



National Audit Office



REPORT

Investigation into the East West Rail project (Oxford – Cambridge)

Department for Transport,
Department for Levelling Up, Housing & Communities

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What this investigation is about

1 East West Rail is a transport infrastructure project intended to support economic growth and job creation in the region between Oxford and Cambridge. The project aims to improve rail connections between the two cities, Milton Keynes and intervening towns, creating new connections and stations along the route and reducing journey times. The improved connectivity is intended to make more of the region attractive to businesses and new housing development, supporting growth and jobs.

2 The Department for Transport (DfT) is responsible for funding and overseeing the delivery of the East West Rail project. DfT established an arm's-length body, the East West Railway Company (EWR Co), to plan and deliver the rail project, which began operations in 2018. Homes England, an arm's-length body of the Department for Levelling Up, Housing & Communities (DLUHC), provides advice to EWR Co and DfT on the potential for housing growth in areas along the proposed route.

3 In developing its transport infrastructure plans, DfT and EWR Co have assessed how the East West Rail project can help support economic growth in the region, identifying constraints on growth such as the following.

- A lack of space, with laboratory and commercial space almost exhausted in Cambridge and Oxford.
- A limited labour market, meaning businesses cannot access the workforce and skills they need to grow.
- The impact of high living costs on families and businesses, with housing costs making it difficult for businesses to attract staff and relocate.

In July 2023, DLUHC announced a new long-term plan for housing in the region. This includes plans to support economic growth through the expansion of Cambridge, creating space for housing and businesses.

Scope of this work

4 We conducted this investigation in response to correspondence from a member of Parliament raising concerns about the East West Rail business case and the strategic need for the project, which may have been affected by DLUHC's announcement in July 2023 of new plans for growth in Cambridge.

5 This report sets out the following.

- The changing context for the East West Rail project.
- DfT’s assessment of the case for investing in the East West Rail project.
- The arrangements in place to deliver the intended benefits.

6 Our report does not examine progress with delivery of infrastructure on the route or the management of the project by EWR Co. We do not seek to form a value-for-money judgement on the East West Rail project, nor have we undertaken a detailed assessment of the project’s business case. We conducted our fieldwork in October 2023. We reviewed documents and data held by DfT and DLUHC, and held interviews with officials in DfT, EWR Co, DLUHC and HM Treasury.

Background information on East West Rail’s schedule and cost

7 The East West Rail project is being delivered in three sections, called connection stages, which EWR Co plans to open in phases, expanding the route from Oxford eastwards towards Cambridge.

- Connection stage 1 from Oxford to Bletchley and Milton Keynes, which is under construction, with train services expected to run by 2025.
- Connection stage 2 from Bletchley to Bedford.
- Connection stage 3 from Bedford to Cambridge.

Connection stages 2 and 3 are still being planned, with train services expected to run from the early 2030s.

8 DfT currently estimates the cost of the project will be between £5.7 billion and £6.6 billion. As at March 2023, £1.121 billion had been spent on the project. The majority of this, £936 million, had been spent on completing connection stage 1. EWR Co had also spent £185 million planning for connection stages 2 and 3.

Summary

Findings

The case for investing in East West Rail

9 In 2017, the government set out plans to support economic growth in the area between Oxford and Cambridge through transport links and housing development, but subsequently changed its approach. In 2016, the government asked the National Infrastructure Commission to examine ways in which it could maximise the potential for economic growth in the corridor of land between Oxford and Cambridge. The National Infrastructure Commission identified that an undersupply of housing was constraining economic growth and recommended that the government progress road and rail projects between Oxford and Cambridge to support new housing developments and attract businesses. In the Autumn Budget 2017, the government announced investment for the East West Rail project and the Oxford–Cambridge Expressway road project. The government supported the ambition for up to 1 million new homes in the region by 2050 and committed to exploring options to achieve this ambition, but did not adopt it as a formal target. However, in March 2021, DfT cancelled the Expressway. In July 2021, the government confirmed its approach was to support locally led planning for development, rather than pursuing an overall housing target (paragraphs 1.7 to 1.10; Figure 4).

10 DfT has assessed the need for the East West Rail project and concluded, in both its April 2021 assessment and in May 2023, that there is a strong strategic need for the project as it will help achieve economic growth in the region.

