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for Transport

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3 February 2025

Dear Richard,

Thank you for your letter of 23 January to the Secretary of State regarding East West Rail (EWR). I am responding as the Minister for Rail.

Regarding your first point on the business case, The Treasury has clear guidance on business cases (The Green Book). Like other projects, a case for investment is required for EWR. The development of the business case will continue as EWR Co continues to develop and refine the project.

A Full Business Case will be put forward once planning consent is secured. We envisage that the Full Business Case will be published once it is completed, which is standard for this type of project.

On costs, the current capital cost estimate for Connection Stages 2 (Bletchley to Bedford) and 3 (Bedford to Cambridge) is £5bn-£6bn.

The Department and EWR Co keep the costs of the project under continual review, and cost and affordability are key criteria for decision making at each stage. Since the Route Update Announcement in May 2023, EWR Co has worked to reduce costs as it has refined its proposals and provided more detailed designs.

The overall capital cost estimate for the project has increased from £4.46bn-£5.34bn at the Route Update Announcement in May 2023 to £5.1bn-£6.0bn as a result of scope choices for the railway, which will benefit passengers. This includes discontinuous electrification of the line to deliver faster and greener services, and upgrades to signalling on Connection Stage 2 to provide greater reliability. It is also important to note that while the discontinuous electrification of EWR increases the capital cost of the infrastructure, it will reduce operating costs of the line over its whole life.

The Department and EWR Co are continuing to work to identify and realise opportunities for cost savings and to drive efficiencies and an update on costs will be provided at future stages of the project.

You mention in your letter the Benefit:Cost Ratio (BCR). The conventional calculation of the EWR Connection Stage 2/3 BCR in a high-growth scenario ranges from 0.3 to 0.6. However, EWR will transform connectivity for residents and businesses, drive economic growth, jobs and local housing, and support increasing the region's economic output by £6.7bn every year by 2050. This is not captured in the BCR but significantly improves EWR's value for money.

The National Audit Office (NAO) published a report into EWR in December 2023 which looked at the changes in the benefit-cost ratio for the project over time, the approach to electrification and delivery of wider benefits including cross-government activity on growth, jobs and housing particularly around Cambridge. The report does not examine management or progress of infrastructure delivery, nor does it provide an assessment of the project's value-for-money. The Department is now embedding the NAO's recommendations.

I hope this is helpful in explaining why this project is central to this government's Plan for Change, creating economic growth.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Hendy', written over a light blue circular stamp.

**Peter, Lord Hendy of Richmond Hill**

**MINISTER OF STATE FOR RAIL**