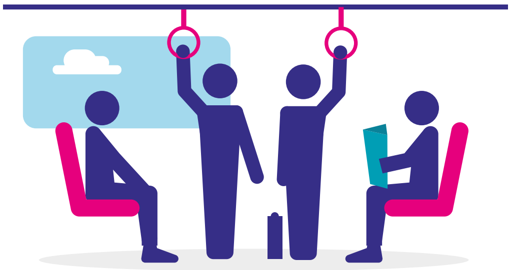
Crossrail
40 years in the making

The role of London business

At full service the Elizabeth line will increase central London rail capacity by

10%



WHEN a giant tunnel-boring machine named Phyllis set off in May 2012 on the 18-month journey from Royal Oak in west London to Farringdon in the east, it marked the beginning of the end for a very long voyage.

Named after Phyllis Pearsall, the creator of the London A-Z, this machine along with seven others promised to redraw the capital's transport map and provide a valuable direct connection between Canary Wharf and Heathrow. Construction work had actually begun three years earlier on Crossrail, a £14.8bn east-west rail link through the capital and Europe's biggest infrastructure project.

But it had taken years of campaigning to make the business case and develop a unique funding model to bring Crossrail into being. This December what has been christened the Elizabeth line will be opened, with a full service following a year later that will increase central London rail capacity by 10%. Its significance will quickly be taken for granted by commuters racing to and from the office and visitors to London but it stands as a permanent reminder of what a world city can – and should – do if consensus is built to galvanise mere ambition.

1994 Off track

WHEN a four-man House of Commons committee ruled that Crossrail should not go ahead in May 1994, there was dismay from many quarters. The multi-billion pound project had been championed by the prime minister John Major and found favour with politicians of all hues as well as Railtrack, London Underground and business leaders. What it had not achieved since being introduced by transport secretary Cecil Parkinson at the Conservative party conference in October 1990 in Bournemouth as something that would “transform the lives of Londoners” was support from the Treasury. Emerging from recession, public money was tight and there were doubts over London’s economic growth projections after the city’s population had declined to a post-war low of 6.7m. In addition, Major’s insistence that the scheme should be largely financed by the private sector had not gone down well with industry.

Once sidelined, two further government studies crystallised Crossrail’s twin problems: it was not a project that could be done on the cheap and it couldn’t be wholly financed by the private sector. The project was put firmly on ice and the focus shifted to other works such as the Jubilee Line extension and Channel Tunnel rail link.

Crossrail was a scheme with a long history, dating back to the Regents Canal & Railway Company in the 1880s, but seemingly no future.

To get Crossrail back on track, London's stakeholders would have to speak with one voice so the capital as a whole could prosper.

In October 1992 a group of business executives formed an alliance to build on London's strengths and promote it as one of the world's leading cities. "They recognised that if London was to continue to play a leading role in Europe it would need to improve its transport systems, demonstrate economic vitality, develop a highly skilled and educated workforce and become cleaner, safer, and more attractive," its first chairman, Sir Allen Sheppard of brewer Grand Metropolitan, wrote in London First's inaugural annual report.

Sir Allen was spurred on by what he and partners viewed as a failing transport system that had suffered from underinvestment and was now struggling to cope with travel volumes caused by the capital's Big Bang-inspired financial services success.

The 1994 set-back catalysed action among London's districts including the West End and City, which was nervous about losing out to Canary Wharf's deregulated office market. "There was impetus after that: we knew we had to power up a voice for London," says Robert Gordon Clark, an early London First recruit and eventually deputy chief executive.

[Signs of growing collaboration came in autumn 1995 with the publication of a 15-year transport action programme by the London Pride Partnership, a loose alliance of the public, private and voluntary sectors. Building on LPAC's proposal for an integrated London transport programme and budget, this document was hailed as the first comprehensive and fully costed plan for London transport for 20 years.

