

LONDON BUSINESS BOARD

A coalition of the three principal representative organisations for London's businesses



Rt Hon Douglas Alexander MP
Secretary of State for Transport
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

22nd February 2007

Dear Secretary of State

Comprehensive Spending Review

The outcome of this year's spending review will be of critical importance for the future of London. Investment in London's transport infrastructure is essential to enable it to continue to grow and remain competitive. A successful 21st century UK economy relies on London's continued position as a world-competitive city. Without new transport capacity, that growth, that success will be constrained.

We enclose a note on the priorities for the spending review that have been agreed across the business community in London. The biggest single contribution to providing the additional capacity that London needs will come from Crossrail. We cannot over-emphasise the urgency of finding a way to manage the funding and financing of the project so that construction can start as soon as possible to allow London to continue leading a successful, globally competitive UK.

We are copying this letter to Stephen Timms.

Yours sincerely

Handwritten signature of Ian Barlow in blue ink.

Ian Barlow
Chairman
London Business Board

Handwritten signature of Andrew Eddy in blue ink.

Andrew Eddy
Chairman
CBI London

Handwritten signature of Michael Cassidy in blue ink.

Michael Cassidy CBE
President
LCCI

Handwritten signature of Harvey McGrath in blue ink.

Harvey McGrath
Chairman
London First

LONDON BUSINESS BOARD TRANSPORT PRIORITIES FOR CSR 2007

The London Business Board brings together the three main business organisations in the capital – CBI London Region, London Chamber of Commerce and Industry and London First. Investing over the next decade in a transport system that meets London's needs is of such vital importance to all our members that we are making a joint submission on what we all agree to be essential for London's – and the UK's – future growth and prosperity.

London is the most highly productive region in the UK, with GVA per head 30% above the national average. Increasing employment in the central business cluster adds not only the value of these extra jobs, but increases the productivity of existing workers – the agglomeration effect. With 12.4% of the UK population, London produced 20% of GDP growth between 1994 and 2004. London also contributes £13bn more in taxes than it receives from the Exchequer (Oxford Economic Forecasting November 2006).

The strength of London's economy depends on its success as a world city. Foreign-owned companies are responsible for 14% of employment in London. The attractiveness of London for foreign investment also benefits the rest of the UK. A survey of inward investors in 2002 showed almost 60% of companies surveyed planned to expand their operations to other parts of the UK. Between 2000 and 2004 London was responsible for 39% of export growth. With the UK increasingly in deficit as a net importer of goods, the export success of key service sectors in London allows the country as a whole to buy goods from across the world. London's continued productivity and prosperity depend on two key factors – continued investment in transport and its ability to continue to attract and retain highly skilled individuals. According to a recent London Business Survey, London's competitiveness compared to other world cities is finely balanced.

There is no dispute about the forecasts for the growth of population in London. Whereas the new homes needed to house 900,000 more people by 2025 will be spread around London, with the majority to the east, new jobs will be heavily concentrated in financial and business services in the central areas. The effect will be a huge increase in transport demand on an already overloaded system. On current plans overcrowding on rail and Tube lines will double by 2016, which will in turn cause greater delays and breakdown.

This is not just a problem for over-stretched transport operators and disgruntled commuters. It is a threat to the growth and competitiveness of London's – and the UK's – economy. Whereas population increase is likely to happen anyway, the potential for 440,000 new jobs in financial and business services will not be realised if transport into the central areas is full. This sector cannot grow without increased transport capacity.

The investment in transport to enable London's growth to continue will bring a high return in terms of increasing the UK's competitiveness. We are delighted that the Eddington report recognises the crucial role of transport networks in creating deep labour markets, enabling rapid business to business contacts and providing international connections to support the export of high productivity services. There is also a strong case for investment in London in the context of meeting the challenge of climate change. The high usage of public transport in London means that carbon emissions from road transport in London in relation to output are less than half than in any other English region.

We recognise that the key issue for Government is not the force of the case for this investment but how much of it we can afford. However, at a time when New York has the McKinsey report on how to regain its dominance over London, we equally cannot afford to hamper our competitiveness by failing to invest in the transport system it needs to meet this challenge. Given the lead time for completing major transport projects, it will not be possible to make good the damage that will be caused by failure to take investment decisions now – difficulty in retaining and recruiting staff, shortage of office space in central areas as planning applications for new buildings are refused because of overload on the transport system, and failure to attract new headquarters offices from emerging economies.

