

15 JAN 2010

**Department of Planning & Transportation**

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**Date** 13 January 2010

Ms Caroline Pidgeon AM  
Chair of the Transport Committee  
London Assembly  
City Hall  
The Queen's Walk  
London  
SE1 2AA

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.



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

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

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

A handwritten signature in black ink, appearing to read 'J Weiss', written in a cursive style.

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

**Rob Holden**

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21 January 2010

Caroline Pidgeon AM  
Chair of the Transport Committee  
London Assembly  
City Hall  
The Queen's Walk  
London SE1 2AA

Dear Ms Pidgeon

Thank you for your letter of 8 January.

Terry and I welcomed the opportunity to meet the Committee and explain in some detail how Crossrail is progressing. At the meeting Terry and I undertook to provide information on four points:

- a) Across our two Tottenham Court Road Work Areas (i.e. East and West) we believe there are in the region of 85 compensatable interests (25 & 60 respectively). We are having negotiations currently with 54 (19 and 35 respectively) who have submitted claims and have agents appointed. Many of these have received a preliminary payment (i.e. 90% of our assessment of the compensation payable on our taking possession) towards their entitlement where evidence has been provided. It is fair to say that no final claims settlements have yet been reached but this is quite usual in compensation cases and it reflects the need for further negotiation over the remaining balance of 10%, as some details of costs and losses incurred will not be immediately apparent or provided. (The background to this is further explained in the TfL F&P agenda item issued for the information of the TfL Finance and Policy Committee on 21 January.)
- b) Crossrail has developed a draft Crossrail Skills and Employment Strategy which is due to receive final approval here later this month, prior to publication in late February/early March. The strategy sets out Crossrail's skills needs and the current work on skills from across the project under four themes: maintaining safety; inspiring future talent; supporting local labour; and revitalising our tunnelling skills base.  
Workstreams include:
  - lorry driver training for frequent Crossrail drivers – a pilot scheme has taken place and wider rollout will begin later in 2010;
  - continuing and developing the Young Crossrail education programme – established in 2003, and relaunching web resources in 2010;

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## Crossing the Capital Connecting the UK



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- providing 400 apprenticeships through the supply chain – Strategic Labour Need Training requirements are being included in all contracts;
  - facilitating job brokerage with Jobcentre Plus (JCP) – Memorandum of Understanding signed and JCP are now established in our Visitor Information Centre;
  - establishing a Tunnelling Academy for the industry – design work of the facility (currently in the planning process with LB Newham and LB Redbridge) and development of curriculum for NVQ level 2 in Tunnelling Skills with the sector skills council for Construction (ConstructionSkills) are ongoing.
- c) The Crossrail carbon footprint was first published in the Crossrail Environmental Statement (2005). Based upon design and operational assumptions at the time, a small overall per annum saving of carbon dioxide emissions was predicted from the operation of Crossrail. These calculations have been updated as the detailed design of Crossrail has progressed and were published at the 2009 May Day Summit in accordance with our associated pledge. Total emissions of carbon dioxide from the construction phase of the Crossrail project are estimated to be in the order of 1.7M tonnes CO<sub>2</sub> (equivalent to 1.5% of the annual UK transport emissions and 0.3% of UK total CO<sub>2</sub> emissions for 2006).

During operation, annual savings in the order of 70,000 to 225,000 tonnes CO<sub>2</sub> may be achieved, largely from the displacement of car journeys and upgrade and replacement of diesel trains on the existing network. By offsetting emissions from construction of Crossrail with potential savings per annum during operation of Crossrail, a pay-back period of somewhere between 7 and 26 years after opening day may be achieved, with potential net savings in CO<sub>2</sub> thereafter.

Our carbon footprint model continues to be refined as detailed design progresses and we plan once more to publish the model's findings at the next May Day Summit in 2010.

In addition we undertook to reply to Murad Qureshi's question about the Mayoral call-in of the Southall regeneration plan and possible implications for Crossrail. I have checked and the answer is that there are no implications for Crossrail from this.

In addition, in your letter you asked for information on costs and milestones over the next 12 months and, looking further forward, over the project as a whole. You also asked for the relationship between funding requirements and milestones and how these might relate to sponsor and partner financing of the funding requirements for the project as a whole.

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As I mentioned at the meeting on 6 January we are currently establishing an initial control baseline (ICB) to submit to sponsors in compliance with the imminent sponsor and Treasury review point, which we need to pass by the end of this financial year. We will thereafter be discussing the implications of the ICB with the sponsors in the months ahead and that will hopefully provide a basis for giving you further information on forecast costs. For reasons you will understand there will be a limit to how much information on forecast costs, and especially on contingency, we are able to put into the public domain as these are matters of considerable commercial sensitivity which could influence relations with tenderers, future contractors and ultimately the outturn cost of the Project.

In addition, the funding requirements for Crossrail, to meet the £15.9 billion funding requirement, are fully set out in the Heads of Terms published by the sponsors in November 2008. On the financing of those funding requirements and how the sponsors structure their financing, I must respectfully refer you to the sponsors themselves as this is purely their responsibility.

