



## Railways: Central Railway

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[Central Railway Limited](#) wants to build and operate a privately financed freight railway from Liverpool and Glasgow to northern France via the Channel Tunnel. The service would be a lorries-on-trains freight service targeted at the cross channel haulage market.

Central Railway's first proposal was rejected by the House of Commons under the Transport and Works Act Order procedure. It then requested that the Government introduce a Hybrid Bill in Parliament to approve the project. The Department for Transport refused to do this on 25 March 2004 on the grounds that Central Railway had been unable to guarantee that it could finance the building of the railway and if the company ran into financial trouble the Government might come under pressure to complete the project. There were some reports in late 2005 of reviving the project.

Information on other rail issues, including rail freight more generally, can be found on the [Railways topical page](#) of the Parliament website.

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## 1 First proposal, 1996

On 20 May 1996 the Central Railway (CR) submitted an application to the then Secretary of State for Transport under the *Transport and Works Act 1992* (TWA), to build a freight railway from near Lutterworth in Leicestershire to the Channel Tunnel. The proposed 180-mile route included reinstating part of the Great Central railway line and acquiring part of the Chiltern line. A six-mile tunnel would have been required from Olympia to Streatham in Greater London from where the railway would run next to the existing Brighton line through East Croydon to south of Coulsdon. A new tunnel through the North Downs would have taken the railway to Tonbridge and then to Ashford and the Channel Tunnel, mainly adjoining existing railway lines.<sup>1</sup>

CR proposed a shuttle service designed to take ordinary lorries either as trailers or with their cabs and drivers. The chairman of the company claimed in a letter to *The Times* that a million lorries a year would have been taken off the road without taking up a lot of valuable land for construction and that the compensation on offer for homeowners affected by the railway line was much more generous than the state scheme.<sup>2</sup>

The draft Order included provision for all necessary ancillary works, including two freight terminal sites at the M1/M6 junction near Rugby and at New Denham in Buckinghamshire, close to the M25 and M40. An article in the *Financial Times* stated that the construction cost would be £1.5 billion including terminals and stations but when rolling stock costs and financing and inflation were taken into account the total cost would be around £3 billion.<sup>3</sup>

The *Transport and Works Act 1992* (TWA) introduced a ministerial Order-making system in England and Wales for authorising the construction of new transport infrastructure, including railways, tramway, other guided transport systems, inland waterways and works interfering with the rights of navigation. Orders may also provide for a number of ancillary matters such as the compulsory acquisition of land and the making of byelaws. Previously most of these types of projects required approval by Parliament through Private Bills. The Act brought the procedures for authorising public transport and inland waterways more into line with those that had applied for many years to highway projects and other large developments, such as airports and power stations.

The TWA came into force on 1 January 1993. Instead of depositing a Private Bill a promoter has to apply for a Transport and Works Order from the Secretary of State; this marked a fundamental procedural change from the Private Bill procedure which required the approval of Parliament. The Act covers both construction and operation.<sup>4</sup>

John Watts, then Minister for Railways and Roads, announced on 22 May 1996 that he had decided that in the case of the CR proposals, Parliament should have an opportunity to debate the principle of the proposals **before** a public local enquiry was held.<sup>5</sup> This is provided for in section 9 of the TWA, if the scheme is one of national significance. The Department of Transport issued a press notice explaining that:

...the debate in each House will be on a motion moved by a minister seeking the House's approval of the Central Railway proposals. This is a requirement arising from

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<sup>1</sup> DoT press notice, "Parliament to decide future of new freight railway", 22 May 1996 [PN 96/162]

<sup>2</sup> Letters to *The Times*, 13 June 1996

<sup>3</sup> "Go-ahead sought for 180-mile freight link to Channel", *Financial Times*, 20 May 1996

<sup>4</sup> for more information on the TWA, see HC Library standard note [SN/BT/103](#)

<sup>5</sup> [HC Deb 22 May 1996, c237W](#)

the wording of the TWA and does not mean that ministers will speak in support of the motion... If either House rejects the resolution, the application would fall. Approval by both Houses would enable the proposals to go forward for detailed consideration at a public inquiry.<sup>6</sup>

The procedures relating to schemes of national significance are set out in section 9 of the TWA. All of the relevant local planning authorities and all objectors, whose land or rights in land must be compulsorily acquired, must receive a copy of the *London Gazette* notice stating that the project is to be referred to Parliament. The notice appeared in the *London Gazette* on 24 May 1996. Under the TWA procedure rules, the Parliamentary debate could not take place before the week beginning 22 July 1996, eight weeks after the notice in the *Gazette*. Written objections had to be submitted to the Department of Transport within 42 days of the submission of the TWA application.

