



House of Commons  
Transport Committee

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# **Priorities for investment in the railways**

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**Third Report of Session 2009–10**

*Volume I*





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Transport Committee

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Third Report of Session 2009–10

## *Volume I*

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by the House of Commons  
to be printed 9 February 2010*

HC 38-I  
[Incorporating HC 1056, Session 2008–09  
Published on 15 February 2009  
by authority of the House of Commons  
London: The Stationery Office Limited  
£0.00

## The Transport Committee

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The current staff of the Committee are Annette Toft (Clerk), Adrian Jenner (Second Clerk), David Davies (Committee Specialist), Marek Kubala (Inquiry Manager), Alison Mara (Senior Committee Assistant), Jacqueline Cooksey (Committee Assistant), Stewart McIlvenna (Committee Support Assistant) and Hannah Pearce (Media Officer).

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# Contents

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<b>Report</b>	<i>Page</i>
<b>1 Introduction</b>	<b>3</b>
Our inquiry	4
<b>2 Background</b>	<b>4</b>
Expenditure and investment	4
Passenger growth	5
Eddington and Stern	6
<b>3 The value of rail enhancements</b>	<b>7</b>
Economic benefits	7
Direct economic benefits	7
Wider economic benefits	8
Environmental benefits	10
<b>4 Improving the process of investment decision-making</b>	<b>12</b>
Methodology to prioritise schemes	12
The role of consultation in the appraisal and prioritisation process	14
Sources of investment	15
<b>5 Security of the current investment programme</b>	<b>15</b>
The current investment programme	16
Rolling stock	18
<b>6 Priorities in the medium to long term</b>	<b>18</b>
The Manchester Hub	19
Electrification	21
High speed rail	23
Maintaining investment in the “classic” network	24
The routes for high speed rail	25
Smaller-scale schemes	26
“Connecting communities”	27
Strategic Freight Network	28
Integration of rail with other transport modes	29
<b>7 Conclusion</b>	<b>30</b>
<b>Conclusions and recommendations</b>	<b>32</b>
<b>Appendix</b>	<b>36</b>
<b>Formal Minutes</b>	<b>37</b>
<b>Witnesses</b>	<b>38</b>

<b>List of written evidence</b>	<b>39</b>
<b>List of unprinted evidence</b>	<b>40</b>
<b>List of Reports from the Committee during the current Parliament</b>	<b>41</b>

# 1 Introduction

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1. The railways in Britain are currently experiencing historically high levels of investment. Network Rail, the monopoly owner and operator of Britain's fixed rail infrastructure, is investing about £35 billion in the railway network between 2009 and 2014. Much of this investment will be taxpayer-funded, provided through grants from the Department for Transport (for England and Wales) or the Scottish Executive. It includes funding for major infrastructure projects, such as Crossrail and the Thameslink programme, both in the early stages of a lengthy construction process, each costing billions of pounds. Improvement works will be carried out at over 150 medium-sized railways stations, and major redevelopment work undertaken at Reading and Birmingham New Street stations. Network Rail is also undertaking a series of relatively small-scale, yet important, schemes to allow more and longer trains to run by lengthening platforms and remodelling junctions.

2. In addition, the Government is currently considering the case for the construction of a second high speed rail line which, although unlikely to be operational for 10 to 15 years, would cost further tens of billions of pounds to construct.

3. Given that the UK has just experienced its deepest recession for over 60 years, the large amounts of capital invested in the railways have added importance and are, rightly, subject to additional scrutiny.<sup>1</sup> The National Audit Office found in December 2009 that the level of support by the taxpayer for UK banks had reached £850 billion.<sup>2</sup> Public sector net borrowing is expected to be £178 billion in 2009–10 alone.<sup>3</sup> Public spending is widely expected to come under severe pressure in the coming years, and capital spending reductions are likely across most government departments. The signs are readily apparent in the 2009 Pre-Budget Report, which projects a sharp contraction in public sector net investment from 3.5% GDP in 2009–10 to 2.7% in 2010–11, and right down to 1.3% of GDP by 2013–14. Cash expenditure is projected to more than halve from £49bn to £22bn in four years.<sup>4</sup>

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1 The economy contracted by 4.8% in 2009. This is marginally deeper than the recession in the late 1970s and early 1980s. The economy last contracted by a larger amount in one year in 1931.

2 This figure includes the purchase of shares by the public sector together with offers of guarantees, insurance and loans. It does not include the support provided to Northern Rock. The NAO notes, however, that quantifying accurately the economic consequences of a major bank failure in a developed economy such as the UK would be impossible and such calculations are "always highly sensitive to the underlying assumptions, and can only be broad-brush estimates". Report by the Comptroller and Auditor General, Session 2009–2010, *Maintaining financial stability across the United Kingdom's banking system*, HC (2009–10) 91.

3 HC Deb, 9 December 2009, cols 363–364

4 HM Treasury, *Pre-Budget Report*, Cm 7747, December 2009, p 189

4. To some extent, short-term rail investment is insulated from immediate pressures on public funds as much of Network Rail's budget until 2014 is contractually committed by the Government. Beyond then, however, it is uncertain how rail investment budgets will fare. Even without the need to reduce public expenditure, transport infrastructure improvements always involve tough prioritisation. In the current climate, it will be more important than ever to ensure the investment priorities for the railway network are sensible, focusing on projects which yield the best value for passengers and freight users, and that long-term planning is not jeopardised.

### Our inquiry

5. Our inquiry aimed to assess the value of further investment to enhance Britain's railway network and—within the context of likely public spending reductions—to identify the essential rail investment priorities for the future. Based on the evidence received, we set out which needs and schemes we think should be considered high priorities in the medium to long-term. We also examined whether the billions of pounds committed to Network Rail to 2014 are secure.