I hope that answers your questions as far as we are able to at this juncture. We greatly value the interest of the Committee in the Crossrail Programme and look forward to working with you and Members in the years ahead.

Yours sincerely



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Chief Executive

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Ms Caroline Pidgeon  
The Chair of the Committee  
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Dear Ms Pidgeon,

I have been asked to share my thoughts and recommendations following my company's recent experience of the Compulsory Purchase Order process. Our business was one of many forced to vacate premises on Dean Street in November 2009.

Below is a list of the specific issues that we and others faced, together with recommendations that we believe would make the system easier, clearer, more efficient and, above all, less stressful!

Before we deal with specifics though, I would like to bring to your attention a more general issue with respect to the perceived attitude of TFL towards the businesses affected, which we felt compounded all the other difficulties that we faced throughout the process. It was, in fact, only when the most senior individuals within TFL, The Mayors Office and CrossRail became personally involved in our "campaign for fair compensation" that we finally felt like we were being listened to, and the atmosphere seemed to change.

It is worth remembering that, in the vast majority of cases, the companies being forced to move were more than happy trading in their existing premises, and that the move constituted a huge financial, logistical and emotional upheaval for all of them. In some cases the challenges this posed were insurmountable, and businesses that had been successfully trading for decades were forced to close. A little more obvious awareness of the impact on businesses from 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.

- **Issue** - The three month notice period  
Imagine the logistics involved in moving a family home and multiply this ten-fold. This is the challenge faced for all the companies trying to find suitable new premises and organise a move within a busy part of Soho in just three months. Even if there is an awareness that a CPO may be served, businesses have their hands tied in terms of securing a new premise until they receive a formal 'Notice to Treat'.

**Recommendation** – The notice period should be increased to at least six months to give all the businesses affected a more realistic amount of time with which to arrange their move.

- **Issue** – Bland, impersonal, unhelpful and unclear communication from TFL.  
Businesses were unable to get a satisfactory response from TFL when we raised certain issues with them, and on more than one occasion were told they were ‘too busy’ to provide a detailed response. There seemed to be a complete lack of urgency on their part, and a total disregard for the extra stress and strain that their slow, seemingly disinterested communications were having on all businesses.

**Recommendation** – There should be a named individual(s) within TFL who is responsible for liaising with the companies throughout the process. In addition there should also be a much quicker escalation process, so if and when issues arise, they can be brought to the attention of decision makers without a prolonged campaign being required.

- **Issue** – Confusion over the way in which the compensation is calculated.  
Our claim was submitted by a highly reputable firm of surveyors yet the original offer made to us represented just 24% of our move costs. This situation was experienced by other businesses in a similar position. We mounted a “campaign for fair compensation” and eventually the offer was substantially increased and agreement reached. Why is such a battle needed? Why is the formula not clearer and presented in simple terms to the companies impacted prior to the move?

**Recommendation** – It should be spelt out to companies in plain English what the formula for working out their compensation is going to be, and the whole process should be made much more transparent;

- a) The valuation should be carried out by an independent body, not TFL, and the calculations by which that figure is reached should be clearly explained.
  - b) There should then be a process in place whereby that figure can be appealed and, if necessary, recalculated. This would help ensure that the valuation is accurate, and that both parties are satisfied that it isn’t weighted in favour of one or the other. Of course TFL shouldn’t foot the bill for companies looking to profit from the move. Equally, businesses should feel confident that the valuation is fair, accurate and impartial and that they are going to be in no worse financial state than before.
- **Issue** – The fact that compensation was paid retrospectively, three months after our move date and six months after the compulsory purchase order was served, placed a huge strain on cash flow. Small businesses are not awash with cash and it seems unreasonable that businesses are expected to finance the move and then argue for fair compensation.

**Recommendation** – Use an independent third party organisation to estimate the compensation due, and then pay a reasonable proportion of this compensation in advance to assist cash flow (we suggest 60%).

Of course this payment would be on the condition that it would be repaid unless detailed expense claims are submitted. The outstanding balance would then be paid at the end of the process.

- **Issue** – Dealing with the move in such a short space of time meant that resources that should have been used to help keep our business operating effectively throughout a recession were being diverted to help the moving process, and then later, to drive the fight for fair compensation.

**Recommendation** – More practical assistance could have been provided to help companies with the logistics of the move. Agents to source properties and legal advisors could be provided as part of a package of services.

I hope you find this evaluation of our experience helpful, and that at least some of our recommendations are taken on board. The compulsory purchase process will always place a huge amount of pressure and stress on business owners and will continue to pose an enormous challenge to all those involved, and therefore the more that can be done to ease the strain for those affected the better.

I would be more than happy to come and meet with you in person to discuss the issues raised in this letter in more detail, and if you would like any further feedback in writing then do not hesitate to let me know.

Yours sincerely,

Mark Gregory

Managing Director, PHA Media