



Crossrail in Comprehensive Spending Review, Oct 2007

Further to the green light from Gordon Brown on Crossrail (5 Oct), the Comprehensive Spending Review (CSR) included some, although not full, details of the funding structure for the project. As expected, the Government will contribute a fixed £5bn towards the overall cost, leaving the project risk with the Mayor and Transport for London (TfL). The Mayor will then levy an additional London business rate.

Supplementary Business Rates

The Chancellor's statement yesterday confirmed a supplementary business rate of 2p to fund Crossrail, to be levied from 2010 on all businesses in the capital with a rateable value above £50,000. This 2p accounts for an increase of around 4.5%, above the 3% originally being discussed.

Powers to raise a supplementary business rate will be included in general legislation, subject to the following conditions:

- cap of 2p per pound of rateable value
- a requirement to ballot local businesses where the supplement supports more than a third of the cost of the project
- a requirement to consult on proposals for specific spending on economic development
- additional protection for smaller businesses through an exemption for properties worth less than £50,000

Interestingly, the 2p cap means that there can't be another supplementary business rate raised in London *in addition to Crossrail*. This suggests to us that London's Crossrail SBR mechanism has set the parameters for the national proposal.

Breakdown of costs

Collating figures that have been released or hinted at, the breakdown looks roughly like this:

	£bn
DfT Grant	5.3
Supplementary Business Rate (TfL securitising 2p rate)	3.5
Individual contributions (City, Canary Wharf, BAA)	1.0
Section 106 contributions	0.2
Fares (supporting borrowing by TfL and Network Rail)	<u>6.0</u>
Total	16.0

TfL will take over the project, with Cross London Rail Links (CLRL) becoming a wholly-owned subsidiary.

Property contributions

Current estimates of possible s106 contributions to Crossrail are very modest. However, the proposed replacement to the Planning Gain Supplement in London may offer further opportunity for the Mayor to levy a London-wide infrastructure tariff and raise considerably more. Details have still to be worked out.

TfL settlement

TfL will be allowed to borrow £1bn more in 2008/9 and 2009/10, following the collapse of Metronet. Having achieved funding for Crossrail and Thameslink, it will be difficult for us to press DfT for more for London. We are nevertheless making our priorities clear to the Mayor and TfL. Our key priority should be to deliver the PPP programme outputs, together with other essential Tube improvements, including increasing capacity of major stations and tunnel cooling. TfL is likely to have to cut back on other programmes and its exposure to risk will be greatly increased. Other high priorities are Olympics transport and Thames Gateway (Thames Gateway Bridge and DLR extension).

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