

# Light at the end of the tunnel

The construction of Crossrail

February 2010

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## Chair's foreword

Crossrail is a hugely important transport project for the capital. It will generate jobs, ease congestion and overcrowding, speed up journey times and create a direct route into the centre of the capital for areas to the east and west. It is not surprising therefore that it has been a key element of both the previous and current Mayor's Transport Strategies.



Now a funding package has been agreed and the relevant legislation has been passed, attention should now be shifting to the construction and delivery. The forthcoming General Election and the state of public finances has however cast some doubt over the project with some questioning whether now is the right time to be investing so much money in new transport infrastructure.

There is a broad consensus across London government that Crossrail should go ahead as planned. We support this. We have highlighted in our previous reports over the last 12 months the extent to which overcrowding on the public transport network is affecting Londoners and the capital's productivity. Crossrail has the potential to provide a major boost to the London economy during its construction and, as we heard during this investigation, will be a key driver for both the London and UK economies once it comes into operation.

As we show in this report, the next 12 months will see a significant increase in the scale of the work along the route as stations are redeveloped and preparations are made for tunnelling. The onus on Crossrail Ltd is now to demonstrate that it can minimise the inevitable disruption building such a major infrastructure project will cause and that it can deliver it to time and to budget. We also want to see Crossrail deliver a genuine legacy for London in terms of jobs and skills, and the environment.

The Committee's role is to ensure transparency and accountability in the building of Crossrail. We look to Crossrail Ltd to publish the planned whole-life cost of the project including contingency once its current negotiations with HM Treasury have been completed. It must then report regularly against the project's various cost and delivery milestones. In this way, Crossrail Ltd can be held to account for its

performance and any emerging problems can be highlighted before the consequences become too great.

We also want to see Crossrail improve its relationship with Londoners. The early experience of those whose businesses and homes have been compulsorily purchased was far from positive and lessons must be learned from the way these transactions were handled.

Londoners are paying a considerable amount for Crossrail and will continue to do so for the next few decades. It is more important than ever therefore that the cost and construction risks are managed as well as possible and that Crossrail delivers the benefits that we have been promised. This report is likely to be the first of a number from this Committee over the coming years as we seek to ensure on behalf of Londoners that Crossrail justifies our support.

**Caroline Pidgeon AM** 

Chair, Transport Committee

# **Executive Summary**

The construction of Crossrail represents the largest infrastructure project in Europe and London's first new railway for over 20 years. It will provide for the first time direct links from Berkshire in the west and Essex in the east into Heathrow, central London and Canary Wharf. In doing so, it will provide a new underground line through central London which is anticipated to add 10 per cent to London's rail capacity. Crossrail is forecast to generate at least £36 billion in current prices to the national GDP over the next 60 years.

Needless to say, these benefits do not come cheap. A £15.9 billion funding package has been made available of which London will contribute £7.8 billion, mainly through borrowing against a supplement to the business rate and future fares. The scale of this borrowing means Londoners will be paying for Crossrail for at least the next 25 years.

The Committee supports Crossrail and recognises the extent to which it is integral to the Mayor's Transport Strategy to alleviate congestion and overcrowding. We also recognise that a project of this scale in the current economic and political environment is at risk. As reducing the level of government debt becomes a political imperative, cutting a major infrastructure project like Crossrail has the potential to be seen as an easy cut. We believe this would be a mistake and that arguments to scrap Crossrail underestimate the long-term economic benefits the project would bring not just to the capital but the whole UK.

Indeed, a closer examination of these economic benefits as set out in this report suggests that central government is getting a very good deal out of Crossrail. We heard one estimate that Crossrail will generate around £22 billion over ten years for central government in extra tax take, increased property levies and fare profits. In this light, central government's £8 billion contribution to the costs seem very favourable.

As such, the Committee believes that London is providing more than its fair share of the funding. Why, for example, are the areas outside the GLA boundary which will benefit considerably from Crossrail not contributing to its cost? Similarly, the heads of terms agreed between the Government and Transport for London do little to reassure us that the risks of significant cost over-runs will not fall disproportionately on the capital.

Within this context, we argue in this report that it is more important than ever that Crossrail Ltd, the wholly-owned subsidiary of Transport for London established to build the railway, is open and accountable to Londoners. We request that it sets out its forecast costs for each part of the line and details of its contingency. Similarly, it should report regularly against these forecasts so that early problems can be identified and remedial action taken.

We also note the significant challenges coming up over the next 12 months for Crossrail. Not only does the project need to maintain its political support as we approach a General Election but also the construction work that is due to start in this period will affect large numbers of Londoners. We express concern in this report about the way Crossrail Ltd has handled the exercise of its compulsory purchase powers in central London. We heard of "bland, impersonal, unhelpful communication" with businesses whose livelihoods were being affected. We were disappointed in the initial response we received from Crossrail Ltd to these concerns which appeared to apportion blame to the businesses affected. Lessons must be learned from this experience.

Finally, we consider the legacy that a completed Crossrail might deliver for the capital in terms of skills and employment, and the environment. Such a huge construction project has the potential to create jobs for unemployed Londoners and provide skills for those currently without them. Similarly, this is an opportunity to demonstrate best environmental practice in terms of energy consumption and the design and build of the trains, line and stations.

Crossrail is a major project for London and the UK and with a project of this scale there are inevitably huge risks. It needs to be delivered on time and to budget and to offer a long-term skills and environmental legacy. Londoners will be paying for this new railway for a long time both financially and in the disruption to their daily lives. We will continue to monitor the delivery of Crossrail to ensure that the risks are being managed well and that the benefits promised are delivered.

## Introduction

A new railway linking the east and west of London through the centre of the capital has been talked about for so long Londoners would be forgiven for being sceptical that it would ever happen. The history of the Crossrail project goes back many decades with hopes being raised in the early 1980s before the relevant legislation fell.

The last couple of years have seen some significant developments though. The legislation has been passed, a new company, Crossrail Ltd, has been established and a £15.9 billion funding package has been agreed. The Crossrail route (see page 14) has now been agreed.

Residents, businesses and visitors to the Tottenham Court Road, Paddington, Farringdon and Canary Wharf areas of London will have seen at first hand the start of this major infrastructure project. As this report shows, the next 12 months will see a huge acceleration in the building work and the physical manifestation of London's first new railway line for over 20 years will become readily apparent to all Londoners.

#### The case for Crossrail

But why is Crossrail needed? This Committee has carried out two investigations in the last 12 months which highlight the intolerable overcrowding experienced by Londoners and commuters to the capital on both the railway and the underground.

Our report on rail overcrowding<sup>1</sup> found that, on average, trains in London and the South East are carrying 3.5 per cent more passengers than the recommended maximum capacity during the morning and evening peak periods. On the most overcrowded trains, this figure is around 40 per cent resulting in five passengers squeezed into every square metre of standing space on board.