In the run up to the 1997 election a giant poster was unveiled depicting crushed commuters with the slogan

Written by Irving Yass, London First's policy director, it plotted the level of investment required and its phasing. Crossrail was mentioned, aspirationally, but more focus was put on funding options to boost the budget including extra employment taxes, workplace car parking, a business rates supplement and road pricing. These were road-tested with members at a series of breakfasts hosted by the engineer WS Atkins where road pricing – a congestion charge - emerged as favourite.

"The accountants and lawyers were strongly in favour but retailers were not so happy," says Yass. "I pointed out to John Lewis that only 6pc of the people shopping in their Oxford Street store came by car."

The document added fuel to the London transport debate and the idea that it wasn't just a problem for the taxpayer to solve. London First chief executive Stephen O'Brien wrote in the 1996/1997 annual report that he was committed to finding ways of attracting new investment in the transport systems of London particularly to clear the £1.2bn backlog on the Underground by 2002. "To achieve this we will need to get business in London to accept one simple fact of life – that we must all consider the cost of transport in London and recognise that some of that cost must now be borne by business."

In the run up to the 1997 general election, London First began to bare its teeth with a debut public campaign to win support for greater investment in London's transport network. In Parliament Square on May 1 - election day - a giant poster was unveiled depicting crushed commuters, with the slogan "Parliament is reintroducing capital punishment".

1997 London calling

WITH Labour back in government for the first time in 18 years, it was game on. The new chancellor, Gordon Brown, had pledged to stick to Conservative spending plans for the first two years, so what came afterwards was the target. Crossrail was regularly raised in conversations with ministers, including at a London First reception on the terrace at the House of Commons in summer 1997, attended by deputy prime minister John Prescott.

A year later in his foreword to the annual report, the now Lord Sheppard reported that the stars were beginning to align with a drive towards hypothecation in the upcoming Transport White Paper, so that “monies raised via a tax or levy are not returned to the Treasury’s coffers, but can be earmarked for a specific purpose, such as improvements to public transport.”

Sheppard was not disappointed. Prescott put weight into solving the UK’s transport woes that more junior ministers who had held the brief did not. His white paper in July 1998 drew headlines for its attempt to get motorists to leave their cars at home and take public transport. But it also raised ambitions for privately-financed investment in transport to increase by at least a half over three years, plus suggested local authorities should charge for road use and parking to generate revenue for infrastructure improvements. More importantly, the paper drew up plans for the creation of Transport for London, a single co-ordinating body for the capital without which “fragmentation is a serious obstacle to pursuing the integrated approach which we want to see”. It would be headed by a new directly-elected mayor – a role London business had championed – who would become a vital ally of the Crossrail cause.

Two months after Ken Livingstone, standing as an independent candidate, was returned to City Hall in May 2000 as London's first Mayor, the government's 10-year transport plan was published that brought an east-west rail link squarely back on the political agenda. "I had persuaded the department to keep the scheme alive and once Labour took office they said the Tories were stupid to have cancelled it and that they would certainly approve it," says Steve Norris, who had been the Tories' minister for London transport. "Ken was the person who kept them to their promise because for all of eight years he nagged the government constantly."

Then, following a favourably-received London East West Study by the Strategic Rail Authority, in an October 2001 announcement headed "Crossrail Reborn", a new company, Cross London Rail Links (CLRL), jointly owned by the SRA and TfL, was created. Handed a budget of £154m, its remit was to take forward the scheme and conduct a feasibility study of a possible Hackney-southwest London line which became known as Crossrail 2. It was the same month that Railtrack was re-nationalised, so there remained some nervousness about rail infrastructure. However, here was a tangible resource to finally put this bold plan to the test.

The new directly-elected mayor, a role London business had championed, would become a vital ally of the Crossrail cause

2003 Money talks

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THE resulting business case, delivered in July 2003, was a more sophisticated argument than what had gone before. Crossrail was required because of forecast growth in employment of 600,000 in the 15 years to 2016, the report claimed, and it would relieve some of the most crowded parts of the tube network. However, the case needed expanding beyond the transport impact.

