



Infrastructure
and Projects
Authority

Reporting to HM Treasury and Cabinet Office

National Infrastructure Delivery Plan 2016–2021



March 2016

Extract

RAIL

Progress by the end of 2020-21...



Major rail improvements delivered across the country including the Northern Hub, East-West Rail Phase 1 and electrification of the GWML to Cardiff



Construction started on HS2 Phase 1 from London to Birmingham



Crossrail in service and plans for Crossrail 2 underway



The new London Bridge Station opened and the Thameslink programme finished



Over 800 new carriages in operation through the Intercity Express Programme

Infrastructure Pipeline to 2020-21: £46.2bn

Chapter 4:

Rail

Sector overview

- 4.1 Every year, Britain's rail network enables millions of people to travel quickly and safely for work and leisure. Millions of tonnes of freight are also moved by rail, relieving road congestion and reducing carbon emissions.
- 4.2 But the rail network does more than transport passengers and goods. It brings people and businesses closer together, which creates new jobs, supports housing development, opens up new markets and stimulates economic growth. Overall, the railway network generates £10 billion for the UK economy each year.¹
- 4.3 Railways have enjoyed strong and sustained growth during the last 2 decades. Passenger numbers have doubled and are currently rising at over 4% every year while the volume of rail freight has risen by 70%.² The UK has one of the fastest growing railways in Europe and the second most intensively used.³ Demand for travel into and between urban areas, and to ports and airports, is set to increase further.
- 4.4 However, half of Europe's most congested rail infrastructure is now in the UK and parts of the network are full to capacity.⁴ This makes it hard for people and business to move freely and isolates parts of the country.
- 4.5 A well-targeted programme of improvements such as the development of high speed rail and further electrification can address capacity issues and also help to re-balance the economy. Investing in the rail network also encourages inwards investment, signalling to international companies that Britain is 'open for business'.

Delivery strategy

- 4.6 The government's vision is to provide world class train services that drive economic growth and exceed passenger expectations. To support this, it remains committed to carrying out the largest rail modernisation programme since Victorian times.

¹ 'What is the contribution of rail to the UK economy?', Oxera, July 2014.

² 'Rail trends factsheet: 2014 to 2015', Department for Transport, December 2015.

³ Ibid.

⁴ 'Report from Sir Peter Hendy to the Secretary of State for Transport on the replanning of Network Rail's Investment Programme', Network Rail, November 2015.

- 4.7 Network Rail is the not-for-profit company which runs, maintains and improves Britain's rail infrastructure including track, signalling, bridges, tunnels, level crossings and many key stations. In September 2014, Network Rail was reclassified as a public sector body meaning it is now accountable to Parliament for its activities and finances.
- 4.8 Network Rail is funded through a mix of public and private investment and its income comes from 3 different sources: direct grants from government; track access charges paid by Train Operating Companies and freight companies; and commercial property. Previously Network Rail issued government-backed bonds to raise debt finance to fund its capital expenditure, but after reclassification it now borrows direct from the government.
- 4.9 Network Rail is regulated by the Office of Rail and Road (ORR), which is responsible for ensuring passengers are provided with a punctual, reliable service and enhancement projects are delivered as promised and at the price agreed.
- 4.10 Network Rail will now spend more than £38 billion in the 5 years to 2019 as part of regulatory Control Period 5, with over £15 billion on enhancements. The government appointed Sir Peter Hendy as Chairman of Network Rail and asked him to review the enhancement programme, with the benefit of a better understanding of cost and delivery challenges, to ensure the most efficient and effective plan is executed and maximum value is derived for passengers, freight users and taxpayers.
- 4.11 The conclusion of the review is that the vast majority of programmes and projects will go ahead for delivery by 2019. The government is minded to accept his report subject to the outcome of the current consultation. The remaining projects will still be delivered after 2019. The full Network Rail revised Control Period 5 Delivery Plan is available at: www.networkrail.co.uk/Hendy-review/