We found that overcrowding is projected to worsen considerably. Transport for London (TfL) has projected that demand for rail in the capital will grow by 30-40 per cent over the next two decades as the population increases and the economy starts to grow again.<sup>2</sup> TfL told

<sup>&</sup>lt;sup>1</sup> "The big squeeze: rail overcrowding in London", London Assembly Transport Committee, February 2009

<sup>&</sup>lt;sup>2</sup> A rail strategy for London's future: Statement of case [Rail 2025], Transport for London, 2007

us that its modelling shows a large number of areas where severe crowding will persist up until 2026 if the issue is not addressed.<sup>3</sup>

The situation is arguably even worse on the underground which provides over one billion passenger journeys in the capital each year. Our investigation into passenger experience on the underground captured the stresses and frustrations faced by passengers squeezed on to busy tube trains or unable to board the first train that arrived. The present programme of upgrades will increase capacity but this is unlikely to keep pace with the expected growth in demand.

The Mayor's draft transport strategy sets out this likely increase in demand for transport in London over the next 25 years. Our response to the Mayor's developing proposals described TfL's projections of increasing congestion and overcrowding as an "alarming prospect". The draft strategy notes that in 2007 the city was home to 7.6 million people and 4.7 million jobs, generating about 24 million trips a day; around 1.3 million more people and over 750,000 more jobs are expected to be accommodated in Greater London by 2031. This will lead to at least three million more trips each day.

Overcrowding makes London a less attractive place to do business and the capacity on the transport network is a common theme of those lobbying to protect the capital's competitiveness. London First, which represents the capital's leading employers, summarises this position starkly: "London's transport capacity is full". <sup>5</sup> It goes on: "A safe, comfortable and efficient transport system is essential to support London's growth and maintain London's competitiveness as a global city". Additional capacity is an imperative for London to provide such a transport system.

Crossrail is an integral part of the plans to increase the required transport capacity and therefore a key element of the Mayor's Transport Strategy. It will add 10 per cent to the overall capacity of London's rail network and link areas to the east and west of outer London with the City, West End, Canary Wharf and Heathrow Airport. As the Mayor's draft Transport Strategy puts it: "Crossrail provides the

<sup>&</sup>lt;sup>3</sup> Written submission from Transport for London to the Committee's rail overcrowding report, February 2009

 $<sup>^{\</sup>rm 4}$  London Assembly Transport Committee response to the Mayor's Statement of Intent, p 8

<sup>&</sup>lt;sup>5</sup> See, for example, http://www.london-first.co.uk/transport/

<sup>&</sup>lt;sup>6</sup> Transport for London Business Plan 2009/10-2017/18, October 2009, p 25

largest single increase in public transport capacity exactly where it is most needed" 7

Purely in transport terms the new railway is forecast to deliver over £16 billion worth of economic benefits from journey time savings; reductions in crowding and improved journey ambience; benefits to mobility impaired passengers; road journey time savings through reduced traffic congestion; and savings from reduced vehicle operating costs and reduction in accidents.<sup>8</sup>

But Crossrail's economic benefits go far wider than those measured purely in transport terms. Taking into account recognised measures of wider economic benefits such as enabling the clustering of productive companies, increased labour force participation and efficiency benefits to firms from reduced transport costs, Crossrail is expected to benefit the UK economy by a further £7.2 billion. Once fare revenue is included, the benefit cost ratio of the project is estimated at 2.6 to 1. The Mayor's Transport Strategy estimates the benefits of Crossrail to be worth at least £36 billion in current prices to the national GDP over the next 60 years.  $^{10}$ 

#### A Crossrail consensus?

The anticipated benefits of Crossrail to the London and UK economy have led to a broad coalition of support for the project from all the major business groups in London. It has also been strongly supported by both the previous and current Mayor.

Nevertheless, the economic downturn has inevitably led to questions being asked about the £15.9 billion funding package being made available for Crossrail. A change of government in the forthcoming general election may lead to a re-examination of financial priorities and increased pressure to reduce the scale of government debt. Large capital investment projects are particularly vulnerable at such times.

There are outstanding questions around the funding and costs of Crossrail which we examine in more detail in the next chapter. However, any issues raised about this should not detract from the fundamental case for Crossrail and its importance to both the London

<sup>&</sup>lt;sup>7</sup> Mayor's draft Transport Strategy, para 262

<sup>&</sup>lt;sup>8</sup> "An economic appraisal of Crossrail: a summary", Crossrail Ltd, 2005, p 1

<sup>&</sup>lt;sup>9</sup> Ibid, pp 3-6

<sup>&</sup>lt;sup>10</sup> Mayor's Draft Transport Strategy, para. 263

and UK economy. The Chairman of Crossrail Ltd, Terry Morgan, pointed out to us that this is not a project awaiting approval; it is approved. He saw his job, in part, as being to emphasise the status of the programme and the business case underpinning it.

The Chief Executive, Rob Holden, set out the risks of the case for Crossrail being undermined: "I really think we ought to focus on the positive and capitalise on what we have got because it is very easy to lose momentum on projects and, once you do that, then that is a real, real problem". The Committee agrees and would like to place on record its support for Crossrail.

We recognise the importance of Crossrail to London's economy and support the project. During a period of expected tightening of public spending large infrastructure projects are an easy target. We believe that any moves to delay or even cancel Crossrail would be a huge mistake and would fail to recognise the substantial long-term benefits to the UK economy. We strongly urge that whatever the make-up is of the government in power after May 2010 it maintains the strong consensus between London and central government that has finally enabled this crucial piece of infrastructure to get off the ground.

We want to see Crossrail delivered on time and to budget. The Committee sees our role as acting as a "critical friend" ensuring accountability and good governance that will help to ensure the project delivers the economic and social benefits that Londoners expect. This report and our ongoing scrutiny of Crossrail are aimed towards this end.

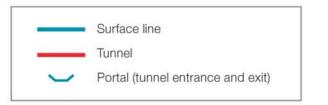
Within this context the remainder of this report examines the funding and costs of Crossrail; the challenges expected over the next 12 months; and the potential legacy that the Crossrail project could deliver to London in terms of the environment and skills.

We intend to return to this issue in a year's time and maintain a watching brief on progress with construction. This report is intended to set a context for this ongoing scrutiny by establishing the milestones for the project and ensuring all those involved report publicly on progress against them.





Route Map





# **Funding and costs**

#### A fair funding package?

In October 2007, the Government announced details of a £15.9 billion funding package for Crossrail. This package broadly splits responsibility for raising the funding between the Mayor (£7.8 billion) and central government (£8 billion). The full breakdown over the construction period to 2017 is set out in the table below.  $^{11}$ 

Sources of Crossrail funding	£ million
GLA funding	4,103
Developer contributions	600
Cash funding from TfL group	2,556
Sale of surplus land	545
GLA group total	7,804
Department for Transport	5,519
Network Rail	2,300
Other	200
Total Crossrail funding	15,823

The bulk of London's funding is to be financed by borrowing which will be repaid from a business rate supplement charged by the GLA and revenue to TfL from fares once the railway is operational.

The Mayor recently announced details of the new business rate supplement (BRS) which is intended to provide £4.1 billion of the project costs. The BRS will finance and ultimately repay £3.5 billion worth of borrowing and a further £0.6 billion from the BRS will directly

<sup>&</sup>lt;sup>11</sup> Adapted from the Transport for London Business Plan 2009/10-2017/18, p 28

<sup>&</sup>lt;sup>12</sup> Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project Final Prospectus, January 2010

fund construction. The GLA expects the BRS will run for a period of between 24 and 31 years until the borrowing is repaid. It is estimated that £8.1 billion will need to be collected through the Crossrail BRS over its lifetime once financing costs are included (the cost of interest on the borrowing is estimated at £4 billion). The BRS will be charged at 2 pence in the pound from 1 April 2010 for all business properties in London with a rateable value above £55,000.

