

MAYOR OF LONDON

Lord Adonis

Interim Chair
National Infrastructure Commission (NIC)
1 Horse Guards Road
London SW1A 2HQ

Date: 15 JAN 2016

Dear Andrew

Response to the NIC's call for evidence

Please find enclosed the Greater London Authority's (GLA's) and Transport for London's (TfL's) joint response to your call for evidence on large-scale transport infrastructure improvements in London. I also comment in Appendix 1 on your study on improving the balance between electricity demand and supply and in Appendix 2 on London's wider infrastructure requirements, which I hope will provide some context and stimulus for the Commission's future work.

Context

Investment in infrastructure is more vital than ever to sustain London's projected economic and population growth, given that the city recently surpassed its previous population peak of 8.6 million set in 1939.

The capital's economy is vital for the rest of the country and is an extraordinary national asset - one of only a handful of truly global cities on the planet. In preparation for this new era of growth, in 2014 I consulted widely on an infrastructure plan for the capital, setting out where growth is likely to come, the long term infrastructure requirements for the capital to 2050, how much they might cost, how we might pay for them, how the plan can adapt to technological change, and how infrastructure delivery should be better coordinated. Appendix 2 provides more background.

Crossrail 2 – the right scheme for London

With regard to new large scale transport infrastructure, my top priority and my first request for government funding is Crossrail 2. I am delighted that the NIC as an independent body can look afresh at this scheme. I am convinced that once the detailed analysis that already exists on this and other potential options is examined, the Commissioners will confirm their support for it.

It is the right scheme for London and the South East because of its unique combination of benefits, amongst which it will simultaneously:

- relieve a series of transport bottlenecks that exist on a network upon which central London's economy depends;
- provide new connections between areas of significant housing potential across the south east and London's main employment centres, thus boosting housing supply to support employment growth;
- support some of the most deprived parts of London.

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Critically, it has overwhelming public support, which also means that it can be implemented with relatively little controversy or opposition. It has for many years had its route safeguarded; all other potential schemes would require years of development to get them to an equivalent stage. As part of its development, many alternatives have been considered, including enhancements to the existing rail network and smaller rail schemes. It is clear that no feasible alternative schemes, either individually or cumulatively, could generate the combination of capacity and connectivity benefits that together offer the transformative impact on economic performance that Crossrail 2 is expected to bring about.

Consequently, Crossrail 2 is my considered priority and that of TfL's Board. As you know, it also commands the support of London's business community.

I am now ready to proceed to the next stage of this project's development for which I need the Government's full support. We cannot relive the experience of Crossrail 1, which was conceived in the 1940s, took shape in the 1970s and 1980s, was (unjustly) rejected by Parliament in the 1990s, resurrected by my predecessor and me in the 2000s and will at last open in 2019, nearly 80 years after being first mooted. I am sure that you will want to help us all do far better for Crossrail 2. It is important that we do not keep going back to square one when there is a viable and popular scheme on the table. I have a brilliant team in place to deliver it. To put it another way, from now on, every six months delay by the Government will result in up to £4b in lost benefit including thousands of homes that could be built at or near a Crossrail 2 station.

Funding

There is no doubt that Crossrail 2 will be expensive, but I believe it is eminently affordable. During construction, its costs will be a small fraction of the regional economy that it will serve for decades, if not centuries, to come. We estimate it could deliver an economic boost of up to £7.9b per annum. Its construction will create 60,000 jobs and it will provide opportunities throughout the national supply chain, as has been the case for other major projects in London, including Crossrail 1 and the preparation for the Olympic Games.

Crossrail 2 should be funded ultimately by those who will benefit from it most, including those whose property values will increase as a result of the decision to build. We have time to develop a set of policies to capture a proportion of this value uplift to pay for the scheme, but we need to make good progress soon. I would also expect contributions from those outside the capital who will benefit from it.

Insofar as we remain a highly centralised state, fiscally, then we will continue to rely on government grant to fund it. Economically that would be rational given Crossrail 2's boost to a regional economy whose taxes go largely to the national exchequer. However, I have argued consistently for the devolution of fiscal powers to enable us to pay for much more of it (and other schemes) ourselves. Such powers could include a variety of taxes and similar instruments highlighted in the submission. The political acceptability and economic appropriateness of these can and should be assessed in more detail during the development phase. What is not acceptable is neither grant nor the powers to pay for the scheme ourselves, if the strength of the rest of the business case is accepted.

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Development funding

I am asking the NIC to recommend that the Government take the necessary steps to enable a Hybrid Bill to be submitted before the end of this Parliament. This requires an application for statutory powers in the coming years which would allow the delivery phase to commence in 2020 and the scheme to open by 2030. The sponsorship and consent costs associated with this are £250m and we are seeking the NIC's support for funding from the Transport Development Fund for a significant proportion of this. If insufficient funding is made available for these activities there is a risk of setting the project back by at least half a decade, which could constrain London's growth.

Key considerations for determining the appropriate allocation of national resources for major new 'national' infrastructure are set out below. These are intended to assist the NIC in making its recommendations to the Government on prioritising national resources for large scale transport infrastructure - and more immediately those required for planning and developing them:

- the scope for unlocking genuine economic potential through intensifying or transforming the way land is used, as expressed through economic performance measures such as GVA, and the extent to which this is additional at the national level;
- the key constraints that prevent people and places from realising their economic potential, including both transport bottlenecks and shortages of housing;
- the wider impacts including the sustainability implications of alternative strategic choices;
- the 'economic payback' of large scale infrastructure investment and the implications for national level funding through the impacts on fiscal receipts associated with the economic performance benefits;
- the opportunities for regional and local funding from development that is unlocked and other sources;
- the pressing nature of the strategic challenges and the timescale for addressing them, in particular the threats to continued growth arising from constrained transport capacity and inadequate connectivity as population pressure increases.

Conclusion

Overall I believe that once Crossrail 2's benefits are viewed holistically, its top ranking priority becomes clear. It will underpin new urban areas, support our nationally critical employment centres, boost the supply of homes, provide a large number of jobs, support a national supply chain, deal with major transport bottlenecks, give a lift to areas of national disadvantage, and reinforce a transport network that underpins the country's most productive region. It thus already commands widespread support. It is now time to get behind it with proper funding so we can build it in the 2020s.

I am confident that your Commission will support Crossrail 2. My team and I look forward to our continuing discussions and we will try to supply whatever further detail you may require.

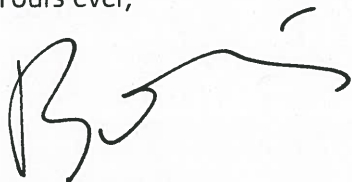
Other projects

For the avoidance of doubt, my only call on the NIC's Transport Development Fund is for Crossrail 2. More broadly, I also support a submission by the Chair of the West Anglia Taskforce on 4-tracking of the West Anglia Main Line, setting out its potential as a prerequisite to, and to bring forward the benefits of, Crossrail 2 (as set out in paragraph 32 in this submission); and a separate submission being made by a number of parties including the London Borough of Bexley on the

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case for extending Crossrail 1 eastwards, which could enable substantial growth in the south eastern corridor from London towards Ebbsfleet and Gravesend. These and other schemes, such as the Bakerloo line extension and A13 Riverside tunnel that we are developing, are important parts of the necessary pipeline of transport investment described in paragraphs 34-40 of the submission, but for which we are not seeking funding (at least at this stage) from the Transport Development Fund.

Yours ever,

A handwritten signature in black ink, appearing to be 'Boris Johnson', with a stylized, flowing script.

Boris Johnson
Mayor of London

Encs.