



Transport Committee

Oral evidence: [Strategic transport objectives](#), HC 84

Wednesday 6 March 2024

Ordered by the House of Commons to be published on 6 March 2024.

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Members present: Iain Stewart (Chair); Jack Brereton; Sara Britcliffe; Paul Howell; Karl McCartney; Grahame Morris; Gavin Newlands; Greg Smith; Mick Whitley.

Questions 187–225

Witnesses

[II](#): Will Garton, Director General for Levelling Up, Department for Levelling Up, Housing and Communities; Dame Bernadette Kelly DCB, Permanent Secretary, Department for Transport; Huw Merriman, Minister for Rail, Department for Transport; and Beth West, Chief Executive Officer, East West Rail.



Examination of witnesses

Witnesses: Will Garton, Dame Bernadette Kelly, Huw Merriman and Beth West.

Q187 **Chair:** Welcome to our second panel for today's session. I invite each of the witnesses to state their name and position, please.

Huw Merriman: Good morning, Chair and Committee. I am Huw Merriman, the Rail Minister, with responsibility for East West Rail.

Beth West: I am Beth West, the chief executive of East West Rail company.

Will Garton: I am Will Garton, director general for levelling up at the Department for Levelling Up, Housing and Communities.

Dame Bernadette Kelly: I am Bernadette Kelly, permanent secretary at the Department for Transport.

Q188 **Chair:** Thank you, and welcome. We are grateful for your time. Apologies for running slightly behind schedule, but we had important issues to explore with the first panel.

Before we get into the substance of today's session, Minister, I understand that you would like to make a short clarification of evidence you gave to us last week.

Huw Merriman: Yes, that is very kind. I take my responsibilities in giving evidence to the Committee in an open and transparent manner very seriously. After I had been before you and talked about the differences between LNER and Avanti, there was a statement from the general secretary of ASLEF, Mick Whelan, saying that I had misled the Committee and been economic with the truth, which, obviously, I certainly refute. I want to explain exactly how that occurred and what is, therefore, correct.

You may recall I mentioned that, on LNER, there is a concept where driver managers can drive trains where the driver quota has been fully utilised, whereas with Avanti that can only occur in industrial action or in an emergency. I think Mr Whelan stated that I had alluded to the fact that there was an agreement between LNER and ASLEF. In fact, there is no agreement. That is why you can have these drivers. I said there was a concept, and that concept is between the driver managers and LNER. ASLEF don't have the agreement in place. If they did, as I stated, they would look to end that. I believe that I was absolutely accurate to that point.

The second item that was raised was the concept of double tripping—a driver not being able to drive over the same rail more than once, rather than doing two return journeys, with the inefficiency I pointed to being 10% to 15%. Again, with that regard, Mr Whelan referred to an agreement based on the technology being put in place and the right



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signalling to allow the higher speeds to facilitate this. That agreement was back in 1997.

In fact, I have a copy of that agreement. It says that double tripping will be allowed beyond 2002. The point I am very keen to explore—I am keen to sit down with Mr Whelan and understand this so that he can explain it to me—is that I don't understand why technology would preclude being able to drive over the rails twice. If you can drive over it once, and it is safe and the signalling is there, surely you can drive over it a second time.

As I say, I have seen the agreement, which seems to say that it would be allowed after 2002. It seems to talk about there being some impact on driver hours, which may be there as an assurance that the drivers need those hours. I want to know what it is, in 2024, that we can do to allow this practice to go ahead, as it does across the railways.

I just wanted to clarify that. I am grateful to you for allowing me to do so. I would never be economic with the truth or mislead Parliament, and certainly not this Committee.

Q189 Chair: We are grateful for that clarification. Thank you. Moving on to our subject today, Beth, could you give us an update on the key decision points for East West Rail, particularly connection stages 2 and 3? I am not sure if you were listening to the first panel of witnesses, but there is some concern that the route chosen through Bedford and eastwards may not be the optimal one, and there might be cheaper or more freight-friendly routes available. Could you give us an update on where we are in that decision pipeline?

Beth West: Of course. I do not want to repeat what Naomi and Andy so very eloquently talked about this morning with regard to the strategic purpose of East West Rail. I think they explained very clearly the importance of East West Rail and the benefits it is going to bring to the region. I would like to talk about how it is enabling infrastructure. The purpose of the railway is to build a very reliable commuter railway between Oxford and Cambridge, stopping at Bletchley, Milton Keynes and Bedford.

Mr Newlands brought up Borders Railway, which is a really good example that we look at very carefully and closely in terms of the benefits it is bringing. We look a lot as well at the benefits coming to Bedford. Galashiels is one of the towns on Borders Railway. It is fair to say that it was in decline, but it has seen a huge amount of regeneration because of Borders Railway. We are looking very much at Bedford in the same kind of way, and the opportunities that East West Rail and that connectivity will be able to bring to the people of Bedford to access jobs and educational opportunities across the region, which to date they have not had.



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In terms of what is going on with the project and how we are moving ahead with dates, the project is being delivered in phases. The first phase—the Oxford to Bicester part of the railway—is already operational. For Bicester to Bletchley, and then moving on to Milton Keynes, we have a celebration tomorrow of the track laying being complete. That part of the railway is scheduled to open next year. There will be a service going all the way from Oxford to Milton Keynes.

For the part from Bletchley to Cambridge, we are going through our DCO—development consent order—process and we are planning to start our statutory consultation process in June. We are looking at that in two stages because often, in programmes of this size, what happens in a statutory consultation is that you have to go back in an unplanned way for a second statutory consultation. We made the decision to break that statutory consultation into two halves, to be able to give our communities as much opportunity to respond to it as possible.

The first part of the consultation, which we will be having this summer, will be more qualitative. We will be able to provide information on where we have got to since the route update and how we have been driving that forward. We will bring another, second-stage statutory consultation next year, with the planned development consent order process to follow shortly thereafter when we take in all the consultation responses. We are then planning to open the railway in the early 2030s.