The Crossrail BRS has not been without its critics particularly from some outer London boroughs to the south and north of the capital. Enfield and Haringey are part of a North London Strategic Alliance which argued for a two-tier levy which would have halved the contribution from boroughs in the north and south. They, and some boroughs to the south of the river such as Merton, Kingston and Croydon argue that these boroughs will not see the same level of benefits as those in the east and west. London Councils raised the potential impact of the compulsory BRS on the voluntary contributions firms are encouraged to make to local Business Improvement Districts, a point also made by South London Business, a membership organisation representing businesses in the area. In the area.

The Mayor rejected these arguments in his final proposal noting that "all boroughs will ... see benefits, through job creation, greater distribution of wealth and the easing of congestion on the existing Tube and rail network". <sup>15</sup> He also argued against offsetting the BRS for companies contributing to Business Improvement Districts (BIDs) on the grounds that BIDs were for local projects unrelated to Crossrail; it would create incentives to establish BIDs for the purpose of offsetting BRS liability; many voluntary business associations would not be permitted under the legislation to receive relief against their BRS; and the "wider argument on the grounds of fairness and consistency". <sup>16</sup> TfL is currently assuming that its £2.4 billion of Crossrail related borrowing will be undertaken during the period 2010–2018. TfL has agreed a £1 billion loan from the European Investment Bank, that will be drawn down over the next six years, at an average

<sup>&</sup>lt;sup>13</sup> "North South revolt over Crossrail levy", Evening Standard, 10 December 2009

<sup>&</sup>lt;sup>14</sup> see paper 7 to London Councils Leaders' Committee, 1 April 2008 and South London Business magazine issue 19, p 13

<sup>15</sup> see Crossrail Business Rates Supplement Q&A available from http://legacy.london.gov.uk/crossrail-brs/docs/questions-and-answers-jan10.pdf 16 lbid

interest rate of 4.9 per cent.<sup>17</sup> The remaining £1.4 billion is assumed to be borrowed at an average fixed interest rate of 5.75 per cent. TfL has not yet determined the exact repayment profile for all this debt, although it is anticipated to be repaid over 25-40 years reflecting the long life nature of the assets being constructed.

The scale of London's contribution to the Crossrail funding package became a subject of discussion almost as soon as it had been confirmed. In June 2008, a document published by the Policy Exchange on the challenges facing the new Mayor noted the net contribution by the London region to the UK Exchequer:

So, London consistently sends £13 billion net to the Exchequer but when it comes time to build London's first major piece of transport infrastructure for 18 years central government only wants to contribute roughly a third of the £16 billion even if London has generated the largest part of that every year for 18 years.  $^{18}$ 

The fairness of the funding package relative to the overall benefits to the wider UK economy was a subject of discussion at the Committee's meeting in January 2010. Joe Weiss, from the Corporation of London, argued that central government was getting "a good deal" out of the funding package and London was contributing a "disproportionate amount". He estimates that the extra tax take from new jobs, increased property levies and fare profits will generate around £22 billion over ten years for central government. 19

The Committee also noted in its meeting that eight of the 37 stations are outside the GLA boundary and businesses in those areas are not making a contribution through their business rates. The Chairman of Crossrail appeared to accept that this might not represent an equitable settlement: "I do understand that, when you look at it in terms of fairness, why aren't all the areas that benefit from Crossrail making a contribution, and they are not". <sup>20</sup> The Chief Executive pointed out that funding for work on the line and stations outside London is

 $<sup>^{17}</sup>$  "TfL agrees £1bn loan for Crossrail from European Investment Bank", TfL press release, 8 September 2009

<sup>&</sup>lt;sup>18</sup> Policy Exchange, The Million Vote Mandate, June 2008, p 25

<sup>&</sup>lt;sup>19</sup> See letter from Joe Weiss to the Committee reproduced as Appendix 2 of this report for details of the breakdown of these figures.

<sup>&</sup>lt;sup>20</sup> Transcript of Transport Committee meeting of 6 January, p 5

funded by Network Rail and that the GLA contribution is for the central section from which London will benefit most.<sup>21</sup>

The Committee recognises that the funding package was negotiated over a number of years and is unlikely to be revisited especially given that this would require amendments to the legislation. That said, the liability for cost overruns remains a matter of concern for the Committee especially given the large sums being borrowed against future business rates and fares by the GLA and TfL respectively.

There is a degree of uncertainty around this liability. A written parliamentary answer from the then Minister for Transport in October 2007 stated that if the costs increased above those funded, "Government would be the ultimate funder".<sup>22</sup> This is supported by the GLA's final prospectus for the Supplementary Business Rate which notes that under the Heads of Terms agreed between Government and TfL, TfL has a defined contingency amount and once this is exhausted TfL has the right to pass the project back to DfT. This is known as the 'put option'. The GLA BRS prospectus concludes that this provision "limits the GLA and TfL's financial exposure".<sup>23</sup>

Under this 'put option', the Department for Transport would acquire Crossrail Ltd "free of any debt". <sup>24</sup> TfL and the GLA would remain liable for the repayment of the debt secured to pay for the project. Fare revenue from a completed Crossrail would only be used to pay the interest and repay this debt after it has paid for the "operation, renewal and maintenance of the completed Crossrail project". The previous Mayor warned that a significant cost overrun on Crossrail could "devastate London's finances". <sup>25</sup>

The Committee recognises that London will benefit substantially from the construction of Crossrail. That said though, it is making arguably an unfair contribution to the project's costs. This especially appears to be the case when compared with the contribution made by, and expected benefits accruing to, central government and areas on the

<sup>&</sup>lt;sup>21</sup> Ibid, p 6

<sup>&</sup>lt;sup>22</sup> House of Commons Written Answers 30 October 2007, c1294W

 <sup>&</sup>lt;sup>23</sup> Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project Final Prospectus, January 2010, p 23
 <sup>24</sup> Heads of Terms in relation to the Crossrail project, November 2007, para 5.12.1
 <sup>25</sup> "A 16 billion bill that must keep Ken awake at night", Evening Standard, 27 March 2008

route outside London. This generous contribution would become particularly relevant in the event that there were cost overruns and additional funding is required to complete the construction.

#### **Recommendation 1**

We recommend that, should additional funding be required, London is not asked to contribute further to the construction of Crossrail and that consideration is given to extending a Crossrail levy to local authorities on the route outside the GLA boundary.

#### How much will it cost?

Responsibility for controlling the costs of Crossrail and delivering it on time and to budget lie with Crossrail Ltd, a wholly-owned subsidiary company of TfL. The company sits at the centre of a complex web of contractors and the project sponsors: the Mayor and central government. A summary of these complex structures is set out in Appendix 1 to this report.

