



From the Parliamentary
Under Secretary of State

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Department for Transport

Great Minster House
33 Horseferry Road
London SW1P 4DR

Tel: 020 7944 2566
Fax: 020 7944 4309
E-Mail: norman.baker@dft.gsi.gov.uk

Web site: www.dft.gov.uk

Our Ref: MC/10841

Stephen Joseph
Chief Executive
Campaign for Better Transport
16 Waterside
44-48 Wharf Road
London
N1 7UX

19 October 2011

Dear Stephen

Thank you for your letter of 18 July, about Heysham to M6 Link, in which you question some of the information on which the Supported Pool decision was based and request that that decision be revoked. I am sorry for the delay in replying.

You raise some important points to which I would like to respond. Can I first stress that both in its initial selection for the Supported Pool and its subsequent progress, this scheme is being treated no differently to the others in the Pool, for which final confirmation of funding is subject to the completion of any necessary statutory procedures and confirmation of value for money where there have been material changes to the cost or scope.

You mention the changed planning process which will now have to be undertaken. We are aware, as you rightly point out, that this is different to what Lancashire County Council set out in their bid form. At that time they believed they could amend their existing planning application to take into account the planned changes from the scheme. However after the decision to support the scheme had been announced and once further legal advice had been obtained, it became clear that the wording of the Secretary of State for Communities and Local Government's decision letter and subsequent changes in the planning regime meant that the scheme now needs to adhere to the Infrastructure Planning Commission criteria and that a new planning application for the whole scheme will be required. This is likely to extend the overall timetable for the planning process although it does perhaps provide more certainty overall.

The amended planning proposals do not affect the decision reached in granting Supported Pool status. The changes proposed were included in the bid submitted to the Department on which the decision to include the scheme in the Supported Pool was made. A number of the schemes included in the Supported Pool still have to complete relevant planning processes. In this case, any cost increases this may cause are for the council to deal with. The Department has already made clear to the council that we reserve the right to reconsider the decision on funding if there are any further changes to the overall cost, scope or design of the scheme which we consider to be material, particularly where such changes would alter the value for money of the scheme, and also if the scheme does not satisfactorily complete any remaining statutory procedures.

On the proposed costs savings, the primary consideration is the overall level of savings produced. When originally granted Programme Entry in January 2009 the total estimate of scheme costs was £137m and a DfT contribution of £133m was approved. Following the Best and Final Funding Bid process the council reduced the estimated total cost of the scheme to £123m and the requested DfT contribution reduced by £23m to £110m. The council is responsible for achieving the savings that they have said are possible and delivering the scheme within the approved DfT funding.

As regards the value for money issue, funding decisions made at the time of the Spending Review used the most up to date appraisal information that had been scrutinised by the Department. We have checked the data on which the decision was based and can find no new information in your letter to suggest that the analysis produced at the time of the Spending Review contained errors. I am advised that many of the inconsistencies raised in your letter occur because you have compared the Benefit Cost Ratio and Net Present Value figures derived from different traffic models. The figures reported by the council are based on a new traffic model which has not yet been formally scrutinised by the Department.

We therefore remain satisfied with the assessment we made as part of the Spending Review process. I accept that since the decision was taken revised traffic forecasts (NTEM 6.2) have been released. However, as we have said to the council in the Programme Entry letter, we will review the value for money if and when the scheme reaches the next formal approval stage.

We have spoken to the council and they have confirmed that they would be happy to provide you with detailed comments on all the points you have made and to discuss the issues with you, if that would be helpful.

Yours sincerely

A handwritten signature in blue ink that reads "Norman". The signature is written in a cursive, flowing style.

NORMAN BAKER