

# **CENTRAL RAILWAY PLC**

Response  
to the  
“Review of Central Railway Project:  
Submission to the Strategic Railway Authority, June 2001”  
by the “LACRC”  
representing 16 of the 62 local authorities on the line of route.

September 2001

## Introduction and Executive Summary

- This document is the response of Central Railway to the “Review of Central Railway Project: Submission to the Strategic Rail Authority June 2001” made by the Local Authorities Central Railway Consortium.
- Central Railway has always been keen to encourage an open debate on the merits of its project and notes that the Review is intended as a positive contribution to that debate. The Review is a useful starting point in defining the issues and this response is intended to correct those areas of the review which contain factual errors and to set out Central Railway’s views on some of the opinions expressed.
- Central Railway welcomes the involvement of local authorities with their unique local knowledge and perspective and welcomes further that they support the concept of moving freight onto railways and that they are encouraged that a company such as Central Railway is willing to invest in railway network expansion.
- The Review and this response is part of a continuing dialogue which the Company is undertaking with the local authorities which are part of the consortium (and other local authorities) and the Company looks forward to continuing this dialogue with a view to reducing the issues which concern them. As the SRA will be aware from the consultation status report delivered to it earlier this year, the Company is undertaking a wide ranging consultation exercise and has already made commitments to local authorities to produce reports on various matters as part of this process.
- Central Railway would, however, caution the SRA that the Review contains a number of errors and misunderstandings so that care is needed before reliance is made on it. This is because:
  - the Review contains a large number of errors of fact, partly arising from the failure (acknowledged by the Consortium) of the Consortium and its advisers to consult with the Company during preparation of the Review.
  - some of the views expressed are based on assumptions which are neither reasonable nor sustainable having regard to the available evidence. A key example is the estimate of costs of the project, where the Review suggests a crude, unreliable methodology generally and adopts tunnelling costs, for example, which are double those actually being experienced by the CTRL.
  - the views expressed on the environmental impact of the Railway do not appear to take into account the large potential environmental benefits of the Railway and refer to adverse environmental impacts of the Railway in terms which risk pre-judging the results of the Environmental Assessment. Many of the perceived adverse environmental impacts referred to in this review are, in any case, not correct or, in some cases, overstated.
  - The Company’s Property Protection Scheme has proved effective as a solution to ‘blight’ and provides generous compensation to property owners.
- In the opinion of Central Railway, there is no compelling reason why the Railway could not be approved by Act of Parliament, as was the case with, for example,

the CTRL. Parliament is the democratic forum in which the balance between national benefits and local impacts is best assessed. A decision by the Government to support the Project “in principle” establishes the basis for Parliament’s scrutiny of the details

- The suggestion in the Review that virtually all detail relating to the Project be determined and that the Project then be subject to a TWA inquiry process (rather than an Act of Parliament), in reality, a suggestion that a decision in principle be taken immediately against the Railway. This is because:
  - the Government has in the past felt unable to indicate whether it supports the Project in principle under the TWA procedure because of the quasi-judicial position of the Secretary of State;
  - recent experience with, for example, Heathrow Terminal 5 makes it clear that the inquiry process incurs costs which, together with the time required for this process, increases the political risk to a level which is not acceptable to the financial markets;
  - consequently, finance for such a process is not available from the private sector.
- The Project has already been the subject of a separate review by independent consultants appointed by the SRA. That review, with which Central Railway co-operated fully and openly, was delivered to the SRA in May and concluded that the Railway was technically feasible and would make a positive contribution to policy objectives. It included consideration of Central Railway’s estimate of construction costs and concluded that they had been prepared responsibly on the basis of a reasonable methodology, and consequently there was no reason to doubt them.
- The Railway is entirely consistent with the stated policy and objectives of the Government, the European Union and the SRA and will enable the Government to meet 75% of its stated objective to transfer freight from road to rail. The Railway will be the most “inter-operable” railway in the UK: it will be the only railway in the UK (other than CTRL which will not be suitable for effective rail freight operations) on which trains from both the existing UK network and the Continent are able to run. It will also create further capacity for domestic passenger services, either directly or by releasing capacity on the existing network currently used by freight trains.
- Over 3 million lorry movements per year will be removed from the roads.
- The key market for the Railway’s services are those lorries which intend to travel to the Continent. Such lorries are forced to change their mode of transport to cross the Channel and the Railway will exploit this fact to enable them to change mode at a much earlier point in their journey.
- The Railway will be a major resource which will deliver significant regional economic development and regeneration opportunities and will enhance UK economic competitiveness. Using the SRA’s own methodology, the social/economic benefits of the Railway will amount to over £500 million per

annum. There will be cheaper, faster and more reliable transport for trade with Europe and

- significant reductions in freight costs
  - a Liverpool to Lille gate to gate journey time of 8 hours
  - same day catchment area to Lille extends to Scotland
  - same day Ireland to France ro-ro movement via Liverpool
  - the railway will create tens of thousands of jobs during the construction phase and several thousand permanent jobs either directly or indirectly.
- Whilst the Review reflects the views of only 16 out of the 62 local and county authorities through whose area the Railway will pass, the Railway has substantial support from a significant number of local and regional authorities in the UK, freight haulage groups and trade unions, and enjoys the support of SNCF and governmental authorities in Ireland and France.
  - Set out in Appendix 2 is a process by which Central Railway propose that the Project be moved forward.

Central Railway plc  
September 2001

## Glossary

In this document, the following expressions have the meanings set opposite them.

“authors”	the Consortium or Ove Arup as the context requires.
“Central Railway” or the “Company”	Central Railway plc.
“Central Railway Bill”	the bill proposed by Central Railway to be enacted by Parliament which would give the necessary powers to Central Railway to construct the Railway.
“Consortium” or “LACRC”	the 16 local and county authorities which form the Local Authorities Central Railway Consortium.
“CTRL”	the Channel Tunnel Rail Link.
“DIRFT”	the Daventry International Rail Freight Terminal.
“LIFE”	London International Freight Exchange (comprising warehousing and a freight terminal at the SW quadrant of the M25/M4).
OJEC	Official Journal of the European Communities
“OAP report”	the report entitled “Review of Central Railway Revised Scheme” dated May 2001 and prepared by OAP and included as Appendix 1 to the Review.
“OLE”	Overhead Line Electric
“Oscar Faber/Mouchel”	Oscar Faber and Mouchel, two independent firms of consulting engineers appointed by the SRA to prepare a report on Central Railway.
“Oscar Faber/Mouchel Report”	the report of Oscar Faber/Mouchel on Central Railway delivered to the SRA in May 2001.
“Ove Arup” or “OAP”	Ove Arup & Partners International Limited.
“Parsons”	Parsons Group International Limited.
“Parkman”	Parkman Limited.
“Project”	The promotion, development and construction of the Railway.
“Property Protection Scheme” or “PPS”	the property protection scheme made available (if requested) by Central Railway to owners of properties which lie on or adjacent to the route of the Railway. The scheme was created to overcome the problems of “blight” which are commonly created by schemes such as the Railway. To date, over a thousand contracts have been entered into with

such owners. The scheme has been commended by the DETR and is significantly more generous than normal compulsory purchase procedures or, so far as Central Railway is aware, any other similar schemes.

“Railway”	The proposed railway system from Northern England through the Midlands, around London into Northern France through the Channel Tunnel.
“Regulator” or “Rail Regulator”	the Office of the Rail Regulator.
“Review”	the LACRC “Review of Central Railway Project: Submission to the Strategic Rail Authority June 2001” and its attachments.
“Roland Berger” or “RB”	Roland Berger & Partners Ltd.
“SEEDA”	South East of England Development Agency.
“SEERA”	South East of England Regional Assembly.
“SRA”	the Strategic Rail Authority.
“TWA 1992”	the Transport and Works Act 1992.

## RESPONSE TO THE REVIEW

This response is not intended to be a detailed rebuttal of the Review. It is designed to correct erroneous statements and provide up-to-date facts about the Railway. The Company's comments are referenced against the appropriate paragraph number in the Review.

### 1. Introduction

1.1 – We note that only 16 (out of 62 local authorities through whose area the UK section of the Railway would run) have subscribed to the Review and several of them are already on record as being opposed to the Railway in principle. It is perhaps interesting to note that such authorities feel able to take a negative decision on the Project whilst the Review suggests that it is not possible to take a positive decision without considerable further detail.

We would draw to your attention that many other local authorities support the Project. We also understand that the Northeast, Northwest, Yorkshire and Humberside, East Midlands and West Midlands Development Agencies are all supportive of the Project. There is significant governmental support in Ireland and France. The Project will also benefit Scotland, Wales and the West of England.

We believe that approval should be given to the Project in appropriate stages, which will enable the views of interested parties to be taken into account in a practical and efficient manner and at the appropriate time. The process should be as follows:-

- (i) to agree the process by which approval is given; Central Railway believes that the only realistic process is by enactment of the Central Railway Bill with the support of the Government. The Company understands that this view may be shared by the SRA and Government for large projects such as Central Railway;
- (ii) the Government needs to decide whether it is prepared to support the Project in principle, which in Central Railway's view requires only:-
  - (a) a decision by the Government as to the balance between benefits to the overall national interest when set against the disbenefits arising for some individuals (for which proper compensation and mitigation will be provided);
  - (b) That the Government is satisfied as to the risk to the public purse;
  - (c) The SRA providing Government with the advice required in relation to the project and confirming the opinion of the SRA's consultants that the Railway is feasible in principle and is consistent with national transport objectives.
- (iii) after the fundamental decision referred to in (ii) above has occurred, the process should be broadly as set out in Appendix 2. This would deal fairly with Central Railway and enable the views of all other interested parties to be taken into account. It would also be consistent with past practice for previous (state subsidised) railway projects.

Central Railway believes that the proposed Project will make a major contribution to the Government's objective of moving freight traffic to railways. Central Railway would also create a system compatible with anticipated European rail freight developments and enable continued growth in UK-Europe trade without the commensurate growth in lorry traffic which would otherwise occur.

The Company recognises that a great deal of other detail needs to be resolved (such as local concerns, regulatory issues and other matters, some of which are referred to in the Review) but strongly contends that a requirement that these be sorted out prior to a Government decision to support the Project in principle is, in effect, a decision that the project should not go ahead (since, for reasons stated earlier, finance for such a process is not available from the financial markets or the rest of the private sector). Such a doctrine would also appear to be contrary to the manner in which projects such as the Channel Tunnel and the Channel Tunnel Rail Link were developed. If adopted as a general rule it would make major projects impossible in the UK without Government funding for their development (which would, perhaps ironically, in any case presumably only be given if the Government supported them in principle).

1.2 – The Company is rather disappointed that the Review has been prepared without any attempt to consult with Central Railway or its advisers – indeed without even notifying Central Railway that it was prepared. As will be noted below, the result is that the Review contains many factual errors and questionable assumptions, many of which could have been avoided had the authors discussed matters with the Company.

The Company notes that the SRA's own consultants (Oscar Faber/Mouchel) made considerable efforts to consult with Central Railway and its advisers and the Company believes Oscar Faber/Mouchel approached their assignment fairly and with an open mind. Full and open co-operation took place and as a result, the Company understands that the SRA's consultants reached a broadly favourable view of the Project and in particular that the Project is technically feasible and would make a positive contribution to policy objectives. For the reasons set out above, the Company therefore believes that the Oscar Faber/Mouchel report for the SRA is likely to prove a far sounder technical basis for any decision in principle as to whether the Project should move forward.

1.3 – The Company notes that the Oscar Faber/Mouchel report was prepared in May. Since then the Company has continued to develop the Project and to improve awareness of it at governmental level in the UK, Ireland and France. The Company has always been available for constructive discussions.

Since May, additional technical work on the Railway has been undertaken and a draft of the proposed Central Railway Bill has been prepared by counsel. Capital and operating cost assumptions have been re-validated and costs updated to 2001 (which update has not materially altered the cost estimates or affected the overall economics of the Project). A draft "UK Transport case has been prepared. The Company has met with officials of the affected regional assemblies and economic development agencies and prepared an assessment of route options around London to the East in response to requests by SEERA and SEEDA to consider the implications of shifting the route to support Thames Gateway plans. A note was prepared for SEEDA which specifically focused on sustainability matters and railway network integration opportunities were discussed in a short Rail Freight Group newsletter article. Consultation activities over the past two years have been

documented. Finally, a working programme has been prepared to manage the process of preparation and approval of the Central Railway Bill.

1.4 – We note that the Consortium is encouraged by Central Railway’s willingness to invest in rail freight. Central Railway’s project will be the largest single investment (public or private sector) ever undertaken in rail freight in the UK. The Railway will permit the Government to realise 75% of its 10 year target of moving freight from road to rail and will reverse the current downward trend in rail freight traffic.

We also note that the views expressed by the SRA Chairman to MP’s were made before the SRA received the Oscar Faber/Mouchel report. We would therefore hope that his scepticism has been allayed and his views altered.

The Railway is a very different project from the one proposed in 1996 and needs to be judged on its merits relative to evolving transport policies. In 1996 the then Government’s attention was focussed on privatising the railways and creating Railtrack as a private company. Few new transport projects were proceeding due to funding cutbacks. Times have changed and the Railway is now very much in line with Government policy and objectives.

## **2. Strategic Policy Issues**

### **2.1 Transferring freight from road to rail**

The support of the Consortium for the principles behind Central Railway is welcomed. Central Railway will make a very significant contribution to the stated objectives and strategies of the Government and all regional development authorities; as is noted in the Review, the potential benefits to motorway corridors, congested roads, noise and air pollution will be substantial. Three million lorry movements will, for example, be removed from the motorways, in particular the M25 and motorways in Kent, each year.

Central Railway will form the heart of a new road/rail freight distribution network, which will offer significant regional economic development and regeneration opportunities. By so doing, Central Railway may also help to take some of the development pressure off the South East of England.

#### **Relationship with Rail Policy**

Central Railway will be an integral part of the UK and Continental rail networks. There will be approximately 20 junctions with other rail systems in the UK (and several in France and potentially Belgium) permitting access to the Railway by UK or European freight operators. Integration of the Railway with the existing lines was explained in a recent Rail Freight Group newsletter. Once this is properly understood, the concerns expressed here by the Consortium can be allayed; the Railway will be much more flexible than the current UK lines and capable of carrying existing UK and Continental rail freight traffic which uses the Channel Tunnel.

It is currently not possible to operate Continental freight trains in the UK, essentially because most clearances under railway structures (the “structure gauge”) in Britain are too low. This obviously limits the potential for rail. It would be very expensive, even if feasible, to alter structures on all UK lines to fit such trains. Central Railway therefore proposes to make its spinal strategic line suitable for Continental and the smaller UK rolling stock to create at least one European standard, as well as UK standard, railway for all operators. Once such a European standard system is in

place in Britain additional connecting lines could be upgraded on a route by route basis. The ability to provide capacity for long haul conventional freight trains coming directly from most European rail systems clearly represents an additional significant source of freight traffic for the Railway.

The Company strongly believes that the Railway will fit very comfortably within the SRA's stated policies and offers a real opportunity for a strategic shift of freight from road to rail by major expansion of rail freight capacity. See the extract of the SRA's Strategic Agenda quoted in paragraph 2.2(a) of the Review.

2.2a – The Railway will be an integral part of the UK network and, for the first time, will overcome the technical problems in integrating the UK network with the more conventional European network. The penultimate sentence (commencing “The need for road transfer of freight ...”) in paragraph 2.2 (a) is slightly obscure; if it is suggesting that the need for road transfer to Central Railway would mean that only transfer of part of the journey to rail would be achieved (and by implication that the Project does not achieve what is required) then that criticism would appear to apply to nearly any rail freight proposals and so would seem to be rather an odd objection. If it is intended to imply that freight would be diverted from a rail terminal not served by Central Railway to road in order to join Central Railway, then it is worth pointing out that (a) Central Railway's principal market is freight already borne entirely by road, (b) any other freight traffic will be able to use Central Railway from almost any part of the UK so that if it is economic to load the freight at another freight terminal, presumably hauliers will do so, and (c) no evidence is produced by the Consortium to support the contention anyway. The reality, unfortunately, is that significant diversion of freight from HGV lorries to the railways requires purpose built facilities and services such as the Railway.

Other international freight train operators must be able to use the Railway as it is now an EU requirement under EU Directive 91/440 that access be offered to them. The Railway will form part of a planned pan-European programme to integrate railway services and provide the infrastructure required to allow inter-operability. The current UK clearances and lack of UIC standardised systems prevents this today. Using the SRA's own numbers for the social cost of an HGV per kilometre of road the direct economic benefits of only the diverted HGV traffic in the UK and France amounts to about £500 million per year in 2010 and rises thereafter. As the SRA will be aware (as a result of Oscar Faber/Mouchel's investigations) substantial detail is available as to both construction and operating costs.