## 2 Background

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### Expenditure and investment

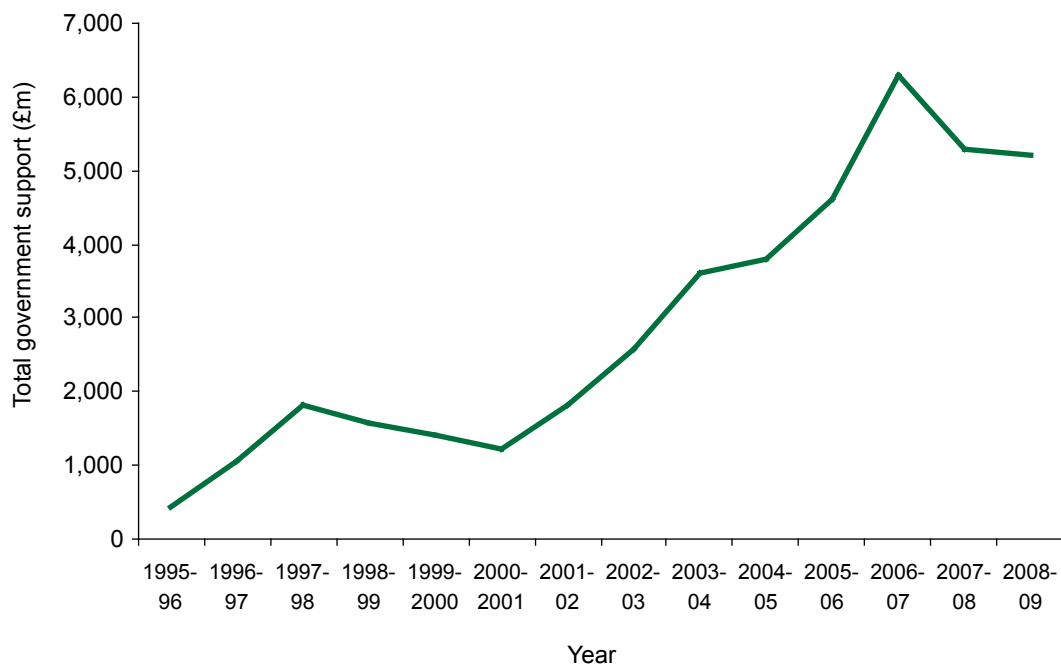
6. Expenditure on the rail network comes from a mixture of both Government and private sector investment.<sup>5</sup> Government support to the railway industry has increased considerably over the past decade, sharply so since the turn of the millennium (see Figure 1). In the decade between 1994–95 and 2004–05 the annual cost of running the railways—including both the operational and capital expenditure—doubled.<sup>6</sup> As explained below, this has partly been driven by rapid passenger growth. Government-commissioned studies, such as the Eddington Transport Study and the Stern Review on the Economics of Climate Change, have also proved influential on Government rail policy.

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5 This effectively means from the passenger or freight customer.

6 Department for Transport, *Delivering a Sustainable Railway*, July 2007, Cm 7176, p 123

Figure 1: Government support to the rail industry<sup>7</sup>



Source: Office of Rail Regulation, *National Rail Trends*, December 2009

### Passenger growth

7. Investment in the early 2000s was mainly focussed on renewal of existing infrastructure, following the Hatfield crash in 2000, although large sums were also spent on major infrastructure projects such as the Channel Tunnel rail link and the West Coast Main Line upgrade. Escalating costs under Railtrack inflated the bill for some of these improvements. In recent years, rail investment has been increasingly directed to enhancing the network, and increasing capacity, to accommodate rapid passenger growth.

8. Since privatisation in 1994–95, passenger traffic has grown by 73%.<sup>8</sup> Passenger numbers in 2008 reached the highest level ever recorded in peacetime. As a result, overcrowding is a serious problem on many routes and some important rail lines—most notably the West Coast Main Line—are predicted to reach full capacity by the end of the decade.<sup>9</sup> Passenger numbers are expected to double over the next 25–30 years.<sup>10</sup> Rail investment has been increased, and targeted, in an attempt to meet these capacity challenges.

7 Includes Passenger Transport Executive grants. Data from Department for Transport, Transport Scotland, Welsh Assembly.

8 Ev 163 [Office of Rail Regulation]

9 Network Rail, *The case for new lines*, August 2009, p 1

10 Ev 160 [Office of Rail Regulation]

## **Eddington and Stern**

9. Two broader policy developments in recent years have also strengthened the case for higher levels of rail investment:

- a) an increased recognition of transport's role as a key enabler of productivity and competitiveness, as emphasised by the Eddington Review in December 2006. Commissioned jointly by the Department for Transport and the Treasury, Eddington's study established the case for investment in transport infrastructure, particularly where existing infrastructure demonstrably faced capacity constraints.
- b) an increasing awareness of the environmental impact of transport (which currently represents 21% of total UK domestic greenhouse gas emissions)<sup>11</sup> and the drive to develop a sustainable, low carbon transport system for the future. The November 2006 Stern Review was a key document in this respect, signalling widespread recognition of the importance of sustainability and the measures necessary to avert large-scale climate change. The Climate Change Act 2008 subsequently set legally binding long-term targets to reduce greenhouse gas emissions. The UK will not be able to meet its targets without significant reductions in transport sector emissions: the Committee on Climate Change has called for a 25% reduction in transport sector emissions by 2020.<sup>12</sup>

10. Both the Eddington and Stern reviews have proved highly influential on Government policy, and on DfT strategy. The Department's Rail White Paper, published in June 2007, set out the Government's strategy to support the growth of the railway network over the next 30 years. In line with Eddington, the White Paper prioritised improving the performance of existing networks and addressing bottlenecks rather than creating new connections.<sup>13</sup> The discussion document, *Towards a sustainable transport system* (October 2007), and its follow-up *Delivering a sustainable transport system* (November 2008)—described by the Government as a response to Eddington and Stern—identified a number of components of the transport infrastructure that collectively were critical to the economic success of the nation and emphasised the need to reduce the carbon footprint of the transport sector.<sup>14</sup> More recently, the Department's carbon reduction strategy, *Low Carbon Transport: A Greener Future* (July 2009), set out measures within the transport sector to save an additional 17.7 million tonnes of CO<sub>2</sub> in 2020, including policies to further electrify the rail network.

