

# **The Network Rail (East West Rail Bicester to Bedford Improvements) Order**

Transport and Works Act 1992

The Transport and Works  
(Inquiries Procedure) Rules 2004

Proof of Evidence of Alex Macfarlane  
East West Rail Company

NR56

PoE Alex Macfarlane (NR56)

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# 1. Introduction

- 1.1. My name is Alex Macfarlane.
- 1.2. I am Head of Business Case and Benefits for East West Railway Company (“EWR Co”), an Arms-Length Body of the Department for Transport, which has the remit to work with Network Rail, and the industry more generally, to oversee the implementation of Phase 2 of the Western Section of East West Rail as funder and client.
- 1.3. I have over 17 years’ experience as a government economist, working on major infrastructure projects, spending proposals and policy development across the sectors of housing, roads, aviation, maritime and rail, particularly High Speed Rail (HS2).
- 1.4. After graduating with BA (Hons) Economics and MA (Econ) Development Economics from the University of Manchester, I joined the Government Economic Service in 2001. Since that time my continuous professional development has included economics courses at Birkbeck (University of London) and London School of Economics, and on economic regulation, specific transport sectors, transport economics and project appraisal.
- 1.5. As a government economist I first joined the Office of the Deputy Prime Minister (ODPM), now the Ministry of Housing, Community and Local Government (MHCLG). In 2002 I moved to the Department for Transport (DfT) where I have advised on business cases, spending proposals and policy development across a wide range of transport sectors. My work has included leading on analytical advice, transport demand forecasting and developing and applying the DfT’s transport appraisal guidance, which is known as webTAG. I have also held a central role in DfT advising on the relative value for money of transport schemes competing for DfT funding, providing scrutiny and advice to the Chief Economist of DfT and the DfT Board.
- 1.6. My involvement with the East West Rail (EWR) programme dates from June 2018, shortly after EWR Co’s establishment as a company, and shortly before it was constituted as an Arms-Length Body. I moved from the DfT to work at EWR Co as Head of Business Case and Benefits. I am responsible for developing the business case for East West Rail, which involves commissioning, assuring and giving advice on the strategic, economic, financial, commercial and management cases.
- 1.7. I will provide evidence on:
  - policy support for EWR and the reason why “The case for East West Rail, Western Section Phase 2” (DfT, December 2018) has recently been published; and

- the key messages in the report on the strategic and economic case for Phase 2 of the Western Section.

## 2. Policy Support for EWR

- 2.1. The EWR project is supported by central government policy and, as Jill Stephenson of Network Rail sets out in her proof of evidence (document reference **NR49**), receives support as an objective in local planning policies. The East West Rail Consortium, a group of local authorities and businesses formed in 1995 with the aim of promoting connectivity between East Anglia and the Milton Keynes South Midlands growth area, notes that: “East West Rail is recognised as a key policy objective in relevant strategic planning documents and by all relevant authorities. The scheme has been recognised in Regional Planning Guidance and been declared in every relevant Local Transport Plan along the route” (**NR125**).
- 2.2. In November 2017, the National Infrastructure Commission (NIC) published a report on the Cambridge–Milton Keynes–Oxford Arc (**NR65**). This report concludes that the Arc must be made a national priority because its world-class research, innovation and technology can help the UK prosper in a changing global economy. The National Infrastructure Commission’s report makes recommendations for securing the Arc’s long-term economic success, delivering improved infrastructure and new homes. It has identified that the connectivity benefits of the East West Rail project would present significant opportunities for economic growth, unlocking land for new housing along the route.
- 2.3. Central government endorsed the NIC’s report and its recommendations led to a commitment in the 2017 Autumn Budget to deliver the Western Section of EWR by 2024. Phase 1 of the Western Section, between Oxford and Bicester was completed in December 2016.
- 2.4. The DfT also confirmed the government’s commitment to the Western Section Phase 2 along with the allocation of funding in its funding letter from February 2018, which is annexed to the Funding Statement contained in the application for the proposed Order. In that letter, the Secretary of State for Transport also states that the allocation of funding will be subject to ongoing consideration to ensure the project delivers the best results for both rail users and taxpayers. With this in mind the DfT and EWR Co jointly produced “The case for East West Rail, Western Section Phase 2” (**NR109**).
- 2.5. The government re-confirmed its support for the project alongside Budget 2018 in *Government response to ‘Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc’* (**NR108**), saying it had “Committed funding for proposed transport infrastructure for the Arc, including... £1 billion for the Western Section [Phase 2] of East-West Rail.”