2.2b – A fundamental fact is that road borne freight crossing the Channel must change mode (either to the Eurotunnel Shuttle or to a ferry, and the latter still have approximately 75% of the market). Central Railway will take advantage of this by encouraging this shift in mode to happen much closer to the origin and destination of the goods in question. It is, therefore, wholly intermodal in character and fits entirely into the SRA's strategic agenda.

The Railway will permit such intermodal transfers for intra-UK road freight as well. There is no reason in principle why the Central Railway system could not be expanded (for example to the West of England or to Scotland) in due course, if felt necessary (although the necessary engineering and other studies for such extensions have not been undertaken as their extensions are not currently proposed by Central Railway) or, if that were not desired, why other forms of intermodal transfer developed in the future by the SRA could not be accommodated on the Railway.

Six UK terminals (including Liverpool) are currently planned by Central Railway; if the SRA or others wished other additional intermodal facilities to be added, the Company would be pleased to consider any proposals. The Railway will also include approximately 20 junctions that would allow trains to go to other parts of the UK rail network.

It is not correct to state that Central Railway's proposals would only allow travel directly to Northern France, as the Company has not ruled out stopping services. The ensuing comment that Central Railway's proposals do not help the SRA meet the challenges it faces is thus clearly wrong. There also appears to be an implicit assertion that because Central Railway does not solve all freight transport problems, it should not be allowed to solve any!

Although Central Railway is not requesting financial support from the SRA, its project is listed in SRA's draft agenda and its recently issued Freight Strategy.

Central Railway will also enhance network capacity to handle freight flows to and from major UK ports including Southampton, Felixstowe, Liverpool and the Southern Thames Estuary. It is not correct that the Company could not offer services from Liverpool to West London - indeed, it is likely that current Irish Ro-Ro traffic (currently road borne all the way) to London and certain other parts of the Southern UK would use such a route.

The Company also wishes to make clear that if, as a result of the correct facts becoming known to the Consortium, any members of the Consortium wish the Company to consider terminals in their area (or indeed additional passenger services) the Company would be pleased to consider their wishes and will be more than happy to enter into a constructive dialogue to see if they can be accommodated.

The Company is not aware of any freight projects being considered by the SRA which are inconsistent with the Railway (and many would be enhanced); if there are other enhancements to the Railway which the SRA wishes the Company to consider, the Company would be pleased to do so. As will be noted later, discussions between Railtrack and the Company have revealed over 40 possible areas of co-operation where the Company's plans will be able to alleviate problems for Railtrack and allow it to offer improved services.

2.2(b) (*sic*) It should not be necessary to repeat that Central Railway will enhance the capacity of the rail network and that clearly freight and passenger services must be operated in a way which is satisfactory for all users. Central Railway's trains will be able to run in either direction, will have superior performance characteristics and will be compatible with improved passenger services.

In the limited section (about 44 km out of a total Railway length of about 665 km) of the Railway which will be shared with Chiltern Railways, the Company proposes to add track and facilities as necessary. The Company has indicated to Chiltern Railways and other parties that it will provide the tracks and control systems necessary for passenger and freight services to co-exist. The Railway is designed to permit 3-6 minute train headways. Its own lorry-on-train rolling stock will operate at speeds up to 140kph where track and systems permit this to occur. Chiltern Railway's inter-city services are currently timetabled to run at 95kph; accordingly Central Railway's train should be compatible with such operations. The Company understands that the Rail Freight Group is of the opinion that the Chiltern Line is the only rail corridor running north from London which is capable of assuming an

increase in rail freight capacity. the Company further understands that this view has already been made known to the affected local authorities.

2.2c – The Consortium’s review lists a number of aspects of SRA policy, all of which are entirely consistent with Central Railway’s proposals: the Company is increasing rail capacity, providing additional freight interchanges, improving reliability and making it possible for far more freight shippers and hauliers to use the rail network. In particular the Railway will be built to an appropriate loading gauge, which is derived from the gauge adopted by the Channel Tunnel, and can consequently be used by existing UK and European trains (other than Russian and Iberian trains which do not use the same track gauge). However, in addition the Railway will also be able to carry normal lorries, which is not possible in the UK at present.

All main railways in Europe (other than in Russia and the Iberian Peninsula) have the same track gauge. Structure gauge refers to the clearances under structures which rolling stock must fit and not the gauge of the tracks. The structure gauge of the Railway is designed to be large enough to accommodate all rolling stock that may wish to operate within the UK and France in the foreseeable future. This contrasts with Railtrack’s current programme priorities of increasing clearances and improving tracks which, even if effected in full, would not permit the carriage of standard lorries or the operation of European trains on the UK network. The Review is, therefore, incorrect in suggesting that the Railway will be incompatible with the existing UK and French networks (as existing trains on such networks could use the Railway).

The Company has already indicated to local authorities its willingness to discuss terminal location with planning authorities. We cannot force terminal promoters to work with us but are open to discussion with third parties to reduce the local impacts of freight terminals. The HGV freight traffic which would use the Railway cannot be handled by LIFE or DIRFT as currently planned. In any case, the Company questions whether the proposed scale of such railway facilities (as currently planned or existing) are such that they would make a material impact on the SRA objectives. What is clear, however, is that these are not issues which are fundamental to the decision as to whether the Railway should be approved in principle.

2.2d – Central Railway’s proposals are entirely consistent with the points noted in this paragraph of the Review and have been thoroughly researched and developed in both commercial and technical terms. The Company believes it has already provided such detail as is necessary to demonstrate that its proposals are consistent with each of such schemes and the draft National Freight Strategy. Presumably the Oscar Faber/Mouchel report would have noted if any inconsistencies had existed; so far as the Company is aware, there was nothing material or presumably Oscar Faber/Mouchel would not have been able to form the conclusion that the Railway is not only technically feasible but is also consistent with national transport objectives.

In any case, given the scale of funding required for a new North/South freight route (such as the Company proposes), the other priorities which face the SRA and the limited resources currently available to the SRA for freight, it is perhaps not surprising it is not listed as an early priority. Central Railway will, therefore, enable a recognised need to be brought forward at no cost to the taxpayer.

2.2e – The Review is incorrect - Central Railway is not proposing to use UIC C gauge. The Railway is designed to be compatible with W12 gauge, W18 gauge and UIC C, in the sense that trains of these sizes could be operated on the Railway. The Railway will, therefore, be as integrated as any railway system could possibly be with

UK and European networks, given the existing structure gauge constraints elsewhere on these systems

Structure gauge enhancements proposed by SRA recognise that the existing UK rail network has a gauge problem. Both W12 and W18 gauge are sub-standard and a compromise relative to running trains that require greater clearances. Most current UK railway lines cannot handle standard sea containers or all types of rolling stock, be they European passenger trains or wagons carrying lorry trailers. Allowing European wagon manufacturers and train companies to standardise rolling stock should be encouraged. EU inter-operability directives point towards the use of UIC standards in the future, which is consistent with the Company's plans (but not those of Railtrack's so far as the Company is aware).

2.2f – Terminals are located, so far as practical, to maximise the diversion of Motorway traffic and located on brownfield and/or former railway yard sites. The Company's proposals are therefore clearly in line with the SRA criteria. They are also subject to consultations and, again the Company disagrees with the proposition that all aspects of terminal location be settled before a decision in principle is made.

2.2g – The statements in this paragraph in the Review are incorrect. First, the Company can confirm that it has taken into account the views expressed in 1996. Furthermore, the paragraph appears to suggest:

- (i) that because Central Railway cannot solve all the problems of the UK freight distribution network, it should not be permitted to solve any (see the first sentence). Since the point appears on numerous occasions throughout the Review, it clearly needs to be repeated: freight loaded onto trains virtually anywhere in the network (including at "local rail-served depots") can be moved over the Railway;
- (ii) In relation to the second sentence in the paragraph:
  - (a) surely economies of scale are a good thing, not a fault in the Project, since it will lead to lower costs of freight transport for UK industry; in any case, as is noted later in the same paragraph, the SRA would seem to concur with this view;
  - (b) the environmental consequences have been considered. They will also be fully aired in the Environmental Assessment which will be prepared in connection with the Central Railway Bill and will doubtless be taken into account by Parliament in its consideration of the Bill;
  - (c) the adverse impact on residents has been, and will be, taken into account - see the innovative and generous property protection scheme (PPS) which has been commended by the Department of Transport and is more generous than the public sector equivalent. Over 40 per cent of properties within the M25 which have the benefit of the property protection scheme have been satisfactorily sold or re-mortgaged.
  - (d) the "lengthy road journeys" referred to are occurring already and the concept of the Railway is to interrupt the journeys and shorten them. If other means are adopted of transferring lorries to trains so that they can be carried on the rest of the UK network, the resulting trains will be able to use Central Railway to access the Channel Tunnel.

(iii) In the fifth sentence, the suggestion that Central Railway does not permit rail-to-rail transfer is unclear:

(a) if it means that non-Central Railway trains cannot use the Railway (and therefore need to be reloaded), it is incorrect. Existing UK and European trains (other than those from Russia and the Iberian Peninsula) can use Central Railway;

(b) if it means that European and Central Railway trains cannot use the existing UK network, it is correct, but if this is accepted as the reason not to go forward, the UK network can never be integrated with the European network (a prime aim of the European Commission) nor can the benefits of the Channel Tunnel be fully achieved;

(c) if it means that the Central Railways terminals do not plan to allow transfers of goods from a Central Railway train to a UK gauge train, the Company would be prepared to consider any proposals which the SRA wishes to put forward, although the Company is sceptical about the actual demand for such a service, given that for the most part the goods in question will already be loaded inside a lorry (which cannot be carried on the current UK network).

(d) the comment about choices of terminals seems to be arguing for a more extensive Railway (for example to the West of England); Central Railway is prepared to consider an extension to its system (and is, of course, pleased by the implication that its system is actually what is required), but believes that it is important initially to establish the basic system which links the Midlands and North with the Continent.

(iv) The comment regarding a “key problem ... [being that] ... lorries from Central and Southern England ... would only be able to obtain access at either the Midlands or West London” is somewhat curious. Lorries cannot use the current UK rail network, so all lorries from Central and Southern England would, if the Railway is not built, be forced to remain on the motorway network until they reached the Channel Tunnel or ferry ports. Is this what Consortium wishes to see? If alternative satisfactory rail freight arrangements were in place which could take the freight on lorries from Bristol or Swindon (as referred to), the resulting rail freight could use either the existing network or the Railway. However, the Company is not aware of plans for any such arrangements which would allow lorries to access the railways from Bristol, so it seems that the journey to London will be entirely by road for the foreseeable future.

(v) The reference to lack of planning of feeder rail services is odd: there is no reason why train operators should not operate their trains from almost all parts of the UK through to Europe using Central Railway. This seems to be another variant of the proposition that because Central Railway will not solve all UK freight problems it should not be permitted to solve any.

**In view of the mistakes in this paragraph, it is perhaps not surprising that the Company regards the conclusion drawn by the Consortium that the Project is “environmentally unsustainable” and “out-of-line with Government policy” as unsafe and wrong and, in any case, not supported either by the facts or any evidence produced by the Consortium**

Road journeys will not be more lengthy as asserted in the document. Traffic already going to Channel Ports will be diverted to the Railway's terminals. HGV traffic on the motorway network will be reduced by a total of 1,100 million vehicle kilometres in 2010. With reference to Bristol traffic to the Channel, lorries must use the M4, M25 and M26/20 to reach short sea crossing ports and Eurotunnel. The West London terminal removes this traffic and eliminates some 100 km of travel (in the UK) each way per HGV vehicle diverted.

The Railway is fully in line with Government policy and is sustainable: indeed it must be arguable that the Railway will be a project that will considerably enhance the environment taken overall. It will make a significant impact on the Government's target reductions in emissions of CO<sub>2</sub>, NO<sub>x</sub> and particulates as well as directly reducing fossil fuel usage. The draft UK Transport Case (available on the Company's website) and the correspondence with SEEDA enclosed amplifies these points.

#### Relationship with Other Policies

2.3.1 – This paragraph in the Review contains a number of assertions which are unsupported by evidence and in the view of the Company are wrong. It is very difficult to see any reasonable basis on which the Consortium could form the view that it has doubts as to whether the Railway will lead to a reduction in lorry-miles, and even more difficult to understand how they contemplate an increase, given that the Railway will carry lorries which otherwise would have travelled some 1.1 billion km on the UK motorway network. The Railway appears to the Company to be one of the very few (if not the only) projects which could have a material impact in reducing HGV road traffic as contemplated in "Transport 2010: The 10 Year Plan".

There is also no basis for the assertion that road traffic could increase because of the Railway - indeed, the Review itself confirms that there would be a substantial reduction of HGV traffic, if the Railway is built (see paragraph 5 of the OAP Report). It is difficult to understand how the Railway by building additional tracks, expanding the structure gauge, providing the potential for linkage with existing railways at approximately 20 locations, improving signalling and providing OLE power, can reasonably be alleged not to contribute to the Government's 10 year strategy. Indeed, in each paragraph where reference is made in the Review to SRA policy and objectives, the Company is able to demonstrate that it is entirely consistent with such policies and objectives. The Railway will enable a switch of freight to rail of about 13 billion ton-km per annum (over 75% per cent of the Government's current target), which is almost certainly likely to be additional to the switch which is likely to arise from the plans which the Company understands are being pursued by the SRA.

Regarding the comment that Central Railway does not fit in with SRA's priorities, the Review seems to contradict itself: as noted in the following sentence of the Review, those priorities include investment in capacity and gauge enhancement, elimination of bottlenecks and improvement of freight terminals, all of which are at the very heart of the Company's proposals.

As noted above, Central Railway will be neither isolated from the UK rail network (as the Review once again mistakenly asserts), nor necessarily non-stop. It will, however, significantly upgrade the capability of the network as a whole.

DIRFT is a relatively small facility with limited capacity for expansion and which is unable to load lorries onto trains. LIFE has not yet been approved and is a scheme which the Company understands is vigorously opposed by Consortium members.

In relation to the reference to a “honey pot” effect:-

- (i) to the extent that non-railway related development is proposed by third parties, these will be presumably subject to normal planning procedures. Some authorities will doubtless take a different view as to desirability of development (particularly in brown field areas) than others.
- (ii) to the extent that traffic is attracted to use the Northern terminals, there will be a reduction in the traffic which would otherwise use roads further South.

While the Company believes that terminals will reduce rather than increase traffic in surrounding areas, we have indicated to local authorities that traffic impact studies will be undertaken at each proposed terminal to assess the impact and to develop mitigation measures (if adverse effects are predicted). Future congestion on the UK Trunk Road Network is likely to have a more profound effect on the environment than any local traffic effects near terminals. The Company currently expects that there will be a reduction of HGV traffic on the Western side of the M25 equal to approximately 4,500 vehicles per day in each direction whereas the traffic attracted to the West London terminal is projected to be about 1,300 HGVs per day in each direction (most of which would have travelled over that section of the M25 anyway).

The reference to freight traffic not keeping to the proposed motorway routes is presumably (though it is not stated) a reference to the concern that lorries are already seeking to avoid congestion on motorways (particularly the M25) by using alternative routes. The clear answer to this is that by reducing the traffic which would otherwise be on motorways, it must be more (rather than less) likely that other lorries will stay on the motorway. Presumably the relevant local authorities are, in any case, considering what powers they have to deal with this current problem which is only likely to get worse without Central Railway.

Clearly from Central Railway’s perspective, since access to the proposed terminals is important, the Company welcomes any suggestions which the Consortium (or any one else) may have for encouraging HGVs to stay on the motorways rather than going onto local routes.

The point about increased congestion adversely affecting Central Railway is misplaced - increased congestion *enhances* the attraction of the Railway to potential users as the Railway cuts down on the time wasted and costs incurred due to congestion and enables hauliers to offer a more reliable service.

2.3.2 – The traffic which the Company expects to be derived from Liverpool is Irish road freight to the UK and the Continent which is currently transported through the UK by road only. There are a few additional points:-

- (i) if traffic is attracted to Liverpool from Ireland (or elsewhere) as a result of the Railway, it must follow that it will be carried on the Railway: it is difficult to see why traffic should change to Liverpool as a result of the Railway and then travel by road. If traffic is entering Liverpool for a destination in the UK, it is unlikely to change its port of entry as a result of the Railway’s existence, and is probably being carried by road already.
- (ii) the expansion of the Port of Liverpool is understood by the Company to be regarded in Liverpool as a positive development and, indeed, the Company is

currently working with Mersey Docks and Harbour Company to enhance the potential.

(iii) it is not clear why the Review considers that an increase in traffic on the Railway as a result of an increased use of the Port of Liverpool should reduce the switch of local traffic to the Railway. If anything such an argument relating to the extra traffic brought to the Port of Liverpool as a result of the Railway, suggests the Railway is even more important as a regeneration project than currently believed and that its capacity be enhanced. In any case, if revenue is generated which would otherwise have been earned by Continental ports, this clearly enhances the Project's economics and is clearly a significant benefit for UK plc.

