Dear Bernadette

I am writing to you regarding the Department for Transport’s 2017-18 Supplementary Estimate and the 2018-19 Main Estimate and the memoranda provided to the Committee. I have several queries and would be grateful if you could provide answers to the questions listed below

2017-18 Supplementary Estimate and memorandum

National Productivity Investment Fund

1. All the planned NPIF (National Productivity Investment Fund) Transport 2017-18 spending was removed as part of the Supplementary Estimate, including £210 million for local roads and £95 million for Strategic Road pinch points. Why was this decision taken and what will be the impact?

Digital signalling strategy

2. The Supplementary Estimates show spending of £212.5 million on digital signalling had been brought forward and spent in 2017-18. Was a digital signalling strategy prepared before this money was spent? Could you please provide some more detail of what this money was spent on in 2017-18?

Preparations for leaving the EU

3. The Supplementary Estimates memorandum states that the Department received an additional £5.6m for work to support leaving the EU – what was this money spent on in 2017-18?
4. Depreciation of Highways England roads is £100m higher than had been expected. To what extent, if any, does the increased level of depreciation reflect lack of sufficient maintenance spending on the roads?

5. Property purchased by HS2 has lost £75 million in value – can you please provide more detail about this property and the reason for the write down in 2017-18?

Higher spending on contract administration

6. RDEL spending on central administration has increased significantly compared to the 2017-18 Main Estimate. The memorandum Annex shows that the main driver for this was a four-fold increase for spending on commercial contracts of £61.8 million (from £14.4m to £76.2m). Can you provide some more information on the reason for this increase and how this money was spent?

2018-19 Main Estimate and memorandum

Rail investment

7. Network Rail capital investment is set to fall by over £1 billion compared to 2017-18, while HS2 capital investment is increasing by a similar amount. As HS2 receives more resources, is there an expectation from the Department and HM Treasury that Network Rail will have to cut back its spending?

8. Network Rail is planning to sell off commercial property in 2018-19 – how much is this expected to raise and how has this been factored into its budgets this year?
   - While it will provide Network Rail with cash in the short-term is there any long-term benefit for Network Rail? How can it be good value for money for the taxpayer to sell off an asset which provides a yield in excess of the cost of government borrowing?
   - Will the sale constrain future plans for the development of stations in any way?

Rail passenger revenues

9. What will be the impact of the failure of the East Coast franchise on the Department for Transport budget for 2018-19? How will the Department fill any gap between actual revenues now likely to be received and revenues under the terms of the original Stagecoach/Virgin contract?
   - If the Department had allowed Stagecoach/Virgin to run the franchise on a not-for-profit basis what would have the impact on its budget been?

10. Rail passenger revenues are down from previous forecasts – what is the Department spending less on to offset this lower than expected income?
   - What are the factors driving lower passenger numbers and revenue?
   - Do lower than expected passenger forecast have any impact on the cost-benefit analysis for HS2?
Funding for local authority road maintenance and investment is declining, capital funding is down over 20% compared to the prior year. Given that we have had such a cold winter and according to the AA\textsuperscript{1} problems from potholes are up significantly compared with the prior year, why are budgets reducing?

**PPPs (Public Private Partnerships)**

12. Highways England are considering using the PF2 private finance model (the successor of PFI and form of PPP) to finance sections of two major road projects. How much private finance does it estimate will need to be raised for these projects?
   
   - What evidence does Highways England have that past PPP deals (e.g. M25 orbital) have offered, or are offering value for money for the taxpayer?
   
   - What benefits do you expect from PF2 which will offset the higher private financing costs?
   
   - How much of Highways England annual cash budget is currently spent on PFI unitary charges and what will this figure increase to if these two projects go ahead as PPPs?

13. In March 2018 the Secretary of State announced plans for the potential use of private finance for a new southern rail link to Heathrow – will this be a PF2 contract?

   - How much private investment does the Department expect to obtain and who will repay this investment (taxpayers or passengers)?

14. In his statement on the East Coast Main Line in May, the Secretary of State said that the Department will be preparing for a new public private partnership on the line. What do the plans for increased use of private finance entail and how will this affect the Department for Transport’s budgets in future?

   - What does the Department consider to be the main risks and benefits of this approach?

I look forward to your response in due course.

Yours sincerely

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Lilian Greenwood MP
Chair of the Transport Committee

\footnote{1 The AA, \textit{Road pothole epidemic a national disgrace}, 11 May 2018}