11. Together, these documents set out the Government's broader transport strategy: to enhance the network by relieving capacity constraints on key routes and to encourage more sustainable modes of travel, of which rail is one. Rail investment has, to some extent, been increased and targeted in an attempt to match these aims.

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11 Department for Transport, *Low Carbon Transport: A Greener Future*, Cm 7682, July 2009, p 22

12 On 2007 levels. Committee on Climate Change, *Meeting carbon budgets—the need for a step change*, October 2009, p 11

13 Department for Transport, *Delivering a Sustainable Railway*, Cm 7176, July 2007

14 Department for Transport, *Towards a Sustainable Transport System*, Cm 7226, October 2007; Department for Transport, *Delivering a Sustainable Transport System*, November 2008, p 6

## 3 The value of rail enhancements

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12. Of Network Rail's £35 billion investment programme between 2009 and 2014, £11.7 billion is to be spent specifically on increasing capacity,<sup>15</sup> either through major projects such as Thameslink (£2.7 billion during 2009–2014)<sup>16</sup> or Crossrail,<sup>17</sup> or through smaller-scale investments including new and longer trains and schemes to lengthen platforms. The scale of the enhancement programme in Control Period 4 (2009–2014) is more than twice that of Control Period 3, covering 2004–09. Whereas enhancement expenditure accounted for approximately 11% of total rail expenditure between 2004 and 2009 it now accounts for 33%.<sup>18</sup> Eddington's report suggested that transport improvements should be aimed at "tackling problems and shortages", as these are most likely to offer real benefits to passengers and freight users and offer best value-for-money.<sup>19</sup>

13. Given the current financial climate, and the likely pressure on funds in the coming years, we wanted to explore whether such large investments to enhance the rail network provided value-for-money for the economy and society. We received much evidence on this issue; some of the key points are highlighted below.

### Economic benefits

14. Enhancing the rail network—either through improving services and relieving capacity constraints on existing railway lines, restoring old or constructing new lines (including high speed lines), or improving stations—can potentially provide a range of economic benefits. These can be grouped into:

- direct economic benefits to rail users (for example through time savings), and
- wider economic benefits (through stimulating the regional and national economy).

### Direct economic benefits

15. Eddington's Transport Study concluded that transport improvements could provide direct economic benefits to both passengers and freight users, through reduced journey times and reduced congestion. These benefits are what is usually measured in conventional cost-benefit analyses of transport projects. Eddington calculated that a 5% reduction in travel time for all road business travel, for example, could generate around £2.5 billion of cost savings—some 0.2% of GDP. Congestion and delays on the transport network, on the

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15 Ev 121 [Network Rail]

16 Total programme cost of £5.5 billion to be committed by the Government. Ev 121 [Network Rail].

17 The total cost of Crossrail is estimated to be about £16 billion. Central Government is contributing £5 billion towards the scheme, with Transport for London and the Greater London Authority responsible for £7.7 billion. Other funding derives from private sources. Network Rail is spending £2.3 billion on Crossrail. Ev 121 [Network Rail]

18 Department for Transport, *Delivering a Sustainable Railway*, Cm 7176, July 2007

19 In particular, Eddington said that the strategic economic priorities for long-term transport policy should be growing and congested urban areas and their catchments, and the key inter-urban corridors and the key international gateways that are showing signs of increasing congestion and unreliability. The Government should focus on these areas because they are heavily used, of growing economic importance, and showing signs of congestion and unreliability. Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 6

other hand, directly impacted on economic growth. If left unchecked, Eddington argued that the rising cost of congestion would waste an extra £22 billion worth of time in England alone by 2025. He warned that commuter rail lines, in particular, were forecast to see further increases in overcrowding, and intercity rail services would see many trains at or beyond seating capacity on the approaches to cities.<sup>20</sup>

16. Witnesses gave specific examples of direct economic benefits to their regions through rail enhancement projects. An economic study commissioned by the Northern Way concluded that almost £11 billion of direct benefits to rail users throughout the North could be gained through enhancing rail services in the Manchester Hub (see paragraph 55), through journey time savings and crowding reductions.<sup>21</sup> Research undertaken for the South Yorkshire Passenger Transport Executive and Integrated Transport Authority and others argued that improving connectivity between South Yorkshire and London could provide direct economic benefits of £29 billion over a 60-year period.<sup>22</sup> Other studies concluded that overcrowding on three rail routes meant Leeds and Greater Manchester lost 895 jobs and £36m of GVA<sup>23</sup> in one year. Pteg said these numbers would double by 2014 if no action was taken to increase capacity on these routes.<sup>24</sup>

17. Improvements and enhancements to the rail freight network were also said to offer direct economic benefits through improved connectivity. Several witnesses said that greater use of rail freight, along with improved service reliability, would help UK businesses compete more effectively in the global market by providing more options for the transfer of goods and by reducing the cost of logistics for exporters, importers and domestic freight users alike.<sup>25</sup>

### **Wider economic benefits**

18. According to Eddington, transport “cannot of itself create growth”: instead, it was “an enabler that can improve productivity when other conditions are right” and he pointed to the importance of other factors, such as skills.<sup>26</sup> He recognised, however, that transport improvements could potentially provide wider economic benefits than those captured in traditional cost-benefits analyses. Transport investments could, for example, support clusters and agglomerations<sup>27</sup> (typically in urban areas or industrial locations) of economic

20 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, pp 1, 6

21 The Northern Way, *Manchester Hub Phase 1—Transport Modelling and Benefit Assessment*, April 2009, p 77. Prepared by Steer Davies Gleave. Eddington treated overcrowding as a form of congestion that had a direct impact on businesses and travellers. He noted, however, that it was not easy to translate these impacts into economic costs because, as well as the discomfort and reduced attractiveness of rail travel which goes with rising overcrowding, punctuality and reliability may also be affected as the network carries more passengers. Sir Rod Eddington, *The Eddington Transport Study: Main Report*, December 2006, p 111

22 Leeds City Region and Sheffield City Region, *The Case for High Speed Rail to the Leeds and Sheffield City Regions*, August 2009, p 1. Research undertaken by Arup and Voltera. Ev 107