## Regional Planning Issues

2.4.1 – The impacts of alternative routes around London to the East, in aid of Thames Gateway development, have been investigated recently. None of the current options are feasible or better than the proposed M25 route via Heathrow. Most of the alternatives do not provide the capacity required or they are circuitous and thus reduce HGV traffic diversion from the Midlands and North. Routes not reaching the Chiltern Lines and the proposed West London terminal do not attract HGV traffic from the West, South Wales or West London. Finally, an outer Thames Estuary bridge crossing (if proven to be feasible) is unlikely to be funded before 2015. The results of this investigation have been sent to the Thames Gateway study team for their consideration. If new options arise Central Railway is happy to co-operate in their investigation.

The Company does not agree that the SRA needs to look at alternative routes east of London; as we understand the position, the SRA is being asked to advise the Government on the feasibility of proposals actually made by Central Railway, which do not include an Eastern route. In any case, Central Railway has considered East London route options (as noted above) and has concluded that none are feasible.

## 2.5 The propriety of promoting a private infrastructure project by means of a Hybrid Bill

2.5.1-3 – It is unclear how a bill going through Parliament in the normal way can be construed to be un-democratic. Standing Orders relating to bills such as the Central Railway Bill include a committee stage at which objectors can make their views known to MPs. Doubtless other representations have been, and will be, made to MPs in the usual way. Railway projects approved prior to the Transport and Works Act 1992 used this or a similar procedure. More recently the CTRL project was approved in this way.

There is mounting evidence that the inquiry procedure enshrined in the Transport and Works Act 1992 is unworkable for projects of national significance. The SRA has itself indicated that important major projects, such as Central Railway's, could or might, use the hybrid bill procedure to gain approval. The TWA 1992 was enacted mainly to avoid having an already congested Parliamentary calendar taken up by small scale rail projects which could be locally reviewed and approved by Ministerial Order.

More workable methods need to be found to review and approve major projects so that the benefits of feasible projects are realised in a timely fashion. Delays such as those imposed on Thameslink 2000 and Heathrow Terminal 5 are unacceptable and do not improve public accountability or welfare. The Hybrid Bill procedure is a proven

method and should be used to review and approve projects of “national significance” as in the past. As for the alleged reluctance of Central Railway to spend money, the Company believes that the costs likely to be incurred under the TWA 1992 are such that private finance for development of major projects is not available. It is not, therefore, a reluctance to spend money: it is simply not possible. This is largely (we believe) a result of the cost incurred (by repute approaching £100 million) and the prolonged period of uncertainty which occurred in the Terminal 5 inquiry (for which a decision has yet to be taken). Indeed, it is precisely these concerns which have led the Company to change to seeking Government support for the Central Railway Bill as a hybrid bill.

If the Government decides that the TWA 1992 route is the one to be followed, it amounts to a decision not to support the Project. It is also perhaps worth pointing out that the local authorities concerned with the Terminal 5 planning inquiries also reportedly found the costs incurred by them to be unacceptable - in some cases even to such an extent that the authorities felt obliged to cease their representations at the inquiry.

The Company believes that the Project is clearly a case of major national significance touching on national economic, industrial and transport interests which is significantly supportive of Government policy. The Company believes it has spent a great deal of money already and that the Project has been developed to a point where it is not unreasonable to ask the Government to make a decision in principle.

The comment in the Review that proceeding by a hybrid bill would be a breach of human rights legislation is interesting, if only because the implication is that the procedure must be an issue for all hybrid bills - and possibly other private bills. However, the Company has been advised that the view expressed is almost certainly incorrect as a matter of law given the Parliamentary procedure for approval of the Bill will include committee stages at which objections from third parties can be made known and considered. It is most certainly not correct that the Human Rights Act gives the right to objectors to require the project to proceed by a TWA1992 process.

It is not clear why the expertise of the inspector is considered in the Review to be key to a decision - presumably Parliament will call on whatever expertise it considers it needs in order to form a balanced decision.

The subsequent reference in the Review to Central Railway considering it “too burdensome to undertake the necessary work” misses the point. The Project has been developed considerably beyond the point at which the Company understands similar projects (such as the West Coast Main Line or the CTRL) obtained approval in principle; the Review at one point (paragraph 2.5.5) seems to accept that the Company cannot be expected to have every detail sorted out in advance, yet then proceeds to suggest such a wealth of required detail which makes such purported acceptance unclear. In any case, other interested parties are often not prepared to co-operate with the Company to the extent necessary to produce these details (either for their own commercial reasons or because there is little incentive for them to do so) until the Government indicates whether it wishes to see the Project go forward. Accordingly, the Company is simply unable (without a decision in principle that the project go forward) to produce much of the “detail” suggested even if time and money was unlimited. Once again, therefore, a requirement for detail in the manner set out in the Review would, in reality, be a decision not to proceed.

Appendix 2 sets out a process which the Company believes to be a reasonable way in which a decision can be taken as to whether the Project should proceed.

In relation to the argument that the SRA has insufficient detail to support the Company's proposals and exercise its function under s207 Transport 2000, Central Railway believes that the view expressed as to the duties of the SRA is too restrictive and, by calling again for further detail, go further than is necessary. The Company believes that the SRA is entitled to form its own views as to the factors it needs and doubtless that view will be coloured by the decision (or advice) which it is actually being asked to take (or give). In the opinion of the Company, the SRA is now in possession of the facts necessary for the (limited) decision now being requested of it.

In any case, as will be seen from Appendix 2, formal SRA approval is not legally required; or likely to occur, for some considerable time, and then only after much of what the Consortium has requested has been produced and Parliament has enacted the Central Railway Bill. Alternatively, if the SRA would prefer, Central Railway would have no objection to including a clause in the Central Railway Bill dis-applying Section 207 for this limited purpose so as to ensure there is no breach of statutory duty by the SRA.

What is clear is that all that is required at present is advice from the SRA to Government in accordance with the requirement of the Secretary of State (as referred to in paragraph 1.4 of the Review) - which clearly could not be a breach of Section 207.

2.5.4 – The Company is surprised by the terms of the letter from the National Trust quoted in the Review, of which it was unaware. The Company has consulted with the National Trust and it (the Trust) is an advisory member of the Company's Environmental Liaison Committee created to co-ordinate the implementation of the Memorandum of Understanding (MOU) between the Company and the national statutory environmental agencies; English Heritage, English Nature, The National Conservancy, the Forestry Commission and DETR (now DTLR). This MOU requires the Company among other things: to prepare a 'scoping document', consult on all significant impacts and their mitigation, prepare an Environmental Statement, develop appropriate codes of practice to manage temporary impacts and maintain the environment during operations. The Central Railway Bill is likely to contain language which protects the vital interests of the National Trust and the Company would expect Parliament to take any representations from the National Trust into account in the usual way when arriving at a decision. Presumably this is what happened with the CTRL.

2.5.5 – Central Railway is extremely concerned at the proposition set out in paragraph 2.5.5 of the Review. Although the paragraph commences by acknowledging that the Company cannot be expected to produce the "fine detail", it then sets out an extremely long list of requirements and ends with the comment that "if Central Railway is unable to demonstrate these details to the satisfaction of the SRA, then the SRA should require further work ..... to ensure sufficient details are available. Then and only then will the SRA be in a position to determine whether the Central Railway proposals should be promoted as a Hybrid Bill".

Such a proposition, if accepted, would amount to a full inquiry and negotiation over the terms of the possible project before any decision in principle were taken, and would amount to a decision not to proceed. It is worth pointing out that some of the steps suggested by the Review would need the active co-operation of known opponents of the Project which in the circumstances would clearly not be forthcoming.

A few specific points on the list:

- (i) whilst many of the issues raised will need to be addressed at some point, many are not needed for a consideration of the principle of the Project and some are not relevant to a private sector project;
- (ii) some of the details referred to are couched in terms which make it difficult to see how they could realistically ever be achieved before the Government has indicated its desires;
- (iii) some of the requirements are couched in terms that effectively attempts to negate the point of seeking enactment of the Central Railway Bill;
- (iv) the proposed order in which the Review suggests matters be undertaken is inconsistent both with previous precedent for similar schemes and, in the opinion of Central Railway, would effectively recreate precisely the problems which have been identified with the process under the TWA 1992.

On a more positive note, the Company is clearly interested in a dialogue to try and agree a process which will deal fairly with all interested parties and enable a rational decision on the merits of the Project to be taken. It is worth repeating that the Central Railway Bill will be examined in Committees of the House of Commons and the House of Lords, and local objections can be taken into account at that point and amendments made to the Bill if agreed by Parliament.

The Company believes that all that is now needed (in addition to the detail already made available to the SRA) is:

- (i) a decision by the Government as to the balance between the benefits of the overall national interest when set against the disbenefits arising for some individuals (for which proper compensation and mitigation will be provided);
- (ii) the Government being satisfied as to the risk to the public purse if the Project is commenced;
- (iii) the SRA providing Government with the advice requested in relation to the Project and confirming the opinion of the SRA's consultants that the Railway is feasible in principle and is consistent with national transport objectives;
- (iv) the Government being satisfied as to the certainty surrounding the level of construction costs and their management.

### **3. Technical and Financial Issues**

#### Volume and Market Share Forecasts

3.1 – The Company notes that, broadly speaking the Review (reflecting the underlying OAP report) agrees with the size and growth of the market for the Railway's services and that it is conceivable that the Company could achieve its projected modal shares. Indeed, the OAP report suggests (at paragraph 5.6) that Central Railway's annual growth rates are, if anything, conservative. This comment has proved prescient. Roland Berger has recently updated market forecast information and this will be made available shortly. It shows that traffic across the Channel has continued to grow at rates greater than 7% and that road haulage costs

have risen. The traffic growth forecast of 5% is low and should be increased for the next 5-10 year period. This excludes potential Liverpool traffic and any expansion of traffic from extending the lorry-on-train service further into Europe from Northern France. This is a distinct option shortly after opening given current European interoperability initiatives. Accordingly, traffic forecasts are being adjusted upward to 3.6 million units in 2010.

Ove Arup's market research would also appear to confirm (at paragraph 5.19 of their Report) that the distinction between accompanied (i.e. with cab and driver) and unaccompanied movement of lorry trailers is artificial. The longer ferry crossing services are mainly carrying unaccompanied lorry traffic because the cost savings of leaving cab and driver behind are evident. Transits on Central Railway will be of a similar length and are therefore likely to be undertaken in unaccompanied mode. It is generally agreed that the dominant factor affecting mode choice is cost. The Company proposes to offer freight transport companies a competitive price to switch; the industry through its trade associations supports the Project.

The Review also acknowledges the importance of HGV traffic from the West and from London and South Wales being served by a terminal near the M25 and its linked motorways. Thus a suitable site to the West of London is necessary. We have sought the cooperation of regional and local authorities in helping the Company find a suitable site. Finally, as noted in paragraph 2.4.1, a route East of London is not practical.

## Costs

3.2.1 – Perhaps the most serious error in the Review is the suggested level of construction costs. This is perhaps not surprising given that Ove Arup did not attempt to discuss any matters (including cost levels) with the Company and appears to have adopted assumptions as to costs (for example in relation to the tunnels) which are roughly double current experience. They also appear to have adopted a crude "cost per km" approach which ignores differences between the actual projects being compared: a high speed passenger line, for example, is a very different proposition to a lower speed freight line. As an unsurprising result, the overall estimate is almost double the Company's.

By contrast, the Company has had its project managers, Parsons, update its cost estimate for the Railway and confirmed the accuracy of its figures. The current estimate of the capital cost of the Railway at 2001 prices is £ 4.4 billion. The details are commercially confidential for obvious reasons but the Company discussed the process and methodology used with the SRA's consultants who professed themselves to be satisfied. It is Parsons' professional opinion that the Railway can be built at this cost. The Company is prepared to make the details of the cost estimate available in due course to SRA/DTLR, on a confidential basis, to remove all doubt that there are no flaws in the cost estimation procedure.

It is also worth bearing in mind that:-

- (a) the Company will need to convince private sector financial institutions that the revenues and the capital and operating costs of the Railway are reasonable and conservatively prepared; and
- (b) some of the most significant costs have been "market tested" through a tender procedure last year and as a result the estimates have been proven to be not unreasonable. The Company is particularly concerned that there is

effective cost control, especially in the light of the high costs reputedly being paid by Railtrack to undertake their maintenance programmes. The Company is also sensitive to the problem of possessions and have included extra costs to deal with this matter where it might arise.

Ove Arup has made assumptions about unit rates and costs which are inconsistent with current experience. As an example for tunnel costs (M25 section) they use a figure of £60m/km. However on Section I of CTRL, a project that Ove Arup is supervising, the published contract cost of the 3.2km North Downs tunnel is £85m, i.e. a unit cost of £27m per km. This is a more realistic figure and is roughly equal to the figures in the Railway's own North Downs tunnel estimate. Similarly for double track and OLE Ove Arup use a figure of £5m per km. Again the contracts for these items plus signalling and communications systems on CTRL Section 1 are reported to be running at £2.4m per km; finally structure clearance work (raising bridges and widening underpasses) are estimated at £2 million per km whereas Central Railway's more detailed estimates show them to be averaging £1.2m per km. In addition, Ove Arup state they have used the same amount per km, and ignored any differences in actual construction work required, ostensibly on the basis that the necessary information was not available. In fact, it is available, but Ove Arup did not request it.

Given these errors and their over-simplified assumptions, the stated figure of £7.97 billion for construction is demonstrably wrong.

Finally and in contrast it is worth reiterating that the capital costing process used by Parsons was reviewed by the SRA's consultants (Oscar Faber/Mouchel) and found to be fundamentally correct.

3.2.2 - The Company notes that the Review acknowledges annual revenues of over £600 million per annum are likely to be generated, even after Ove Arup excludes revenue arising from the West London terminal. The rationale for this exclusion is not entirely clear to the Company but appears as if it may be based upon the view that "planning problems associated with a terminal near Heathrow appear severe" (paragraph 15.9 of the OAP report and paragraph 4.2.2 of the consortium's report). This seems to be a case of the Consortium assuming that their views on planning will prevail and then using that view to alter the perceived economics of the project. In fact, Parliament will decide the planning position, and the Company has never sought to disguise the importance of a West London terminal. It is therefore wrong to remove these revenues from the calculation. If the West London terminal is factored back in, revenues would increase to over £800 million per annum at 2001 prices. If allowance is made for the increased growth in the market suggested by Ove Arup (see paragraph 5.5 of the OAP report), revenues would approach £1 billion at 2001 prices.

The review of haulage costs in the Review confirms Central Railway's own information; however the figure for round trip haulage costs between Lille and Liverpool in paragraph 6.8 of the Ove Arup report needs to be increased (as, to be fair, they acknowledge) by the cost of the ferry/shuttle, and therefore amounts (at 2001 prices) to approximately £1,150. This compares favourably with Central Railway's anticipated round trip charge (at 2001 prices) of approximately £800 (excluding local delivery). The exact haulage costs will, of course, vary depending on hauliers' arrangements with Eurotunnel, but the additional costs payable to Eurotunnel clearly should not logically exceed the shuttle cost. New revenue estimates are being refined based upon new traffic forecasts using the updated Roland Berger data. These new estimates further endorse the statements set out above.

3.2.3 – The Company does not accept that the viability of the 1996 scheme was “shown to be suspect” - this was merely the view then expressed by Ove Arup who made similar errors at that time. The fears of a “half completed project” misunderstands the realities of a private sector project. Private sector financiers will need clear assurance - probably including arm’s length, binding construction contracts - before advancing the necessary funds; properly managed construction contracts are capable of delivering a railway project at agreed costs (for example, the costs of the North Downs tunnel, Section 1 CTRL are reported to be below the contractual cost). In any case, substantial contingent financing arrangements are likely to be required by both the Company (and the main financiers) to enable the Company to cope with an unexpected increase in costs. In the unlikely event that, notwithstanding all these arrangements, Central Railway were to fail before construction were completed, equity shareholders would clearly lose their money, but it is highly likely that other finance would then be available to complete the Railway and take the benefit of the “sunk cost”.

The implication that the Project is not viable is, in any case, founded on the incorrect estimate of costs contained in the OAP report. In the highly unlikely event this cost estimate were to be approached, it would be known before construction commenced and the Project would not commence construction (if only because finance would not be available). In summary, the Project will, if approved, either be built entirely or not at all.