The Chief Executive of Crossrail stressed to the Committee that the £15.9 billion figure is the maximum available funding for Crossrail, not the cost. He went on "our task now  $\dots$  is to deliver the project well within that amount". <sup>26</sup>

As part of this process Crossrail Ltd is currently going through a programme of work known as an initial control baseline. This will establish a target cost with a contingency. In response to a letter from the Chair of the Committee asking for the anticipated costs in 2010/11, the Chief Executive referred to this initial baseline process, which is due to be completed in April 2010, and said that it would not be until this point that any information about costs and milestones could be put into the public domain.<sup>27</sup>

It is clear though that significant sums of public money are now being provided for the anticipated increased pace of construction of Crossrail over the coming years. The table below shows the cash commitments

<sup>&</sup>lt;sup>26</sup> Transcript of Transport Committee meeting of 6 January, p 3

<sup>&</sup>lt;sup>27</sup> Letter from Rob Holden, Chief Executive of Crossrail Ltd, to Caroline Pidgeon, Chair of the Transport Committee, 21 January 2010.

to Crossrail Ltd as set out in the TfL business plan. This shows that cash committed to the company in 2010/11 will be over £1.1 billion, compared with around £700 million in 2009/10.

£million	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	Total
Crossrail Cash Commitments											
Cash Commitment											
(2009 revision) –											
Included DfT grant		694	1,052	1,410	2,049	2,537	2,212	1,631	549	622	12,756
Cash Commitment (2009 revision) attributed to:											
Cash funding from TfL Group <sup>1</sup>	500	522	- 185	- 137	- 95	243	474	454	254	525	2,555
DfT funding		172	220	622	1,250	1,313	1,142	800			5,519
GLA funding			1,002	868	829	886	518				4,103
Developer contributions			15	57	71	97	79	130	60	91	600
Sale of surplus land							5	254	233	53	545
Total	500	694	1,052	1,410	2,055	2,539	2,218	1,638	547	669	13,322
Uncommitted funding (Funding from TfL and DfT less Commitments)						£58m					

The key component of Crossrail expenditure over the years to 2017/18 is set out in the GLA's final prospectus for the supplementary business rates. This estimates the break down of expenditure as follows:

Crossrail Ltd (CRL) direct capital expenditure	£ million
Central Tunnels, central stations and railway systems	9,100
Land and property	1,000

 $<sup>^{28}</sup>$  Transport for London Business Plan 2009/10-2017/18. This covers the £13.3 billion funding available to Crossrail Ltd; the £15.9 billion funding package is supplemented by additional funds which will be the responsibility of Network Rail for work on existing lines outside the GLA boundary.

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Indirect CRL costs and project management	2,400
Sub total direct expenditure	12,500
Other CRL expenditure	
Payment to Canary Wharf Group for Isle of Dogs Station	600
Other	100
Total CRL expenditure <sup>29</sup>	13,200

Construction on the project has started and the company is growing quickly as a result. In April 2009, the project employed between 400 and 500 people; the number is expected to exceed 3,000 by May 2010. Therefore between 2009/10 and 2010/11 Crossrail Ltd will see an increase in its available funds of around 50 per cent and an increase in the number of people working on the project of around 600 per cent.

The Committee believes that it is important that the growth of Crossrail Ltd, as the pace of construction increases, is accompanied by an appropriate degree of transparency about the costs of the work and the outcomes from this expenditure. Once the initial cost baseline is confirmed Crossrail Ltd should be in a position to release more information on its programme of works and the budget for them while protecting its commercial interests and client confidentiality. While there are a number of reviews built into the agreement between central government and Transport for London, it is public review and accountability which will reassure Londoners that the project is being delivered on time, to budget and to the scope promised.

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<sup>&</sup>lt;sup>29</sup> Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project Final Prospectus, January 2010, figure 8 p 36. The numbers are prepared to a P95 basis or 95 per cent confidence estimate implying there is only a one in 20 chance that this level will be exceeded.

#### **Recommendation 2**

The Committee recommends that Crossrail Ltd report to the Committee in April 2010 with details of the initial control baseline. The information set out in the report should make clear what budget the company holds for 2010/11 and on what specific parts of the project the funds will be spent. It should include the forecast completion cost and a transparent statement of all contingency sums. This will ensure transparency in the expenditure of public money and demonstrate whether costs are being controlled and the various stages of the work are being delivered on time and to budget.

# Challenges over the next 12 months

The significant increases in funding and people working on Crossrail in 2010/11 are associated with a substantial increase in the scale of the work. As the Mayor has pointed out: "2010 is set to be a huge year for Crossrail". 30

The next 12 months will see major construction work on the stations and the sinking of shafts to provide access to tunnel boring machines. The graphic on page 30 sets out the various milestones for the Crossrail project over the coming years. This includes the timing of major works due to commence in 2010.

To date, enabling work has affected three areas in central London and construction has started at Canary Wharf. It has therefore affected a relatively small number of Londoners. Over the next 12 months significant construction milestones will have been reached:

- construction work will begin in earnest at four stations where enabling work is already underway: Tottenham Court Road, Paddington, Farringdon and Whitechapel;
- enabling work will start at a further two: Woolwich and Liverpool Street; and construction work will begin at Woolwich in February 2011;
- preparations for tunnel boring will start at the Limmo peninsular and Pudding Mill Lane (Newham), Royal Oak (Westminster) and Stepney Green (Tower Hamlets).

Furthermore, over the next 12 months the tunnelling contracts will be let and the procurement of the train designs will begin. This activity is likely to bring the project to the attention of, and affect, larger numbers of Londoners.

Managing this work will be complex not only in construction terms but also in dealing with the large numbers of contractors and different governance structures. For example, Crossrail Ltd has awarded a Programme Partner contract to Transcend and a Programme Delivery Partner contract to Bechtel. Transcend will support the overall delivery

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<sup>&</sup>lt;sup>30</sup> "Huge year ahead for Crossrail as main construction due to start in 2010", Crossrail press release, 29 December 2009

of the programme route-wide; Bechtel is responsible for the delivery of the central station works. In addition, work at Woolwich station will be carried out by Berkeley Homes and Canary Wharf station works are being carried out under a Design, Build, Finance and Operate contract with the Canary Wharf Group.

Below this high level structure, there will be numerous other companies which are subcontracted to carry out the work on the ground at different parts of the route. Crossrail's procurement strategy, provided to the Committee for this investigation, points out that Crossrail is a complex programme of inter-related works that must combine to deliver a rail service. Lessons may be learned from the experience of the Docklands Light Railway in which the original procurement strategy resulted in a complex contractual environment in which multiple contracts were awarded for the track, signalling, controls and stations. The Committee was advised: "simplicity is good; minimising interfaces is good". <sup>31</sup>

Crossrail Ltd's Chief Executive recognised this issue in his comments to the Committee. He stressed the importance of keeping structures as simple as possible within the context of the complexity of the project. He went on to say that "the evaluation criteria for our main contractors ... will also be assessing what they have done on previous jobs to demonstrate that they do proactively manage their subcontractors to deliver the overall goal". 32

Managing the different contractors involved and working effectively with other key partners such as Network Rail will be a significant challenge for Crossrail Ltd. The experience of the upgrades on the underground being carried out under the PPP show what can happen when these relationships start to go wrong. As work on the route progresses, the Committee will be seeking reassurance that these partnerships and contracts are operating effectively for the benefit of the project. The governance arrangements are described in more detail in Appendix 1 to this report.