- 4.12 To fund the revised programme, the government will allow Network Rail to raise around £1.8 billion through non-core asset sales, subject to a value for money assessment. This includes options for the sale of property (for example railway arches), and non-core rail assets such as depots. The government has also agreed to increase Network Rail's borrowing limit by £700 million.
- 4.13 Train Operating Companies run rail passenger services, leasing and managing stations from Network Rail on a franchise basis. The Department for Transport is responsible for designing and procuring new and replacement rail franchise services.
- 4.14 The government will soon launch a £1.2 billion boost to rail services with the new Northern and TransPennine Express franchises beginning 1 April. This will provide 500 brand new carriages, room for 40,000 more passengers, 2,000 extra services a week and lead to the phasing out of Pacer trains. The full franchise schedule is available at: www.gov.uk/government/publications/rail-franchise-schedule
- 4.15 Despite the ongoing improvements to the rail network, some parts are full to capacity. The government is therefore committed to investing £55.7 billion to build High Speed 2 (HS2); a new high speed rail line from London to Birmingham, Manchester and Leeds (with stations in the East Midlands, Sheffield and Crewe). Investing in HS2 will help free up transport networks and bring our country closer together.
- 4.16 As well as Network Rail delivering extra infrastructure capacity, train operators are building new trains to boost capacity and drive economic growth, supporting ever-increasing passenger numbers. Rolling stock leasing companies (ROSCOs) own most of the coaches, locomotives and some of the freight wagons, which they lease to train operating and freight operating companies. ROSCOs have replaced many of the older trains that were being used at privatisation with modern vehicles.
- 4.17 The government may also procure rolling stock directly. The largest of these new orders is the Intercity Express Programme (IEP) valued at £5.7 billion which will see Virgin Trains, East Coast and Great Western Railway replace trains that are 40 years old.
- 4.18 The Rail Delivery Group, representing Britain's train operators and Network Rail, estimates that over the next 4 years more than 3,700 new carriages will be built, worth at least £9.3 billion and supporting 2,000 British jobs including at least 100 apprenticeships.⁵
- 4.19 To support its vision for a sustainable transport system, the government believes there is a need for an expanded network of Strategic Rail Freight Interchanges (SRFIs), to facilitate the transfer of freight from road to rail. SRFIs are commercial projects and new developments at Daventry and in North Leicestershire have recently been granted planning permission.

Priorities to 2020-21

Key projects and programmes

- **HS2:** the government's key strategic investment in the national transport network over the medium to long term will transform the capacity and connectivity of UK rail infrastructure. HS2 will link 8 of Britain's 10 largest cities, serving 1 in 5 of the UK population; it will also generate jobs and help to rebalance the economy between North and South. During construction, HS2 is anticipated to support up to 25,000 jobs and up to 2,000 apprenticeships.

⁵ 'Rail passengers to benefit from £9.3bn boom in train building', Rail Delivery Group, November 2015.