In passing, the Company also notes that this paragraph of the Review with its implication that Central Railway will have “very slim” margins, appears to directly contradict the statements in paragraph 3.2.2 directly above it (which indicates gross margins of 65 per cent. before payments to Eurotunnel). It also appears fundamentally to misunderstand the Project: “current experience” of rail freight is derived from operations which do not provide road hauliers with the service they need. Central Railway, by contrast, provides a service to road hauliers (not in competition with them). The hauliers will use the Railway because it will be cheaper for them than going by road. The comments in this paragraph in the Review regarding the “stagnant” growth in rail freight traffic coupled with the growth in ro-ro traffic through the Tunnel and Dover also seem to reinforce Central Railway’s traffic forecasts and very neatly makes the case for concentrating on capturing lorry traffic.

Railfreight operators are not in the lorry-on-trains market. Their natural markets are bulk haulage and some specialised markets such as car units and parts. They are only competitive in these markets because of large and rising subsidies. As noted, they are unable to attract much traffic with their international services even with heavy subsidies covering track use charges.

Central Railway, because it must seek funding as a commercial project, cannot afford to be over-optimistic; thus its financial case has been and will remain, conservative. We have been audited by several investment banks and their views have always been positive regarding the financing of the project once approval is given.

#### Feasibility of Construction and Operation

3.3.1 The Railway’s construction should not involve major disruption of the Railtrack network as a result of the tunnel construction under the North Downs, restoration of the dismantled Great Central Railway, and the new route works alongside the M25. Expansion of existing railway formations in Kent, along the relevant part of the Chiltern Line, the Midland lines between Leicester and Sheffield and between

Hadfield and the Mersey Docks will involve some inevitable disruption during construction, but only a limited part of the lines are heavily used. Of course, after construction is completed, capacity will initially be doubled over these lines so that passenger services can be improved significantly.

3.3.2 - Although the Ove Arup estimate of train paths required for the Railway to operate its service is roughly correct, it only reaches the estimated 5 trains per hour between West London and the Channel Tunnel. The number of trains required depends upon several factors: train length, number of locomotives, average speeds, terminal turnaround time etc. Services from individual terminals are in the range of 1-2 trains per hour. At this level of traffic flat junctions would be used to shunt trains from the terminal to the mainline tracks. A combination of bi-directional signalling, cross-overs and short track loops will be employed to handle delayed or malfunctioning trains. A similar procedure is used, for example, by Eurotunnel in the Channel Tunnel and is reported to be envisaged for use on the Chiltern Line under the current franchise proposals.

3.3.3 - The suggested requirement for a holding yard before the Channel Tunnel is incorrect. The Railway will operate non-stop between its UK and Continental terminals, bypassing Dollands Moor. Eurotunnel is expected to eliminate delays currently being experienced (mainly due to late arriving trains) and has plans to increase capacity when required to provide additional paths. It controls the approaches to and from the tunnel and thus must manage train path allocation efficiently. The Railway expects to reach a commercial arrangement with Eurotunnel once original tunnel capacity and charge rate agreements are re-negotiated. The Railway's trains will be driven by two locomotives; acceleration and top speeds will be similar to that of Eurotunnel's shuttles.

3.3.4 - The OAP report correctly describes the track configuration of the previous Central Railway proposal in the Ashford – Folkestone segment. Central Railway believes that track use rationalisation between the Channel Tunnel through Ashford will be possible and sufficient to handle future traffic. The Company firmly believes that the perceived problem at Ashford can be solved by discussion in good faith.

3.3.5 – This paragraph of the Review seems to confirm that the route chosen in the Southeast can be resolved with good design and construction practices. The Company is in the process of agreeing a technical working relationship with the Highways Agency to cover common problems of corridor expansion, whether this is for 2 railway tracks or additional motorway lanes. We have identified residential areas and environmental resources and are developing mitigation measures to cover blight risk and any adverse impacts. The Company has already met several times with local authority and county council members and will continue to consult with these parties as the Railway design is developed.

With regard to the Chiltern Lines, once their passenger service requirements are clearly defined the track configuration required to handle the passenger and freight trains can be worked out. Portions of the route between Gerrards Cross and High Wycombe may be 4 tracked to permit higher speed trains to bypass slower stopping trains. The current inter-city services are time-tabled at 95 kph in this corridor. The Railway's trains are capable of operating at the same or higher speed if required.

3.3.6 – We agree there are currently capacity problems at Leicester: this is well known and is a good example of area where the Company's investment will relieve an existing problem and create significant new capacity.

With the exception of the portion of line between Leicester and Loughborough existing passenger train frequencies are below three trains per hour. None of the remaining track segments between Leicester and Sheffield are used to capacity. Central Railway proposes to restore the railway to its former 4 track configuration as far North as the freight line to Tinsley. The former 2 track railway will be restored from Sheffield north to Deepcar together with the former Great Central route across the Pennines. Our engineering studies confirm that the main Woodhead tunnel can be deepened to handle CR's trains. The smaller tunnels house the high voltage cables and would not be disturbed. Taking the route through Manchester Victoria and Salford Central to Ordsall Junction will require changes but ample space is available to re-align and restore tracks so that freight and passenger train services can be accommodated. There appears to be no demonstrable need for 4 tracks between Salford and Parkside.

3.3.7 – This is an issue which is much bigger than a simple review of Central Railway. If the British rail network is ever to be integrated with that of Continental Europe, it will apply to any integration proposal: in fact Central Railway is probably less disruptive than most (if not all) proposals since it relies largely on 4 track railway and will carry limited traffic which will stop at stations. The issue of platform clearances raised by Ove Arup only arises where Continental gauge trains run on the tracks nearest a platform. All Central Railway freight trains (none of which stop at stations) are narrower than the UIC “C” gauge and thus there is no problem for Central Railway trains. Where there are 4 tracks “C” gauge trains would run on the central tracks. Continental ‘C’ gauge passenger trains would be able to use stations if appropriate modifications were made, although the Company expects that most Continental gauge traffic to be freight (which will not need to stop at stations). Where the line is a two track formation and platforms have to be narrowed to accommodate Continental ‘C’ gauge trains, then a variety of solutions are available. Unfortunately this is a problem which will have to be addressed if the UK network is ever to be effectively integrated with the European rail network.

There are various methods for providing the minimum train to platform clearances required by HMRI. If there is enough service one approach would be to provide a platform for these trains. This could occur at key multi-platform stations like Heathrow, High Wycombe, Leicester and Manchester Victoria. Where platforms are to be narrowed, mechanical extensions can be provided to reduce the gap at doors. Special provisions will be provided for disabled users where necessary.

3.3.8 – Various loading methods and wagon designs are being examined. Lift-on is no longer an option because trailer lifting (as is done in the USA) is not possible due to trailer chassis design limitations. Lift-on remains the option for handling sea containers. Three roll-on/roll-off trailer loading methods are being evaluated. The first is based on the rolling road concept used by Canadian Pacific. The second is a proprietary wagon design that allows trailers to be backed on to wagons directly. Finally the “Modalohr” twist bed wagon, being tested by SNCF as the approach to be used on its new Lyon – Turin lorry-on-train service, is being carefully followed. Two trailers could be accommodated on each Modalohr wagon.

Currently Eurotunnel freight shuttles have the minimum of side and overhead structures sufficient to house fire extinguishing equipment. We have received information which confirms that this form of containment is required only in view of the fire risks associated with handling lorry tractors. Trailers without tractors ought to be capable of being carried on open wagons.

3.3.9 This paragraph seems to demonstrate a lack of understanding of the problems associated with using pocket wagons and the modifications required for trailers to be handled. We understand that the “piggy back” approach is no longer an active idea for the reasons set out below. Central Railway has one guiding principle that will not be compromised. The Company is designing a railway that does not care what kind of train is operated on it. Trains can be fat or slim, short or tall, diesel or electric powered, fast or slow. There should be one railway line in the UK which can handle Continental gauge trains and does not have sub-standard clearances. If hauliers are to switch to rail, it is vital they can do so without incurring huge additional costs.

If a scheme were to be adopted which necessitated the use of special lorries, then even if UK based hauliers could be persuaded (or, more likely, subsidised - but see below) to buy new equipment, it must be highly unlikely that continental hauliers would do so simply in order to satisfy UK desires. Such an approach would risk not only failing to achieve the national transport objective, but also placing UK hauliers at a competitive disadvantage. This is even more likely as it must be questionable whether the requisite subsidies to hauliers to get such a scheme established would be acceptable under the EU rules regarding State Aid.

#### Commercial and Regulatory Issues

3.4.1 - It is not clear what point is being made here: as the SRA will be aware, Central Railway appreciates that ownership and operation of railways in the United Kingdom is a regulated industry. Central Railway will always be a commercial company, authorised by Act of Parliament and thus will have the legal power to own and operate a railway. The level of railway track access charges for other operators on the line clearly needs to be agreed, but is not a matter which needs to be established prior to approval in principle for the Project. Establishment of the mechanism of setting the level of charges to such other operators will presumably be a pre-condition to the commencement of construction. As the SRA is aware, the draft Central Railway Bill follows the CTRL precedent by excluding the operation of the Railways Act to a large extent and doubtless a satisfactory solution to this issue can be found as presumably has been done with the CTRL.

Control of use of Railtrack land passing to Central Railway ownership will be covered under normal planning law and (so far as it does not relate to the construction and operation of the Railway), it will be a matter either for the Central Railway Bill or the regulatory arrangements to be put in place with the Rail Regulator. We do not understand why the Consortium think there may be any problem with the Company adhering to Railway Group Standards. Perhaps they could give more detail of their concerns?

3.4.2 – The Railway does not see itself as competing with Railtrack. We are not seeking public funding and we will be enhancing railway infrastructure at our cost. We are prepared as noted in our “Draft UK Transport Case” to invest in projects that are also on Railtrack’s project list and thus relieve it of the need to fund them. In any case, lorries will not be able to travel on trains on Railtrack’s network.

The Company is aware of the requirements for operating and maintaining a railway in the UK and we have maintained a working relationship with the Rail Regulator in order to set out our individual roles should the Railway be approved. As was the case with Eurotunnel the details of the Railway and its daily operations are matters to be worked out in the future. Clearly, our relationship with Railtrack will also need to be resolved to the satisfaction of both parties. The Company believes that

opportunities for greater inter-operability will be welcomed; on the other hand we expect this to be negotiated on a commercial basis and have offered to pay Railtrack for charges that would have been collected from train operators, should they use our line for their existing franchised services.

The Company has no comment on the matter of the sale of Railtrack assets. While this is a commercial project, the Company proposes to enhance the value of the UK railways and only seeks to be compensated for its capital investments and the costs of maintaining the Railway once it is operational. The Regulator's powers relative to the Railway are a matter of commercial importance and the Company is actively involved in discussions.

Central Railway proposes to acquire (if necessary by compulsory purchase) those (relatively small and marginal) sections of the Railtrack network which are required for the purposes of the Railway, as it is not reasonable to expect Central Railway either to rely on Railtrack to upgrade the network to the standard necessary to meet Central Railway's requirements or to expect Central Railway to upgrade the network without ownership rights. The rights of train operating companies and Railtrack to use and operate the (considerably enhanced) network would, of course, be respected and this will be a matter for detailed negotiation in due course. It is certainly not a matter which requires settling before the decision in principle is taken.

It is by no means clear what the Review has in mind when it states "it will also need to compete on a fair basis with Railtrack". Railtrack is the owner of the vast majority of the UK rail network, and as such is bordering on being a monopoly supplier. If anything, Central Railway would have thought that the competition authorities would be more interested in ensuring that Railtrack was restrained from competing unfairly with Central Railway, particularly given that Railtrack will continue to be heavily subsidised by the public purse whereas Central Railway will not be.

In relation to references to the Railways Act Regulation, as stated above, Central Railway proposes to exclude the operation of the Railways Act from its network but to agree with the SRA and the Rail Regulator (as a pre-condition to the commencement of construction) a regime which is satisfactory to the SRA and the Rail Regulator and which provides appropriate protection for all interested parties. The current regime set out in the Railways Act is clearly designed for a system which relies on very substantial levels of public subsidy and not one which is financed by the private sector; as such, therefore, there are various elements which are clearly inappropriate for a private sector scheme. For example, given that the private sector will be providing the finance for Central Railway, there is no obvious reason why there should be UK regulation as to the prices at which Central Railway offers its services to hauliers or access to other international intermodal operators. (Of course, the Railway will be required under EU Directive 91/440 to offer such capacity on a non-discriminating basis, as is Eurotunnel itself.) Central Railway would accept, however, that the terms on which it permits access to other third party operators may require a degree of regulation, but this is a matter which requires discussion in due course.

Most of the comments in this paragraph are, therefore, irrelevant as they fail to reflect the actual proposals which Central Railway is making.

3.4.3 – As with paragraph 3.4.2, whilst the comments in this paragraph in the Review may be true under the existing regime, Central Railway anticipates that access for construction purposes would need to be negotiated and agreed in advance of construction commencing but clearly the terms of this are not relevant for the purposes of deciding whether or not the Railway is a sensible proposal in principle.

The relevance of the comment about the liabilities for a direct loss of revenue as being unlimited is not entirely clear, and probably irrelevant given that liability for loss would clearly be a matter for discussion with the affected companies.

Possessions and their costs are being given serious consideration. Funds have already been specifically allocated in capital cost estimates. The current rules are not workable and changes are inevitable as they inhibit the implementation of important safety and renewal projects.

3.4.4 – Most of the comments made in this paragraph merely reflect the current regulatory regime and, perhaps ironically, confirm Central Railway's view that the current regime is not suitable for the purposes of Central Railway's project, and that it will therefore need considerable amendment in Central Railway's case.

There is no objection to the owner of railway tracks operating their own services under EC legislation, merely that competing international intermodal and passenger operators must be granted access on similar terms and that there must be an accounting separation between track and train operation. Central Railway has no difficulty with this and part of the discussions with the Regulator will be to ensure that an open and transparent system of train operation is adopted so that costs attributable to Central Railway as track owner are separated from costs applicable to Central Railway as operator.

Central Railway proposes to own track and operate its freight trains; the Bill giving approval will contain such a provision. The Railway will also set charges for other operator usage; these rates can only be agreed shortly before opening given the current pressure to increase rail freight subsidies and the lack of firm plans for network expansion and expansion of passenger train services. Railtrack is not expected to operate at a loss; this also applies to Central Railway.

3.4.5 - Other operators may well wish to have access to Central Railway's tracks; if operators also have to negotiate track access agreements with Railtrack, that is a matter for the Regulator to resolve (if agreement cannot be reached). The fact that difficult questions may be raised for the Regulator is clearly not an issue which should hinder a decision in principle as to whether the Railway is an attractive project. The Regulator (with whom the Company believes it enjoys a good working relationship) has certainly not indicated that he foresees difficulty of the order suggested by the tone of this paragraph of the Review. Central Railway believes that all the issues described in this paragraph are very much "second order" issues which ought to be capable of solution by negotiation in good faith by the various parties. To the extent that parties are unable to reach an agreement by negotiation, Central Railway would have no objection to the Regulator having the final authority to decide the matter.

#### Capacity Issues on the Route

3.5.1 – The OAP report incorrectly assumes that 5 freight trains per hour will be operated along the whole of the route. This frequency only occurs between West London and the Channel Tunnel. Frequencies fall as individual terminals are reached. The OAP report identifies areas where there may be capacity constraints; we do not believe this will be the case since the point of much of Central Railway's investment is to eliminate such constraints. Along the Chiltern Line tracks can be added (as noted in the OAP report) to handle the mix of passenger and freight trains. North of Leicester the full 4 track formation will be restored which can easily handle the Railway's additional 2-3 freight trains per hour in 2010. Through Manchester only

Liverpool and Northwest (M6/M62) terminal trains will be operating; the frequency is at best 2 trains per hour on this segment.

Terminals are being designed to handle 2020 requirements. While train frequencies are low, flat junctions for terminal access and egress will suffice. As traffic builds up consideration will be given to the use of flying junctions to handle future traffic into terminals. Such an investment would be based on economic criteria.

#### Assumptions on Terminals

3.6.1 - The assumptions made by Ove Arup in this paragraph regarding terminal locations, access roads and track requirements are generally correct, although the rationale for the suggested requirement for a separate West London service is not clear. Simulations are being prepared to model the movement dynamics within terminals so that HGV arrivals and departures, storage requirements, track layout and train schedules are taken into account in developing terminal layouts. Each terminal will have sufficient storage capacity to avoid internal and external congestion.

#### Assumptions on Rolling Stock and Structure Gauge

3.7.1 – The matters referred to in this section were discussed in 3.3.7 and 3.3.9. One of the main problems of the smaller British structure gauge is that it imposes capacity limitations. Railtrack has had to delay certification of new passenger trains because it can not confirm the clearances required to operate trains along its tracks. This is unacceptable for a modern railway. The Railway's gauge has to be sufficient to accommodate its own freight trains, standard UK rolling stock and Continental gauge trains and will be designed to do so.

The problem of clearances at local passenger stations will be dealt with on an individual basis and depends in part on whether Continental trains will be passing through stations and/or stopping on local tracks.