The motion to approve the Central Railway proposals was debated in the House of Commons on 24 July but was defeated by 172 votes to 7. MPs from all sides of the House criticised the proposals, their main concerns being blight and the uncertainty over the funding and financial viability of the scheme. During the debate, the Minister stated that 14,000 representations had been received by the Department before the 1 July deadline, of which 98 per cent had been objections. All but two of the 39 local authorities along the route were against the scheme. Several MPs feared that the cost of construction of the line could double from the £3 billion estimated. As the Minister said when introducing the debate, "if the House rejects the motion the scheme is effectively dead as the order cannot be made".<sup>7</sup>

## **2 Second proposal, 2000-2004**

### **2.1 Route**

CR drew up revised proposals to extend the freight link from the Midlands to Liverpool and to re-route the London section around the Capital rather than to tunnel under it. The plan was to build and operate a railway providing a lorries-on-trains service between North West England and Northern France via the Channel Tunnel. The proposed railway was about 400 miles (600 kilometres) long, running mainly along renovated and improved existing railway corridors. Road/rail terminals would be built at strategic points along the line close to motorway interchanges. The company consulted on a number of possible alignments the railway could follow, in particular route alternatives in London and around the western stretch of the M25, and certain alternative alignments between Rugby and Leicester. It also consulted on sites for road/rail freight terminals and potential sites were identified at the Liverpool docks; the M6/M62 junction; the M1 at Sheffield; the M1 at Toton; the M1/M6 junction; west of London close to M25/M40/M4 and Heathrow; and near Lille.

Each terminal would comprise adequate loading areas for lorries, trailers and containers. The proposed route included junctions with other major British railway lines including the West Coast Main Line (WCML) and others into the Midlands, Northern England and Scotland.

In a press release on 5 July 2000 the company announced its preferred new route for going around London.<sup>8</sup> The new route would run along the inside of the south-western section of the M25, past Heathrow and through a long tunnel under the North Downs. The company's engineers considered twelve possible routes for the portion of the route between the Chiltern

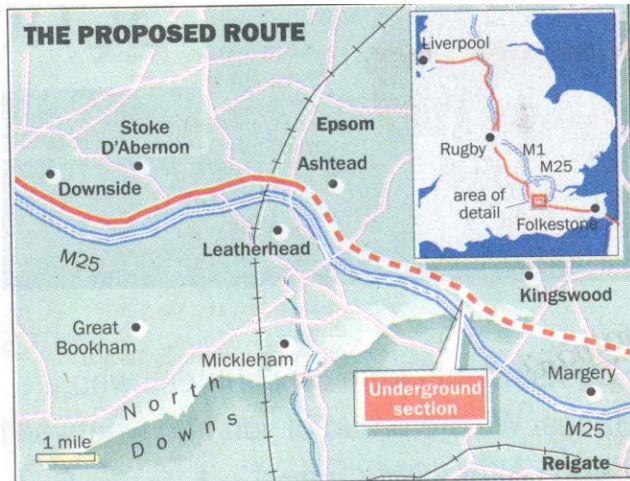
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<sup>6</sup> op cit., "Parliament to decide future of new freight railway"

<sup>7</sup> [HC Deb 24 July 1996, cc408-429](#)

<sup>8</sup> CR press notice, "[Central Railway announces new M25 'Freight by-pass' route for London](#)", 5 July 2000

line near the M40/M25 interchange and the line to Tonbridge. The chosen route ran south from the Chiltern Line near the M40/M25 interchange, along the London side of the M25, with a tunnel under the North Downs between the area near M25 junction 9, north of Leatherhead and near the M23/M25 junctions. From here it followed the M23 corridor to the Redhill-Tonbridge line and the Channel Tunnel. A sketch map from an article in *The Times* is reproduced below:<sup>9</sup>



The railway's loading gauge would be larger than the standard UK loading gauge. This meant that it would be able to carry all types of UK and continental trains. It would use an overhead electrified power system compatible with continental main lines, the Channel Tunnel and similar lines running north of London. The gradients would, in general, be no steeper than 1:100, so permitting a commercially effective freight operation.