“The challenge we were confronting was you can’t take to the Chancellor the idea that you are going to save a little bit of time for wealthy commuters and put out the begging bowl for £10bn,” says TfL’s Shashi Verma, who wrote most of the business case. A significant breakthrough on so-called agglomeration benefits - the theory that Crossrail could support more than 20,000 additional, well-paid, highly-productive jobs by 2027 by enabling the core business districts to expand – played well with a government whose priority was schools and hospitals.

The case was winning fans but who would contribute to its construction was still an open question. It did not help that in recent memory only £100m of the promised £400m contribution to the Jubilee Line Extension had been forthcoming because property developer Olympia and York went bankrupt. However, identifying Crossrail’s broader economic benefits helped to justify the argument that property owners – not just fare payers and taxpayers – should be asked to foot the bill.

Alistair Darling, who became transport secretary soon after CLRL was formed, had pledged to get a “firmer grip” on the project so it had a better chance of moving ahead. He called in government troubleshooter Adrian Montague to look over the business case.

The resulting Montague Review threw down the gauntlet to the private sector. It supported Crossrail, passed it on cost-benefit grounds and concluded its construction could catalyse economic growth including the regeneration of the Thames Gateway to the east. But while it queried some of CLRL’s cost estimates and the precise route, Montague left the government in no doubt that the project was also symbolic if it wanted to be seen as taking London’s future seriously.

Importantly, the report also firmed up the question of financing, asserting that Crossrail’s size meant standard equity or project debt would not suffice and “alternative funding mechanisms would need to be used to the maximum”. Using London First’s chief executive Jo Valentine as a key sounding board, Montague reported the capital’s businesses appeared ready to chip in £2-3bn. All business leaders had to do was prove to doubting ministers they were deadly serious about putting their hand in their pockets.

“When you do one of these reports you are trying to lay down signposts and rely on people like the business community to take up the running,” Montague says. “They did that very effectively.”

A letter written by a group of City firms to the City of London Corporation said they would be willing to

pay more

on their business rates to fund crossrail

Businesses had kept up momentum. A letter written by a group of City firms to the City of London Corporation that January said they would be willing to pay a 1-3% precept on their business rates as long as the additional revenue went to the proposed rail link. It was part of a broad chorus. A month later, Livingstone's first London Plan described implementing Crossrail 1 as "a particularly high priority to support London's core business areas".

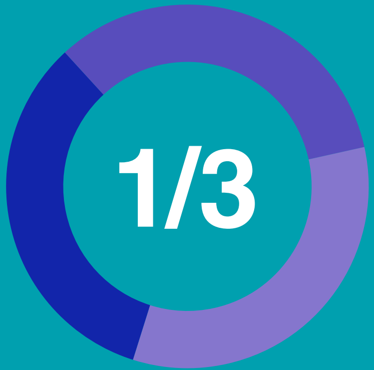
The idea of hypothecation – the collection of a tax or levy with an express spending purpose – had been around for a while. So too had the notion that targeting business rates would be the fairest option and cheap too, when considered against the cost of collecting new taxes such as the congestion charge which came into effect in February 2003. As long ago as December 1993, when Crossrail was priced at just £2bn, the Corporation proposed raising a £50m levy on top of business rates that could be borrowed against to part-fund the project. A year later, the London School of Economics professor Tony Travers co-wrote a paper for the Corporation that proposed a levy on business rates to be paid into an all-purpose infrastructure fund, predominantly to pay for transport. Travers says: "You were never going to raise money via an honesty box and this was a way of business contributing to something that benefited them without the risk of any free riding." As an idea, hypothecation was catching. By 2000, Land Securities' Ian Henderson and Vittorio Radice of Selfridge's had persuaded shopkeepers to pay towards the creation of the New West End Company, the business improvement district that campaigned for improvements to the locale around Oxford Street.