#### Financial Instruments

3.8.1 – Unfortunately, paragraph 3.8.1 is wildly out of date. As was clear on the face of the document to which the authors refer, the funding process referred to was intended to finance a TWA application which the Review acknowledges is not now the Company's proposed route. The Company was unable to raise funds for a TWA application for the reasons mentioned above relating to the nature of the TWA process. The comments on this financing document are largely, therefore, irrelevant.

The reference to there being no discussion of how Stage 3 (Construction) is to be funded is correct; it is entirely normal in the project industry that sponsors of a project seek approval and then raise construction finance when it is required. The Company has had discussions with banks over a long period of time; and, given the revenue forecasts and cost estimates, leading banks have confirmed to the Company that they see no reason why the Project should not be capable of being financed in its entirety from the private sector and in particular by the use of international and US capital markets. What is clear is that construction of the Railway would not commence unless finance for the entire project is available; to attempt to do otherwise would not be anybody's interests and, in any case, financiers would not be prepared to put construction finance on such a basis.

It is not correct that a stock issue to contractors will determine contractors' eligibility to tender for construction work: the Company has issued notices under the OJEC procedure for the bulk of the works and a number of contractors have pre-qualified for those parts of the work which have been advertised. The Company has yet to decide whether it wishes to go through this procedure in this form again in view of the changed circumstances, and it may well be that, if Government approval is forthcoming in principle it will not be necessary to require contractors to provide finance at all.

## Financial Appraisal

3.9.1 – The relevance of the comment about whether the financial analysis is conducted in terms of an internal rate of return (IRR) or a discount at net present value is totally unclear: these are in effect two sides of the same coin and simply reflect the returns available to equity investors and valuations of income flows where appropriate. The reference to the IRR being 14.99% as relatively high only serves to illustrate why this project is financially viable and thus needs no Government subsidy.

It is not clear why it is a matter for concern for the Consortium that equity investors would not receive dividends until 2013: this would be made clear in any prospectus on the basis of which the shares were issued - and any investor in this project would not expect dividends to be immediately available given that, by definition, they are investing in a substantial construction project which will be able to pay dividends only after it has been completed and has built up its revenues.

3.9.2 – The Company notes the comments attributed to Mr. Shooter. It is perhaps inappropriate to criticise an individual in this document, so the Company feels it is necessary only to state that, if Mr. Shooter has indeed made the comments quoted, Mr. Shooter is clearly incorrect. In passing, however, Central Railway notes that Chiltern Railways has in the past been a vocal opponent of Central Railway, although it has never been clear to the Company why this should be. The Company has met Mr. Shooter and, informally, a representative of Laings (the owners of Chiltern Railways) and assured them that the Company will install new tracks and systems to handle both passenger and freight trains.

## 4 Environmental and Local Impacts

The authors of the Review appear to raise a variety of environmental issues (almost all of which were known to the Company) but in a manner which is rather tendentious and risks pre-judging the normal procedure for dealing with such issues. The Company is fully aware that a proposal such as the Railway will have certain adverse environmental effects, but it is worth pointing out again that there will be very considerable environmental benefits.

The Company has adopted as a basic design feature an intention to reduce negative environmental consequences to the minimum (it is for this reason that about 85 per cent. of the Railway will utilise existing or disused Railway corridor and that most of the remaining sections run alongside existing motorways) and will continue to refine the design with this in mind. However, the points being raised in the Review are mostly issues which cannot be fully resolved without an environmental investigation being undertaken and environmental statement prepared. That is the whole point of such a process. The Company would expect that part of such a process would include, as is normal, proposals to mitigate the environmental impact.

The Company is particularly concerned that some of the statements in the Review as to potential or possible environmental impacts (in some cases on the basis of incorrect assumptions as to Central Railway's intentions) risks alarming individuals unnecessarily and it is worth bearing in mind that many individuals will actually benefit from the Company's proposals. The Company is, frankly, disappointed that local authorities should act in such a manner, especially given the Company's view that whilst some individuals may be adversely affected, far more residents of the areas for which they are responsible will benefit from the Railway and its effect on traffic flows.

We would also draw to your attention that the Company already has a memorandum of understanding with the major environmental agencies (see paragraph 2.5.4 above) and we will therefore follow established agreed procedures for assessing and managing environmental impacts.

4.1.1 The comment that there is a shortage of information about exactly where the Railway would run is incorrect. The route has been on the Company's web-site for over 18 months. Indeed, it is perhaps rather odd that, notwithstanding the claimed lack of detail, the Review apparently then seems to feel able to comment on the route in some detail!

Work on the Railway's Environmental Assessment will be undertaken by the Company's independent consultant, Environmental Resources Management (ERM International). They are very experienced in the UK and will follow required UK and EU practices. Of course the Railway will have impacts. These can be minimised through good railway and civil engineering design and mitigated where impacts might be significant. The Company is dedicated to doing so where this occurs. It would be premature for the Company to pre-judge their findings. For the same reasons, however, it is equally inappropriate for the Consortium and Ove Arup to prejudge the process and the impact of the Railway. In these circumstances, the Company is concerned about the language and tone used in places in the Review as in many places it lacks an analytical basis and there is a risk that individuals may be unnecessarily concerned by the proposals.

An example of the rigour to be expected of the Environmental Assessment is the important area of noise and vibration analysis. A test section of route in Loudwater, Buckinghamshire has already been analysed by the Company's noise consultant, (MRCL) as a model for procedures to undertake noise assessments along the rest of the Railway's route. They found that current noise from existing diesel trains and vehicular traffic was already significant, and would increase both because of the operation of Chiltern Railway Trains and of the Railway. However, by introducing a low noise barrier (which the Company already envisages including), noise levels can be significantly reduced to *below* existing levels. Chiltern Railways (the existing operator) is under no obligation to build barriers even though it intends to increase train frequencies. In the future Chiltern Railways could reduce noise generation further by employing electrified rolling stock but Chiltern Railways would not be able to do so unless the line was electrified (for which, apart from the Company's proposals, there are no plans). The Company will also maintain tracks to a higher standard than at present, so that the wheel/rail interaction (the source of most noise on curves) can also be minimised.

Minimising the risk of residential area blight is another area of environmental impact that is being actively managed by the Company. The Property Protection Scheme managed by the Company has been commended by the DETR. It is much more

generous than the usual compulsory purchase procedures made available for Government sponsored schemes and includes properties which could be affected by the Project, most of which are not normally covered by the usual Government compulsory purchase scheme. The PPS is a property purchase contract between the owner and the Company that allows the property owner to require the Company to purchase the property at a pre-agreed price formula plus costs (even if the Company does not wish to exercise its compulsory purchase powers). The option contained in the contract may be exercised after the start of construction. It is particularly worth noting that over 40 per cent. of the properties currently covered by the PPS in the M25 corridor have been resold successfully and the Company is particularly pleased that, contrary to much ill informed speculation, the PPS appears to be a very effective answer to the problem of blight.

The Company makes no charge for entry into the Scheme and permits the owner to transfer the rights freely with the property at no cost. It has been the Company's experience that the vast majority of property owners who participate in the Scheme are satisfied with its terms and that their natural concerns about the potential effect of the Project are considerably relieved. The Company fully expects the Central Railway Bill to include provisions enshrining these protections in statute law (at least for those affected by Central Railway).

4.1.2 The Company has a solution to the line between Ashford to the Channel Tunnel which was designed specifically to be consistent with the CTRL. However, this is an area where the Company believes it may be possible to enhance the design to reduce the environmental impact and improve the configuration of the existing network; however, taking this process forward requires constructive dialogue with all interested parties.

It is not the case that there been no engagement with Railtrack: the Company and its advisors have met Railtrack's Chairman on a number of occasions and as a result have undertaken joint engineering liaison to identify projects of mutual interest (which amount to over 40 possible projects where the Company's involvement could assist and relieve Railtrack in its efforts to upgrade the network).

The Company would not, on current plans, expect Dollonds Moor to be affected in any way by the Railway. The Company disagrees with the statement regarding the expense and difficulty of routing new track through Ashford International.

In relation to the remaining comments, we would refer to the introduction in this section; whilst there are issues which need to be considered, it is worth pointing out that the Railway will at all points in Kent either be adjacent to existing railway or motorway or buried in a tunnel and it is quite conceivable (for the reasons mentioned above) that the environmental mitigation measures taken by Central Railway will improve the current environmental situation rather than make matters worse. It is also worth repeating that the Railway will take over 3 million lorry movements off the roads of Kent. That in itself is surely a huge environmental benefit.

4.1.3 The rationale for the tunnel referred is to avoid or reduce the impact of the Railway. It is worth noting that in the section referred to between Leatherhead and Ashted, the Railway will be running alongside the M25, and is unlikely to add to existing impacts especially as the route in this section will be underground. In any case, the Company does not believe that there will be any significant noise or vibration from trains running in the tunnel due to its significant depth. The disposal of spoil is clearly a matter which will be addressed and dealt with in the Environmental Statement.

The comments that the tunnel could be realigned to reduce its length is wrong because:

- (a) it is not planned that such a realignment be made; comments on Central Railway's plan clearly are only relevant to the extent they reflect what the Company is actually proposing;
- (b) the whole point of the tunnel in this alignment, length and depth is to reduce the environmental impact - indeed the length and depth of the tunnel has been increased (at considerable potential cost) precisely in order to take account of comments made recently; and
- (c) Parliament will only grant the Company powers to build a railway in accordance with the development plans – which will require a tunnel in the agreed place.

The costs of the tunnel have been fully taken into account and the tenders received in the OJEC process were consistent with the estimates. As noted in paragraph 3.2.1, the Review appears to be premised on cost assumptions which are not credible (for the reasons set out in that paragraph).

In relation to the reference to the “rural character” of the River Mole crossing, the Company is puzzled that the Consortium have chosen to describe this crossing in these terms, given that the Railway will cross the River Mole at the same place, and at the same elevation, as the M25.

In relation to the two residential homes for the disabled, the Company would draw to the attention of the SRA that the Railway is adjacent to the M25 and:

- (i) in relation to one of the facilities, will pass some distance from the home in question whilst still in a tunnel; and
- (ii) in relation to the other, the Company believes the principal effect will be on ancillary staff housing rather than the home itself.

In both cases, the M25 would appear in any case to be a significant existing detriment.

4.1.4 It is difficult to be certain of the exact impact of the Railway within the area referred to in this paragraph of the Review or whether any of the properties referred to may be affected in any case by any possible widening of the M25. The Company believes the issues raised here are prime candidates for constructive consultation and for consideration in the Environmental Assessment in due course.

It is worth noting that:

- (i) many of the people potentially affected by the Railway and referred to in this paragraph have become participants in the Property Protection Scheme;
- (ii) people conducting housing searches within 250 metres of the Railway route appear to have been notified, presumably by the local authority in question. The Company has received numerous enquiries from individuals with properties on the *outside* of the M25 who unfortunately have been concerned unnecessarily, since the Railway will only follow the *inside* of the M25 – the Company believes that any

detriment to them from the Railway will be insignificant when compared to the existing effects of the M25.

4.1.5 It is difficult to respond to this paragraph in a way which does not risk sounding as if the Company does not care deeply about the environment. However, if a new railway is necessary to transfer freight from road to rail (and it clearly is), it is difficult to imagine a better place to put it than alongside a motorway such as the M25, since most of the environmental disbenefits have already occurred.

The gradient of 1% referred to as a “Central Railway requirement” is a matter not of desire but engineering necessity. Effective freight operations require maximum gradients of this order; the CTRL includes substantial sections of line with a gradient of 2.7% which is one of the reasons (the Company believes there are others as well) why the CTRL cannot be used for significant freight traffic.

Engineering studies to date indicate that construction of the Railway next to the M25 is feasible: we note that Ove Arup does not appear to dissent from this view; nor do Parsons (the Company’s project managers), Parkman (who undertook such studies) or Oscar Faber/Mouchel (the SRA’s consultants).

The comment regarding the size of the Railway’s catenary is rather overplayed: it would be surprising if the Railway catenary structure were to be of greater height or intrusiveness than the lighting system and traffic control gantries currently in use on the M25.

The Company is aware of the proposed widening of the M25 referred to and is taking it into account in its plans.

4.1.6 The Company points out that Ove Arup itself confirms that the Company’s plans for the Chiltern line are feasible. The existing railway goes through the areas referred to; the Railway will improve this part of the network by enhancing capacity and providing for electrification. The Company believes the adverse environment impact is overstated and the environmental benefits (of lower noise and pollution) are ignored. As mentioned above, to the extent that sensible mitigation measures can be taken, they will be.

4.1.7 As noted in the report, this part of the Railway is dismantled former railway corridor. The Company has been in discussion with English Nature regarding the protection and management of the Helmdon SSSI and is fully aware that appropriate environmental protection measures need to be taken where possible. This will be doubtless be a matter for the Environmental Assessment.

Again the number of properties affected in this corridor are relatively few in number and, such as there are, were presumably mostly next to the original railway when it was operating. The Company is puzzled by the comment about a negative impact on the local economy - the re-introduction of railway services is usually considered a benefit for communities (particularly passenger services which could be re-introduced on this part of the line).

4.1.8 - 4.1.12 The Company would point out that reopening the section of disused railway corridor referred to in these paragraphs in the Review has been specifically identified as an aspiration of the SRA.

The environmental impact will need to be addressed in the Environmental Assessment. The Company's engineers envisage that the track bed of the Catesby Tunnel will be lowered, so there will be no "opening up" or single track operation.

In relation to Rugby, three routes are being appraised and the impacts of all will be evaluated. Central Railway's original plan was to reopen the largely uninterrupted former Great Central alignment and establish a new passenger station at Rugby. Following concerns expressed about this proposal the Company has sought to find an alternative, and is currently considering bypassing the town to the East and running so far as possible alongside the M1. As ever, the Company would welcome constructive dialogue with local authorities in this area.

The Company notes the comments that "Despite repeated requests CR has not provided more detail". The Company is concerned about the implications of this statement (and similar statements in the Review). With respect, the Review itself notes that the Consortium and OAP decided not to consult with Central Railway in preparation of the Review. The Company has always been prepared to entertain constructive discussions. In some areas, however, the Company believes this is not possible until a basic decision is taken on whether the Railway should move forward.

In relation to the comments in paragraph 4.1.10:

- (a) we are puzzled why it appears to be thought that the Railway will be inconsistent with the possible role for Rugby as "gateway" to the West Midlands. We would have thought it greatly enhanced this position.
- (b) a variety of very detailed engineering points are raised: the obvious way to resolve the differences between the Company and the relevant authority is for an agreed statement of the proposals and their effects to be prepared so that Parliament can be informed. The Company would be pleased to engage in constructive discussions on these points.

As a general matter, the Company recognised that sorting out the route through or around Rugby is a matter of high priority for the Company; it is not, however, a reason why a decision in principle cannot be taken as to whether the Railway is in the national interest.

4.1.13 See our earlier comments regarding the National Trust and its membership of the Company's environmental co-ordinate group.

### **Environmental Effects on National Trust Properties**

A desktop review has been undertaken of Central Railway's effects on National Trust properties identified in the LACRC review of the scheme.

The main impacts on National Trust property are:

- Landscape Effects
- Recreation Effects, where impairment of views or introduction of noise effect the enjoyment of leisure activities.

Noise effects are difficult to predict without detailed analysis. However it can be assumed that where there are other significant noise sources the impact of the scheme will be reduced through the use of appropriate mitigation measures.

Central Railway will provide a more detailed assessment of the scheme's effect on National Trust property in its Environment Statement that will be available when the Central Railway Bill is deposited before Parliament. This will include other National Trust properties that have not been identified in the LACRC review.

In summary the distance for the railway and expected effects on each of the listed National Trust properties are shown in the table below. Four of the sites listed will require detailed assessments to determine the nature and significance of the effect of the Railway.

<b>NT Property</b>	<b>Distance</b>	<b>Effect</b>
Daisy Nook	1-3km	200m east of M60, impacts unlikely
Canons Ashby	2km	Existing railway, shielded by topography and woodlands
Calydon House	2.8 km	Existing railway, shielded by topography and woodlands
Waddesdon Manor	2.6 km	Distant views of dismantled railway
Princes Risborough Manor House	0.7 km	Existing railway, site is east of Princes Risborough, railway is to west
Bradenham Estate	Adjacent	Public access land 3-500m away, noise from existing railway, some moderated visual effects, ES will detail effects
West Wycombe Park & Village	150m	Existing railway, park buffered by A40, housing and existing railway, limited public access except at WW Hill where visual, noise effects will be studied in ES
Hughenden Manor	1.3 km	Existing railway, impact unlikely
Hogback Wood	adjacent	Existing railway, path users already effected by railway, although intensification will increase effects, no land required, ES will detail effects
Six Brothers Field	1.6 km	Junction 6 of M25 separates the field from the route, no effect expected
Sandhills Farm	adjacent	While here is no public access the current route involves landtake and possible severance, route review required to mitigate effects, ES to detail effects.
Harewood Estate	400m	Limited effect as railway is in cutting
Chiddingstone	1.6 km	Existing railway, is visible across River Eden flood plain, slight visual impact from OLE.