Q190 Chair: Thank you. There is a difference between the western section, as I still call it, of East West Rail, which, as my colleague Greg Smith pointed out, is the reopening of an existing line of route. The Borders reopening was on an existing line of route. The section east of Bedford is effectively a new railway. Could you clarify this for the Committee? In the consultation that is coming up, are the other route options that have been put forward by the Mayor of Bedford and others still under consideration, or has a decision been made purely on the preferred route?

Beth West: We looked at the routes that Bedford has looked at as part of the recommendation we made for the route update announcement that was given last year in May. We looked very thoroughly at those different options. We will, of course, look at the report that Bedford Borough Council has undertaken. In our first review, we saw that it was very much like the work routes that we have analysed thus far. Of course, we will look at it in more detail to make sure that there is no new information that we have not already looked at. The statutory consultation that we are going forward with in June will be based on the route update that we provided last May.

Q191 Chair: Transport infrastructure projects, and infrastructure projects more generally, have been the victim—if that is the right word—of cost inflation in the construction sector. How are you putting in place adequate controls on the cost of the building process, and the governance mechanism, to ensure that those do not escalate?



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Beth West: There are several elements to that. First of all, it starts with our purpose and why we are building the railway. It is a commuter railway that we want to be very reliable. That starts with how we are going to design it and what decisions we are going to make on how we are putting the railway into operation. We want to make sure that anybody who is trying to get to the nursery or to a pick-up point at 6 o'clock in the evening is able to rely on our railway to get them there on time. That is how people make life decisions. We have to stick with that and try not to get into all kinds of fancy bells and whistles in our design.

We are driving very hard at how we look at doing as little as possible, the least amount of work, to deliver the outcomes that we want to achieve. We have had the consultation responses for the last non-statutory consultation, for example. There were lots of issues that people brought up about embankment heights. They were viewed as too high. This is really important local consultation. What we have been able to do, as a design we have been taking forward, is to lower the embankment heights on about 50% of those embankments. That is also going to lead us into cost savings.

I am driving my team very hard to make sure that we look at how we minimise the cost of delivering this railway. The industry itself often likes to build very big, shiny things as much as possible. We are trying to change that approach. We are looking at our design and what options we can put forward that will reduce costs with the same outcomes. This is a massive cultural shift. I am not saying that it is easy, but I continue to push the team on that. We will also have a lot of work on cost management as we go through the design process and then to delivery.

Q192 **Chair:** There is one final question from me on this. You mentioned that it is primarily a commuter railway. There are many who advocate that it should also be a freight corridor. Are you satisfied that the route options you are choosing are freight-friendly?

Beth West: Yes, I am.

Q193 **Sara Britcliffe:** Ms West, you mentioned looking at the alternative routes thoroughly. Does that include the costings for the alternative routes?

Beth West: Yes.

Q194 **Jack Brereton:** My questions are particularly to Dame Bernadette. They are around the BCR assessment. Obviously, the BCR assessment identified the project to be low to poor value for money. Why is that the case, and have you looked at other benefits and whether it could be improved?

Dame Bernadette Kelly: You are absolutely right. When I last did my accounting officer assessment in 2021, we concluded that the BCR sat between a range of 0.5 to 1.1 at that point. For technical reasons we now think it is somewhat lower for CS2 and 3. I can come on to that if the



Committee is interested. The general point is that this is not a high-BCR project. That is principally because BCRs measure what is reasonably quantifiable and what is reasonably certain. Typically, here, it is transport benefits, reductions in road congestion, shorter journey times and things of that sort. The fundamental purpose of the East West Rail project is to drive transformation in the region. We know that our BCRs are not good at capturing wider transformational and long-term strategic benefits.

In this instance, when I look at value for money in the round, as per the Green Book, I look at the BCR but I also look at the strategic case. In this instance, for East West Rail, the strategic case is actually quite a powerful one, based on all of the evidence we have about the potential for growth in the region. The National Infrastructure Commission has done many studies around the potential for growth in that region.

I would say that value for money is not driven by the BCR. The BCR is relatively low. The strategic case is absolutely critical here. Two things flow from that. First, it is very important to retain tight control on costs. I could say more about that if you like because I think this project is performing very well in that regard. Secondly, we absolutely have to put all of our efforts into securing the strategic benefits, which goes to cross-Government collaboration. This is not just about transport. It is about homes, investment and jobs. I am sure we can say more about that.

Q195 **Jack Brereton:** You referenced the importance of the strategic case. Doesn't that show, though, that the use of BCR assessments is really no longer fit for purpose?

Dame Bernadette Kelly: When I am asked this by Committees, as I often am, I am always somewhat divided between, on the one hand, wishing to defend our very rigorous transport appraisal methodology, which is the most rigorous in Government and which is quite important when you are thinking about very large transport investments—it works very effectively for lots of investments, and if you look at the majority of other things we do on transport—

Q196 **Jack Brereton:** If they are in London, yes, but maybe not the rest of the country.

Dame Bernadette Kelly: —it works really well. The challenge, which we see more and more, is that it is less good at capturing transformational benefits. One of the things I am certainly challenging my analysts on—Will and I were just talking about this in terms of Green Book methodology—is that we need to find ways of better measuring transformational benefits. That is a challenge for the system as well as for our transport appraisal. I would not use the language you have used, but that does not mean I am going to say it is perfect or not capable of improvement, because it absolutely is.

There is one final thing on the strategic case for East West Rail, in particular. When I did the accounting officer assessment in 2021, we



calculated that you would only need to believe that an additional £4 billion of economic benefit would accrue beyond that which we could measure in order for it to be a quite respectable BCR. That does not seem to me to be an overly optimistic assessment, given that the NIC has estimated that better connectivity in the East West region could deliver benefits in economic activity of £103 billion. That is why I made that judgment as accounting officer. That is how I viewed the strategic case alongside the BCR. Your challenge to our BCR methodology is taken and understood.