The Chair of Crossrail acknowledged that at this stage of the project there was an inevitable degree of uncertainty and therefore risk in terms of costs and planning. Such risks needed to be managed. The

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 $<sup>^{\</sup>rm 31}$  "Crossrail – review of risks for the London Assembly", Concerto Consulting, December 2009, p 29

<sup>&</sup>lt;sup>32</sup> Transcript of Transport Committee meeting of 6 January, p 13

Chief Executive agreed that the next 12 months would be about gaining more confidence about cost and scope.<sup>33</sup> Crossrail Ltd's risk register, provided to the Committee, includes a number of issues where the risk is expected to decrease over time. We will be looking to see how risk has been reduced and managed over the next 12 months as Crossrail starts to take shape.

The Committee welcomes Crossrail Ltd's openness and willingness to discuss progress with the project at our meeting in January. Given the increase in the volume and complexity of work over the next 12 months we plan to invite representatives from the Company to return to the Committee in early 2011 to update us on progress with work and discuss any issues that have arisen. To this end we wish to ensure that Crossrail Ltd make available to the Committee by the end of this year information which will enable us to monitor effectively how the challenging year ahead for Crossrail construction has been delivered.

#### **Recommendation 3**

We request that Crossrail Ltd provide to the Committee by December 2010 a progress report covering construction milestones reached and expenditure against budget for each part of the work; how effectively the procurement strategy is helping to deliver through the supply chain; and an updated risk register showing how risk has been reduced and mitigated during 2010. We request that this report also sets out forecast costs and deliverables for 2011 and that progress against these forecasts is reported regularly and publicly to the TfL Board.

#### **Compensation for displaced businesses**

As the pace of work steps up over the next 12 months, Crossrail Ltd will inevitably come under close scrutiny and it is important that it manages the reputational risks that such scrutiny brings. At its meeting in January, the Committee considered an ongoing issue which the Chairman of Crossrail Ltd accepted as a "reputational issue": the

<sup>33</sup> Transcript of Transport Committee meeting of 6 January, pp 27-28

exercise of Crossrail's compulsory purchase powers and the associated compensation for affected businesses.

Press articles at the end of 2009 reported complaints from businesses around Dean Street in Soho about the way their compensation claims had been handled by Crossrail. Campaigners complained that they had only received three months' notice of the requirement to vacate their properties and accused Crossrail Ltd of "playing hardball", offering a "fraction" of moving costs.<sup>34</sup> Others around the Paddington area were unhappy that Crossrail had been slow to respond to requests and explain what was happening.<sup>35</sup>

More recently there have been complaints about the handling of compulsory purchases of residential properties. Residents have been quoted as saying that Crossrail Ltd was "intimidating them into selling their homes cheaply and delaying payments". The Mayor is reported to have intervened directly following complaints from a priest representing local residents.

In response to questions from the Committee, the Crossrail Chief Executive said that the Company had complied with the various codes governing compulsory purchases. He went on to say that affected businesses had not followed Crossrail's advice and secured the services of professional advisers. Furthermore, a small number of businesses "use" these situations to "further develop their businesses".<sup>37</sup>

The Chair of Crossrail recognised that his company needed to "be more proactive" in the way it dealt with compensation claims. He went on to say that it had "learned a lot of lessons over the last six months but, at the same time, expectations are different to what we can deliver and managing that gap sometimes is impossible".<sup>38</sup>

PHA Media, a company based in Soho and subject to a compulsory purchase order, wrote to the Committee with some suggestions about

<sup>&</sup>lt;sup>34</sup> "Crossrail is forcing us out of business and the compensation is tiny, say firms", Evening Standard, 17 November 2009

<sup>35 &</sup>quot;Crossrail admits just 'two or three' firms received money for relocation", Evening Standard, 7 January 2010

<sup>&</sup>lt;sup>36</sup> "Boris Johnson takes on 'bullies' evicting residents to make way for Crossrail", Evening Standard, 10 February 2010

<sup>&</sup>lt;sup>37</sup> Transcript of Transport Committee meeting of 6 January, p 8

<sup>&</sup>lt;sup>38</sup> Ibid, p 9

what these lessons might be.<sup>39</sup> Central to the company's concerns is the apparent lack of awareness and sensitivity from Crossrail Ltd about the pressures that such compulsory purchase orders place on those businesses affected. The Managing Director concludes:

"A little more obvious awareness of the impact on businesses from TfL [Crossrail Ltd is a wholly owned subsidiary of TfL] at every stage of the process would have been greatly appreciated and would have gone some way to transforming the atmosphere surrounding the upheaval."

He notes that it was only when the most senior individuals within TfL, the Mayor's Office and Crossrail Ltd became personally involved that the company felt its concerns were being listened to. We note in this context that a public relations agency will be better placed than most to gain access to these senior people and this is not an expectation that can be reasonably placed on all those businesses affected.

Specifically, PHA Media recommends that:

- The notice period for businesses should be increased from three months to six months
- There should be a named individual within Crossrail Ltd who is responsible for liaising with businesses throughout the process
- Clear information should be provided to companies about the formula to be applied when calculating their compensation
- An independent third party organisation should be appointed to estimate the compensation due with a proportion paid in advance to help company's cash flow.
- More practical assistance should be provided to help businesses with the logistics of the move.

Some, though by no means all, of the points raised by PHA Media are dealt with in a paper by Rob Holden, Chief Executive at Crossrail Ltd, presented to the Finance and Policy Committee of the TfL Board on

<sup>&</sup>lt;sup>39</sup> Letter to the Chair of the Committee from Mark Gregory, Managing Director, PHA Media, February 2010

21 January 2010.<sup>40</sup> This paper notes that the minimum normal notice period required for entry of a property compulsorily acquired is generally two weeks but the Crossrail Act increased that minimum notice period to three months. Crossrail Ltd argues that it has generally given much longer advanced warning to those affected. It therefore seems unlikely that a six month formal notice period is feasible.

The TfL Board Paper also sets out the arrangements for calculating compensation and for advanced payments where payment on possession would present cash-flow problems to those affected. Advanced payments have been made where claims have been submitted in time for them to be verified.

No information has been presented to the Committee which suggests that Crossrail Ltd has not complied with the statutory framework or the relevant codes of practice relating to compulsory purchases. The company is bound by the legislation and its duty to discharge public funds in a responsible way. Similarly, though there is little to demonstrate that Crossrail Ltd has gone much beyond the letter of the law in the support that it has provided. Much of the rhetoric from Crossrail Ltd on this issue has been about what the affected businesses have failed to do rather than on what support has been offered to them.

Clearly not all that could have been done was done to communicate effectively and clearly to those affected. The absence of a named individual within Crossrail Ltd to liaise with affected businesses or clear written guidance which sets out the various rights and responsibilities of those businesses under the process is of concern to the Committee. It cannot be acceptable that small businesses have to establish a dialogue with the most senior representatives of Crossrail Ltd and TfL before their concerns are adequately addressed. The "bland, impersonal, unhelpful and unclear communication" characterised by one of the businesses dealing with Crossrail Ltd cannot be repeated if Crossrail is not to suffer significant reputational damage from its handling of compulsory purchases.