## 4.2 New Freight Terminals

4.2.1 Please see paragraph 2.3.1 and the Draft UK Transport Case for a discussion of the effect of HGV traffic at and around terminals. It is incorrect to assert that the Railway is not linked to the wider rail network: in fact existing UK trains will be able to access the Railway at 20 locations.

4.2.2 As with a number of other areas in relation to the Railway, the Company obviously recognises the importance of the terminal sites from a number of aspects. As the SRA would expect, the Company has certain ideas as to what may be appropriate and has attempted to consult with interested parties to achieve the best solution; however, this is another area where it has not proved possible to have meaningful discussions, (and in the Company's view it will not be possible) until a decision in principle as to whether the Railway should go forward is taken.

4.2.3 Access to the terminal will be from the motorway.

See paragraph 2.3.1 as to why DIRFT is not suitable.

We are not clear what else needs to be "properly explained" – The Company is open to discussions on this issue.

## 4.3 Impact on Quality of Life.

4.3.1 The Company will be bound by noise assessment results (both day and night) and expects to take appropriate mitigation measures when determined as part of the Environmental Assessment. This applies to the Railway and to the terminals.

Central Railway does not accept that the effects on quality of life would be as significant as the paragraph (without evidence) suggests. In any case, removing three million lorries off the road would appear to have a positive impact on the quality of life of many people.

We note that the Review confirms that the Property Protection Scheme covers properties adjacent to the Railway - which is significantly more generous than the usual statutory provision.

4.3.2 - The Company would point out that, although clearly a substantial number of properties, the need to acquire 240 is relatively small given the scale of the Project and, if anything, this serves to confirm that avoidance of unnecessary environmental impact really has been at the heart of the Company's plans.

In the Runnymede District for instance the number of properties that may have to be acquired for the Railway totals 67, while the number of options offered currently totals 197 with 776 potentially eligible. Of the properties covered by options 20 have already been bought or sold or re-mortgaged.

See paragraph 4.1.1 above regarding the Property Protection Scheme: the comments regarding the lack of protection for residents are not substantiated and do not reflect the Company's experience, which has been generally very positive in relation to those who have participated in the scheme.

The comment regarding loss of rights if the Company "sells on" is curious and rather unclear. The Central Railway Bill will enshrine the scheme in statute and power to

build the Railway will then be clearly linked to undertaking obligations under the PPS (whoever owns the railway). What is it that the Company could “sell on” and how could the Company thereby escape its obligations? The reference to the “proposal becoming unviable” is even more curious, since the right to require the Company to buy properties is triggered upon the commencement of construction (i.e. as soon as the owners reasonably require it and at a point when the Company will clearly have funds available to meet these obligations).

4.3.3 - The Company recognises some footpaths and bridleways will be affected and alternatives will be provided in the usual manner.

#### 4.4 Construction

4.4.1 - Clearly disruption from construction will need to be addressed in the Environmental Assessment in the usual way. These are not matters, however, which go to the principle of whether the Railway should be approved as being in the National interest.

#### 4.5 Impact on Planning Policies

4.5.1- See above for general comments on these aspects. The Company recognises the importance of the issues raised and by siting the Railway next to the M25 Central Railway has sought to reduce incremental environmental damage to the minimum. It is worth reiterating that overall the Railway produces substantial environmental benefits.

Presumably the authorities already have the powers necessary to resist the development pressure referred to. Getting lorries off roads should, in any case, reduce some of the pressure for more road building.

4.5.2 The Company is not aware of a bus priority proposal near the station and will be pleased to discuss the matter with Wycombe Council with a view to ensuring the two projects are compatible.

4.5.3 See comments in paragraph 4.1.9 - 4.1.12. We would have thought that Central Railway enhanced the opportunities for development of the economy of Rugby, and indeed the West Midlands generally. The Company is available for discussion on this aspect.

4.5.4 Is this suggesting that railway freight development should not be encouraged in order to protect ferry companies operating in the East Coast ports? The overall impact in regional economies throughout the UK will doubtless be considered by Parliament and the Company expects the Railway to be a significant contributor to regional development and regeneration.

4.5.5 Noted. This appears to be an issue which needs discussions between the Borough in question and the Government.

#### 4.6 Lack of Detail

4.6.1 See paragraph 2.5 regarding the need for detail at this stage. For the record, the Company’s previous Environmental Statement was accepted by the Secretary of State as compliant with the relevant statutory requirements at that time, even though he had the ability to require further detail. As will be expected, the Environmental Assessment will be prepared to the highest standards.

#### 4.7 Effect on other Rail Services

4.7.1 See comments on paragraph 2.2(b) and 2.2(b)sic. The Railway will significantly enhance the capacity for existing and new passenger services along the route.

Indeed there are significant other opportunities for enhanced passenger services on other parts of the route, either by the use of the Railway or by releasing capacity on existing passenger lines (such as WCML which currently still has to accommodate freight traffic).

The Company has repeatedly made it clear to Chiltern Railways that their concerns are unfounded (except insofar as a certain level of disruption will be unavoidable during construction or enhancement of an existing railway as Chiltern Railways is doubtless aware from its own plans). There will, however, be no long term adverse effects on Chiltern Railway services; indeed improvements to these services should be possible if required.

The Company has already discussed with officials from Kent County Council the possibility of increased capacity for fast passenger trains between Ashford and Tonbridge as a result of Central Railway's investment.

#### 4.8 Health and Safety

4.8.1 Most of the comments in this paragraph in the Review apply to electrification generally of the UK network, which we understand is SRA policy.

The Company notes that there are a number of high voltage lines already running over communities alongside the M25; indeed in one instance (north of Parvis Road, Byfleet) the Company has already offered to remove an existing substation and relocate the cables underground.

Health and Safety matters generally will obviously be addressed by the Company both in the Environmental Assessment and with the Health and Safety Executive in the normal way.

#### 5. Conclusion

5.1 As will have been seen, many of the "issues" raised by the Consortium have been satisfactorily addressed by the Company in this response. Enough work has been undertaken by the Company to enable the SRA to take a decision in principle on the project.

5.2 The Company considers that many of the conclusions drawn in the Review are incorrect: in particular; the benefits of the Railway have been clearly and overwhelmingly demonstrated, and the SRA's own consultants have confirmed its technical feasibility and its compliance with the SRA's objectives.

To deal with each conclusion individually:

- *"The validity of Central Railway's claims that its proposals will lead to a reduction in road freight in the United Kingdom has not been demonstrated."*

**Not correct:** The Review itself accepts that Central Railway's forecast of its potential market shares is reasonable; on that basis over 3 million lorry movements per year will switch from road to rail.

- *"If there is a case for proceeding, the TWA procedure should be used rather than a Hybrid Bill."*

**Not correct:** A special Act of Parliament is the traditional method of approval of projects such as the Railway and has recently been used for CTRL. The TWA 1992 procedure is not workable for a project of this scale. The costs and delays inherent in the TWA procedure are such that a decision to use this procedure is, in effect, a decision that the Project should not proceed.

- *"The scheme is unsustainable in that it fails to offer a solution for distributing goods to and from local rail-served depots."*

**Not correct:** Trains from local rail served depots on the existing network will be able to use the Railway and can go to other local rail served depots. The fact that the Railway is not a total solution to all the rail freight problems should not be permitted to mask the fact that it will make a major contribution to them in an area where all known current plans do not help.

- *"Central Railway bypasses the Thames Gateway area, missing the potential opportunity to contribute to regeneration."*

**Partly correct:** It is not feasible to use the East London route; it is uneconomic and would mean that a significant part of the potential benefits of the Railway were lost. The Company will not proceed on this basis.

- *"A spinal freight route could damage vulnerable east coast economies."*

**Not proven:** Almost no discussion, and certainly no evidence, was included in the Review in relation to this issue. It is difficult to see any rational basis for it.

- *"The environmental impact of the project will be such as to cause major damage to wide areas of country side and to the amenities of thousands of residents"*

**Not proven:** Many of the examples given of such alleged damage have proven, on investigation, either to be wrong or overstated. Some environmental damage will inevitably occur but the Company has consciously kept it to the minimum and believes that in overall terms the Railway will have substantial net environmental benefits. The issue should not be pre-judged but considered in an Environmental Assessment in the normal way.

- *"The proposals contravene national Green Belt policy"*

**Not proven:** To the extent the Railway encroaches on the Green Belt it does so adjacent to the M25 and the incremental damage to the Green Belt is therefore very limited. The Review also ignores the environmental benefits to the Green Belt by the reduction of lorry traffic and attendant pollution. This whole area will presumably form part of the Environmental Assessment in the usual way.

- *"Sites of Special Scientific Interest and areas protected because of their heritage would be damaged."*

**Mostly incorrect:** The only SSSI's which the Company believes will be directly affected will be at Helmdon (where the impact is unclear : the Company is cooperating with English Nature in this area), Staines Moor (which would also be affected by the proposed Airtrack development) and a small strip of land east of Wisley adjacent to the M25 at the junction with the A3. There may be a further issue where the Railway crosses the River Beult in Kent, although again the Railway will be on or adjacent to existing railway at this point. The Company accepts, however, that some environmental impact will be inevitable but mitigation measures will be taken where practical.

- *“The impact of a wide elevated railway track, cantenary poles and overhead wires in Special Landscape Areas and protected countryside would be significant.”*

**Overstated:** Most of the areas referred to in the Review are much more seriously impacted by existing railway, the M25 and its lighting and traffic control gantries. The whole area of visual impact is one which ought to be left to the Environment Agency

- *“Central Railway would be incompatible with Chiltern Railways and other services and would adversely affect their operation.”*

**Not correct,** except to a limited extent during construction. Chiltern Railways services could be significantly enhanced by the Railway.

- *“Market forecasts can only be realised if there is a substantial switch (against the trend) from accompanied roll-on/roll-off traffic to unaccompanied movement.”*

**Partially correct, but misleading:** lorries which are carried by ferries and have long sea journeys are typically unaccompanied now. It is only short journeys (such as the Eurotunnel Shuttle, which does not handle trailers alone) which are accompanied. Hauliers are generally quite used to handling unaccompanied movements and will switch if offered a cheaper and more reliable solution. This will not therefore be “against the trend” and Central Railway, because of its long distance nature, will promote a switch to unaccompanied traffic. In any case Central Railway can carry accompanied traffic.

- *“The scheme would cost almost £8 billion, compared with Central Railway’s estimate of £4.5 billion, and is unlikely therefore to be financially viable.”*

**Not correct:** the figure of £8 billion is based on Ove Arup's inflated estimates which are derived from a crude methodology and the adoption of cost estimates double current experience. The Company's figures have been reviewed by the SRA's consultants who considered them prepared on a reasonable basis.

- *“If open wagons are not allowed to run through the Channel Tunnel, it will not be possible to load a train on the roll-on/roll-off principle”*

**Not correct and not proven:** Indeed paragraphs 7.7 and 19 of the OAP report confirm that flat wagons could be used and the Company certainly does not believe this is an insuperable problem. The current Eurotunnel practice is that all freight lorries are accompanied and the containment of the fire risk relates to the tractors (since flammable loads are not permitted in any case). There would

seem therefore to be no reason why unaccompanied trailers should not be carried on open wagons.

- *“There are areas where track construction would be a problem e.g. between Ashford and the Channel Tunnel.”*

**Correct but overstated as an issue:** Of course there will be some problems with a project of this scale, but none that cannot be resolved by dialogue in good faith. This was confirmed by the SRA’s consultants who determined there are no “technical showstoppers”.

- *“Where track is shared, there is an issue of obtaining adequate clearances adjacent to station platforms.”*

**Correct but overstated as an issue:** As with the preceding comment, clearance is an issue for the whole of the UK network if it is to be integrated with the European network. Solutions exist and it is not an insuperable problem.

- *“There are also problems with re-using closed alignments, as much of the former Great Central line has been assimilated into surrounding agricultural land, or been built on.”*

**Partly Correct and overstated as an issue:** Actually relatively little of the route has been built on and the number of properties which will need to be demolished is fairly limited given a route length of 665 km. In any case, the SRA has stated in its draft National Strategy that it is its own aspiration to reopen the Great Central route.

- *“Twenty-four hour operation of freight trains would produce unacceptable noise and vibration levels for the residents of thousands of properties.”*

**Not proven :** No evidence for this proposition was adduced; indeed, as the Company pointed out, the noise mitigation measures planned by the Company should actually *reduce* the existing noise levels for many people resident adjacent to the Railway. The noise/vibration issue is clearly a matter for the Environmental Assessment and should not be pre-judged in this manner.

Central Railway plc  
September 2001

## APPENDIX 1

### OAP Report Comments by the Company

While the Company's detailed comments on the Review cover many of the matters discussed in the Ove Arup Transport Planning Report of May 2001, there are various additional matters raised therein that need to be clarified in order to avoid the perpetuation of errors of fact in the future. The Company is disappointed that Ove Arup did not discuss matters with the Company so that these errors could have been corrected from the beginning. The comments below are cross indexed to the relevant section and paragraph number in the Ove Arup Report for ease of understanding.

### SUMMARY

#### Volume and Market Share Forecasts

1. The Ove Arup indication that the Company's traffic growth forecast is conservative is noted, but Ove Arup are in error subtracting .22m units as the Roland Berger ("RB") analysis takes catchment into account. Ove Arup appear to think containers are not part of our market; why this is so is not clear. As traffic is growing faster it is more likely that 2007 traffic will be higher than former figures. Accordingly the Company's new forecast of traffic in 2010 is 3.6 million units within a market of 9.2 million shipments across the Channel.
2. Again RB account for catchment as part of the traffic which could be diverted by region. Ove Arup are wrong to exclude traffic in the way they have as the effect referred to is taken into account in the RB figures. The 40% figure is the sum of traffic diverted between all UK and EU regions divided by total market times 100. Traffic diversion is calculated by region and allocated to terminals on the basis of accessibility. We have forecast that no traffic originating in the Southeast will use the Railway because of the competitive advantage of existing options.
3. The West London Terminal (WLT) attracts 23-24% of the total market at opening and thereafter. It is unclear how Ove Arup got their figures for the WLT. The Company's latest estimate for WLT is 2600 trailer loads daily in 2010.
4. Switching of accompanied road freight to unaccompanied is not regarded as a problem. RB's market research indicates that switching will be based mainly on cost but in addition the lorry-on-train service will be faster, more reliable and offer the same level of security.

#### Revenues and Operating Costs

5. These figures are Ove Arup's and do not stand up when carefully examined. The revenue estimate deletes the traffic from the WLT and the capital cost estimate is nearly twice the Company's verified estimate of £4.4 billion. Its estimate of existing road haulage charges of £390 omits the ferry/shuttle tariff. These matters are covered in greater detail in the review of the report in sections 5 –8 below.

#### Feasibility of Construction and Operations

6. The short description by Ove Arup of the route excludes the Great Central which is also dismantled railway. The M25 route segment does not go via Denham. It joins the Chiltern Line East of Gerrards Cross.
7. Enlargement of tunnels is required to secure the structure gauge required to handle lorries on flat bed wagons. Possessions are not expected to be a major problem and can be managed. The eventual impact on the railway network (which Railtrack is required to maintain) will be positive. In addition to expanding capacity, high levels of track maintenance, new command and control systems, and overhead 25,000 volts power and many (40 or more) projects in their NMS2001 "wish list" of works could be executed by the Company.
8. It is not clear what remains in Greenbelt designation alongside the M25, as the detailed designations of all land have not confirmed. To this extent the Railway

- runs through Greenbelt; it will be adjacent to existing railway or the M25. The 15km North Downs tunnel should not be treated as intruding on the Green Belt between portals. Meetings have already been held with BAA/Railtrack with respect to Airtrack. The Company believes that the two projects are compatible.
9. The issue of clearances at platforms arises with "C" gauge European rolling stock not the Company's trains. Without the more liberal clearances the UK railway systems generally is closed to European trains which will become an issue as open access and inter-operability of railways is promoted and increasingly required by the EU. This matter is discussed more fully in section 4.17.
  10. There are several options for loading which are being assessed. It has been confirmed by SNCF and Systra that trains comprised of Modalohr wagons will be classed as conventional railway trains and exempt from restrictive containment requirements. Given the elimination of side panels on Eurotunnel HGV wagons, Eurotunnel approval is unlikely to be a problem. The 88 trains/day estimate in 2011 is not accurate. The 1500 tonnes limit does not apply as trains will be powered by two locomotives or higher powered locomotives able to pull greater loads. The level of service varies along the route and only reaches 5 trains/hr South of the West London terminal. These segments will be signalled to permit higher train frequencies (3-5 minute headways). The route segment from Tonbridge to Ashford will be 4 track.
  11. Where bridges are lifted all tracks in that segment will have a higher vertical gauge and OLE powered segments could be used as diversionary routes. Similarly parallel railways could use our tracks as diversionary routes. We plan to have positive control of junctions and routes to permit this to occur; this includes bi-directional control of tracks and selected passing sidings. Signalling will be to EU and HMRI standards and is likely to be a level 2 ERTMS system.
  12. Our research indicates that switching to unaccompanied, especially as the logistics services are dominated by European companies, will not be a problem. The Company can effectively offer hauliers substantial financial incentives. Congestion will get worse, so that the costs of the haulage industry will rise; those of the Company will not.