Q197 **Jack Brereton:** Minister, do you want to come in?

Huw Merriman: The Committee has always been consistent with its view on this particular point. I remember the transport infrastructure recommendations about business case. This is one of the projects where it is important that you have a baseline. The BCR can obviously compare where we have absolute knowns—the comparison with roads and so on.

The example I was discussing with Bernadette when we were outside was the Jubilee line extension. That also had a very low BCR because it was all about the transformational improvements. If you look at what has happened at Canary Wharf since the Jubilee line, and the tower blocks over there, it has actually delivered that. At the moment, the BCR process doesn't measure it. As Bernadette says, you have a baseline there, but we should just look at that as the starting point and not let it be the dent in our ambitions for what can be real, transformational regional growth.

Q198 **Jack Brereton:** Has any work been done on looking at alternative metrics that we could use, particularly to add a value to more of the strategic cases? Obviously, at the moment, we are not really able to compare, because we don't have any figures that we can put on the more strategic priorities and benefits. Maybe Will, from DLUHC, you want to come in on this. Are there any other metrics you have considered that we could use to assess some of these infrastructure projects?

Will Garton: We are always looking at how we can improve the methodology. We did a substantive revision to the Green Book in 2020, if my memory serves me correctly, when Sajid Javid was the Chancellor. I am sure there is more that we can do. I agree with the way Bernadette framed it. BCR is excellent at capturing land value uplift, where that is easier to measure. It is harder to do it in a technically robust way, to measure transformational change. I would add to that the impact on place, a single locality, and not just looking at transport but at transport, housing, regeneration, culture and education in the round.

There is a metric described as wellbeing, which I think in some ways is not the best term. That includes health benefits, skills benefits and employment benefits. They are harder to do in a technically accurate way, but we are always looking at what more we could do to improve it.



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Dame Bernadette Kelly: To add to that, more narrowly in the Department, we challenge ourselves on this. Indeed, I challenge my analysts on this all the time: how do we capture some of those dynamic land use change benefits? I was discussing only last week with some people from Oxera whether there were different ways we could place weightings on different aspects of a benefits case, depending on what the strategic objectives of Government were. If it was around environmental protection, you might place a greater weight on that. If it was about economic growth, you might place a greater weight on that.

There is one really good example in transport where we have pushed the boundaries of how we do it, which is the A303 at Stonehenge. A large part of the business case there is not built on the usual journey time things, but on the imputed value of people being able to enjoy Stonehenge, a world heritage site, without a road running through it. I think we need to challenge ourselves. I am always open for great ideas, whether from the Committee or elsewhere, as to how we can develop our methodology.

Q199 **Jack Brereton:** Will, I want to ask you about the developments around stations. How are we ensuring that we are properly capturing the benefits of incentivising and increasing development around stations?

Will Garton: It is a very good question. As the Committee knows, the Government made a decision to move away from the arc as a top-down approach. They have replaced that with a more locally led approach. The most specific way in which we are making sure that we capture the benefits of the railway line are through local opportunity plans, which were funded by the Treasury at the last Budget. There is £15 million to work with the local planning authority and East West Rail to make sure that housing mirrors the line, and we get the benefits from both a housing and a transport perspective. That work is ongoing and will give us advice.

Q200 **Jack Brereton:** How are we capturing in the methodology the value uplift and the increased revenue that the taxpayer will get from increased business rates, and the increase in other taxes that will come as a result? How are we capturing the increased value that will come from the infrastructure in those locations?

Will Garton: Do you mean in the East West Rail business case?

Jack Brereton: Yes.

Dame Bernadette Kelly: It is perhaps a little unfair to ask Will to explain.

Will Garton: I can have a go, but Bernadette would—

Dame Bernadette Kelly: I am not sure I can give you a perfect answer either.



Q201 **Jack Brereton:** It doesn't seem like we are doing that at the moment. That is why we are concerned about it. It does not seem that the methodology is properly and effectively capturing the benefits. Could you please try to explain that?

Dame Bernadette Kelly: It is a really good challenge. In the more recent technical reports, I think some further work was done. The BCR actually reduced, but that was nothing to do with this factor. It was because of a recalculation of some of the journeys that would be taken. It was a purely technical, underpinning thing. I think additional work was done in the technical report to try to capture a bit more of the wider, slightly more uncertain, economic benefits from East West Rail. Beth, can you say any more in detail about that? It was a slightly different methodology.

Beth West: Even in our technical reports, we looked at what could happen. As we move forward towards our outline business case, I think we need to look much more at what is coming out of the local opportunity plans and, working with the local authorities, what is planned to happen. Obviously, the timing of that will be important with regard to when we submit our outline business case and our final business case, and how much detail we can put into that, based on how far along we are getting with the local opportunity plans. It is a really important part of how we capture the wider benefits and how we put them into the outline business case that we will be looking at as part of the whole outline business case. That is not just the local opportunity plans.

We also need to look at how we capture door-to-door connectivity, which is a really important part of making sure that people are going to use the railway properly. There are the environmental benefits. We want to work very closely with the local authorities on making sure that the local nature recovery strategies are included. If we can use some of our biodiversity net gain obligations to fund those nature recovery schemes, there is an opportunity to use one set of money for multiple outcomes. We want to be able to look at that in the whole of the business case and capture that, but we have a way to go in making that work.

Q202 **Jack Brereton:** Minister?

Huw Merriman: The interesting comparison is the Northumberland line, which is being built at the moment from Newcastle. It is restoring a railway to passenger service. In that situation, Northumberland County Council, who are also the planning authority, are the sponsors of the project. That means they can put in place land value capture agreements because they are both delivering the railway and responsible for planning decisions. If there is uplift in the land, options can be exercised which mean that the council then shares in the benefits of growth.