It is disappointing that in its first handling of these sensitive issues Crossrail Ltd has operated in a way that has not presented the

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<sup>&</sup>lt;sup>40</sup> Agenda Item 8: Crossrail Compensation Arrangements for Compulsory Purchase, Finance and Policy Committee, Transport for London, 21 January 2010

company and, by implication, the whole project in a positive light. This was exemplified by the comments to this Committee suggesting that businesses were using the compulsory purchase process for financial gain. We expect to see Crossrail Ltd show significant improvements in the way that it handles these situations in future.

It appears to the Committee that an effective dialogue between Crossrail and affected businesses was not established early enough in the process. We believe the onus is on Crossrail to do all it possibly can to facilitate such a dialogue and we welcome the recognition that lessons need to be learned from the early work with Soho businesses. Public suggestions from Crossrail that some businesses are looking to do well out of the disruption are unhelpful and are likely to antagonise the vast majority of businesses who are simply trying to protect their position in the light of huge upheaval and threats to their livelihoods.

#### **Recommendation 4**

We recommend that Crossrail Ltd respond to this report setting out what lessons it has learned from the compulsory purchases in Soho and Paddington. In particular, this should set out how it plans to deal with displaced businesses differently in future; what steps have been taken to improve communication with affected businesses; details of a single contact at Crossrail Ltd for all inquiries about compulsory purchases; and a named individual offering one-to-one support for each business affected. Particular attention should be paid to the financial support, such as bridging loans, available to small businesses who may not have the resource to deal with the complex issues involved and are most likely to face cashflow difficulties at the time of their moves.

# Crossrail Key Dates: Central London

December 2009
Bond Street: work
enabled
June 2011
Bond Street:
construction

starting

Due to be

completed 2016

Bond

July 2009
Farringdon: work
enabled
August 2010

Farringdon: construction starting

Due to be

Due to be completed 2017

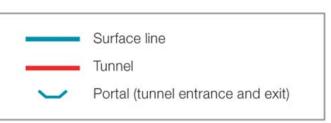
February 2010

Whitechapel: work enabled

January 2011

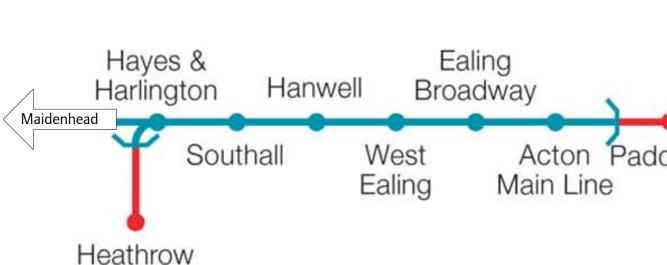
Whitechapel: construction starting

Due to be completed 2016



Forest

Gate



#### Other key dates

**Autumn 2010** Plumstead: Work begins to sink shafts to provide access for tunnel boring machines

**Late 2010** Opening of tunnelling academy

**June 2010** Limmo peninsular Work begins to sink shafts to provide access for tunnel boring machines

**November 2010** Stepney Green: Work begins to sink shafts to provide access for tunnel boring machines

**Spring 2011** Fisher Street Work begins to sink shafts to provide access for tunnel boring machines

October 2011 Royal Oak to Farringdon: Tunnel boring machine launch

**April 2012** Limmo to Farringdon: Tunnel boring machine launch **September 2012** Plumstead to North Woolwich: Tunnel boring machine launch

March 2013 Royal Oak to Farringdon: Tunnel Drive complete

July 2013 Stepney Green to Pudding Mill Lane: Tunnel boring machine launch

March 2014 Stepney Green to Pudding Mill Lane: Tunnel Drive complete

**April 2014** Limmo to Farringdon: Tunnel Drive complete

July 2014 Limmo to Victoria Dock Portal: Tunnel boring machine launch

October 2014 Plumstead to North Woolwich Tunnel Drive complete

November 2014 Limmo to Victoria Dock Portal: Tunnel Drive complete

**2014-15** Construction scheduled to reach it's peak with up to 14'000 people working on

**2017** Crossrail due to open

Acton Paddington Tottenham Liverpool

Court Road Street

#### September 2009

Paddington: work enabled

#### June 2010

Paddington: construction starting

Due to be completed 2016

#### January 2009

Tottenham Court Road: work enabled

**February 2010**Tottenham Court
Road: construction

Due to be completed 2016

starting

#### March 2010

Liverpool Street work enabled **November 2011** 

Liverpool Street: construction starting

Due to be completed 2016

#### **December 2008**

Stratford

Canary Wharf

Maryland

Custom

House

Canary Wharf: work enabled **May 2009** 

Canary Wharf: construction starting

Due to be completed 2016

#### February 2012

Custom House: work enabled

December 2012

Custom House: construction starting

Due to be completed 2016

#### March 2010

Woolwich: work enabled

Shenfield

Abbey

Wood

Manor

Park

Woolwich

#### February 2011

Woolwich: construction starting

Due to be completed 2016

# A Crossrail legacy?

Crossrail Ltd describes the construction as "Europe's largest infrastructure project". In terms of budget and geographical reach it is far bigger than the other major building project currently being undertaken in the capital: the Olympic Park in Stratford.

Yet while much is made of the legacy for London from the 2012 Games, there has been little discussion to date of what other benefits the Crossrail project could provide the capital particularly in terms of skills and employment, and the environment. The Committee is keen to ensure that Crossrail delivers benefits to London in both these areas.

#### **Employment and skills**

At the peak of construction between 2013 and 2015, Crossrail will provide employment for up to 14,000 people. It is expected that a further 7,000 jobs will be created indirectly. This compares with the expected peak of 11,000 people working on the Olympic site in 2011. There should therefore be significant jobs and training opportunities for Londoners.

The Chair of Crossrail is a member of the London Skills and Employment Board. At our meeting in January he made a personal commitment to the skills and employment agenda:

"I really do have a passion about this. We have to do legacy. Crossrail is a huge opportunity. There are many other potential programmes behind this and I have to say that, if you take tunnelling right now, if we did not do something positive, we would be relying on the global market to meet the requirements that we have got in terms of tunnelling and its continuing support. That is not a position that we want to take." 41

How this commitment is put into practice will determine the extent to which Crossrail delivers a skills legacy. In a letter to the Chair of the Committee, the Chief Executive of Crossrail said that the company had developed a draft Skills and Employment Strategy which is due to be published in the next few weeks. Workstreams include:

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<sup>&</sup>lt;sup>41</sup> Transcript of Transport Committee meeting of 6 January, p 17

- Lorry driver training for frequent Crossrail drivers pilot scheme has taken place and wider rollout will begin later in 2010
- Continuing and developing the Young Crossrail education programme
- Providing 400 apprenticeships through the supply chain
- Facilitating job brokerage with JobCentre Plus
- Establishing a Tunnelling Academy for the industry this is expected to train 3,000 people by 2015

There are additional areas where Crossrail has the potential to demonstrate leadership and best practice in this area. For example, at our meeting Members raised the potential for a specific apprenticeship scheme for looked-after children.

Clearly, the details of the forthcoming Crossrail employment and skills strategy and its implementation will determine the extent to which the Chair of Crossrail's personal commitment is translated into jobs and training for unemployed Londoners.

We recognise the constraints that Crossrail will be operating under. Its primary focus will inevitably be delivering the project on time and to budget and it will do this by employing those best qualified for the particular jobs required. Furthermore, there are legal constraints which prevent preference or priority to potential employees on the grounds of their local residence.