## 2.2 Business case

The company proceeded on the basis that it should not rely on public funding and believed that the project could be financed from private sector resources. Its shares were publicly quoted on the OFEX share market<sup>10</sup> and it proposed to fund the entire project through the private sector by way of successive increases in its share capital.

CR's target market was road freight travelling between the UK and mainland Europe. Its research indicated that 40 per cent of UK-Continent road freight traffic would switch to Central Railway services. Studies showed that CR should generate £1.4 billion in revenue by 2009 at an average price of £340 a trip. Total development costs were estimated at £5.6 billion, of which £3.7 billion was construction costs. The company estimated that the project showed an overall pre-tax rate of return of approximately 15 per cent a year.<sup>11</sup>

In addition, on 12 March 2002 the president of the French state railway, SNCF, and the chairman of Central Railway entered into a formal memorandum of understanding, under which SNCF would support the company in the promotion and development of the railway and both parties would work closely together to that end.<sup>12</sup>

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<sup>9</sup> "North and South split over 400-mile rail link", *The Times*, 6 July 2001

<sup>10</sup> now the [PLUS Markets Group](#)

<sup>11</sup> an appraisal of the scheme is available on the CR website, see: [Central Railway: appraisal and assessment](#), December 2001

<sup>12</sup> [Central Railways-SNCF Bipartite Agreement](#), 12 March 2002

## 2.3 Compensation

Central Railway's first proposal for a freight link failed partly because of the fears of residents along the route that homes would be blighted. For its second proposal the company planned to implement a property protection scheme (PPS):

The PPS works to prevent the problem of 'blight' faced by property owners in advance of the project proceeding. It gives householders a transferable option from the date it is agreed by Central Railway. This enables them to sell their property at any time they wish with the guarantee that if the railway is built the value of the property will be protected. It acts like an insurance policy and gives the owner complete control over whether or not to exercise the option. In particular as is it pre-agreed it gives property owners something of value now rather than something undefined in the future. As the option price is agreed when the agreement is drawn up and is then automatically index-linked upwards only, the property owner knows at anytime the value of this protection.<sup>13</sup>

An article in *The Times* suggested a North-South divide in reactions to the proposal. Elmbridge Borough Council (Surrey) was said to be one of several authorities that opposed the route around London, whereas the North West Regional Development Agency and the Liverpool Chamber of Commerce backed the scheme.<sup>14</sup> Debates in Parliament in 2000 and 2001 revealed similarly split views amongst MPs and their constituents.<sup>15</sup>

A voluntary organisation, the National Central Railway Action Group (NatCRAG), was set up to campaign against the proposals. It opposed the Central Railway proposals on the basis that they would be environmentally damaging to the country and communities along the route causing massive disturbance to the infrastructure and would not meet CR's 'exaggerated claims' about relieving congestion on the roads in the UK.

## 2.4 Hybrid Bill

Central Railway was planning to submit a second TWA application during 2000. But on 29 January 2001 it issued a press notice announcing that it was, instead, seeking the Government's backing for a [Hybrid Bill](#) to enable the scheme to proceed by Act of Parliament.<sup>16</sup> A written answer in February 2001 acknowledged that Central Railway had requested the Government's support for the approval of its scheme through a Hybrid Bill and stated that the [Strategic Rail Authority \(SRA\)](#) was to undertake a review of the proposals.<sup>17</sup> This would examine the project in the context of the Government's own [ten year transport plan](#) and the SRA's own [freight strategy](#).