- **Crossrail:** Europe's largest construction project, and one of the most ambitious infrastructure programmes ever undertaken in the UK, is now 70% complete. The new 118 kilometre line will increase London's rail capacity by 10%, linking its main employment areas from Heathrow in the West, to the City and Canary Wharf in the East, boosting the UK economy by billions of pounds. When services start in 2018, Crossrail will be renamed the Elizabeth Line, in honour of Her Majesty The Queen.
- **Network Rail enhancement programme** – designed to provide necessary extra capacity, more services and better journeys, Network Rail will deliver route improvements across the country, including electrification which remains a key part of the programme:
 - **Great Western:** a £2.8 billion electrification of the route from London to Cardiff and associated branch lines, upgrades to accommodate new and cascaded rolling stock and capacity improvements at Oxford and Bristol. Electrification to Swansea is being developed in CP5 for delivery in Control Period 6.
 - **North of England:** passengers will benefit from extra capacity into Liverpool, Manchester, Leeds and Sheffield, the new Ordsall Chord linking Manchester stations, replacement of old Pacer trains and continued Transpennine electrification works.
 - **Midland Main Line:** improvements mean the route to Kettering and Corby will be electrified by 2019, with ongoing development work to allow further electrification to Nottingham, Derby and Sheffield in Control Period 6.
 - **East West Rail:** completion of Phase 1 from Bicester to Oxford (in partnership with Chiltern Railways) with a new direct service from Oxford to London by December 2016. Phase 2 linking Oxford to Bedford and Milton Keynes is being developed and construction will start as soon as possible.
 - **South West Main Line:** peak capacity improvements including the re-opening of new platforms at London Waterloo to benefit commuters.
 - **East Coast Main Line:** station, signalling and track works to facilitate longer new Super Express Trains, with more opportunities to overtake slow services.
 - **European Rail Traffic Management System:** a long-term programme to replace traditional signals with in-cab systems, reducing maintenance costs, improving performance and enhancing safety. This Parliament will see deployment on the Thameslink core, Great Western and East Coast Main Lines.
- **Thameslink:** work continues to transform north-south travel through London on one of Europe's busiest stretches of railway. This means new track, rolling stock and more frequent services, major improvements to London Bridge and more stations outside of London connected to the route. With work scheduled to finish by the end of 2018, thousands of daily passengers will benefit from improved journeys.
- **Intercity Express Programme:** £5.7 billion programme to provide the new infrastructure and rolling stock needed to support growth and improvements on some of Britain's busiest intercity routes, replacing the current fleet on the Great Western and East Coast Main Lines with new electric and bi-mode trains.

Policy milestones

- 4.20 Nicola Shaw, Chief Executive of High Speed 1, has now published the Shaw Report on the future structure and financing of Network Rail, including recommendations for greater devolution to the routes and the creation of a new, dedicated northern route.⁶ The government welcomes the recommendations, and will respond in full later this year.
- 4.21 Reporting in November 2015, Dame Colette Bowe recommended a review into the ORR's role and responsibilities in respect of enhancements planning; an integrated governance for major and complex projects such as Crossrail; and the Department for Transport resetting the formal framework of rail enhancements planning, implementation and oversight.⁷
- 4.22 The Secretary of State accepted the Bowe Report recommendations and the government consulted on the ORR's role and remit. The consultation showed strong support for the continuation of its role as an independent economic and safety regulator. It also identified a small number of areas for government actions to support a strong, independent ORR, on which the government will work with the ORR as part of wider reforms. The Department for Transport is also aligning its resources to monitor Network Rail's enhancement programme more effectively.
- 4.23 Planning is underway for enhancements that will be delivered in Control Period 6. As part of this, the government is considering how the recommendations made in the Shaw Report on long term enhancements planning can be implemented.

Projects in development

- 4.24 The government is giving the green light to High Speed 3 between Leeds and Manchester, committing to reduce journey times to around 30 minutes. £60 million will be provided to develop plans for both the Leeds-Manchester route by 2017 and to improve transport connections between cities of the North.
- 4.25 The National Infrastructure Commission has recommended that Crossrail 2 is the priority transport investment required to meet the needs of the capital over the decades to come and that Transport for London (TfL) should urgently undertake the work necessary to update the business case. It advises the project will simultaneously relieve the worst congestion on the London transport network and unlock the potential for hundreds of thousands of new homes.
- 4.26 The government fully accepts the commission's recommendation and is giving the green light for Crossrail 2 to proceed to the next stage. The government will therefore provide a contribution of £80 million to fund the development of Crossrail 2, and asks TfL to match that contribution to ensure that the project can be fully developed with the aim of depositing a Hybrid Bill within this Parliament.

⁶ 'Shaw report: the future shape and financing of Network Rail', Department for Transport, March 2016.

⁷ 'Bowe review into the planning of Network Rail's enhancements programme, 2014 to 2019', Department for Transport, November 2015.