23 Gross Value Added.

24 Ev 170

25 Freight Transport Association [Ev 125]; Network Rail [Ev 116]; Royal Borough of Kensington & Chelsea [Ev 80]; London Borough of Croydon [Ev 167]

26 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 11

27 The concentration of clustering of firms and workers, typically in urban areas or industrial locations, are known as agglomerations. Eddington said that agglomerations can be observed in all shapes and sizes. They are observed in large, diverse urban areas, for example London, New York, Paris, or in industrial clusters, for example the ceramics industry in the West Midlands. They can occur within an area, for example the science and technology cluster

activity, by expanding labour market catchment areas, improving job matching,<sup>28</sup> and facilitating business to business interactions. In London, he concluded that there could be additional GDP benefits from agglomeration effects of 30% over and above direct time savings of a transport intervention.<sup>29</sup> Witnesses emphasised the agglomeration benefits of various rail enhancement projects. The City of London told us that Crossrail would provide agglomeration benefits in the range of £36 billion to £67 billion over 60 years.<sup>30</sup> A network of high speed rail routes was said to add as much as £13 billion to the UK economy through agglomeration benefits.<sup>31</sup>

19. Contrary to Eddington's views, several witnesses also said rail enhancement projects could potentially regenerate areas, particularly relatively poor regions.<sup>32</sup> London TravelWatch said that a justification for the East London Line extension had been its ability to assist in the regeneration and economic uplift of the areas served.<sup>33</sup> Eurostar gave the example of Lille, a city that had been "transformed" by its location on the TGV high speed network in France.<sup>34</sup> Station upgrades could also help to regenerate an area.<sup>35</sup> Others, however, were more sceptical about this argument. It was stated that high speed rail investment in other European countries had not always resulted in transformational change in the areas served by the line. In France, for example, Tours or smaller centres such as Le Creusot had not experienced the same effects as Lille or Lyon. The economic analysis used to estimate such regional economic benefits were alleged to be "highly complex and newly developed".<sup>36</sup> Eddington said that a "build it and they will come" approach to transport projects which attempted to regenerate areas and regions was "dangerous".<sup>37</sup>

20. Another wider economic benefit from rail enhancement projects mentioned by witnesses was the creation of construction jobs.<sup>38</sup> Capital investment projects were described as a "classic countercyclical economic measure" to protect the employment of skilled workers and the continued existence of engineering businesses, and to facilitate the development and retention of a technical skills base for the industry in the country.<sup>39</sup>

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centred at Cambridge, or can be linear in form, for example, the clustering of European headquarters along the M4 corridor. Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 25

28 Because people have more travel-to-work options.

29 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 25

30 Ev 224. Present value.

31 Ev 163 [The Northern Way]

32 For example, Railfuture [Ev 67].

33 Ev 174

34 Ev 184

35 For example, West Northamptonshire Development Co-operation said that Northampton station was the "key that unlocks the future of the town in its transformation into a "market city", and for the growth sought in the region as a whole". It said "a first class train station will serve a wide catchment area, as well as facilitating housing and employment within the southern half of Northampton, one of the areas where there are particularly ambitious regeneration and growth plans" [Ev 142].

36 South Yorkshire Passenger Transport Executive [Ev 107]

37 He also said that the result was a two-way process in which local businesses actually lost out, as more productive and competitive forms from other regions could access the area and compete for previously protected markets. Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 17

38 For example, Skipton East Lancashire Rail Action Partnership [Ev 127].

39 Railfuture North East [Ev 71]; Chartered Institute of Logistics & Transportation [Ev 149]

21. A minority of organisations questioned the economic value of rail enhancements in general. Some pointed to the fact that rail required substantial subsidy by the taxpayer—unlike road or air travel—yet only accounted for a small fraction of passenger travel within the UK. However, rail travel is a very important mode of transport for businesses. Approximately 92% of industries use the rail network for passenger travel and freight movements. 65% of rail journeys in the North East, 70% in the North West, and 82% in the East of England are made for business purposes or by commuters.<sup>40</sup> Rail is also an increasingly important mode of transport for passengers travelling between regions in the North of England: rail passenger journeys between the North West and Yorkshire & the Humber, for example, have increased by 88% since 1995–96.<sup>41</sup>

22. Others said that, too often, inadequate consideration was given to other transport schemes, such as congestion-relieving road schemes, when decisions on major rail enhancements were made.<sup>42</sup> Eddington too warned that investment in “grand” enhancement projects were “rarely assessed” against other interventions that would achieve the same goals.<sup>43</sup>

## Environmental benefits

23. Rail is a more environmentally friendly mode of transport than road or air. Eddington said it was essential that, from both an economic and environmental perspective, the environmental impacts of transport were “fully reflected in decision-making”.<sup>44</sup> Network Rail said that the average carbon dioxide emissions for a passenger rail journey was about half that of an equivalent car journey and about one-quarter of an equivalent journey by air. Improved rail links, therefore, “reduce the cost of mitigating climate change by reducing the need for road and air travel”.<sup>45</sup> Eurostar said that the reduction in journey times created by the first high speed rail line had contributed to an increased market share for rail, and therefore “reduced overall CO<sub>2</sub> emissions as a result of higher load factors”. It said it produced 10 times less carbon per passenger travelling than flights between London and Paris and London and Brussels.<sup>46</sup> Fewer cars on the road would also reduce the amount of pollution for walkers and cyclists, with subsequent cost savings to the health service.<sup>47</sup>

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40 Ev 157 [English Regional Development Agencies]

41 Office of Rail Regulation, *National Rail Trends 2008–2009 Yearbook*

42 “Rail reservations”, RAC Foundation press release, 30 October 2009

43 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 48

44 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 5

45 Ev 116. Load factors, however, play an important part in calculating carbon emissions and make modelling of impacts difficult. Both material and energy input need to be included in the calculation as infrastructure for rail is material intensive compared to air. Lighter vehicles and optimum speed reduce carbon emissions yet increased load reduces any energy savings. See M. Federici, S. Ulgiati, et al., “Air versus terrestrial transport modalities: An energy and environmental comparison”, *Energy*, vol 34 (2009), pp 1493–1503.