It was announced in October 2001 that the SRA had carried out this review with the help of consultants and had submitted a report to the then DTLR.<sup>18</sup> The Minister announced in March 2002 that he had written to the chairman of Central Railway informing him of his response.<sup>19</sup> He had concluded that there was not yet enough evidence for the Government to be able to support a Hybrid Bill, but the SRA was to carry out further assessment of key

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<sup>13</sup> CR briefing note, [Property protection scheme](#), March 2004

<sup>14</sup> op cit., "North and South split over 400-mile rail link"

<sup>15</sup> see, e.g.,: [HC Deb 25 October 2000, cc99-105WH](#) and: [HC Deb 6 March 2001, cc50-6WH](#)

<sup>16</sup> CR press notice, "[Central Railway seeks government backing for freight project with Hybrid Bill](#)", 29 January 2001

<sup>17</sup> [HC Deb 14 February 2001, c155W](#)

<sup>18</sup> [HC Deb 15 October 2001, c886W](#); the report was made public following an FOI request in 2006, see: Mouchel for the SRA, [Strategic Rail Authority: final report](#), May 2001

<sup>19</sup> [HC Deb 15 March 2002, c1278W](#)

areas of the proposals to be completed by September 2002. The impact on the operations on the existing network was one of the key areas that the SRA would be examining in its further work on the proposals.<sup>20</sup>

## **2.5 Consultants' report**

The SRA's consultants' report was deposited in the House of Commons Library on 26 March 2002. The executive summary is reproduced below:

Oscar Faber and Mouchel Consulting were appointed by the Strategic Rail Authority in March 2001 to undertake an independent review of the proposals by Central Railway to construct and operate a new freight link from Liverpool in the UK to Lille in northern France.

Directors of Central Railway and their senior team actively participated in our review. A feedback meeting to explain the key points from our analysis, our emerging conclusions and to clarify any further points that Central Railway wished to make was held at their offices on 30th April 2001.

The Central Railway proposition is to provide An International freight service based around the "lorries on trains" market between regions of the United Kingdom and continental Europe. Its commercial rationale is based on delivering a competitively priced, high quality service which provides economic benefits to freight forwarders, against a background of increasing demand for roads it is expected rising costs will result through increasing congestion.

The Central Railway proposition is, certainly by United Kingdom standards, a bold proposal designed to create a fundamental shift in the modal share of rail in freight logistics.

During the study it emerged that the line of route as defined by Central Railway includes substantial sections over which franchised passenger services will operate. The project cannot therefore be viewed as simply as freight only scheme.

The Central Railway proposition addresses a significant commercial market, and its outputs are in line with Government and SPA policies.

Given Railtrack's re-definition of its core purpose, and the SRA's strategy of seeking to broaden the range of parties willing and able to share in the risks and opportunities of infrastructure investment the Central Railway proposal is of particular relevance.

In undertaking this review we have become aware that both the Directors of Central Railway, and a number of the critics of the scheme have strongly held and opposing views about both the vision and the robustness of the business case.

We conclude that there are many issues that require further work and validation by Central Railway, and we also feel that this process would be aided if Central Railway could have confidence that it could engage in constructive dialogue with the project's key stakeholders.

Overall the route and construction are feasible from information given to date.

Central Railway's assumption that they will be able to assume control of those parts of the existing network over which they propose to operate is a fundamental departure from current industry practice.

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<sup>20</sup> [HC Deb 26 March 2002, c948W](#)

Published documents appear to indicate that regional and local transport plans generally support the objectives of the Central Railway proposal, but not always the means to achieving them.

We believe that the conclusions set out above require a number of key issues to be addressed by SRA/DETR, and in particular the need to proactively lead the Agenda rather than be simply reactive to Central Railway.<sup>21</sup>

## 2.6 Government decision

The then Transport Minister, Kim Howells, announced on 25 March 2004 that the Government had decided not to support Central Railway's proposal for a Hybrid Bill. The main reason for the decision was that CR had not demonstrated to the Government's satisfaction that it would be able to gain the necessary financial backing to build and run the line. CR argued that the line could be totally privately funded, but if the project ran into difficulties the Government would come under intense pressure to intervene with taxpayers' money.<sup>22</sup>

## 3 A third proposal? 2005-

In 2005 Central Railways requested information from the Department for Transport on its decision under the Freedom of Information Act. The *Financial Times* reported that CR was considering reviving the plan:

Directors of Central Railway, which hopes to build a high-capacity freight railway from the Channel Tunnel to Liverpool, will attempt to revive the project after a key government decision went against it.