That is an interesting example of where the body that has those powers is actually also heavily involved in the railway. We do not always capture in the exact same way, because we are not responsible for the decisions



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of the local planning authorities. That is where we are somewhat stymied in being able to capture as many benefits for this project, and indeed other Government projects, as I described for the Northumberland line.

Q203 Gavin Newlands: Jack explored the BCR issue at length, but I want to come in on a couple of aspects. We have looked at BCRs a number of times in this Committee, as you know, Minister. We are getting to the point in many ways where nobody has any confidence in BCRs whatsoever. I know that there have been changes to the Green Book, but, for instance, you mentioned the Jubilee line and the fact that it had a fairly low BCR, and yet you can see some of the net results of the line.

The Borders Railway, which was referenced at the start, had a BCR of 0.5, yet Ministers pushed ahead. Probably because it was such a low BCR, the line and the plan were under-engineered, so we had a single-track railway, which should for the future at the very least have been a double-track railway. The success has been astonishing.

Jack pushed at where there have been issues with BCR. My question is looking after the fact. As I understand it from an answer I got from Ms Green, the DFT has a report that says it is hard to establish whether or not everything that has happened between Edinburgh and Tweedbank—all the developments and the new town that has been planned, all the increases in tourism and influx of people moving there—has to do with the railway. The success is undeniable, but they are not sure if they can put that alongside the new railway. My issue is not only that we are getting the BCR wrong beforehand but that we cannot look at the projects afterwards and see the tangible benefits, either from a transport point of view or a socioeconomic point of view. What is wrong with that?

Dame Bernadette Kelly: I would love to do some more work based on what you are saying—

Gavin Newlands: I would love to hear it.

Dame Bernadette Kelly: It sounds like a really good case study and exactly the sort of thing that we should be doing some more work on, and making sure that we fully understand, in order that it can inform our approach to these things going forward. We evaluate projects and—

Gavin Newlands: I don't doubt it. It's how we are doing it now that is the issue.

Dame Bernadette Kelly: We evaluate benefits in a formal sense anyway. That certainly happens routinely for all of our big transport projects. The challenge I am getting from the Committee is that we need to continue to be more innovative and imaginative about how we do that. I am keen to take that challenge back to my colleagues in the Treasury—

Gavin Newlands: Good luck.

Will Garton: I think they are open.



Dame Bernadette Kelly: I repeat something that the Minister said. We don't want to get too fixated on BCRs. The strategic case is a concept that we understand. It is a concept that has been given much more prominence by the Treasury in the Green Book. On East West Rail, I was conscious, when I was doing the accounting officer assessment, that we were pushing the boundaries, as it were, of how you do your strategic case analysis for the purposes of value for money assessment. I think that was the right thing to do. We have that part of the suite of how we do these things as well. It should not be underestimated just because it does not come up with a convenient hard number.

Gavin Newlands: I agree with your final point, but while Treasury officials are obsessed with BCRs, it is rather difficult. I would be quite keen to touch base offline on what the DFT thinks of the Borders Railway. Thank you.

Q204 **Sara Britcliffe:** I will come to the Minister and Dame Bernadette first. The National Audit Office recommended that the Government should set out the critical success factors for achieving the intended benefits from East West Rail. What are the critical success factors?

Huw Merriman: The success factors will be the delivery of the transformational growth and opportunities that we talk to. I am not seeking to avoid answering the question, but do you mind if I hand over to Bernadette to go through the details of the NAO report? Of course, we welcome the recommendations. They are positive. The NAO obviously don't look at certain things we have been talking about, including the BCR, but they have some recommendations as to how we should take this forward across Government. I think Bernadette can give you some examples of what we will be doing as a result and as part of the response to that. Is that okay?

Q205 **Sara Britcliffe:** Would that also include what you perceive to be the success factors of this project?

Huw Merriman: We will go through that, and then I will come back to how we believe it will deliver.

Dame Bernadette Kelly: Obviously, the most immediate critical success factor is delivering the railway to time, to schedule and with services running as intended. There is a narrow set of success factors, which is successful delivery of the project itself. I am sure that Beth can talk to that in further detail. I will check on the particular bit of the NAO report. They are probably talking about the wider transformation, which we have all agreed is critical to this. I think the NAO report concluded that, in order for us to be able to do that, we need a much stronger cross-Government approach to the delivery of the railway and the associated benefits. That is what we are now working hard to ensure is in place.

We have set up an economic growth board for East West Rail. The Treasury chairs the board. It includes senior colleagues from my Department, from DLUHC, from DBT, from DSIT and the IPA. It has



established six workstreams, around place-making; science; business investment; transport delivery, including wider connectivity; development models for investment on sites around East West Rail; and overall alignment between East West Rail and the plan for Cambridge. What we would expect to come out of that are some clear milestones for the broader suite of Government interventions that are needed ultimately to deliver on the objectives of the railway and on the strategic case. I cannot describe those to you now, because what we are doing is putting in place the machinery to ensure that we can map out those critical success points.

A wider regional partnership beyond Government is the other critical element. Beth is leading a lot of work from East West Rail with local partners. She has talked about local opportunity plans. There is now also an Oxford to Cambridge pan-regional partnership, which is more business-led, under DLUHC, bringing partners together. DLUHC has established a Cambridge delivery group. All of those things are looking at facets of the same objective. I think our job, and the East West Rail growth board will need to do this, is to pull it together into a plan for a 10, 20 and 30-year transformation, which is what the railway is intended to underpin.

Q206 **Sara Britcliffe:** What would you say is the minimum level of new development for the project to be justifiable?