46 Ev 184, Q 151. Based on research commissioned by Paul Watkiss Associates in February 2009. The research concluded that a journey by Eurostar generated one-tenth of the carbon dioxide emissions of an equivalent flight, based on latest load factors and using specific energy data. Taking one example from the study, a return Eurostar journey between London and Paris generated 6.6 kg of CO<sub>2</sub> compared with 102.8kg by air.

47 Railfuture North East [Ev 71]. For information on the relative accident and air pollution costs of rail and road modes of transport, see Infrac, *External Costs of Transport Update Study*, October 2004.

24. Enhancing the rail freight network was also said to have important carbon reduction benefits. On average, rail freight produces 70% less carbon emissions than road freight.<sup>48</sup> Freight On Rail said rail currently had 24% of the market in relation to Felixstowe Port; planned enhancements could take rail's share to between 35%–40% and remove 40 million lorry miles each year.<sup>49</sup> The Rail Freight Group said that enhancing rail freight capacity could, by 2030, save 4.6m tonnes of CO<sub>2</sub> per year for the UK—which was important for the Government's climate change targets.<sup>50</sup>

25. Other witnesses were more sceptical of the carbon reduction benefits of major rail enhancement schemes, partly because of the emissions resulting from construction. For example, an estimated 80,660 tonnes of CO<sub>2</sub> per annum will be generated during the construction phase of Crossrail.<sup>51</sup> Manchester Airports Group said rail construction involved “significantly more” carbon emissions than the construction involved in new airport infrastructure, because the “land take, concrete and steel requirements, station and signalling infrastructure for new rail build is far larger (because of line length) than new runways at airports”.<sup>52</sup> During operation, however, Crossrail is estimated to save more emissions as a result of modal shift than it emits through energy consumption during any year.<sup>53</sup>

26. Other commentators have argued that enhancing, and enlarging, the rail network simply encourages more travel, and thus more carbon emissions: the RAC Foundation said that about a fifth of passengers on a potential new high speed line from London to Scotland would be new, “induced” passengers. The Foundation said the Government's objective should be to examine alternatives, such as home working and shorter commutes, instead of encouraging more long-distance travel.<sup>54</sup>

**27. There are differing views on the economic and environmental benefits of investing to enhance the railway network. It is clear, however, that enhancements to the railway network provide good value-for-money in many cases and are a worthwhile investment of public funds. Rail network enhancements can have important economic benefits and help to regenerate, and connect, local communities. If extra transport capacity is needed, rail is also more environmentally friendly than road or air. The UK's challenging climate change targets increase the attractiveness of investing in the network, to encourage modal shift in terms of both passenger and freight transport and to make the railway network itself greener.**

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48 Rail produces around 0.05 kg of CO<sub>2</sub> per tonne km compared to around 0.17 kg of CO<sub>2</sub> per tonne km for road transport. Department for Transport, *Delivering a Sustainable Transport System: The Logistics Perspective*, December 2008, p 8.

49 Ev 75

50 “Rail freight can save 4.6m tonnes of CO<sub>2</sub> a year”, *Rail Freight Group News*, December 2009. DB Schenker said increasing the modal share of rail freight from 11.5% to 20% would save seven million lorry journeys (Q 263). A greater use of rail freight was also said to offer safety and health benefits, for example through improving road safety by removing lorries from the road (Rail Freight Group [Ev 85]).

51 Environmental Resources Management, *Crossrail Environmental Statement*, February 2009, Volume 2 p 21

52 Manchester Airports Group added that, as identified in a 2007 Booz Allen report for the Department for Transport, the ‘capital’ side of rail investment has to be considered as well as the revenue [Ev 135].

53 Environmental Resources Management, *Crossrail Environmental Statement*, February 2009, Volume 2 p 21

54 “Rail Reservations”, RAC Foundation press release, 4 November 2009

28. We welcome the scale of the current investment programme and we commend the Government for its commitment to the railways. The Government is right to prioritise increasing capacity during the current control period, and we are pleased that the Government is investing in growth. We call for this to continue across the country in the next period.

## 4 Improving the process of investment decision-making

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### Methodology to prioritise schemes

29. Prioritising investment in transport projects requires an objective, detailed, even-handed method for evaluating the full costs and benefits of the different policy options, including social, environmental and economic impacts. Cost-benefit analysis has long been used by government and business as a way of measuring the impact of taking action, relative to ‘doing nothing’. By assessing the costs and benefits in a consistent and transparent way, options can be compared and government is able to allocate its funds to the projects that can offer the best returns.<sup>55</sup> Eddington said the purpose of transport appraisal is to “assess the full range of costs and benefits of each transport intervention consistently and comprehensively”.<sup>56</sup>

30. Eddington’s 2007 study observed that methodologies to evaluate and prioritise transport projects usually captured the direct economic benefits (such as journey time savings) well. They did not, however, reflect other potentially significant impacts on the economy. He said assessments of overall benefits on a project-by-project basis could increase by up to 50% in some cases, if new evidence concerning the importance of journey reliability and agglomerations were to be included in the appraisal of transport schemes. The incorporation of these “missing” effects was particularly likely to impact on interventions in highly agglomerated major cities. He also concluded that current methodologies did not fully encompass the environmental impacts of projects.<sup>57</sup>

31. Some of our witnesses made similar points. The English Regional Development Agencies (RDAs) said that, whilst the current rail investment programme delivered increases in capacity across all of the English regions, this has been directed by “transport demand planning rather than wider economic and social objectives”. It wanted the objectives for rail planning and investment to be integrated with, and support, wider regional economic and social objectives: “short, medium and long term rail investment programmes need to be informed and shaped by, and be able to respond to, economic and spatial planning programmes, recognising land use implications”.<sup>58</sup> Pteg also said that current rail appraisal methodologies needed to be reviewed in order better to reflect the

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55 Sir Rod Eddington, *The Eddington Transport Study: Main Report*, December 2006, p 216

