

Richard Fuller MP



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Heidi Alexander MP
Secretary of State for Transport
Department for Transport
33 Horseferry Road
London, SW1P 4DR

23rd January 2025

Dear Secretary of State,

East West Rail: Business Case and Government Fiscal Rules

The Chancellor has been clear that her fiscal rules are non-negotiable. The Chief Secretary to the Treasury has said he will be “ruthless” in his crackdown on wasteful spending. Since the budget, the “headroom” in public sector finances has been squeezed by increasing costs of government borrowing.

I am writing to you, therefore, to understand how the recently announced Government’s priorities for rail infrastructure, specifically the Bedford to Cambridge leg of East West Rail, fit within the financial parameters set by the Treasury.

The last published business case for the Bedford to Cambridge leg of East West Rail showed a net cost of approximately £3 billion to taxpayers. The benefit-cost ratio (BCR) for the project is 0.3. As you will know, a BCR lower than 1.0 delivers a negative return for taxpayers.

The National Audit Office’s 2024 Investigation into the East West Rail project advised that the strength of the BCR for the project is “poor” and that it is not clear “how the benefits of the project will be achieved”.

Despite this poor financial case, you announced that the government would proceed. I would therefore be grateful if you could detail:

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- 1) Has the business case for the Bedford to Cambridge leg of East West Rail been updated since May 2023? If so, will you make this publicly available?
- 2) What is the Department's estimate of cost inflation for rail construction projects since May 2023?
- 3) What is your current assessment of the net cost to taxpayers for the Bedford to Cambridge leg of East West Rail? Has this increased from the £3.135 billion estimate of May 2023?
- 4) Please explain how the proposal for the Bedford to Cambridge leg of East West Rail fits with the Treasury's fiscal rules and the stated ambition to take a "ruthless" approach to public expenditure.
- 5) How does the Government see the East West Rail net loss being recovered? Can you provide specific details of level 3 BCR benefits that you are assuming, for example, the number of new houses required?

I look forward to receiving your detailed response to the concerns raised in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Fuller', with a long horizontal line extending to the right.

Richard Fuller CBE MP