

## Letter from the Rt Hon John Spellar MP, Minister of Transport to Andrew Gritten, Chairman of Central Railway

March 2002

Dear Mr Gritten,

Thank you for your letter of 22<sup>ND</sup> February enclosing a copy of your letter to Richard Bowker.

I know you have been waiting some time for the Government's views on your proposal for a hybrid bill. I was grateful to the Strategic Rail Authority for the work it carried out on its high level review last year and for your co-operation in that. Given the scale of the project, it was quite right that the SRA should have wished to learn more about your proposals before taking a view. It was also appropriate that it should have carried out the review within the context of its overall freight strategy and the Government's 10 Year Plan. Inevitably, this delayed our response.

The Government has always made it clear that we are committed to rail freight growth as a key element sustainable distribution and that to that end we will wish to support, in principle, projects that offer value for money in both the economic and environmental benefits they can bring to the country.

In considering your request for early Government support for a bill to promote your own project, I have taken into account a number of factors and listened to representations from many interested parties up and down the proposed route, both in support of and in opposition to the scheme. As a result of the SRA's high level review and other information it is clear that the scheme Central Railway proposes has some attractive features and, if it were to succeed may indeed meet a significant part of the freight market's needs in the long term. However, it is also clear that some important questions remain, questions that the SRA's high level review was able to bring out but, given its scope, could not be expected to test in sufficient depth to enable clear-cut conclusions to be reached.

I do not wish to obstruct the progress of a privately led and financed initiative of the kind Central Railway is proposing, but I must take into account the wider public interest. In particular I must be satisfied that the proposals offer viable solutions for rail freight that are compatible with the Government's long term vision for transport and the environment. I must have regard not only to the risk of Government financial exposure, but also the opportunity costs associated with the scheme and the risk to confidence in rail freight if the scheme were not successful. At present, I do not believe that there is sufficient evidence to enable the Government to make a decision to lend its support to a hybrid bill. In order to reach that point I believe that further work is essential. The SRA will therefore commission an additional detailed assessment of some of the key remaining issues surrounding Central Railway's proposal.

This new work will not be a repeat of the SRA's earlier review. What it will do is test more closely those key areas where the review could not provide sufficient confidence in Central Railway's proposals. It will include examination of Central Railway's demand and revenue forecasts, factors affecting mode choice that underpin Central Railways's proposals, suitability of Central Railway's proposals for meeting expected demand, the potential impact on services on the existing network - for example passenger services over the Chiltern Line, and the strategic fit of Central Railway with respect to other strategic objectives. This will necessarily be a substantial piece of work and cannot be done quickly. It will therefore take up to, but no more than, six months to complete.

I know that this is probably a longer period than you would like. I realise that you have already devoted considerable energy and resources to developing the project to this stage. However, it means that by September, at the latest, I will have the information I need to make an informed decision about your hybrid bill proposal.

Not only will this timescale enable the necessary work to be carried out to a sufficient level of detail and quality that will take us significantly beyond the conclusions of the high level review, but should still fit within your own timetable for introducing a bill to parliament during the next session. Subject to the issues I have outlined above being satisfactorily addressed, I will then be in a position to decide how best to facilitate your proposed bill. In the meantime, you may wish to develop your draft bill further in order to have it ready in good time.

I will not go into any further detail here. The SRA will be in touch with you very soon to discuss the scope of the work and how they propose to take it forward. I agree with you that close dialogue amongst all parties will be essential. In knowing that the SRA are keen to begin as soon as possible.

I hope you find this helpful.

I am copying this letter to Richard Bowker.

**John Spellar**