In April 2021, DfT’s accounting officer assessed that the strategic case for East West Rail was very strong. DfT pointed to East West Rail being an important element of the government’s plans for growth in the region that supported the government’s ambitions for housing. Later in 2021, DfT and EWR Co started work to revisit the strategic need for the project after changes in government housing policy that placed greater emphasis on locally led growth in the region. In May 2023, DfT and EWR Co concluded there was still a strategic need for East West Rail, to enable economic transformation in the region. It identified constraints to growth linked to poor transport connectivity (paragraphs 1.10 to 1.12, 2.3 to 2.7; Figure 5).

11 In July 2023, DLUHC set out plans to develop a new vision for housing and business growth in Cambridge that, with DfT, it is currently working to align to the East West Rail growth plans. In July 2023, DLUHC announced its intention to develop a long-term plan for housing that included a new strategy for growth through the expansion of Cambridge. The development of this plan is at an early stage but is focused on encouraging expansion of the city – creating new space for housing and businesses – rather than expanding growth along the East West Rail line. DLUHC consulted with DfT in the week before the announcement on its content. The two departments are currently working together to determine how to ensure their plans are aligned. The departments intend to complete this work ahead of EWR Co's statutory consultation on the East West Rail route, planned for 2024. The project is subject to further review points before it can be approved to proceed, including the outline business case, which DfT will consider ahead of the application for a development consent order, and the full business case, which DfT will consider if development consent is granted (paragraphs 1.13, 3.11 to 3.13).

12 DfT has assessed that the benefit–cost ratio for the East West Rail project is poor and has fallen over time, but this assessment does not capture the wider strategic aims of the project. In 2021, DfT assessed that the benefit–cost ratio for the project was between 0.5 under a low-growth scenario, and 1.1 under a high-growth scenario associated with housing growth ambitions for 1 million new homes in the region by 2050. This means that the scheme was forecast to result in benefits that are valued at between half and slightly more than the full amount it will cost. However, the benefits that the project is intended to achieve through changes in land use for new homes and businesses are not included in this assessment. Therefore, the total benefit resulting from the scheme could be greater than that which the benefit–cost ratio suggested. In May 2023, following revisions to their methodology and growth assumptions, and the publication of a preferred route, DfT and EWR Co assessed that the benefit–cost ratio had fallen. Even when including wider benefits associated with land use change, DfT and EWR Co assessed the benefit–cost ratio to be below 1. The benefit–cost ratio does not include strategic and indirect impacts that cannot be monetised, impacts which DfT and EWR Co considered in assessing the strategic need for the project (paragraphs 2.6 to 2.12; Figure 6).

13 DfT and EWR Co have not yet decided how to power the trains on the new route in the long term, and are currently considering the up-front costs and long-term benefits of non-diesel options. DfT is committed to the UK railway network being net zero by 2050 in line with its wider decarbonisation plans, and it has the ambition of removing diesel-only trains by 2040. However, no decision on electrification of the East West Rail line has yet been made, and diesel-powered trains will run as an interim measure when the first section of the route opens. In 2023, EWR Co estimated that full electrification of the line could cost up to £1 billion. However, DfT and EWR Co are currently assessing a range of non-diesel options, involving full or partial electrification, that they consider could be delivered at lower cost. While full or partial electrification would add to the up-front costs of the project, it would likely lower operating costs. EWR Co intends to present further details on its plans for powering trains at the statutory consultation, planned for 2024 (paragraph 2.13).

Arrangements to deliver the intended benefits

14 DfT is reliant on other parts of the public sector and the private sector to deliver the benefits of the project. The strategic case for the line is based on increased economic growth supported by housing development in the region. New housing development will be locally led, but achieving the intended wider benefits of the project will require a combination of DLUHC, Homes England, local government, DfT and HM Treasury working together (paragraph 3.2; Figure 7).

15 The original cross-government governance arrangements to plan and deliver growth across the Oxford–Cambridge region were not sustained, and recently established arrangements are yet to demonstrate their effectiveness. In spring 2018, the government put in place a cross-government portfolio of programmes to support growth in the region. The government intended this to align housing and transport policy decisions, ensuring a coordinated cross-government approach. However, these governance arrangements were disbanded in autumn 2021 following the government’s move away from a central top-down approach to development in favour of a more local bottom-up approach. DfT continued with the project without formal cross-government arrangements. HM Treasury has recently established the cross-government East West Rail Economic Growth Board to coordinate central government activity and support local development. The Board is intended to accelerate and maximise the wider social and economic benefits of East West Rail. It met for the first time in September 2023 (paragraphs 3.3 to 3.6).