### **Commercial and Regulatory Issues on the Use of Railtrack's Infrastructure**

13. The Central Railway Bill has been prepared on the basis that the Company will own and operate the freight railway. Railtrack matters are being addressed that are relevant to approval of the Central Railway Bill. Access charges will not be set until shortly before opening. The Railway will conform to relevant Railway Group Standards for freight railways.

### **Capacity Issues on the Route**

14. Ove Arup confirm that there will be no capacity problems along dedicated route segments, but believe there would be capacity concerns along common track shared segments. This matter is best dealt with by examining train schedules and rolling stock characteristics where tracks would be shared; blanket statements are not helpful. The OAP Report correctly identifies areas where capacity will have to be managed. The Chilterns will have additional tracks and train signalling sufficient to handle passenger and freight services. The Wigston to Trent segment will be restored to 4 tracks and thereby should not have any capacity constraints. The freight services through Manchester total approximately 25 trains daily with a maximum of 2 per hour; existing lines (when upgraded) should be able to accommodate this level of service. Given the frequency of services from individual terminals grade separated junctions are not being proposed at the present time.

### **Assumptions on Terminals**

15. The approximate locations for terminals are known and/or can be inferred from available information. Final decisions on the precise location of terminals needs dialogue if the best solutions are to be achieved. Most locations are identified on maps accessible on the Company's web-site. Where there are options the Company is consulting regional/local authorities and the Highways Agency on location and access matters.
16. All terminal facility requirements are being tested using simulations of varying demand patterns. The terminal traffic impact studies will assess effects on a site by site basis using the results of this analysis. Storage area requirements and handling methods are be specified as part of this work and include considerations associated with priority and standby traffic.
17. Ove Arup is correct. Night-time operation is to be expected, as already occurs with existing rail freight and existing lorry movements.
18. The Company is prepared to discuss the best location for the West London Terminal with the relevant local authorities.

### **Assumptions on Rolling Stock and Structure Gauge**

19. The Railway will be designed to accept all normal rolling stock operating in Europe together with lorries-on trains using flat bed wagons (higher and narrower than UIC "C" gauge). Pocket wagons for the dedicated freight service are not being considered. This does not preclude other operators using pocket-wagons and paying track charges for use of the Railway.
20. As noted earlier, platform clearance is not a problem, for the Railway's trains, but is a problem which needs to be resolved for European trains. The Company proposes to remove this restriction from its segments of the UK railway network and thus promote the EU objectives of better integration and inter-operability. (See section 4.17 on the matter of station platform clearances)

### **Financial Instruments**

21. The Project Information Memorandum reviewed by Ove Arup is out of date, and does not apply to the funding plan under the Central Railway Bill procedure.

### **Financial Appraisal**

22. As the Project Information Memorandum is no longer applicable the Company has no comments.
23. It is reasonable to expect a project to be funded by the private sector to have a high IRR. Ove Arup has already estimated a revenue to operating cost ratio of 3 using their own (but incorrect) assumptions.
24. No comment; see above.

## **INTRODUCTION**

- 1.1 The Ove Arup Report contains serious errors. This presumably follows from the fact that it held no discussions with Central Railway during preparation of the OAP Report and depended upon readily available (but out of date) information and discussions with “interested parties” (who are not identified).

## **FIRST CR SCHEME**

- 2.1 No comment; the first CR scheme is largely irrelevant now.

## **THE REVISED SCHEME**

- 3.1 This section more or less accurately describes the proposed Railway.
- 3.2 It should be noted that Ove Arup confirms that the Railway “will offer the use of the line to other railway operators”. This fact unfortunately appears to have been ignored in the main Consortium Report by repeated assertions that the Railway would not be accessible to other train companies.
- 3.3 In contrast to the SRA’s consultants who were prepared to work with the Company, Ove Arup did not consult the Company, relied on out dated information and unfortunately therefore came to incorrect conclusions.
- 3.4 See 3.3 above

## **ALIGNMENT ISSUES**

### **General**

- 4.1 Ove Arup indicates in 3.3 that it has reviewed the Parkman Report which contains details of the M25 Route and the options studied. It appears from the text that they did not gather information or other project details from the Company’s web-site which contains 1:50,000 scale maps of the whole route between Folkestone and Liverpool.

### **Lille – Channel Tunnel**

- 4.2 A considerable amount of work has been done in Northern France through the Company’s offices in Lille. The route options being pursued with RFF and SNCF are mainly routes which involve the upgrading of existing lines.

### **Channel Tunnel - Redhill**

- 4.3 Some rationalisation of capacity between local and Company services is being pursued between Ashford and Folkestone. If this does not prove to be feasible, the former configuration of separate lines will be developed. The Railway will be separate from the CTRL route due to speed, capacity and gradient incompatibilities. This is not necessarily the case for local and former Connex trains. New rolling stock is being supplied using OLE (not 3<sup>rd</sup> rail) for many lines. OLE or diesel powered trains can easily use the Railway’s tracks. This could be the case in the whole of the Mid-Kent corridor. The Railway expects to build two additional tracks between Ashford and Tonbridge.
- 4.4 Eurotunnel - We have established a working relationship with Eurotunnel and train schedules and path priority are among the matters on the agenda. Train performance is expected to be equal to that of Eurotunnel shuttle trains and the Railway’s trains can mix easily with these services. Slow, fast and delayed trains are the ones that cause problems. If capacity and scheduling is an issue it is Eurotunnel’s responsibility to develop the means to overcome them. Under the terms of their concession it is required to upgrade its signal and control systems to provide 24-30 paths per hour. It also controls the railway network for a considerable distance beyond the tunnel and its terminals and it has the means for dealing with delayed trains.
- 4.5 At Ashford various options are being developed and their impacts evaluated. At present, platform use to layover trains is a problem and reduces the capacity;

the company believes this is soluble. The former proposal provided separate tracks for the Hasting trains which terminate at Ashford. There are 6 tracks through the station plus CTRL's grade separated lines. Better use of this capacity should be possible. Finally, access requirements to Chart Leacon can be worked out.

- 4.6 Kent Route Rationalisation - New options are being examined which rationalise track use along this route avoiding tunnels and crossover viaducts. The Railway includes 2 new tracks in the Ashford to Tonbridge segment and re-configuration of the Tonbridge station to handle the merging tracks from Hastings.
- 4.7 The Company presumes that this section refers to M25 Route options

### **Redhill- Denham (M25 alignment)**

(the correct description for this segment is Bletchingley Tunnel to Gerrards Cross)

- 4.8 The preferred option of the 12 examined is the route via the M25 corridor with a long North Downs tunnel. The next preferred route via Redhill, Dorking and Leatherhead and Cobham to the A3/M25 junction is feasible but not currently being developed.
- 4.9 Ove Arup correctly describes the M25 Route, although how the Railway, which is wholly on the eastside of the Motorway, would affect areas west of Heathrow is not discussed. Presumably the severe pressure on areas near Heathrow referred to are those of traffic congestion, the future operation of Terminal 5 and the Highway's Agency proposals to widen the M25 and build new junctions. The Railway removes traffic from the M25 and could operate passengers services to Terminal 5. It thus actually reduces pressure on the area.
- 4.10 The route has been walked and key cross section points photographed. The tunnel construction has been put out to contract and bids agree with construction cost estimates independently derived. The tunnel portal location in the Leatherhead area is under investigation and will be extended further west along the Motorway. The Company has already given information to Surrey County Council members regarding the alignment and likely effects. Ove Arup's statement about a lack of details in this segment is curious and appears to refer to a lack of details in other areas. Their assertion therefore that the costs and impacts will be much higher accordingly lacks credibility.

### **Gerrards Cross – Ashenden Junction**

- 4.11 The Railway's route does not affect Denham. The requirements for 4 track segments cannot be determined until M40 Trains schedules and future rolling stock characteristics are provided. High capacity signalling and ATP have already been installed on this line. The use of OLE power would allow M40 Trains to offer better quality service in the future and reduce noise levels in residential areas. The Railway plans to replace the Ashenden flyover.
- 4.12 Four tracking segments between Gerrards Cross and High Wycombe may be required. It is useful to note that Ove Arup confirms that this is possible within existing boundaries without affecting overhead structures.

### **Ashenden Junction to Leicester**

- 4.13 The Ove Arup description is essentially correct.

### **Leicester - Chesterfield**

- 4.14 There are few real constraints in this corridor to Chesterfield. The Railway would restore all segments to 4 tracks and bridges would be raised as required to gain the correct clearances. Designs to avoid Leicester station are being developed. If Continental trains were to stop here a platform face would have to be provided with the correct clearances.

### **Chesterfield – Sheffield – Manchester**

- 4.15 The Ove Arup route description is essentially correct.
- 4.16 The Ove Arup track work description is essentially correct. Track slewing to gain new clearances is the method to be used rather than re-building trackwork (the change in centre-to-centre distance is 250mm). From Newton-le-Willows to Seaforth the Railway's freight train services are expected initially to be about 6 trains per day but more may be operated if the market demands it. The requirements for clearances and power are under review.

### **Clearances**

- 4.17 The issue of platform clearances raised by Ove Arup only arises where Continental gauge trains run on the tracks nearest a platform. All Central Railway freight trains (which do not stop at stations) are narrower than the UIC "C" gauge and thus there is no problem. Where there are 4 tracks "C" gauge trains would run on the central tracks until reaching a station where they would stop. There are various methods for providing the minimum train to platform clearances required by HMRI. If there is enough service one approach would be to provide a platform for these trains. This could occur at key multi-platform stations like Heathrow, High Wycombe, Leicester and Manchester Victoria. Where platforms need to be narrowed, mechanical extensions can be provided to reduce the gap at doors. Special provisions can also be made for disabled users.

### **Passenger Services to Heathrow**

- 4.18 The provision of train services to Heathrow Terminal 5 from the North, is an idea worth considering. The Company would hope to be able to cooperate in the development of terminal facilities that could accommodate both the Company's and Airtrack services and/or those of other operators coming from the West via the Great Western tracks. CAA clearance issues were presumably managed when the M25 was built. The Company will need to consult with them on requirements. Passenger services have always been an additional option for use of the Railway, but the main focus of the Railway is, and will remain, freight.
- 4.19 The Company believes that Airtrack and the Railway can use the common corridor and stations. Whether 2 or 4 tracks are required has not been determined. Airtrack frequencies have not been tested against the demand for the proposed services to our knowledge. The matter of platform clearances is not a key issue.
- 4.20 Terminal sites are correctly identified. Track layouts are unlikely to be double ended, but will have junctions sufficient to divert passing trains to sidings and thus permit them to stop at terminals along the route.
- 4.21 The DIRFT facility at Daventry is severely constrained by surrounding development and thus could not handle the Railways lorry-on-train services.
- 4.22 With regard to the proposed West London Terminal, both the LIFE (Colnbrook) and Cape sites are under consideration. The LIFE site has the wrong orientation, being East-West, and is being proposed for mixed use development with only limited space for rail freight facilities. The Company is aware of the siting problems in the area and is working with regional and local agencies and the Highway's Agency to develop a viable option so that the potential for HGV diversion at this location is maximised. We would suggest that M25 traffic diversion should be seen as a benefit rather than a problem.
- 4.23 Ove Arup is more or less correct regarding terminal track requirements. Train frequencies from UK terminals average 1-2 per hour and do not exceed 3 trains per hour at any location.

- 4.24 The Railway will be designed to avoid junction bottlenecks, such as those described. Flyovers are not being planned for UK terminals to fulfil requirements in 2010, but are an option in the future.

## POTENTIAL MARKET AND REVENUES

### Market Size

- 5.1 The amount of unitised traffic within the total market of UK to the Continent is important to establish since there is often confusion between bulk and other movements. Thus units rather than tonnes are more indicative of traffic. Cross channel rail freight traffic statistics are in tonnes. Unitised traffic is not well documented.
- 5.2 Ove Arup correctly quote DETR survey statistics. RB has used the assumption that traffic counted one way can be doubled to estimate two-way traffic.
- 5.3 RB has used a different approach to predict market growth. The 0.22m units excluded by Ove Arup are accounted for by a reduced percentage of traffic to/from that area of Europe.
- 5.4 Most flammable traffic is bulk and handled by ship. There is a small amount of unitised traffic that is flammable which the Railway would not carry.
- 5.5 Ove Arup correctly quote DETR survey statistics. RB use the overall growth statistic covering both accompanied and unaccompanied as we believe that switching will occur on a cost basis where quality is similar. The areas where unaccompanied traffic dominates are markets where the Railway's service will not be competitive so the effect on those markets should be limited. Given the continuing growth since integration, there is no reason to assume that current growth rates will not be sustained through the next 5-10 years.
- 5.6 The RB analysis confirms sustained higher growth rates. The Company's latest traffic forecasts use higher figures than the numbers listed. The Company is, incidentally, puzzled by the reference to "[OAPS] discussions with [the Company]" – the report makes it clear in a number of places (see for example paragraph 1.1) that Ove Arup did not approach the Company. The Company can confirm that no discussions have taken place.
- 5.7 The DETR continuous surveys can only be a rough indicator of traffic trends as only UK registered vehicles (accompanied traffic) are counted. Ove Arup in using these numbers or their own estimates should explain their methods in at least the level of detail provided by RB for any information to be useful. Until they do, the Company believes that the Ove Arup estimates lack credibility.
- 5.8 As the Company has hired its own consultants to prepare traffic forecasts using more rigorous methods we make no comment on the simplified approach chosen by Ove Arup. The RB report is on the web-site. New forecasts are being prepared and will be available shortly on a confidential basis until released to our web-site for general circulation. The figures shown on table 5.1 by terminal location are not confirmed by any information we have in hand. The Liverpool site is expected to handle HGV and container traffic arriving by sea and going mainly to the Continent (although a West London drop-off or use of the existing network to reach other destinations is not precluded); this will be mainly Irish and Northern Ireland traffic. While Seaforth can be reached by lorries, it is under Merseyside Port and Docks Company control and not as accessible as the Parkside site.
- 5.9 The Company uses RB's figures. It is not clear why Ove Arup assert that the terminal near Heathrow would not be competitive. The markets served by this terminal are not the East or Southeast near the tunnel where zero traffic diversion is predicted, but the West, South Wales and West London (traffic already going to short sea Channel ports and Eurotunnel). Why Ove Arup assert

that container traffic, which is Ro Ro at some point in the UK, would not be attracted, is also unclear.

## Revenues

- 5.10 No comment
- 5.11 It is interesting to note that the difference of 7% between the RB and Ove Arup total markets in 2007 is well within the margin of error and can not be construed as "significant" in statistical terms or otherwise. Container traffic is within CR's market to the degree that the Railway is able to offer a competitively priced service. This fact is reflected in RB's model as a costed alternative for that specific Origin-Destination pair. Where the long and short sea unaccompanied crossings are more competitive CR does not attract much traffic. Handling of containers does not involve extra costs, given the fact that most containers reach their final destinations by road. Port to port movements are not currently part of the Railway's market.
- 5.12 Again the Company cannot comment on Ove Arup forecasts or the figures in table 5.2 as there is no explanation of the basis on which they have been prepared. The Company relies on its own forecasts.
- 5.13 The Company does not believe that encouraging a switch from accompanied to unaccompanied will be a problem. This view is based upon interviews of European company executives regarding mode choice decisions. We expect that a portion of Irish traffic will switch to the Railway from that of direct ferry services and that accompanied traffic going to or through the UK will be the main markets. Irish drivers will leave their trailers at Irish ports for onward shipment.
- 5.14 The M6/M62 terminal is one of the larger facilities. The details of train operation to and from Seaforth have not been determined, although it is assumed that trains would be scheduled to correspond to ship arrivals, thus they would depart full. Arrival patterns are difficult to determine, thus it is likely that Seaforth and the NW terminal will be operated in tandem.
- 5.15 Operating speeds of CR trains vary from 25-135kph depending upon the segment of route and the traffic. The Railway's service will be quicker than that of over road vehicles and be subject to minimal delay in crossing the Channel. Driver's time can be more efficiently deployed moving loads within regions.
- 5.16 Crossovers and bi-directional signalling together with selected passing loops will be provided as required. Diversionary routes can be developed using parallel tracks, if electrified. Only Continental gauge trains present platform clearance problems. This matter is discussed in section 4.17
- 5.17 The market research information is commercially confidential but can be made available to the SRA (on a confidential basis if required). Whatever the loading method used it will not require trailers to be modified. Thus hauliers should not be deterred from using the Railway's service.
- 5.18 RB analysis of price advantage and diversions are based upon extensive surveys and modelling of trip costs between EU regions. Use of the word "claim" is inappropriate.
- 5.19 The Company is pleased to note that Ove Arup agrees with RB forecast assumptions regarding the share of the market that might be diverted.
- 5.20 The Company has no comment on the Ove Arup assumed figures, which are not correct as far as the Company is concerned. The SRA's consultants have reviewed the RB estimates and should be referred to in the first instance given their greater independence and knowledge (they were able to discuss the forecasts with RB and were satisfied with the approach).
- 5.21 Standby traffic is traffic which is less time sensitive, but it could still have a guaranteed arrival time, such as a next day service which could be picked up after 10AM the following day if the load arrived at CR's terminal by 12noon. Empty trailer returns are likely to be sent standby.