Our priorities for investment in London's transport system are therefore very clear: to build Crossrail as soon as possible and to provide adequate resources for Phase 2 of the Underground PPP. We would not wish this investment to be at the expense of other essential TfL programmes. It is also essential that the outcome of the CSR for the national rail system, in the form of the high level output statement, should give high priority to providing additional capacity to reduce overcrowding on London's commuter services and cater for growth. In line with Eddington's view that one of the three key strategic priority areas should be international gateways, HLOS should also provide for improved rail access to London's airports.

Crossrail

Crossrail remains the first priority for business. It is essential that provision is made for it in CSR 2007 so that work can start as soon as possible following Royal Assent for the Crossrail Bill.

- It will relieve overcrowding on a large part of the Tube system in central London
- It will provide 40% of the extra rail capacity that London needs
- It will allow employment to grow in the West End, City and Isle of Dogs: Yvette Cooper has referred to employment at Canary Wharf increasing to 190,000, but this cannot happen without Crossrail
- Linking London's major business centres will re-inforce the benefits of the 'agglomeration' effect.
- The Government's target to increase house building in the Thames Gateway – from 6000 to 16000 homes per year – cannot be achieved without Crossrail

While we recognise that the scale of the project involves a heavy extra call on public sector finances during construction, it will more than pay for itself over its lifetime and funding it should not be an insuperable obstacle. . It has been estimated that Crossrail will increase GDP by £30 bn NPV. This would generate an extra £12 bn in tax revenue which, together with its operating surplus, would repay its capital and financing costs. Therefore finding a way to manage the funding and financing of the project should be a priority.

Tube

Continued, sustained investment in the Tube system is essential to enable business in London to function efficiently and grow. While it is not possible at present to anticipate negotiations over roll-forward of the PPP contracts from 2010, phase 2 will need to cover:

- renewing outworn assets in order to maintain reliability
- increased capacity to accommodate growth and reduce overcrowding,: most of the 28.5% planned increase in capacity is due during phase 2, including up-grading the Northern, Victoria, Metropolitan and Piccadilly Lines
- high visibility safety and security measures
- upgrading stations such as Victoria
- introducing a tunnel cooling system, which we understand is essential if the planned capacity increases are to be realised.

Given the back-end loading of phase 1 of the PPP and provision for inflation, there will need to be a substantial increase for phase 2 in cash terms.

Other TfL Programmes

Provision for Crossrail and the next phase of the Tube PPP must not be at the expense of other essential TfL programmes. In particular

- Transport arrangements for the Olympics cannot be deferred or scaled back
- There is an urgent need to improve the West End – particularly the eastern end of Oxford Street – as a visitor attraction in time for the Olympics, which will require some transport improvements
- The road network must be adequately maintained, with improvement schemes for the worst bottlenecks and a network management strategy to improve traffic flow

- There must be investment to support regeneration of the Thames Gateway, : including the Thames Gateway Bridge, DLR extensions, transit schemes and a Silvertown crossing.
- Bus services will need to be increased in outer London to meet increased travel demand arising from population growth and complement Crossrail.

If new road user charging schemes are introduced in other parts of London, it must be part of a coherent strategy with clear objectives. It is critical that road user charging schemes do not place any undue burdens on the business sector and that there is a commitment to hypothecation of any net revenues for transport purposes and to provide demonstrable local benefits.

Rail

Over 70% of trips on the national rail network start or finish in London. Rail travel on London's commuter network accounts for around 40% of the total on the national network. Investment in London and the south east is very good value for money because of population density and existing demand in London. TOC premium payments on London commuter services are expected to amount to over £3.5 bn to 2016. These payments by commuters should be re-invested in improving the services they use.

Rail travel in London and the south east has increased by 60% since 1994/95, while capacity has increased by about 25%. The result is overcrowding and delays due to the increased time needed to load and unload. TfL forecast 650,000 more rail trips per day into and around London by 2025. This demand must be reflected in HLOS. It should include both major projects such as Thameslink 2000 and capacity increases on other lines such as longer trains and platforms, new signalling and removing bottlenecks.

In addition to increased train capacity, there will need to be improvements to the capacity and environment of the major termini, particularly Waterloo following withdrawal of Eurostar. New developments in their vicinity will generate some 80,000 new jobs.

As noted above, there should also be high priority for improving rail access to airports – Airtrack, Stansted Express and Gatwick. While the airport operator might be expected to contribute to these projects, they provide wider benefits and should receive public sector support.

For more information please contact Irving Yass, iyass@london-first.co.uk