16 Work to identify opportunities for growth around the new stations planned along the East West Rail line is at an early stage. EWR Co is coordinating activity with local authorities, universities and local enterprise partnerships in the region to identify opportunities for economic growth around the new stations. Funding of £15 million was announced in the Spring Budget 2023 to support work setting out the potential to deliver new jobs, homes and infrastructure in the region. This work is expected to support the outline business case for East West Rail. The development of plans for growth across the region will require collaboration with local partnerships (paragraphs 3.7 to 3.10).

17 EWR Co has more to do to respond to the concerns of the region's residents, some of whom will be negatively affected by the project and are unhappy with how EWR Co has communicated with them. As is common with large infrastructure projects, stakeholders have expressed a broad range of views on East West Rail. Some local authorities, universities and major businesses have expressed strong support for the project and sought the government's commitment to delivering it. During our investigation, we were contacted by local members of Parliament, councillors, residents and campaign groups raising concerns about the project, which they feel have not been adequately addressed by EWR Co. Large infrastructure projects by their nature often cause concern and distress to those negatively impacted, particularly where land and property may need to be compulsorily purchased or sold. The themes raised with us are similar to those identified by EWR Co during its public consultations, including that communication could be improved. EWR Co has said that it keeps its communications approach under review, and that the feedback it has received is being used to inform the project (paragraphs 3.14 to 3.18; Figure 8).

Concluding comments

18 East West Rail represents a £6-7 billion investment to support growth in a part of the UK that the government regards as economically important, but it is not yet clear how the benefits of the project will be achieved nor how it aligns to other government plans for growth in the region. As with many transport projects, the rationale for East West Rail does not rest on the strength of the benefit-cost ratio for the project alone – which is poor – but on its wider strategic aim of overcoming constraints to economic growth in the Oxford–Cambridge region. This rationale has underpinned DfT's decisions to approve and continue with the project to date. However, achieving the necessary value from the government's investment in East West Rail will require stronger strategic alignment across government. Improved communication and joint working between central government and local bodies are needed to overcome barriers to progress and achieve the goals of the project over the long term.

Recommendations

- a** Through the new East West Rail Economic Growth Board, HM Treasury should lead on establishing a cross-government shared vision for supporting locally led development and growth associated with East West Rail. Through the Board, HM Treasury and relevant departments should facilitate the following.
 - Establishing and mapping interdependencies between the various projects linked to development in the Oxford–Cambridge region, with clear ownership and processes for managing the interdependencies.
 - Reviewing and, if required, updating the approach to engaging with stakeholders in the region, including how proposals and plans for East West Rail are communicated and explained.
 - Setting out the critical success factors for achieving the intended benefits from East West Rail, including ownership and how progress will be monitored.
- b** DfT and DLUHC should build on the new Board to establish effective cross-department governance that complements and bolsters the local stakeholder partnerships being created in the region, to focus on achieving the benefits of East West Rail.
- c** DfT and DLUHC should work together on bringing forward a shared vision for growth in the Cambridge region, with future investment decisions on East West Rail and development in Cambridge taking account of progress on that vision.
- d** DfT and EWR Co should ensure that the full business case for East West Rail incorporates a well-advanced plan for economic growth in the local areas impacted, including Cambridge, and that the projects are complementary and strategically aligned. It should include:
 - a clear plan for how the vision set out by the East West Rail Economic Growth Board will be achieved;
 - how East West Rail will contribute to economic growth in the region; and
 - the other projects and investments that DfT and EWR Co expect will need to occur to encourage economic growth, and how these are aligned.
- e** DfT and EWR Co should assess the options for how to power the trains on the route in the long term, setting out how the options align with DfT's decarbonisation plans and provide cost-effective solutions.
- f** EWR Co should continue to revisit its approach to local engagement to ensure the needs of all stakeholders are met, particularly those whose homes and businesses are affected.
- g** To maintain an affordable programme of work, DfT and EWR Co should reflect on learning from other recent rail projects and assure themselves that they have adequate controls and governance in place to monitor and manage costs.