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The Rt. Hon. George Osborne MP  
Chancellor of the Exchequer and Chair  
of the Public Expenditure Committee  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

**Date: 14 September 2010**

Dear Chancellor of the Exchequer

## **Investing in London's transport system to ensure future economic prosperity**

At this stage in the spending review process, we, as members of the cross-party Transport Committee and Economic Development, Culture, Sport and Tourism Committee of the London Assembly, are writing to urge the Government to maintain its planned investment in Crossrail and upgrading the Tube. As Assembly Members we represent London; however, we believe the case for Crossrail and upgrading the Tube is a national not regional issue.

Government funding for these major transport projects is vital. It will not only help to deliver significant improvements to the capital's ageing public transport system which already delivers over 10 million journeys a day but will, as a result, support the capital's long-term economic growth and competitiveness as a global city. In turn, given London's pre-eminence in the UK's economy, this will generate economic returns which benefit the whole country.<sup>1</sup> London is the engine room of the UK economy. It has been reported that together, London and the South East provide 43 per cent of all tax revenues in the UK. In 2007/08, it is estimated that the capital contributed between £14-19 billion to the rest of the country via a tax export.<sup>2</sup>

In setting out the case for maintaining planned government investment in these transport projects, we draw on findings from our past work. These include the Transport Committee's reports on Crossrail, 'Light at the end of the tunnel' (February 2010), and upgrading the Tube, 'Too close for comfort: passengers' experience of the London Underground' (November 2009). We are also following up a letter sent to the Secretary of State for Transport in July stressing the need to maintain planned investment in these projects.

In our previous report on Crossrail, we highlighted its significant potential benefits. It will add 10 per cent to London's rail capacity and is expected to generate at least £36 billion in current prices to the national GDP over the next 60 years while alleviating current congestion and overcrowding on the transport system. Although Crossrail could be seen as an easy project to cut in the current fiscal climate, we argue such an approach would be a mistake. It underestimates the long-term economic benefits the project could bring. Indeed, we heard one estimate that Crossrail would generate around £22 billion over ten years for central government in extra tax take, increased property levies and fare profits.<sup>3</sup>

<sup>1</sup> See 'Greater returns – transport priorities for economic growth', London First, June 2010

<sup>2</sup> 'London's transport upgrade: Britain's future growth', TfL report, July 2010

<sup>3</sup> 'Crossrail: light at the end of the Tunnel', Transport Committee, February 2010, Executive Summary

In our most recent report on upgrading the Tube, we noted how this was now the transport mode of choice for more than a billion journeys a year – more journeys than on the entire national rail network. As a consequence, Tube passengers were experiencing serious levels of overcrowding and the ageing network was often stretched. During the busiest hour in the morning there are more than four people per square metre in trains on some parts of the London Underground network. This reinforces the importance of investing to create much-needed extra capacity and realise a Tube service which will continue to make London an attractive place to live and work.<sup>4</sup>

In recent months, many people and organisations will have stressed to the Government the importance of investing in a range of infrastructure projects. Nevertheless, we think it is important to reiterate the case for investing in Crossrail and upgrading the Tube. Combined, these two transport projects are expected to add an estimated £78 billion to the UK's wealth. Alone each project could deliver a range of considerable benefits as summarised below.<sup>5</sup>

The case for maintaining planned government investment in Crossrail includes:

- Whilst the Government's contribution to Crossrail is £5 billion, more than 60 per cent of the funding comes from Londoners and the private sector – these sources would be lost for good if the project was stopped or curtailed;
- The benefit to cost ratios for Crossrail range from 2:1 to 3:1;
- Crossrail will bring 1.5 million more people within a 45 minutes commute of the existing major employment centres of the West End, the City and Canary Wharf<sup>6</sup>; and
- Crossrail will deliver much needed jobs and investment in the construction industry – an estimated 14,000 jobs between 2013 and 2015.

The case for maintaining planned government investment in upgrades to the Tube includes:

- Many of the Tube's assets such as signalling and the trains are in urgent need of replacement – signalling equipment dates back to the 1920s and 1930s and 40 per cent of Tube trains have exceeded their intended life span;
- Without renewal now, the Tube will cost more and more to run, become more and more crowded and become increasingly subject to failure – this will have a real impact on jobs and investment in London;
- The benefit to cost ratios for the individual Tube line upgrades range from 6:1 to 10:1;
- The upgrades to the Tube will add £36 billion to the economy; and
- Without upgrades, operating old trains with old signalling means a reduction in capacity of 30 per cent and it increases the risk that companies will take their business elsewhere.

Whilst we recognise the current fiscal challenges, it is clear any cuts to the Government's planned investment in Crossrail and upgrades to the Tube are a false economy. As outlined above, these are major strategic transport projects which are crucial to delivering much needed improvements to London's transport system and ensuring its long-term economic prosperity. In turn, they have potential to generate wider benefits for the whole UK economy.

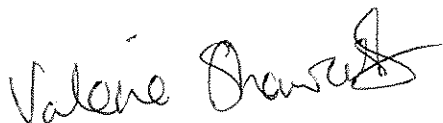
<sup>4</sup> 'Too close for comfort: passengers' experience of the London Underground', Transport Committee, November 2009, Executive Summary

<sup>5</sup> All these points are drawn from 'London's transport upgrade: Britain's future growth', TfL report, July 2010

<sup>6</sup> Crossrail business case summary report, Mayor, TfL, DfT, Crossrail Ltd, July 2010

We trust that the Government recognises the importance of these projects and will maintain its planned investment as part of the outcomes of the spending review to be announced shortly.

Yours sincerely



**Valerie Shawcross AM**  
**Chair of the Transport Committee**



**Len Duvall AM**  
**Chair of the Economic Development, Culture,  
Sport and Tourism Committee**

The Members of the Transport Committee are: Valerie Shawcross AM, Chair, (Labour), Caroline Pidgeon AM, Deputy Chair, (Liberal Democrat), Victoria Borwick AM (Conservative), James Cleverly AM (Conservative), Jenny Jones AM (Green), Joanne McCartney AM (Labour), Steve O'Connell AM (Conservative), Murad Qureshi AM (Labour) and Richard Tracey AM (Conservative).

The Members of the Economic Development, Culture, Sport and Tourism Committee are: Len Duvall AM, Chair, (Labour), Dee Doocey AM, Deputy Chair, (Liberal Democrat), Tony Arbour AM (Conservative), John Biggs AM (Labour), Andrew Boff AM (Conservative) and Victoria Borwick AM (Conservative).

Cc: Members of the Public Expenditure Committee: Chief Secretary to the Treasury (Deputy Chair) – The Rt. Hon. Danny Alexander MP; Foreign Secretary – The Rt. Hon. William Hague MP; Minister for the Cabinet Office and Paymaster General – The Rt. Hon. Francis Maude MP; and Minister of State at the Cabinet Office – The Rt. Hon. Oliver Letwin MP.

The Rt. Hon. Philip Hammond MP, Secretary of State for Transport

