur extra cost in order to meet SRA concerns. This is very welcome, but it reinforces the worries about the financial viability of the scheme and the need for a robust line on the non-availability of Government finance.

#### *Network Rail*

22 CR have had little contact with Network Rail. But the project depends on NR's co-operation - in allowing works on the existing network, in granting access to disused routes, and in accepting CR's non-standard trains on the operational network. We suggest you stipulate that there should be agreement with NR before a Bill is introduced; without such agreement a Bill would be open to immediate, conclusive objection.

#### *Highways Agency*

23 CR's preferred route uses existing road transport corridors; in particular it envisages running alongside the M25 and M40 for long stretches. Although CR have discussed their proposals with the Highways Agency (HA), they have not yet provided detailed drawings, and some significant issues remain. These include potential conflicts with future roads schemes, engineering impacts on the trunk road network and traffic generation as lorries access CR terminals. There may be similar issues with local authority roads. These points were not picked up in the SRA's review, and they are not a reason in themselves to reject a Bill. But they do represent a significant hurdle that CR would need to clear before introduction of any legislation. It would also be important to preserve the right of HA (like local authorities) to petition against the Bill on detailed design issues.

#### *Other resources*

24 A project on the scale of CR is also likely to suck up considerable amounts of UK capacity for specialist rail engineering. The impact may be that much less in view of the much reduced scale of the SRA's ambitions in its latest Strategic Plan. On the other hand, CR and Crossrail could well be in competition for scarce resources, increasing the costs of both. It is difficult to frame a very specific obligation on CR in this area, but we suggest you stipulate that they co-operate with the SRA to prioritise industry resources as needed.