The attempt to resurrect the scheme follows the receipt of documents obtained under the Freedom of Information Act, which reveal government thinking on the project. The documents show that some ministers and officials had been enthusiastic about the project's potential but that financial concerns had ruined its chances.

Alan Stevens, chief executive, has written to shareholders to say the company plans to seek corporate and financial supporters who will be able to convince politicians that the project has enough backing to fund the lengthy approval process before work can start on the £10bn project.

Mr Stevens told the *Financial Times* that directors might also explore whether the project could be reshaped as a public private partnership project.

"We recognised that we needed to put together something more in order to convince the government," Mr Stevens said. "We assume that the issue is we have to come in with more redoubtable partners as part of the consortium."

Mr Stevens declined to name which companies Central Railway had approached, but they are likely to have included construction and logistics companies and shipping lines.<sup>23</sup>

The company's directors' statement, published in December 2005, said:

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<sup>21</sup> SRA, [Consultants Report for the SRA: High Level Review of Central Railway Project](#), September 2002 [DEP 02/829]; the report, along with the Chairman of the SRA's covering letter to the Minister, was made available on the DfT website following an FOI request

<sup>22</sup> [HC Deb 25 March 2004, cc67-68WS](#)

<sup>23</sup> "Move to resurrect freight rail plan", *Financial Times*, 24 October 2005

From the information we have received from various sources it would appear that other parts of government seem to have been at least acquiescent and, in important cases, supportive. It is of course the company's proposal that no public money be required for the construction of the railway. The Department acknowledged that it could not expect Central Railway to secure binding financing commitments from potential lenders or investors at this stage.

It is therefore the board's view that the company has satisfied the Government on most points. Indeed, the material released to us under the FOI Act shows a concern on the part of decision-makers that, if they sought any more evidence of the project's soundness, they would be "boxed in" to having to support the project. It would perhaps have been a source of some satisfaction to Andrew, as it should be to shareholders, that the project made so much progress in such an inconducive environment.

However, real progress will require Government support. The politicians remained cautious. The problems of past (non-commercial) rail projects such as Eurotunnel, the West Coast Main Line, High Speed Passenger Link and now CrossRail have not been helpful in building a positive impression of new railway projects.

The failure to secure UK political support for the project suggests that more is required of us by the political system. The directors believe that the principal concern of the Government was that, although the project is good, there was a lack of participation by major companies and investors, who might (for example) be willing to put up some of the approximately £50m needed for the three year "approvals phase" before the construction financing can take place and the project can get underway.

The directors and the other shareholders and supporters who have collectively risked some £10 million to reach this point have always assumed that the political system will, eventually, make transport investment decisions in the long-term national interest. The Government's concerns therefore have to be addressed.

To that end, the company intends to assemble a group of corporate and financial supporters who will collectively be able to inspire politicians with the necessary confidence. The company also intends, in parallel, to explore informally whether a different mode of promoting the project in the UK (for example as a public private partnership) would be better received.<sup>24</sup>

A project overview statement issued in September 2006 stated that the company is in the process of developing and evaluating an approximately 700 mile (1150km) freight network which could run from Scotland to northern France and on towards Antwerp in Belgium and the German railway system. It could include a new route in London and Kent running largely on existing railways to bring benefits to the Thames Gateway development area. The system would comprise existing railways, and a few disused or even dismantled routes, linked by short sections of new railway, often with new tunnels or junctions.<sup>25</sup>

There has been no further movement on the project since then.

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<sup>24</sup> [Central Railway Directors' Statement](#), December 2005

<sup>25</sup> CR, [Project Overview: A strategic investment for the economy](#), September 2006