Nevertheless, the Committee believes there are lessons to be learned from the experience of the construction of the Olympic Park. In December 2009, over half of those working on the Olympic site were resident in London with about 20 per cent resident in one of the five Olympic boroughs. <sup>42</sup> However, there has been criticism of the extent to which jobs and training opportunities have gone to previously unemployed people in what are some of the most deprived areas of the country. For example, a recent Assembly report noted that only four per cent of the current 6,300 Olympic Park workforce were previously unemployed residents of the five host boroughs.

<sup>&</sup>lt;sup>42</sup> Employment and Skills update, January 2010

Despite the relatively low number of jobs for previously unemployed people, the Olympic Delivery Authority's skills and employment targets have been met. This suggests the targets were not sufficiently challenging. Crossrail has an opportunity to learn from the experience of the Olympics construction project. It needs to set challenging targets for the employment and training of local unemployed people and do all that is possible within the legislative framework to set out how it and its contractors will encourage the use of local labour. It should also learn from good practice on the Olympics. For example, there is regular reporting of progress against employment and skills targets based on information collected from contractors as required under their contracts.

We welcome the Chair of Crossrail's personal commitment to ensuring the project delivers a skills and employment legacy. We look to the forthcoming skills and employment strategy to demonstrate what lessons have been learned from the construction of the Olympic site and what practical initiatives will be in place to increase the skills and job opportunities available to Londoners from the construction along the route.

#### **Recommendation 5**

We recommend that Crossrail's skills and employment strategy includes targets for the employment of previously unemployed Londoners; an action plan to set out how this target will be supported; and examines ways of targeting looked-after children in its apprenticeship programme. We ask that Crossrail report six-monthly on progress against its employment and skills targets based on information collected from its contractors.

#### A sustainable railway?

In our meeting with representatives of Crossrail Ltd, Members raised the question of the environmental impact of the construction and the railway once operational. In response to a question on the energy consumption of Crossrail, the Chief Executive said:

"I have to acknowledge that we, at the moment, are quite bad in terms of having numeric targets for the sorts of issues you are talking about and that is something that we urgently have to address. What I can say is that there is a lot of effort going on at the moment to make sure that we are energy efficient and we are addressing the issues of sustainability, particularly in looking at gradients at stations, for example, which is very important in terms of train energy consumption and in terms of how stations will be ventilated using as much in the way of natural resource as possible. Similarly, looking at train design and train weight. So there is a lot of effort going on but we have not yet gone the extra hurdle in terms of quantifying what we should be striving to achieve". 43

He went on to say that Crossrail Ltd was committed to publishing the expected carbon footprint of the project in a similar way to that developed for the 2012 Olympics. Some details of its anticipated footprint were set out in the Crossrail Environment statement published in 2005. This document has been updated as the design has developed and Crossrail Ltd has confirmed to the Committee that a further update will be published in May 2010.

The information available to date shows that during the construction phase total emissions of carbon dioxide are estimated to be in the order of 1.7 million tonnes of CO<sub>2</sub> which is equivalent to 0.3 per cent of the UK total emissions in 2006.<sup>44</sup> During operation annual savings in the order of 70,000 to 225,000 tonnes of CO<sub>2</sub> "may be achieved" largely from the expected displacement of car journeys and the upgrade and replacement of diesel trains on the existing network.

Beyond this information the environmental statements produced by Crossrail Ltd have to date been relatively limited in detail. We welcome the commitment of the Chair and Chief Executive to provide a fuller picture of the project's environmental impact and the measures in place to try to limit that impact. There are opportunities in the coming months as train and station designs are procured to ensure that best environmental practice is followed.

#### **Recommendation 6**

We recommend that when Crossrail updates its carbon footprint model in May 2010 it sets out for the building of the line and stations, design of trains and the final operation of the railway: figures for expected electricity consumption; targets for minimising energy consumption; expected carbon emissions per passenger km travelled

<sup>&</sup>lt;sup>43</sup> Transcript of Transport Committee meeting of 6 January, p 20

<sup>&</sup>lt;sup>44</sup> see letter from Rob Holden, Chief Executive of Crossrail Ltd, to Caroline Pidgeon, Chair of the Transport Committee, 21 January 2010

compared with the underground and other UK railways; and details of how renewable energy and environmentally-friendly design criteria are being adopted.

## **Conclusion**

The Committee strongly supports Crossrail. It is an important project for London and the UK as a whole. It took many years for the project to get underway; this momentum must not now be lost and we support the Mayor and government in promoting the transport and economic benefits that it will bring.

The next 12 months will bring the project to the attention of large numbers of Londoners and sometimes in ways that will be inconvenient in terms of disruption to travel or even life-changing for those whose businesses are affected. Crossrail Ltd has an important job to ensure that it manages its relationship with Londoners well and minimises the negative effects the construction of the railway will inevitably entail.

Part of this responsibility is about ensuring transparency and accountability for decisions that are made and public money that is spent. We were impressed with the commitment of the senior representatives who attended our Committee meeting and the way in which they engaged openly and collaboratively on the issues which had arisen to date. We look forward to maintaining this positive relationship as the project starts its most critical period of construction so far.

Our recommendations are largely aimed towards making sure that Londoners understand what is happening, how their money is being spent and what they will get in return. London is making a huge contribution to a project that will benefit the whole of the UK. We want to ensure that London benefits in terms of jobs and skills and the environment in return for the financial investment it is making and the disruption to Londoners that construction will cause.

One of our guests said that Crossrail will become an intimate part of what makes London great. It will certainly only be seen in this way if it is delivered on time and to budget. This Committee will continue to monitor the construction of this extremely complex project and make recommendations on behalf of Londoners to help ensure that Crossrail delivers what has been promised.

# Appendix 1 Crossrail governance

Crossrail is an extremely complex project with a large number of stakeholders and sponsors. This reflects the different funding sources from central government and the Mayor and the fact that the route goes through central London and out to other local authority areas to the east and west of the capital.

The project has two sponsors: the Department for Transport which reports to the Secretary of State, and Transport for London which reports to the Mayor of London. The sponsors act as the clients for the project including specifying the delivery requirements.

At the centre of delivery of the project is Crossrail Ltd, a wholly-owned subsidiary of Transport for London, the board of which comprises three Executive Directors, five independent Non-Executive Directors, including the Chairman, and two Non-Executive Directors appointed by the sponsors.

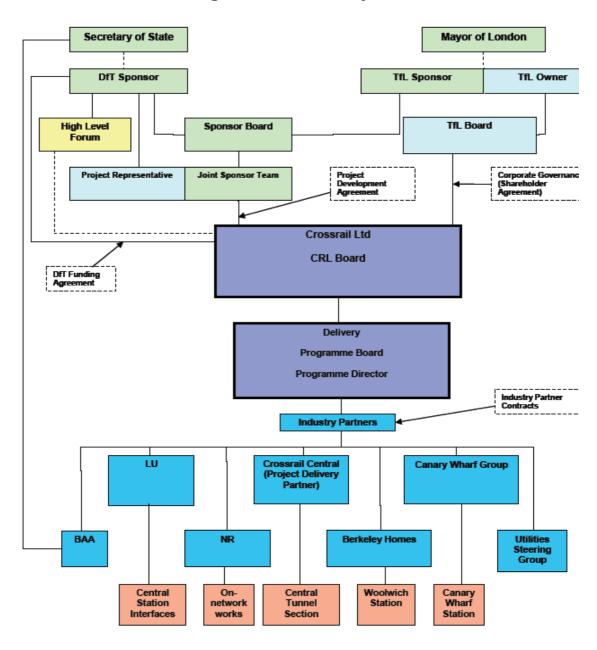
Crossrail Ltd has appointed two delivery partners to assist with delivery of the Crossrail programme:

- The programme partner (Transcend) who supports the overall delivery of the programme route-wide; and
- The project delivery partner (Bechtel) responsible for the delivery of the central section works.