2004 Rail lobby

FINANCE came to the fore when Darling published Montague's findings in July 2004. The minister proclaimed that "appropriate powers for the construction of Crossrail should be sought by means of a hybrid bill to be introduced in Parliament at the earliest opportunity". There was no significant taxpayer money pledged at this stage but increasing political will. To speed the process along, Montague was named CLRL's chairman that October.

At the same time, city figures suggested to the re-elected Livingstone that slicing the financing of Crossrail into thirds – with roughly equal portions coming from central government, the future farepayer and business community - would help to anchor the argument as fair in people's minds. The project was seen internationally as an acid test of the UK's commitment to its capital city. Michael Snyder, the Corporation's policy and resources chief, recalls on a trip to New York that in a meeting with a senior Goldman Sachs executive, he was asked: "So what is happening about Crossrail?"

Yet at home, there were worries about momentum. The Treasury, led by Gordon Brown's impassive adviser Shriti Vadera, fielded meetings with TfL officials, the Corporation and other business representatives and debated how a business rates supplement would work. Leading up to the May 2005 general election, in one



Slicing the financing of Crossrail into thirds – with roughly equal portions coming from central government, the future farepayer and business community - would help to anchor the argument as fair

memorable London First board meeting PWC's Neil Sherlock asserted that if businesses were serious about Crossrail they had to put some money on the table so that politicians did not lose interest once again.

Over many months, dinners were hosted with the top 100 rate payers at property group Land Securities' offices in an attempt to drum up support among firms whose natural mien was to prefer paying less tax not more. In the wood-panelled boardroom at its headquarters sandwiched between Charing Cross station and Trafalgar Square, Ian Henderson would tap his glass and take to his feet sometimes two or three times a week. The property boss would explain to guests that the city would go to the dogs without Crossrail and what's more, big firms would have to get used to paying for it.

The dinner-party diplomacy proved effective although West End retailers with heavy rates bills were the hardest to convince. In 2006, stakeholders still needed to up the ante. Finsbury, the public relations firm, was brought on board by TfL to secure the final funding pledge from central government. Campaign for Crossrail was launched on June 6 and sought to corral support and create a clear narrative that the project was vital not just as a piece of transport infrastructure for London, but for its £30bn economic benefit to UK GDP over 60 years. "The purpose of our campaign was to channel the latent support that existed," said Will Tanner, then at Finsbury. "Even senior editors at the London Evening Standard told us we needed to show that businesses were good for the money but also willing to put the pressure on."

Joining Livingstone at City Hall that day were business leaders, trade unionists and lobby groups to state the case that Crossrail was even more important for the long-term future prosperity of London and the UK than the 2012 Olympic Games would be. The mayor insisted that consensus had been reached among business leaders that a 3% premium should be levied on business rates to part-fund the project. The figure came from a detailed analysis by the Corporation that said Crossrail could proceed if funding came in equal thirds from government, fare receipts and business – and was half the highest 6% rate that had been discussed with Treasury.

In spring 2007, there was a flurry of lobbying, including a summit with Tony Blair around the Downing Street cabinet table just two months before he announced he would be stepping down as prime minister. Then, within days of Brown switching homes in Downing Street, everything accelerated. As Chancellor, Darling was presented with the Crossrail plan that he was already extremely familiar with. Instead of killing it, he capped Treasury's contribution at one-third of the total cost – a significant step forward when campaigners had earlier heard the taxpayer might put in £2bn or nothing at all.

With planning very much underway for the London 2012 Olympic Games, campaigners feared a second major project offered an excuse to put off Crossrail once again. To keep up the pressure, the team led by Bridget Rosewell, the Greater London Authority's consultant chief economist, produced a cost of delay report that showed £4m was lost each day a decision on the rail link was postponed.

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2007 Green light

The Crossrail Act received **royal assent** *in July 2008. The route was finalised but the funds were not.*

WHEN it came, approval materialised almost overnight. Campaigners were summoned to Portland House, Crossrail's ugly tower block home in Victoria, one Friday morning. In what might have been part of a choreographed show of strong leadership, Brown gave the project his full backing, just ahead of the snap general election that never was.