56 Sir Rod Eddington, *The Eddington Transport Study: Main Report*, December 2006, p 221

57 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 14

58 Ev 157

potential benefits of investment in local rail services. Current systems accrued economic benefits to schemes on the basis of distance. These considerations needed to be better balanced against the benefits that local rail investment schemes could bring in meeting a wider set of policy goals and objectives such as reducing regional disparities, carbon reduction and social inclusion.<sup>59</sup>

32. Since 2007, the Department for Transport has placed increased emphasis on the inclusion of wider benefits, such as the effects of agglomeration, in its cost-benefit analyses of transport schemes. It classifies the following benefits as economic ones, which are monetarised in its analyses:

- a) travel time savings and reliability improvements (where these can be measured) for those travelling to work and in the course of work;
- b) any increase in the productivity of urban centres through the agglomeration benefits delivered by a scheme through better access to a range of opportunities;
- c) improvements in the labour market, including the effect of better transport on labour supply;
- d) changes in operating costs for train operators, infrastructure providers and business road users, and
- e) project costs.

33. The Department recognises, however, that not all impacts can be quantified. It does not have the data, for example, to make it possible to estimate the impact of a transport project on local or regional GDP. The transport models used do not contain enough information about all potential users of a project to identify which businesses benefit from the model's estimates of transport cost savings, or how those savings in transport costs might feed through into lower production costs, increased output, greater productivity and hence increased GDP. The Department acknowledges that the economic benefits as estimated in the project appraisal are therefore a very simplified and approximate measure of the GDP effects.<sup>60</sup>

**34. Prioritisation methodology can never take account of all the economic and other impacts of transport schemes. There are always likely to be some social, environmental and economic impacts that are hard to monetise. Too often, however, the Government prioritises its spending on rail projects based on current and forecast demand, which has contributed to a disproportionate increase in the ratio of investment into London compared to the regions. If this continues, the effect will be to increase disparity between spending in London and the South East and other regions, creating a 'vicious cycle' of demand-led investment. The Department needs to develop its methodology to make its appraisal of projects more dynamic to integrate wider social, environmental and economic considerations, including the impact of transport investment on the**

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59 Ev 170

60 Ev 181

**GDP of regions and secure better integration with regional economic and social objectives.**

### **The role of consultation in the appraisal and prioritisation process**

35. Economic appraisals of projects are widely used within government to evaluate the costs and benefits of different policy options, to rank and prioritise projects, and influence investment decisions. As already described, however, these economic models do not always capture the full range of impacts of a project or scheme. They also do not necessarily reflect the priorities of rail users and other interested and affected parties. Effective consultation is therefore also an important part of investment decision-making to ensure that projects and schemes supported by the Government reflect the views of stakeholders, including rail users themselves, and tie in with regional economic and social considerations.

36. Stakeholders have opportunities to influence rail investment decisions at the national level through the High Level Output Specification (HLOS) and Periodic Review processes. The Railways Act 2005 gave the Secretary of State the power to set, through an HLOS, the strategic direction for the railway industry and specify the Government's priorities for the railways over the coming five-year control period. It triggers an iterative process whereby the Office of Rail Regulation holds a Periodic Review, where it works with Network Rail to decide on the specific schemes required to deliver the Government's required outputs and to determine whether these schemes are affordable within the Government's funding envelope.

37. Some witnesses questioned whether the views of certain stakeholders were properly considered within these decision-making processes. Some considered that the views of passengers and freight groups, in particular, might have been better represented.<sup>61</sup> An independent assessment of the ORR's 2008 Periodic Review, chaired by John Nelson (a former British Rail manager), identified this as an area for improvement: it recommended "better and earlier" representation of passengers and freight customers.<sup>62</sup> The ORR has accepted the recommendation and announced it will implement measures to improve passenger and freight user representation in advance of the next Periodic Review in 2013.<sup>63</sup> The ORR said it was considering establishing a "consumer panel" to test its policies, processes and decisions against consumer needs and priorities.<sup>64</sup>

38. Some regional representatives also criticised the Control Period 4 planning process. The English Regional Development Agencies (RDAs) said the HLOS process had provided "limited opportunities for stakeholders such as regional authorities to identify and suggest improvements that would benefit the regional economies". This "prevented some rail schemes which contribute to delivering regional objectives from being prioritised".<sup>65</sup> South Yorkshire PTE argued the HLOS process should be more "transparent and partnership

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61 Campaign for Better Transport [Ev 200]; Rail Freight Group [Ev 85]

62 *Independent PR08 Programme Evaluation*, August 2009

63 Letter from Bill Emery, "Looking ahead to PR13", 29 October 2009

64 Q 95

65 Ev 157

based”.<sup>66</sup> The Association of Train Operating Companies (ATOC) also highlighted this as an issue: “the way in which English regions in particular have the opportunity to input into the rail industry planning process is not as effective as perhaps it should be”.<sup>67</sup>

39. When questioned on the issue of regional representation, the Minister told us that the next HLOS, to begin in 2012, was designed to facilitate “deeper engagement” with all interested parties.<sup>68</sup> The Office of Rail Regulation also said it would encourage regional representatives, such as RDAs and PTEs, to become more involved in the next Periodic Review. This would be a “significant enhancement” to the 2008 review.<sup>69</sup>

**40. The last High Level Output Specification (HLOS) and Periodic Review processes generally worked well. We welcome and support the Office of Rail Regulation’s recent commitment to improving the representation of passengers, freight users and regional representatives in the next Periodic Review. The Government must, however, go further. It needs to set out a clear plan for improved consultation with regional representatives in advance of the next HLOS.**

### Sources of investment

41. Our inquiry focussed on the priorities for rail investment in the medium to long-term future, and the security of the current 2009–2014 programme. Our terms of reference did not specifically include considering other sources of investment for the railways. We are aware, however, that this is a crucial issue for the industry and one which our successor Committee may wish to inquire into. We have already made our views known that, should the current franchise system be retained, we favour longer franchises for rail operators which encourage investment in services from the private sector.<sup>70</sup> We welcome the Government’s recent proposals that future rail franchises will be let for a minimum of 10 years, instead of the current eight years.<sup>71</sup>

## 5 Security of the current investment programme

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42. Network Rail will be investing £35 billion on the railway network during Control Period 4, 2009 to 2014—“an investment programme that is bigger than any seen for a generation”, it says.<sup>72</sup> Of this amount:

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66 Ev 107

67 Q 167

68 Q 332

69 Q 90

70 Transport Committee, Eighth Report of Session 2008–09, *Rail fares and franchises*, HC 233, para 19

71 HC Deb, 21 January 2010, cols 35–36WS

72 Network Rail, *Control Period 4 Delivery Plan 2009: Summary*, March 2009. £28.5 billion has been allocated through the 2008 Periodic Review for Control Period 4.

