



## **BSA - The Business Services Association**

### **Response to the National Infrastructure Commission Consultation**

**January 2016**

#### **Large-scale transport infrastructure improvements in London**

##### **1. What are the major economic and social challenges facing London and its commuter hinterland over the next two to three decades.**

According to Centre for Cities, between 2004-2013, London's population grew faster than any other of the UK's top ten metropolitan areas<sup>1</sup>. The Greater London built-up area is nearly five times larger than the next largest of Greater Manchester. This means London has unique infrastructure pressures.

High house prices, coupled with population growth, will likely see more people move to the outskirts of London in search of cheaper dwellings. This development will necessitate improvements to suburban train lines such as Thameslink, Southern and Chiltern Railways in order to cope with increased demand along with a more positive and ambitious residential and mixed use development at and around local stations (both existing and planned). A limited amount of track space already hinders these often overcrowded services, a difficulty that will be exacerbated by a lack of investment and redevelopment.

This picture of steady, rapid growth means London's already strained transport network will face increasing pressure. Crossrail will add 10% capacity to the capital's rail network, however former TFL Commissioner, Sir Peter Hendy, has previously said that it will be 'immediately full' upon opening. This therefore suggests that a second major rail line is needed across London and the BSA welcomes proposals to explore the construction of Crossrail 2.

As with the first Crossrail, refurbished and increased station infrastructure will be a critical component of the project. Stations should be viewed as centres of their community, providing a basis for growth and development. New and improved stations with stable levels of investment can act as a catalyst for both housing and business development. In London especially, proximity to a train station is often a key consideration for someone looking to buy a home. Similarly easy access to transport links often affects a business' location decision. It is imperative that decision-makers take a whole community view of an individual project when judging its merits.

##### **2. What are the strategic options for future investment in large-scale transport infrastructure improvements in London - on road, rail and underground - including, but not limited to Crossrail 2?**

Crossrail 2, similar to the original Crossrail, offers London an opportunity to add significant capacity to its transport network. As previously mentioned, if Crossrail is full upon opening in 2018, the need for additional capacity will be immediate. The BSA would therefore encourage the development of the Crossrail 2 project as rapidly as is appropriate and necessary. Crossrail 2 will mean the East-West and North-South corridors of London will be served by a high-tech, far reaching and modern rail

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<sup>1</sup> <http://www.centreforcities.org/wp-content/uploads/2015/01/15-01-09-Cities-Outlook-2015.pdf>



service. It also creates an opportunity to plan significant new housing above and around many of the proposed new stations which needs to be seen as an integral part of the Crossrail 2 project and not just an afterthought.

Additionally, the Commission should examine closely options for renovating and rebuilding parts of Euston station. As a key hub station, providing access to the North West and Midlands it is already overburdened and in need of investment. Factor in Euston's role as HS2's London hub and proximity to a proposed stop on the Crossrail 2 route and the need to substantially upgrade the station is clear.

Crossrail should not be the only means by which London seeks to expand its intra-city rail service. The capital has already seen new rolling stock introduced on the tube network, such as on the Metropolitan Line, Hammersmith and City Line and Victoria Line in recent years. A number of planned extensions will increase the reach of the tube network, helping create jobs. According to TFL, the Northern Line's Battersea extension will create 24,000 jobs and 18,000 new homes by 2020<sup>2</sup>. The National Infrastructure Commission should explore the possibility of further tube extensions as London continues to grow both in terms of people and square miles. The business case for individual projects and investment, particularly the strategic and economic case, are key to working through prioritisation and economic impact. It is crucial that the business case is cross-agency, able to compare a range of transport and other infrastructure investment.

### **3. What opportunities are there to increase the benefits and reduce the costs of the proposed Crossrail 2 scheme?**

Starting construction on Crossrail 2 sooner will increase the benefits of job creation and adding capacity. The original Crossrail provides a bountiful source of construction workers, designers and engineers with much needed experience of building a brand new, cross-city, subterranean railway line. Lengthy delays in beginning construction risks this pool of workers dissipating and being committed to alternative projects. Government must offer assurance and clarity as to whether and when Crossrail 2 will be built. As soon as this is offered, businesses can begin the necessary training and upskilling of workers needed to deliver the project.

The BSA urges the government to recognise the benefits of allowing for a seamless transition between major infrastructure projects. Crossrail and Crossrail 2 are an obvious example, being in the same geographical location, requiring the same equipment and demanding the same skills. The National Infrastructure Plan for Skills estimates a shortfall of nearly 400,000 construction and engineering jobs by 2020<sup>3</sup>. A lack of seamless transition between projects will exacerbate the problem.

The option of phased implementation should be looked at, which could mean that some of the Crossrail 2 infrastructure is not only built, but in operation ahead of 2028. This could allow for increasing London's transport capacity gradually and earlier than if the line was opened all at once. Particular attention should also be paid to development at key nodal points, where a number of major train lines will meet. This in turn should create 'spin-off' regeneration opportunities for housing and businesses to develop in these nodal points where they otherwise wouldn't have.

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<sup>2</sup> <https://tfl.gov.uk/travel-information/improvements-and-projects/northern-line-extension>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/464354/NIP\\_for\\_skills\\_final\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464354/NIP_for_skills_final_web.pdf)



#### **4. What are the options for the funding, financing and delivery of large-scale transport infrastructure improvements in London, including Crossrail 2?**

Tax Increment Financing (TIF) offers a particularly beneficial structure for funding large-scale transport infrastructure improvements in the capital. This is due to the relatively high-concentration of businesses, particularly around Central London. TIF works by dedicating a proportion of future tax revenues (normally business rates in the case of the UK) for infrastructure and development. The improved connectivity derived from such projects would usually see an increase in business rate revenue, providing a viable option for funding large-scale transport infrastructure. However, given that councils will soon be allowed to keep a portion of their business rate revenues, it will require coordination across all of London's boroughs.

In addition, opportunities for significant residential development at and around new stations and transport interchanges creates an opportunity to secure a mix of capital receipts and new revenue streams to support new transport investment.

As raised in the 2015 Autumn Statement and Spending Review, the pooling of local government pensions funds offers a potentially significant source of funding for infrastructure investment. Pooling the pension funds of London's local authorities, as well as possibly including other bodies such as Transport for London, will allow a greater single pot of investment. Pension funds have the advantage of being able to invest in projects which look longer-term. Infrastructure investment is ideal for pension funds as it offers very low risk due to being underwritten by the government and delivering steady, long-term returns.

In order to support the effective delivery of large-scale transport infrastructure, it is important that an ambitious but realistic time-frame for completion is put in place. A recent National Audit Office report said a project with lengthy timescales negatively affect the continuity, whilst short timescales can make delivery a virtual impossibility<sup>4</sup>.

#### **5. How have major metropolitan areas in other countries responded to similar challenges and priorities? Are there any lessons to be learned and applied?**

BSA members have experience of constructing major infrastructure projects across the globe, including, but not limited to, Canada, U.S.A. and Dubai. As with the UK, stability is key to the success of any infrastructure programme, with constructors reliant on the assurance that long-term projects will remain funded and immune from sudden changes or cancellations.

Singapore and Hong-Kong, as major, densely packed metropolises with high demand for transport infrastructure have taken the approach of 'upwards not outwards'. Given the limits on space that exist in both cities, particularly Hong-Kong, projects are being proposed and implemented that will see transport systems make use of space above the city rather than spreading outwards.

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<sup>4</sup> <https://www.nao.org.uk/report/delivering-major-projects-in-government-a-briefing-for-the-committee-of-public-accounts/>