"These are difficult projects to keep alive because a lot of people will fall by the wayside or say it will never happen," says Alistair, now Lord Darling. "Actually, the London business community by and large did stay the course which I think was an important part of it. If you don't see public support it's much more difficult to maintain momentum and deliver a project of this magnitude."

This was not the end of the journey. The Crossrail Act received royal assent in July 2008. The route was finalised but the funds were not.

Key beneficiaries agreed to contribute based on increased development potential. Canary Wharf, an early backer of the business rates supplement, would build a station to which it was granted retail and leisure rights, but also pay £150m. Housebuilder Berkeley Group would construct a station at Woolwich and Heathrow chipped in £70m because a spur to the airport increased the efficient use of a tunnel it had built a decade before. A community infrastructure levy was devised to be applied to commercial and residential developments.

However, the financial crisis threatened to disrupt the gathering of final sums of money. On September 15 2008 Lehman Brothers filed for bankruptcy protection and two days later Lloyds TSB stepped in to rescue an ailing HBOS in a £12bn takeover. Two weeks after that, Snyder missed Conservative party conference in Birmingham to brave a stormy meeting of the Corporation's court of common council. He succeeded in gaining approval for a £200m contribution to Crossrail from City coffers, plus another £150m from large businesses of which £50m was guaranteed. In the end, because donors were not offered tax relief, the full amount came from the Corporation.

The business rates supplement, one of the cornerstone ideas, was the last to be nailed down. The prospectus containing final arrangements was not published until January 2010 by mayor Boris Johnson – eight months after works had begun at Canary Wharf. Set at 2p per pound of rateable value, it was designed to generate £4.1bn including borrowings and run for up to 31 years. A late appeal by the London Chamber of Commerce succeeded in raising the property valuation threshold from £50,000 to £55,000, exempting an extra 4,000 buildings and easing the burden on small business.

Then, one final push. The coalition government was formed in May 2010 with a promise to rein in the nation's spending. Major projects thrown into doubt included Crossrail but after scrutiny from the new chancellor, George Osborne, it survived with £1bn shaved from the budget.

"By that stage we had an Act and an agreement on the funding," says Baroness Jo Valentine. "The business community were saying please tax us and because there was money on the table from London I thought they would find it very difficult to can it."

Fast forward a year to Osborne's autumn statement in November 2011 and shovel-ready projects that would stimulate the sluggish economy were in vogue. Finally, after years of cajoling, Crossrail was just that.

Crossrail The journey

1974

London Rail Study proposed Crossrail and Chelsea-Hackney line (to become Crossrail 2)

1990

Government gives go-ahead to British Rail and London Transport to develop Crossrail

1991

Crossrail Bill submitted to Parliament and Crossrail 2 route safeguarded

1994

Crossrail Bill rejected in Parliament. Government cites constraints on public finances

2003

Crossrail business case presented to DfT. DfT appoints Adrian Montague to review whether scheme is deliverable and financeable

2003

Business leaders propose business rate supplement to help pay for Crossrail

2003/04
Cross London Rail Links consults on Crossrail route

2004
Government commits to introducing legislation to support Crossrail and to work with TfL and stakeholders to develop a funding and financing package

2005
Crossrail Bill presented to Parliament

2007
PM Gordon Brown gives Crossrail the go ahead, with funding confirmed in comprehensive spending review

2008
Crossrail Act confirms Crossrail route

2009
Crossrail Construction begins at Canary Wharf

2018
Crossrail due to open to public in December, with full passenger service across the line in 2019

LONDON FIRST

London First is a business campaigning group with a mission to make London the best city in the world to do business.

We've galvanised the business community to bring pragmatic solutions to London's challenges over the years.

We have been instrumental in establishing the **Mayor of London**, pioneered **Teach First**, driven the campaign for **Crossrail** and, most recently, lobbied for government action on airport capacity, leading to the approval of a new **Heathrow** runway.

Now, we are working on solutions to what our business leaders see as the top priorities for our capital: talent, housing and transport.

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