- £11.7bn is to enhance the network, including projects to relieve crowding by lengthening platforms and to increase capacity to enable more and longer trains to run on busy lines;
- £11.5bn is for renewals—replacing older parts of the network (including track, signalling and bridges) with new, and
- £9.2bn is for day-to-day maintenance and the costs of operating and running the network.<sup>73</sup>

The Department for Transport will contribute £16 billion in the form of direct payments.<sup>74</sup> The remaining funding comes from other sources including the Scottish government, passenger train operators, freight operators, retail and property. Network Rail is also allowed to access further funding by borrowing.

43. Network Rail’s investment priority for the 2009–2014 period, set by the Government, is to increase capacity on the network to accommodate a 22.5% increase in passenger demand. The Thameslink and Crossrail projects will greatly increase capacity in the capital.<sup>75</sup> A total of 1,300 extra carriages will also be provided to increase rail capacity across the country, adding 12% to the fleet (see paragraphs 49–50).<sup>76</sup> Other projects undertaken by Network Rail in the control period include the £1.5 billion redevelopment of Reading and Birmingham New Street stations, the development of a Strategic Freight Network, and electrification of the Great Western Main Line and the Manchester–Liverpool line.

## The current investment programme

44. Most witnesses were positive about the scale of the funding committed between 2009 and 2014 but several expressed concern that the current financial situation could result in the deferral or cancellation of some CP4 projects, particularly those to increase capacity. The Association of Train Operating Companies told us it was “essential” that existing CP4 investment commitments were honoured to relieve current capacity constraints on the network, a view shared by many others.<sup>77</sup> Several witnesses noted the fact that passenger numbers were forecast to double over the next 30 years, and passenger growth had still increased over the past year despite the recession, albeit at a slower rate than previously.<sup>78</sup> National Express pointed out that it was “very inefficient and expensive to stop and start projects”.<sup>79</sup> Several organisations argued that the timescales of rail investment were far

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73 Ev 121

74 *ibid.*

75 Crossrail is expected to increase London’s capacity by 10%.

76 Ev 203

77 Ev 203. For example, Network Rail [Ev 116]; Unite [Ev 64]; North West Rail Campaign [Ev 112]; Freight Transport Association [Ev 125]; Skipton East Lancashire Rail Action Partnership [Ev 127]; West Northamptonshire Development Cooperation [Ev 142]; pteg [Ev 170]; London TravelWatch [Ev 174].

78 Railfuture North East branch [Ev 71]; Office of Rail Regulation [Ev 160]; Passenger Focus [Ev 136]; Cogitare [Ev 147]

79 PIR 29. Passenger Focus made a similar point [Ev 136].

longer than those of an economic cycle, and the recession should have ended by the time much of the investment came on stream.<sup>80</sup>

45. We questioned both the Office of Rail Regulation (ORR) and the Department for Transport about the security of the billions of pounds committed to the network until 2014. The ORR assured us that the CP4 settlement was a binding commitment by Government: “the Government has not got an automatic easy way through to requiring or removing the commitment it has made to finance the railway to meet the outputs it set out in 2007. [...] To change it materially would require primary legislation unless there was agreement between the parties”.<sup>81</sup> The Department told us that “substantial” changes to the CP4 settlement—particularly changes which would see a significant alteration to the level of funding provided by Government—could only be implemented via an “interim review process”. The power to initiate such a review rested with the ORR; the Government said it was not aware of any plans for such a review. Smaller changes to planned enhancement projects that did not substantially affect the overall settlement could be made via Network Rail’s “change control process”, which would require a formal proposal from Network Rail, and agreement from sponsors and the ORR.<sup>82</sup>

46. Ministers’ public pronouncements on this matter have been clear. The DfT Minister for National Networks, Chris Mole MP, told us the Government had no plans to change any of the funding for Crossrail or Thameslink, and he said any changes in the contractually committed Control Period 4 settlement were “extremely unlikely”.<sup>83</sup> The Secretary of State also assured us that there were no changes in the status of any of the Government’s commitments.<sup>84</sup> In the Pre-Budget Report in December 2009, the Chancellor affirmed his support for a series of key transport projects, including Crossrail, Thameslink and the electrification proposals.<sup>85</sup>

**47. Given current levels of overcrowding on parts of the network along with passenger demand forecasts, it is vital that current and planned projects to increase capacity continue to the present timescale. We welcome the strong assurances from the Government and the Office of Rail Regulation that the Control Period 4 funding settlement for the next four years is secure. Cuts in transport investment are easy to make, but are costly in the long term, undermining future growth prospects and depriving future generations of a lasting legacy of good transport services. Investment in improving transport infrastructure should be based on the long-term needs of the economy and society, not directed by the need for immediate public expenditure savings.**

48. We are aware, however, that those projects not directly funded within the CP4 settlement—such as Crossrail—are more vulnerable to funding pressures.

