

7/HEAD R/NAVLM

9 February, 2017

Dear Chris

**MetroWest Phase 1 – Portishead/Bristol Railway Line**

As you will remember from your previous visit, the re-opening of the Portishead Rail Link was a strong Conservative commitment both in Opposition and in Government.

The scheme will:

- give 50,000 people access to rail network for the first time and will enhance access for several hundred thousand other people;
- increase the capacity of the local rail network;
- extend the benefits of GW electrification and the Western Route Modernisation, and
- assist the development of the Temple Quarter Enterprise Zone and growth in Portishead.

Both the Councils and Network Rail agreed on the need for the delivery of MetroWest Phase 1 and the wider MetroWest programme.

The plan is to have a half-hourly train service for a re-opened Portishead Line, the Severn Beach Line and Bath to Bristol Line (local service), with 16 existing stations. There will be two new stations, Portishead and Pill.

**Cost Escalation**

In the last few days, North Somerset have been informed by Network Rail that the cost of the rail works is now going to be between £100m and £130m (GRIP3). Their previous estimate was £46 m (GROP2), ie., a 2½ fold increase. This is primarily due to an expanded range of infrastructure works required to deliver the proposed service. This expanded range of rail works means that there are additional land, highway, planning and environmental works which further increase the cost of the project meaning that the total cost of the scheme, including allowance for risk and inflation, is now £150m to £180m.

The Rt Hon Chris Grayling MP



The budget for the scheme is £58m, comprising mainly Local Growth Funding allocated by the WoE LEP, of which almost £8m has been spent, including network design costs (GRIP).

### **The Issues**

The four councils made both political and financial decisions about taking forward the scheme (promoting the scheme) based on the previous Network Rail cost estimate.

The Councils have been pressing for regular updates on cost but Network Rail say that the GRIP process does not allow this, they can only give costs at the end of each GRIP stage. Furthermore, the councils have no control over Network Rail's cost, yet as things stand, the councils have to meet 100% of the cost and 100% of the risks of the scheme, because it is a 'third party scheme'.

The councils would not have agreed to be a 'third party promoter' of the scheme, had the likely size and cost of the scheme been identified properly at GRIP2. Consequently, the councils have continued to spend significant amounts of money promoting a scheme which has now turned out to be unaffordable.

Without additional funding from either NR or DfT, the councils will have to abandon the scheme, or significantly curtail the scope or extent of the project, including the possibility of dropping the route to Portishead entirely.

I think there is legitimate doubt about NR's cost estimates with a huge increase in a relatively short time. There seems to be a great deal of cost associated with existing Bristol stations such as Parson Street and Bedminster that is adding to the cost and viability of the Portishead Line. I would be grateful for your urgent help with these issues.

The Rt Hon Chris Grayling MP  
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27 Feb

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Thank you for your letter of 9 February 2017 about MetroWest Phase 1.

The Department recognises the benefits of the MetroWest scheme and in particular the positive impacts it will have for the people of Bristol and has been engaged for several years.

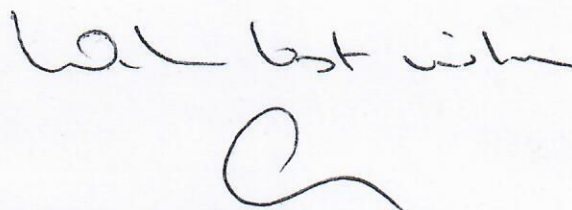
As you note, MetroWest is a Network Rail third party funded scheme. The risk and commitment to meeting the cost is held by the local councils who sponsor the scheme throughout the process, including from investigating feasibility at the GRIP 2 stage to option selection at the GRIP 3 stage.

Cost escalation within rail infrastructure projects has also been prevalent at national level in recent years. This is why the previous Secretary of State asked Sir Peter Hendy, in November 2015, to re-plan the enhancements programme in a way that was affordable and deliverable. Since then, the department has been focused on ensuring that the promised improvements are delivered in a way that is affordable and provides value to the taxpayer.

With this context in mind, my officials held a productive meeting to discuss the cost escalation issue for MetroWest Phase1 with Network Rail and representatives from North Somerset Council and the Local Enterprise Partnership. The group took away several actions and will continue to work together. It is important that Network Rail and the local councils who sponsor the scheme find a more efficient way of delivering this project.

I have asked my officials to continue working with all parties to find a workable resolution to this issue and to keep me updated on developments.

I hope this reply is helpful.

A handwritten signature in black ink, appearing to read 'Wal best wish' followed by a large, stylized flourish.

**Rt Hon Chris Grayling MP**

**SECRETARY OF STATE FOR TRANSPORT**