- 5.22 The Railway is not seeking any subsidies for diverting traffic.
- 5.23 Same as 5.22.
- 5.24 The figures in table 5.4 would be double if RB's forecasts are realised
- 5.25 It is interesting that the grant which Ove Arup appears to suggest Central Railway could request from the SRA may be as much as £250-300 million, but is a wholly academic exercise as the Company has repeatedly made it clear it does not want a government subsidy. The suggestion does, however, reinforce the benefit of the Railway on the Governments own criteria.

## ROAD HAULAGE

### HGV Operations

- 6.1 The Company agrees with Ove Arup's comment.
- 6.2 As far as we know RB was unable to detect any discrimination by hauliers interviewed between unaccompanied and accompanied traffic.
- 6.3 The issue of "switching to unaccompanied" is not dominance by accompanied or unaccompanied hauliers. All goods hauled are at some point accompanied to and from the terminal. The door to door journey is interrupted for all HGV traffic crossing the Channel. The Railway's service shifts the HGV traffic to the cross Channel (railway) mode earlier in the journey saving time and driver costs for the remainder of the trip to the nearest ferry port or Eurotunnel shuttle terminal. The industry has to be flexible due to low margins and will be quick to respond to cost savings. The operational changes associated with greater unaccompanied parts of the journey are not particularly significant. The industry already provides for delivery of unaccompanied trailers and containers.
- 6.4 Efficient pickup and delivery plans by hauliers are not precluded by use of the Railway's service. When the load has been compiled the driver goes to the Railway's nearest terminal. The terminals are located to interrupt journeys that would have to be made anyway, if the trip was made via the highway network and a ferry/shuttle journey across the Channel. The "line haul" part of the trip from the UK terminal to the French terminal is provided by the Railway. This part of the journey has to be made by all HGV lorries. The door-to-door part of the service requires a relationship between the person picking up goods and the person delivering them. A logistics company is better at doing this than an individual driver.
- 6.5 Some fleet re-organisation is inevitable. Two tractors and one trailer are required to pick up and deliver goods. A driver with a tractor will more often haul someone else's trailer than his own. This will make for more efficient operation, especially for the many UK drivers unable to secure a loaded return trip. In essence, logistics companies will act as load combiners and schedulers. Drivers will contract with them for hauls. The Company has no interest in competing with logistics companies by providing for load pickup and delivery. We believe that most drivers will both deliver and pick up a trailer when visiting a terminal. Individual logistics companies will force this to occur in order to offer competitive rates. International HGV traffic only comprises a part of the HGV market within the UK and in Europe. Lorry drivers still have the option of handling the distribution of goods within the UK.
- 6.6 The question posed by Ove Arup might be reversed: if 1/3<sup>rd</sup> of the traffic across the Channel is unaccompanied today, how does this logistics chain operate and is this a model for future traffic using the Company's service? If the international market, using tractor/trailer combinations is dominated by international forwarders (involvement in some part of the logistics chain) there should not be a problem solving the theoretical problems raised by Ove Arup. If the supply of the international logistics services is dominated by single owners without support from forwarders, then conversion to unaccompanied might take longer. The

diversion of road traffic to the Railway's service would require the industry to redeploy its resources to respond to the cost saving. Given the dual benefits of direct operating cost reduction and accelerated regional economic growth development, it is difficult to see conversion NOT occurring over time. One assumption being tested in the new financial model is traffic building up over 5 years rather than 3 years.

- 6.7 The Railway's service will not require trailers to be modified. The loading method selected does not require changes to be made in road haulage equipment. Containers will be lifted, or those with chassis and wheels loaded as Ro Ro.

### **HGV Costs**

- 6.8 The Ove Arup cost analysis substantiates the figures used by the Company. There is a discrepancy between the table and the per mile costs stated in the text. One says £0.98/mile the table shows £1.12/mile. It is interesting to note that two thirds of the per mile costs are avoidable.

## **CR OPERATIONS**

### **Journey Times**

- 7.1 Ove Arup's present a table of estimated transit times from terminals, the Sheffield transit time is indicated as 7.0 hours, while the WLT time is 4.5 hours. The figures are higher than those for which the Company has designed the Railway by about an hour.

### **Rolling Stock and Loco Requirements**

- 7.2 - Ove Arup assumed each loaded train carries 32 wagons with an 85% load factor. The Railway's figures vary between 38 and 46 trailers depending upon train length and locomotive pulling power. Ove Arup's assume one loco (limiting pulled weight to 1500 tonnes) whereas the Company intends to use two locomotives.
- 7.3 The Company has no comment on train requirements in Table 7.2. The Company has used other assumptions.
- 7.4 No comment for the reasons noted in 7.3
- 7.5 No comment for the reasons noted in 7.3
- 7.6 No comment for the reasons noted in 7.3

### **Rolling Stock and Loco Design**

- 7.7 We note that Ove Arup agree that trailers are likely to be accepted by Eurotunnel on flat cars. The company does not accept that the problem they identify (if this is not correct) is insuperable. The rolling road option used by Canadian Pacific is another option that could fulfil Eurotunnel fire protection requirements if this is required. Systra have indicated that SNCF believe that Modalohr can pass through the tunnel without containment restrictions. If this is the case the Ro Ro option should be approved, as there would be no flammable materials on the train.
- 7.8 The Company agrees with Ove Arup's observations
- 7.9 The old Piggyback concept is no longer being proposed by its former sponsors and thus is not an option. It never was for Company. As Ove Arup themselves indicate it is not feasible to lift trailers, so why is it suggested here? Modalohr is semi-piggy and could be used and is within UIC "C". The carriage of lorries on flat bed wagons and future double stacking are the reasons for the higher structure gauge. Central Railway's structure gauge permits other smaller gauge freight traffic to continue on existing networks if the wagons have the correct clearances.

- 7.10 Central Railway plans to operate its trains with two locomotives, one at each end to reduce terminal turnaround time.

### **Impact on Other Rail Operations**

- 7.11 Train frequency builds up from North to South as individual terminal services are added. The draft UK Transport Case lists the expected daily train frequencies in 2010. Frequency depends upon train length and service period. Frequency over the day will vary depending upon traffic demand.
- 7.12 Central Railway will work with M40 Trains to develop schedules and thus can determine whether and where 4 track segments may be required. Fast trains are time tabled at 95 kph currently and do not constitute a problem relative to the Company's freight trains, which are capable of 135kph speeds. Local stopping trains operate at lower speeds and limit line capacity.
- 7.13 The track junctions (cords) at Wigston Junction will have to be re-designed to permit Nuneaton to Leicester movements in both directions. A flying junction is planned to do this. The original 4 tracks will be restored to Leicester and North to Loughborough
- 7.14 After Loughborough train frequencies are well within track capacity, if the 3<sup>rd</sup> and 4<sup>th</sup> tracks are restored. The Woodhead tunnel will be able to accommodate both freight and passenger trains. Discussions have already been held with Arriva in this regard.
- 7.15 The Company has examined route options through Manchester in detail and has selected a route via Guidebridge, Ashburys and the Staylebridge link to Manchester Victoria and Salford Central. Currently we have no plans to add tracks after Ordsall Junction which must be re-built as a flying junction.

### **Operating Costs**

- 7.16 The Ove Arup figures in Table 7.4 are not correct. The Company's operating cost model builds up operating costs on a detailed year by year basis. The information is confidential.

## **CAPITAL COSTS**

### **Construction**

- 8.1 Capital Cost Estimate - The Company has had Parsons re-verify the capital cost estimate which now stands at £4.4 billion. The Company is comfortable with this figure which is being used in the current financial model. Both the SRA's consultants and financial backers have reviewed the procedures used to build up the cost estimate and confirmed that they are robust. The Company believes that no credibility attaches to the Ove Arup figure of £7.5 billion.
- 8.2 While there has been a rise in costs of railway system construction and maintenance the Company expects the exceedingly high costs paid by Railtrack for maintenance and renewal works to stabilise and drop by the time the Railway starts construction. If domestic costs remain high, the Company will contract internationally with companies able to be more competitive. The matter of possessions is being carefully examined both in terms of risks and required allowances to be included in the cost estimate.
- 8.3 Given Ove Arup's lack of knowledge of the project and that it did not discuss matters with the Company, it is somewhat surprising that it was prepared to try to estimate the capital costs of the Railway. Many assumptions made by Ove Arup are incorrect and will be discussed in the section below.
- 8.4 Ove Arup have made gross assumptions about unit rates and costs which the Company believes are inconsistent with current experience. As an example they have used inflated estimates of civil engineering costs. For tunnel costs (M25

section) they use a figure of £60m/km. However on Section I of CTRL, a project that Ove Arup is supervising, the contract cost of the 3.2km North Downs tunnel is £85m, i.e. a unit cost of £27m per km. This is a more realistic figure and is roughly equal to the figures in the Railway's own North Downs tunnel estimate.

Similarly for double track and OLE Ove Arup use a figure of £5m per km. Again the contracts for these items plus signalling and communications systems on CTRL Section 1 are running at £2.4m per km. And finally structure clearance work (raising bridges and widening underpasses) are estimated at £2 million per km whereas the Railways more detailed estimates show them to be averaging £1.2m per km. In the M25 section which is a more complex corridor in engineering terms they have used a figure of £25m/km for bridges and viaducts and £6m/km for earthworks but there is no explanation for the basis of these figures. This segment, excluding the two tunnels, is 47km in length which seems to imply that the Ove Arup estimate is about £1.5 billion for civil/structural and earthworks. This is an outlandish figure, for a two track, 11 metre wide, railway running parallel with the M25. The cost estimate prepared by Parsons for these works is below £300 million, and is based upon individual bridge structure extensions and earthworks where A roads are crossed and viaducts where the railway crosses the M3 and M4. If the Railway is required to avoid the use of all Highway's Agency land (in the western most quadrant of the M25) these costs will rise slightly.

### Rolling Stock and Locos

8.5 Trains will have 2 locomotives, and 45-55 wagons depending on train length. The other matters referred to in this paragraph are regarded by the Company as confidential for the present time.

### Terminal Equipment

8.6 The Ove Arup approach to terminal operation assumes a different loading method from that being considered by the Company. The information in this paragraph and Table 8.2 are therefore of little value, although the Company notes the Ove Arup estimate for terminal equipment of £40-60 million, if cranes and reach stackers were to be used.

### Total Cost

8.7 Because of the incorrect assumptions made in section 8.3 and overstated unit costs in section 8.4 the Ove Arup construction cost estimate is without merit. While the Company's cost estimate is confidential, it will be made available to the DTLR and SRA at the appropriate time.

## REGULATORY ISSUES

### Introduction

9.1 Ove Arup suggests that the Railway will be in competition with Railtrack, presumably for traffic and thus track charges. While the Company does not think that this will be the case since the existing network will not under current plans be capable of carrying lorries. It should be noted that the Company will be improving existing lines in several areas which Railtrack will benefit from. It is premature to agree mechanisms for protecting individual existing interests and it is clear that the Rail Regulator and DTLR will be involved in some way. As was noted earlier, we are not entirely clear whether the point being made is that there

is a case for restraining Railtrack from unfairly competing with Central Railway. Doubtless this will be sorted out in due course.

### **Network Licence**

9.2 Our legal counsel, Slaughter and May, have reviewed the licensing requirements of the Rail Regulator. The Railway assumes that adherence to Railway Group Standards would not present a problem. As Ove Arup note, the Railways Act does not apply to railways excluded from the Railways Act. The Central Railway Bill follows CTRL precedent and anticipates a separate regime being established for the Railway in due course.

### **Connections to Railtrack Network**

9.3 The Central Railway Bill is drafted with a view to Central Railway acquiring these (very limited) parts of the Railtrack network which Central Railway needs. The potential of recourse to the Regulator who could step in if Railtrack abused its monopoly position during negotiations is noted; in practice it is more likely that the Regulator will mediate on Railtrack's access to these parts of the line.

### **Sale of Land**

- 9.4 See 9.3. As the Company will define its land requirements in the Central Railway Bill, assuming the land is required for transportation purposes, the Railway would not be affected unless the Regulator had other views. The Bill may need to contain some language exempting the Railway from Regulator secondary review and approval of land to be compulsorily purchased as part of the Bill.
- 9.5 It is not clear why Ove Arup think this may be the case. If this is a problem, the Bill will give the Company full powers to purchase land identified, no matter who the owner may be. While we think that the Company would be unable to sell land so acquired, except for temporary use during construction, it is logical that such land sold in the future would have some use restrictions attached to it. It is perhaps worth pointing out that Central Railway intends to run a railway – the Regulators concern is sale of land by Railtrack for non-railway use. Central Railway has no intention of making non-railway sales of land acquired compulsorily for the purposes of the Railway!

### **Access to Railtrack Land for Construction**

9.6 This is a matter for consideration in due course; the comments made imply (without evidence) a problem significantly greater than is the reality.

### **Track Access Charges**

9.7 With regard to future track access charges it is too early to worry about other user track charges. Rates will be set on a commercial basis. Agreements with the Rail Regulator will be required to cover this matter. These are not issues fundamental to the Governments decision in principle.

### **CR as a Train Operator**

- 9.8 Central Railway will own its tracks and operate its trains and will seek the required powers in the Central Railway Bill. The prohibition against Railtrack operating trains is a special case and is not relevant.
- 9.9 The Railway may lease vehicles as TOC's do. The Company will not have a Network License as it will operate under the Central Railway Bill arrangements!

**Provision of Access to Other Operators**

- 9.10 We agree that there are issues relating to provision of access to other operators, but we do agree that many of the “issues” raised in paragraphs 9.10-9.12 are necessarily correctly raised or incapable of reduction. They have been solved in the past (e.g. Eurotunnel) and are solved elsewhere in the world. Ove Arup, in their comments in this section do not appear to have grasped some of the fundamental differences between a privately financed, fully integrated railway such as the Railway and the existing (publicly subsidised) network and the implications for regulation. Usage of paths on the combined networks will have to be co-agreed with Railtrack. This is common practice elsewhere in the world. It is normally the responsibility of train operating companies
- 9.11 to work out the necessary arrangements. Railtrack must accommodate their reasonable requirements. The Railway will want to control access and egress to its tracks and we assume that Railtrack will want a reciprocal arrangement. This implies an annual scheduling agreement. Why Ove Arup suggest that Railtrack should have greater costs is not clear.
- 9.12 The Railway must allow other operators reasonable access to its tracks by law, but they must pay track charges and operate safely. One objective of creating separate operating companies as part of BR’s re-structuring was to promote competition amongst operators. Notwithstanding this, the Railway does not expect to compete with EWS or Freightliner or GB Rail Freight, as these companies cannot provide a similar service because of low clearances. Commercial information material to any Rail Regulator decision would have to be made available by the Company, but on a confidential basis. However, the regulatory regime for Central Railway is likely to be very different than applicable to subsidised services and this point is therefore likely to be much less relevant.
- 9.13 Ove Arup raise an interesting question about unfair competition by subsidised operators. While the risk of this occurring is low given the state of the rail industry; in theory Railtrack could offer cheap rates to divert traffic to their lines.

**APPENDIX 2**

Central Railway consider that the process for approval of the Railway should, broadly speaking, be as follows:-

September 2001	Basic agreement on the process to be followed. Any other "pre-financing" issues to be identified.
September-October 2001	Decisions in principle taken. Central Railway to prepare financing documentation with its financial advisers, and preliminary activity with investors.
December 2001 - November 2002	Resolution of issues requiring to be sorted out prior to the deposit of the Central Railway Bill before Parliament. Precisely what these issues are will need discussion.
November 2002 onwards	Process of the Bill through Parliament Satisfaction of any other conditions required by the Government or financiers
2003/2004	Royal Assent Commencement of construction