In addition Crossrail Ltd has a number of industry partners: London Underground, Network Rail, Rail for London, Canary Wharf Group, Berkeley Homes, BAA, the main utility companies and Docklands Light Railway. These partners have varying responsibilities including delivery of specific sections of the work.

The relevant structures and governance arrangements are set out in the diagram below provided to the Committee by Crossrail Ltd.

#### Crossrail Governance Organisation for Delivery



# Appendix 2 Letter from Transportation and Projects Director, City of London

15 JAN 2018

Department of Planning & Transportation

Peter Wynne Rees BSc, BArch, BTP, RIBA, FRTPI, FRSA The City Planning Officer

Ms Caroline Pidgeon AM Chair of the Transport Committee London Assembly City Hall The Queen's Walk London SEI 2AA



Telephone 020 7332 1700 Fax 020 7332 1806 Email joe.weiss @cityoflondon.gov.uk

Date 13 January 2010

Dear Caroline

#### **London Assembly Transport Committee - 6 January 2010**

It was a pleasure being able to offer advice to your Transport Committee meeting last week and I hope that it was useful.

As requested may I outline how I see Central Government benefitting from the new employment that comes about directly from Crossrail over a 10-year period:-

#### New jobs

Say 50,000 at Canary Wharf (where there are building aspirations which are constrained by limited rail access), say 25,000 in the City and 25,000 elsewhere (Westminster, South Camden, Ealing and Berkshire especially), giving a total of 100,000. (Compare this with the draft MTS page 114 where a potential figure of 260,000 jobs is stated). The majority of these jobs are potentially in the business and financial services. Assume the total tax and NI contributions per person/per year is £20,000 (a low estimate).

£20,000 government income x 100,000 new jobs x 10 years = £20billion

#### **Fares Profit**

200 million journeys per year on Crossrail predicted. The journey length is typically suburban and so longer than typical LUL journeys. Today's fare levels = £4.50 single. Assume £1 only as revenue profit/fare (22%)

200 million trips @ £1 profit each x 10 years = £2billion

#### Property Levies (not GLA)

New jobs will fill 5,000m<sup>2</sup> of office space from which taxes on rental profits and the Non Domestic Business Rate pass to the Treasury.

City of London PO Box 270, Guildhall, London EC2P 2EJ Switchboard 020 7606 3030 www.cityoflondon.gov.uk



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NDBR approximately  $£150/m^2 \times 5,000 \times 10 \text{ years}$ Rental profit tax approximately  $50m^2 \times 5,000 \times 10 \text{ years}$  £10million

Overall extra take by government over 10 years at 2009 prices on the modest assumptions described above amounts to £22.1billion.

Therefore, as stated at your committee, I believe that government gets a good deal out of Crossrail. With London itself paying significantly towards Crossrail out of its capital funds it appears to be contributing a disproportionate amount.

I hope this detailing of my personal views is of some assistance.

Yours sincerely

Mr Joe Weiss, BSc (Hons), MSc, FICE, FIHT Transportation and Projects Director

## **Appendix 3 Recommendations**

#### **Recommendation 1**

We recommend that, should additional funding be required, London is not asked to contribute further to the construction of Crossrail and that consideration is given to extending a Crossrail levy to local authorities on the route outside the GLA boundary.

#### **Recommendation 2**

The Committee recommends that Crossrail Ltd report to the Committee in April 2010 with details of the initial control baseline. The information set out in the report should make clear what budget the company holds for 2010/11 and on what specific parts of the project the funds will be spent. It should include the forecast completion cost and a transparent statement of all contingency sums. This will ensure transparency in the expenditure of public money and demonstrate whether costs are being controlled and the various stages of the work are being delivered on time and to budget.

#### Recommendation 3

We request that Crossrail Ltd provide to the Committee by December 2010 a progress report covering construction milestones reached and expenditure against budget for each part of the work; how effectively the procurement strategy is helping to deliver through the supply chain; and an updated risk register showing how risk has been reduced and mitigated during 2010. We request that this report also sets out forecast costs and deliverables for 2011 and that progress against these forecasts is reported regularly and publicly to the TfL Board.

#### **Recommendation 4**

We recommend that Crossrail Ltd respond to this report setting out what lessons it has learned from the compulsory purchases in Soho and Paddington. In particular, this should set out how it plans to deal with displaced businesses differently in future; what steps have been taken to improve communication with affected businesses; details of a single contact at Crossrail Ltd for all inquiries about compulsory purchases; and a named individual offering one-to-one support for each business affected. Particular attention should be paid to the financial support, such as bridging loans, available to small businesses who may not have the resource to deal with the complex issues involved and are most likely to face cash-flow difficulties at the time of their moves.

#### **Recommendation 5**

We recommend that Crossrail's skills and employment strategy includes targets for the employment of previously unemployed Londoners; an action plan to set out how this target will be supported; and examines ways of targeting looked-after children in its apprenticeship programme. We ask that Crossrail report six-monthly on progress against its employment and skills targets based on information collected from its contractors.

#### **Recommendation 6**

We recommend that when Crossrail updates its carbon footprint model in May 2010 it sets out for the building of the line and stations, design of trains and the final operation of the railway: figures for expected electricity consumption; targets for minimising energy consumption; expected carbon emissions per passenger km travelled compared with the underground and other UK railways; and details of how renewable energy and environmentally-friendly design criteria are being adopted.

# Appendix 4 Orders and translations

#### How to order

For further information on this report or to order a copy, please contact Ross Jardine, Administration Officer, on 020 7983 6540 or email: ross.jardine@london.gov.uk

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#### Chinese

如您需要这份文件的简介的翻译本, 请电话联系我们或按上面所提供的邮寄地址或 Email 与我们联系。

#### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện từ theo địa chỉ ở trên.

#### Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

#### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

#### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

#### Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

#### Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে যো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

#### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں در کار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

#### Arabic

الحصول على ملخص لهذا المهرستند ببلغتك، فعرجاء الانتصال بعرق م الهاتف أو الانتصال على العنوان العبريدي العادي أو عنوان العبريد البالكتروني أعلاه.

#### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંભર પર ફોન કરો અથવા ઉપર આપેલ ૮પાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

# **Appendix 5 Principles of scrutiny page**

#### An aim for action

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

#### Independence

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

#### **Holding the Mayor to account**

The Assembly rigorously examines all aspects of the Mayor's strategies.

#### **Inclusiveness**

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

#### Constructiveness

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

#### Value for money

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

## **Greater London Authority**

City Hall

The Queen's Walk

More London

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