Dame Bernadette Kelly: In my 2021 assessment, looking at it through a purely technical lens, in the strategic case we worked out that a £4 billion increase in benefits would lead to a BCR of 1.5—I am just working it backwards here—which means you move the BCR from poor to respectable value for money. That was equivalent to about 56,000 houses. That is what we assessed at the time.

I took that £4 billion again and compared it with an NIC estimate of, potentially, £103 billion of economic activity flowing from best connectivity as a reasonably conservative estimate. What I cannot do is say that you need this particular development here and this one there. The question is, do we have a plan collectively across Government to deliver a whole range of economic activity, which then ultimately flows through to the benefits case for the railway?

Q207 **Sara Britcliffe:** What are you doing to try to attract private investment to the project?

Huw Merriman: I will come back to the point, now that Bernadette has set it out. It is correct that the NAO looked at the changes in the benefit-cost ratio over time, but they did not provide an assessment of the project's value for money. That is the part I should have said. Obviously, they recognised that the whole case for East West Rail does not rest on the strength of the benefit-cost ratio alone. It balances itself on the region's potential for economic growth and prosperity. Again, we come



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back to the transformational value that a BCR does not necessarily capture.

Perhaps I can encapsulate it in terms of how I see it, from the times I have been able to visit and speak to the business community, particularly the bioscience and health community. The same applies to Cambridge as for Oxford. They need a workforce to be able to deliver their ambitions if we are to compete, not just those university cities with each other, but on the global stage. They have to compete with the Americas. They have to compete with south-east Asia, where they have a wider cluster hub to be able to work on in terms of land.

What struck me when I was talking to some of the scientists and tech people in the Cambridge South bio-health and science park was that they need the workforce. They do not just need the pioneers. They need to deliver an entire village in order to put their products to market and succeed. That is something where there is a huge constraint in Cambridge and Oxford. You have two cities with incredibly high house prices that the workforce struggle to afford.

The aim of the railway is to be able to connect those people. Of course, we know that, when a railway is delivered, the infrastructure is in place that allows local planning authorities to make decisions on housing that they might not be able to make if that railway infrastructure was not in place. That is very much why we are building it. It is not so much a railway line for journeys between Oxford and Cambridge; it is the ability to move to Bletchley, to Winslow, to Bicester and then to travel by rail, potentially from outside the area, and to allow Milton Keynes in the middle of those to become part of that cluster hub.

That is the sort of vision we have for what the railway can do. As I say, it is for local planning authorities to decide if it makes sense for them to allocate housing around the area or elsewhere. We certainly envisage that Tempsford, for example, will become a new town off the back of the railway. That is a matter for local authorities to determine. There is often criticism that the infrastructure is not in place. Here is an example of where we are looking to put the infrastructure in place so that it is there for decision makers to rely on when deciding whether to grant housing.

Q208 **Sara Britcliffe:** Going back to the question, what level of private investment is needed for growing the economy to justify the investment that the Government are putting in?

Huw Merriman: It comes back to some of the points we have been discussing. Our job is to put the seed money in to deliver the railway line. That is being provided by the UK taxpayer. That itself then allows private investors to determine their ability to expand and bring products to market in Cambridge and Oxford and across the line of route. It also allows private developers to decide if they want to put planning applications in to deliver new housing developments. That will be off the back of it.



Q209 **Sara Britcliffe:** Is the answer, “We don’t know”?

Huw Merriman: Again, it comes back to the BCR point. We cannot price those in, because they are matters that could occur, but they are contingent on the decisions of private business as to whether they actually wish to do that. We cannot force that to occur, because we are not delivering the housing. We are delivering the railway. What we know is that where you deliver a railway, you are more likely to attract work, jobs and housing off the back of it. That is what the growth board across Government is designed to do. Beth, do you want to talk about some of the individual things that you are actually doing? Let’s be clear: Beth is building a railway. She is not actually building a housing estate.

Q210 **Sara Britcliffe:** I agree with you there, but she is building a railway and the advantage of building a railway is to grow the local economy, so there has to be—

Huw Merriman: What I am saying is that it is not the role of Government, because of the way we set our Government up, to build the direct jobs and the direct houses. That is the role of the private sector. What we are saying is that the private sector is likely to do that. We listen to the private sector in terms of where they want the railway to go, not least into Cambridge South, so that it will give maximum opportunities to the private sector. We do not physically build the homes or offices. We just build the infrastructure, which becomes a bedrock for private industry to deliver what I have just described.

Q211 **Sara Britcliffe:** We recently visited Japan. We looked at the stations built there and the private investment that went into building them. It seems that they are able to plan and justify why they are building certain lines and stations because of the private investment that they know is going to come in when the project is being built. Surely, we need an overall look at the picture to say, “Actually, this is going to happen.” It seems like you are saying—

Huw Merriman: Our model is different from the Japanese model. I would describe the Japanese model as property organisations that also run railways, whereas we deliver railways, as far as the Government are concerned. A lot of the railway land was sold off during the 1980s. The other thing the Japanese did was to write off all of the debt behind the railways.

When we take land, for example, we take enough land to deliver the railway. We do not take more land off landowners to then deliver a town on it. That is not the way that the model works. If you look at some of the controversies around HS2, for example, for us to compulsorily purchase more land off the railway and then build towns is just not something that our model does. You can argue that we should be doing that, but it is not the current model. What we do is build infrastructure, which then allows local authorities—the decision makers—and private investors to bring forward the homes, the offices and the housing



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developments on the back of the railway. That is the model that we use in this country.

Beth West: If I could use the Cambridge biomedical campus as an example of where this is likely to come to fruition, currently there are about 20,000 jobs on the Cambridge biomedical campus, which is the site of the new Cambridge South station. The biomedical campus is seeking to double that. We have looked at the car congestion going to the Cambridge biomedical campus, which is horrendous. It is really gridlocked around there. The likelihood of jobs doubling at the biomedical campus is highly unlikely unless we have East West Rail connectivity, in addition to the north-west connectivity at Cambridge South.