## 3. The Case for East West Rail, Western Section Phase 2

- 3.1. “The case for East West Rail, Western Section Phase 2” (**NR109**) (“the report”) was published by DfT on 7 December 2018. The purpose of the report is to summarise why the government supports the construction and operation of a railway, on East West Rail Western Section Phase 2 (EWR Phase 2). It also brings up to date the consideration of how the project delivers value for money in the use of public resources for rail users and taxpayers. It has two main parts:
- 3.2. Chapter 2 outlines the strategic case for the project including how it is predicted to meet its strategic objectives;
- 3.3. Chapter 3 outlines the economic case, providing updated results of an economic appraisal of EWR Phase 2 to help assess its likely value for money.

### *Strategic Case*

- 3.4. The strategic case chapter of the report sets out how the project supports the delivery of the government’s priorities for transport investment by providing improved rail connectivity, linking towns and cities, facilitating new employment and housing opportunities and supporting regeneration and development in the area.
- 3.5. The report refers to extensive published work by the NIC who were asked by the government to consider how to maximise the potential of the Cambridge-Milton Keynes-Oxford corridor as a single, knowledge-intensive cluster that competes on a global stage, protecting the area’s high-quality environment, and securing the homes and jobs that the area needs.
- 3.6. The NIC published its final report in November 2017 and identified that EWR “will enhance connectivity across the arc, expanding the labour markets of key towns and cities” and can play a key role unlocking new housing and development opportunities.
- 3.7. In responding to the NIC, alongside the 2018 Budget, the government explained that it supports the NIC ambition to build up to one million high quality homes by 2050 to maximise economic growth of the Oxford-Cambridge Arc. The government also supported the finding that in order to deliver the full economic potential of the Arc there needs to be an integrated approach to the planning and delivery of infrastructure, homes and business growth within it. To this end, the government has designated the Arc as a key economic priority, recognising the opportunity to amplify the Arc’s position as a world-leading economic place. The

government has also demonstrated its commitment to investment to support this level of ambition, including in relation to EWR Phase 2.

## **Economic Case**

- 3.8. DfT and EWR Co commissioned specialist consultants, LeighFisher, to assess the potential passenger demand and transport benefits from rail services enabled by EWR Phase 2. LeighFisher developed and used a transport model and forecasting framework to undertake an economic appraisal and to produce the benefit cost ratios (BCRs) that are included in the report.
- 3.9. The costs and benefits quantified in the report are appraised in line with the approaches set out in **HM Treasury Green Book (government guidance on appraisal) (document reference NR126)** and, specifically, in line with the approach to transport appraisal set out in DfT transport appraisal guidance (WebTAG) (**NR110**). The benefits include transport user benefits and some wider economic impacts, which are described as Level 1 and Level 2 impacts in webTAG - this is explained in more detail in the report at paragraphs 3.2 to 3.4. The benefits are compared to the projected capital and operational costs of the railway to produce a BCR.
- 3.10. The resulting BCR of EWR Phase 2 is assessed to be between 1.3 (likely low value for money) and 2.4 (likely high value for money), in line with the DfT Value for Money categories set out in the DfT Value for Money Framework (**NR112**), depending on assumptions made about economic and housing growth in the Oxford-Cambridge Arc. The lower end of the range reflects baseline forecasts of population, housing and employment growth consistent with the DfT National Trip End Model (NTEM). The upper end of the range represents a 'higher growth' scenario, which reflects the National Infrastructure Commission (NIC) vision, supported by the government, of up to one million new homes across the Arc by 2050, as set out in *Government response to 'Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc'*.
- 3.11. The analysis contained in the report was reviewed and quality assured within LeighFisher and also by EWR Co and DfT, including DfT's business case 'centres of excellence'. It was approved for publication by the Secretary of State for Transport.

## **4. Conclusions**

- 4.1. In addition to setting out how the project meets key government strategic objectives, the report also outlines the current economic appraisal of the project which indicates it is likely to represent value for money. The report provides clear support for the Secretary of State's published commitment to fund EWR Phase 2.

## 5. Declarations

5.1. I hereby declare as follows:

- (i) This proof of evidence includes all facts which I regard as being relevant to the opinions that I have expressed and that the Inquiry's attention has been drawn to any matter which would affect the validity of that opinion.
- (ii) I believe the facts that I have stated in this proof of evidence are true and that the opinions expressed are correct.
- (iii) I understand my duty to the Inquiry to help it with matters within my expertise and I have complied with that duty.