As the Rail Minister said, the reason for that is that the biomedical campus itself has a range of different jobs. We have the hospitals there, so you have key workers. Housing costs in Cambridge are very high, as they are south of Cambridge. The opportunities for key workers to come across are from the west of Cambridge, places like Cambourne and all the way across to Bedford, and even on the Marston Vale line. In order to get those additional 20,000 jobs, or to expand even further, you have to find ways to bring people into that space.

The railway enables those opportunities to come to pass. It is for the biomedical campus to work with their private sector partners and the science supercluster board members, as Dr Williams was talking about, to drive that forward. It is great that the science supercluster board was formed, because it is a real opportunity for the private sector to be able to express their objectives with regard to that cluster across the unique ecosystem that we can build from Oxford to Cambridge.

Right now, it feels like when you visit Oxford or Cambridge they are on different planets from each other. In order to get to the scale that we are looking at in terms of this global opportunity, the railway is the thing that is going to drive the private sector investment. That is what we continue to hear. I know that the different private sector investors and venture capital firms, and people who are looking to invest, are looking for that scale. They want a workforce who will be able to come and live in the region, and then make their lives in the region and not have to move around. You cannot do that without the scale, and you cannot get the scale without that connectivity.

Q212 **Sara Britcliffe:** Is there any mechanism for capturing the land value increases that may arise from the project?

Huw Merriman: We just touched on that. I gave the example of one where, while we are funding the bulk of it, the project sponsor is the local authority which also deals with planning. They have the mechanisms to be able to capture land value in a smart way. It is more limited in this particular situation because it is down to the local planning authorities to make determinations, and this is being delivered by the East West Rail company on behalf of Government. There is more of a challenge to be



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able to capture land value in this particular project, compared to the way that I described in Northumberland.

Of course, we all share in the proceeds when the economic growth increases and tax receipts increase. We receive the return in that way, but there is not the same direct capture as I just described up in Northumberland. It will be interesting to get the Committee's ideas on how that can be captured better. It is something that I have a real passion for myself.

Q213 Chair: I want to look back to the discussion we have had about having a wider appraisal. You touched on our current model. One of our exam questions is, "Is there a better model?"

Dame Bernadette, you talked about your six strands of delivery. Arguably, should that not come first to appraise what the benefits are before the stop-go decision is made? I appreciate that some of the wider benefits are difficult to encapsulate, but there are also costs. With extra housing come extra utility costs and public service costs. What we are trying to arrive at is a better mechanism for capturing, beyond the narrow BCR, both the wider benefits and the costs. If you had your time over again with this project, how would you have done it better to appraise it in the round?

Dame Bernadette Kelly: In some ways you are asking me whether we should do all the work in Government to come up with detailed plans to map out the entirety of interventions, and could we have done that before we started the railway? My experience of many years of working in Government on these things is that it is quite hard genuinely to get a focus on specific action plans that Departments across Government will then be taking forward, when you do not have a catalyst for that work and for that kind of investment of money, time and effort. In this case, East West Rail is that catalyst.

In an ideal world, would I like to have a 20-year mapped-out plan for every single big transformational project we do? That would certainly make life easier, but in reality—we see it with other major projects as well—that is not how our system works. You need to be clear about a strategic case and about what the proposed investment is, and then use that to drive the benefits realisation. The benefits will not be realised in the end by everybody else, whether private sector or other bits of Government, unless they believe that the transport investment is happening. I think that is why we are where we are. We can imagine different worlds, but I am not sure they are necessarily more plausible than the one we are in, or more deliverable.

Q214 Chair: That is a question we are trying to—

Huw Merriman: It is a bit chicken and egg, to a certain extent. As you rightly say, the railway line is fixed on its first phase as it goes from Oxford to Bletchley, and then we move from Bletchley to Bedford. Then there is the choices part because we are dealing with new railway. We



still have to go through the two statutory consultation processes. There is then the development consent order, and then there will be another full business case put together on the back of that. There are still determinations to be made. While the board is set up to work on the basis that we will deliver in full from Oxford to Cambridge, there are still some variables in the process that then impact on how the board can deliver its work.

I just put that part in because we expect to have the first phase completed by next year. The other work, particularly between Bedford and Cambridge, involves new lines. Therefore, it is right to have the two running alongside each other in terms of realising the benefits and working across Government to do that. At the same time, there are still determinations to be made about how it is done.

Dame Bernadette Kelly: I was just reflecting on your point, while listening to the Minister as well. Reflecting on my own experience of these large projects, whether it is HS2, East West Rail or now looking at Northern Powerhouse Rail, typically, at the initiation stage, there is a great focus on the wider economic case, the benefits and the long-term strategic vision for the project and region in place. There is sometimes a tendency, when we start the transport investment, for that to fall away and for us to narrow our sights on to delivering a railway. What we therefore need to be better at doing in Government—I think we are actively doing this now on East West Rail—is not allowing that to happen but always maintaining the strategic focus. I think that is what the NAO report was really challenging us to do.

The recommendations in the NAO report were entirely sensible. As I look at them, I think we are pretty much acting on all of them now. It is all about reigniting wider cross-Government collaboration and partnership with the private sector and local authorities to deliver on the vision. A lesson I would take from all of this is to make sure that that wider collaboration is always there at every stage in the project.

Q215 **Mick Whitley:** Dame Bernadette, the rationale for the DFT's investment in East West Rail is based on its wider strategic case. Can you set out how that strategic case has evolved over time—for example, housing plans being changed and roads cancelled?

Dame Bernadette Kelly: I can talk about what the strategic case is, but it is a matter of policy and ministerial choice as well. I will start and then hand over.

The Oxford to Cambridge region is one of the highest growth regions of the country. It also has one of the highest potentials for growth in the country. Poor connectivity is constraining that growth. It is world-leading in its innovation, tech clusters, universities and high-value jobs. The strategic case is that better transport connectivity will allow us to grow that economy, grow those jobs and grow that value, bringing more people into those jobs.



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At the moment, it is unusual, in that some of our other growth projects are about regeneration. What is unusual about East West Rail is that the lack of transport connectivity is a known bottleneck now to business investment, homes, jobs, the creation of more lab space and so forth in Cambridge. Right now, the lack of connectivity is a natural bottleneck. If you tackle the bottleneck, you allow further growth. I think that is the fundamental of it, but I am sure that either Beth or the Minister can give a better version.

Huw Merriman: I will be very brief because I have already touched on this. It is to allow both Oxford and Cambridge to continue to be at the top of their game and to compete globally in bioscience, bio-health and technology. They will only be able to do that if there is a workforce behind it. The opportunity is to deliver that workforce. Anyone who drives or cycles around Oxford or Cambridge will see how constrained they are from a car perspective. We need to be able to deliver people there in a manner that is more sustainable from an environmental perspective and from a productivity perspective in terms of congestion.

The other thing to add—as Mr Smith will be well aware in his constituency, and I am from growing up in the area—is that there is already a huge amount of housebuilding going on between Oxford and Cambridge right now. Therefore, the ability to deliver a railway will also provide better productivity for people to travel. There will be better inputs on the environment as well. That is the driver for why the railway is being planned between Oxford and Cambridge.

Q216 **Mick Whitley:** What levers does the DFT have within Government to ensure that those wider aims are achieved?

Huw Merriman: Our ability to work really closely with the Department for Levelling Up—an example is Will being here—allows us to do that, and not just in this particular example. I sit on a number of inter-ministerial groups, where we look, for example, at where we can specifically help Bradford, Crewe and some other parts of the country, where there is levelling-up funding going in. The Department for Levelling Up will want to know, “What transport additions can you put in here?” If we see it as an area for growth and regeneration, we need to make sure that transport infrastructure is in place for us to do that. Vice versa, we don’t want to build a railway where we are not going to get any economic growth or benefits from it. We already work really well together. The growth board that Bernadette described will allow us to do that. It is chaired by Treasury, so it is bringing more than our two Departments together.

Q217 **Mick Whitley:** Will, according to the NAO report, DLUHC does not have a team dedicated to supporting the East West Rail project. Can you set out how East West Rail fits within the strategic aims set by your Department?

Will Garton: Yes, of course I can. That is absolutely right. We had a dedicated team looking at East West Rail. When we made the decision to



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disband the OxCam arc as previously envisaged, that team was moved to other things. We now have a bottom-up, locally led approach, with the local planning authorities along the line taking a lead on new housing developments. As I mentioned earlier, the Government are funding some of those developments to help them get off the ground, but it is not done centrally by the Department. That is the Government's approach. It is a policy decision to do it that way round.

The team that I have working for me, though, where I think we will get huge benefits from East West Rail, is focused on delivering the Secretary of State's ambition for Cambridge. The Minister and Beth have already talked about the constraints in Cambridge. We have there a jewel in the UK's crown. It is highly constrained by lack of lab space. Some of our most successful tech firms are waiting a year or more to get lab space.

There is simply not enough housing in the region. That is why the Secretary of State has spoken about a new quarter in Cambridge, built in a way that is consistent with the city and is integrated into the city. The Chancellor will say more about it in the Budget this afternoon. DLUHC has a huge focus on Cambridge, specifically Cambridge South, because this is a massive economic opportunity for us all. The constraints on growth are very real, and that is where the Department is putting its efforts now.

Chair: I am conscious of time. We are in the last 10 minutes, and we still have a few areas we want to cover. I urge brief questions and answers.

Q218 **Jack Brereton:** Beth, I want to ask about communication with communities. That is another issue identified by the NAO as not being good enough. What have you done to improve that communication?

Beth West: This is something that is extremely important. I take my responsibilities to the taxpayer very seriously. To give you an example of what we have been doing, we have set up 15 local representative groups across the region. We meet on a regular basis. We have had over 90 meetings with parish, ward and county councillors who sit on those local public representative groups. Last year, after we had our route update announcement, we had 21 drop-in events across the route. They were attended by 2,300 people. That was the opportunity for people to come in, ask us questions and have a greater understanding of the route.

We have to balance our budget. We cannot spend endless amounts of money on having these events. We are trying to strike a balance between how we engage with the community, which is very important, and, most important, listening to what those responses are. To give you an example, in the non-statutory consultation on the Marston Vale line, we had conflicting responses, with one half of a group of people saying that they wanted one set of outcomes, and another half saying that they wanted a different set of outcomes. We have to balance how we get the widest possible benefits and understanding what those responses are. We are always balancing our obligations to the taxpayers to keep our budget as low as possible and wanting to get the best engagement with



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communities. We are constantly adapting, changing, learning and listening to make sure that we have as much engagement as we possibly can.

When we have our statutory consultation in the summer, we will again be having drop-in events where we will record responses from the public. We will be receiving formal consultation responses from the public, and then we will have our second planned statutory consultation next year. Again, that is another opportunity, which is not normal for what projects of this scale do. We are having two opportunities for the public to respond through the consultation process.

Q219 Jack Brereton: Dame Bernadette, this seems to be a common theme. We have seen with other major infrastructure projects, such as HS2, in my own area in Staffordshire, very poor communication with communities. Is this not something that is a common theme that seems to be emerging across major infrastructure projects in the UK?

Dame Bernadette Kelly: I think it is always the case that, when major infrastructure projects are in the process of being built, it is disruptive for local communities, and that gives rise to a lot of concern from local communities. That is absolutely a theme. The challenge for East West Rail, HS2 and Network Rail, when they are involved in delivering these projects, is to be excellent at engaging with those communities, to mitigate and manage the disruption, and to understand the concerns that people have.

It is a feature of major projects, yes. I think the challenge is to be as good as we possibly can be to all our delivery partners at addressing those local concerns. This is something that the Minister challenges us on as well.

Huw Merriman: I am conscious of time, so I won't give you reasons why we agree entirely with that.

Beth West: The other issue we have is about when we provide information. This is really difficult because designs are always progressing and developing. What we do not want to be doing is putting information into the public domain that might be misleading. We have to be very careful when we share information. We want to make sure that what we are sharing with the public is the right information at the right time.

Q220 Jack Brereton: In terms of learning lessons from East West Rail on some of the issues that we have had and how we can improve for the future, particularly when we are thinking about Network North and some of the other schemes, what more is being done to ensure that we learn those lessons when taking projects forward, particularly around ensuring that we take account of more of the strategic benefits from those projects?

Huw Merriman: We will be in your hands in terms of recommendations that you make. I am going up tomorrow to see the East West Rail team



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for the final part of track laying. The first phase is being delivered to time and budget. It would have been delivered earlier if there hadn't been a third-party issue. I think Beth's team have done really well on that.

The first thing is that we often look at projects when we haven't got the time and budget right, but East West Rail is one that has. I want to learn the positive lessons for others as to where they can utilise that. East West Rail is a slim team. There is something to be said for that. We will always make sure that we learn lessons, as we are from Crossrail in terms of the digital tie-in of the railway to HS2. We need to learn those lessons as well.

- Q221 **Jack Brereton:** In terms of assessing this—obviously BCR was done for the whole project, I presume, or as a corridor—is there thought about possibly doing that for other schemes? We talked about the east-west link from Felixstowe across to Liverpool via Stoke-on-Trent. We want to enhance that. At the moment, it seems very piecemeal. We obviously have the Ely junction scheme. We have some other pockets of schemes that are happening, but is there not a thought about looking more, when we are doing these assessments, at whole-corridor assessments so that we can properly extract the benefits of those schemes?

Huw Merriman: That is a really good point. With Northern Powerhouse Rail and the inclusion of Hull, and also the electrification in north Wales, you can look at it strategically as going from Holyhead all the way through to Hull in that particular part. The question is whether there are any parts that aren't included. Strategically, do we need to look at that because it gives a much higher BCR, or indeed because it is a much bigger transformational opportunity if we are looking beyond the BCR, as we have talked about? That should be driving our decision making. I agree very much with that.

Dame Bernadette Kelly: There are areas where we try to use whole-corridor methodology and bring that into our thinking as well. We have certainly done that quite a lot on the roads side, where we have looked at corridor impacts and benefits alongside the impact of enhancing a bit of a road in one particular place. It is a concept that we definitely already think about, but I am sure there is more we can do there too.

- Q222 **Grahame Morris:** I will be as quick as I can. Beth, I will come straight to you about electrification. I saw some of your comments—you may have seen the earlier panel—about the need to address transport emissions, environmental challenges, decarbonising transport and tackling climate change. Will this line be electrified from the beginning, and how much more would it cost to retrospectively electrify the line?

Beth West: You will appreciate that we are working very closely with the Department overall on the decarbonisation objective. We are trying to make sure that we are absolutely part of what that strategy is going to be. The first phase, which will be opening next year, will be running on



diesel trains, but we will be announcing what our traction power solution is going to be in the statutory consultation.

Q223 **Grahame Morris:** Will they be tri-mode trips, or will it be exclusively diesel?

Beth West: That will be part of the consultation exercise.

Q224 **Grahame Morris:** I am short of time, so I will go straight to the Minister. You touched on Northern Powerhouse Rail and what strategic objectives you are going to prioritise when appraising Network North's proposed projects. What lessons have you learned from that process, particularly in relation to the BCR and other factors that you will apply when you are looking at schemes from my region?

Huw Merriman: It is very important. It places the accounting officer in a difficult position in terms of the BCR. We talk about the transformational opportunities. We look beyond that, and we have given examples. The Jubilee line and Canary Wharf is one such, but there are others where, in hindsight, you think that the BCR was far too negative compared to what really happened. I want that to be our guiding light. The challenge to Dame Bernadette, from the Transport Department's perspective, is that that requires a letter, which then requires a ministerial direction, because it doesn't look a strong enough BCR. That is why we are interested in your ideas as to how we can properly value a project from the outset and allow it to go forward without that difficulty in place. As you say, it regenerates areas. It provides a huge amount of opportunity and skills. It gives young people an opportunity that they would never have had without a railway. I am really passionate about those projects. I want them to score properly as well.

I want to touch on the electrification point. Great Western Rail have just finished a battery exercise that allowed them, on a single charge, to deliver 86 miles of journey. Between Oxford and Cambridge, the indicative mileage is 84, so that would demonstrate that the technology is getting us to a place where battery technology, and the ability to charge as you go, would allow this form of technology to be put in place. That is the test that GWR are putting in place in Greenford. Yes, the starting point has been diesel because of the architecture of the existing line, but we are looking to make decisions for the summer, working with the Treasury, as to whether we can come up with a better form of transport technology that decarbonises the line.

Q225 **Grahame Morris:** There was a very good example, which we saw in Glasgow. Do you remember the self-charging battery train?

Huw Merriman: Vivarail. The test I have just described is Vivarail. When it went into administration, GWR took over the assets, with Department funding. They are using that. As I say, they have a three and a half mile stretch of line where you charge, and then it allows the train to continue. That is what I would like to see in place on East West Rail.



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Chair: Thank you. I am sure we could continue the discussion, but there are other parliamentary events today, so I will draw this session to a close. We will be revisiting the subject later on in our inquiry, but, for now, thank you.