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80 Royal Borough of Kensington and Chelsea [Ev 80]; Rail Engineers Forum [Ev 99]; South Yorkshire Passenger Transport Executive [Ev 107]; National Express [Ev 144]; Cogitare [Ev 147]; The Northern Way [Ev 163]; London Borough of Croydon [Ev 167]; London TravelWatch [Ev 174]

81 Qq 81, 93

82 Ev 181

83 Qq 306–322

84 Q 36

85 HC Deb, 9 December 2009, col 366

## Rolling stock

49. The Government committed within the HLOS to invest in 1,300 extra carriages to increase rail capacity across the country, particularly in and around big cities.<sup>86</sup> In our Report on the Government's 2007 Rail White Paper, we said the 1,300 carriages were "much needed and very welcome", although we noted that due to the growth in rail patronage, the new stock was unlikely to relieve overcrowding significantly.<sup>87</sup> The Government's subsequent announcement, in July 2009, that it would electrify the Great Western Main Line and the Manchester-Liverpool line has led to a review of the 2007 rolling stock commitment. The electrification programme alters the requirements for train rolling stock over the next decade, as there is less need for diesel trains and a greater requirement for electric trains.

50. The Government initially said it would publish its revised rolling stock plan in the autumn of 2009 to take account of these changed circumstances, although this was later postponed. The Government now says it must complete commercial negotiations on Thameslink before it can update the plan. By early February 2010, the revised plan has still not been published.<sup>88</sup> Ministers have confirmed, however, that the Government remains committed to delivering 1,300 additional carriages by mid-2014 and about 230 of those carriages are already in service.<sup>89</sup> Several witnesses giving evidence to our inquiry were confused about the current state of affairs.<sup>90</sup> **The Government was right to revise its rolling stock plans in light of its electrification announcement. We are concerned, however, by the postponements in issuing the plan and by the uncertainty and confusion caused by the delay within the industry. Rolling stock is required urgently in several parts of the country. We urge the Government to set out its revised rolling stock proposals as soon as possible to provide the industry with certainty about future capabilities and to improve the travelling experience of passengers on overcrowded parts of the network.**

## 6 Priorities in the medium to long term

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51. Given the likely restrictions on public spending in the coming years, it is widely assumed that Network Rail's investment package for Control Period 5, from 2014 to 2019, will be less generous than the current settlement. Difficult decisions may therefore have to be taken about railway investment priorities post-2014. It will also be especially important to ensure that funding priorities are clear. We examined the schemes and network requirements that railway industry stakeholders believed should be prioritised in the medium and long-term.

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86 Department for Transport, *Britain's Transport Infrastructure: High Speed Two*, January 2009, p 4

87 Transport Committee, Tenth Report of Session 2007–08, *Delivering a sustainable railway: a 30-year strategy for the railways?*, HC 219, para 107

88 Department for Transport, *Britain's Transport Infrastructure: Rail Electrification*, July 2009, p 4

89 HC Deb, 14 December 2009, col 65WS

90 For example, the Association of Train Operating Companies [Q 165], pteg [Q 3].

52. The industry has already begun planning for Control Period 5. In May 2009, the Association of Train Operating Companies, Network Rail and the Rail Freight Operators' Association jointly published a document, *Planning Ahead: Control Period 5 and beyond*. This is the first in a series of documents in which the industry sets out its vision for the railway of the future. The document did not examine specific projects but instead focussed on developing a long-term framework which the industry and its sponsors can use to plan ahead effectively. The industry said the following investment projects might need to be considered for the next control period:

- a) network enhancements to increase capacity on commuter routes into London and the Manchester Hub;
- b) high speed rail;
- c) further electrification of the network;
- d) additional rolling stock;
- e) addressing freight capacity and capability constraints;
- f) better access for towns that currently have no direct rail links;
- g) improving stations;
- h) operational strategy, such as new signalling technologies, and
- i) improving integration with other modes of transport.

We explore some of these schemes in turn below.

### The Manchester Hub

53. During the course of our inquiry, we heard a great deal of evidence about the balance of investment between London and other regions. Much of Network Rail's Control Period 4 investment will be made in London and the South East, including Thameslink, the lengthening of trains and platforms, the purchase of additional rolling stock and reconfiguration and refurbishment of existing stock. This is in addition to Government funding commitments to Crossrail.<sup>91</sup>

54. Several organisations were critical of the emphasis on London in terms of rail investment. Pteg highlighted that the gap in public spending on transport between London and the regions had widened in recent years: over the past five years, transport spending in London had risen by 57% compared to 25% in the Midlands and the North. At present, London received £836 per head—more than three times the £269 per head for the North and West Midlands. Pteg argued the spending gap was becoming a “chasm” (see Figure 2 in the Appendix). There was now a “clear need to increase investment in the major city regions and reduce the overall imbalance with London”.<sup>92</sup> Other witnesses made a similar

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91 Ev 186 [Transport for London]

92 Ev 170; Q 20

point.<sup>93</sup> However, Transport for London took a very different perspective, pointing out that London is Europe's fastest growing city with the population expected to increase by one million inhabitants over the next 20 years.<sup>94</sup> The Minister also justified the large investment by saying 70% to 80% of all rail journeys started or finished in London.<sup>95</sup>

55. Despite these differences of opinion, there was a wide consensus that addressing the capacity constraints at the Manchester Hub should be considered a top priority for Control Period 5. Although called the "Manchester" Hub, the bottleneck in the Manchester area critically affects the operation of both passenger and freight services across the whole of the North of England, including Leeds, Liverpool and Newcastle. Both pteg and the Northern Way argued that this main rail bottleneck in the North should be the key investment priority for the medium term.<sup>96</sup> A Northern Way study had concluded that addressing the Manchester Hub could provide economic benefits of up to £16 billion for the North's economy.<sup>97</sup> Network Rail is currently undertaking the next phase of this study, and will report in February.<sup>98</sup>

#### The Manchester Hub

The Manchester Hub refers to the network of radial routes meeting in the centre of Manchester. It supports a multitude of transport links including Manchester International Airport, the Trans Pennine routes and bus services. Passenger journeys have increased by 20% in the North West between 1999 and 2005, and in the Yorkshire and Humber region by 60% in the nine years to 2007–08. 20% of commuter traffic into Manchester arrives by train and congestion is serious. Rail usage can run at 125% capacity at peak times of day.<sup>99</sup>

56. It is widely assumed that the Government and Network Rail will include the Manchester Hub as a key priority for Control Period 5. Network Rail published a pamphlet in September 2009, *A bright future for rail in the north*, which set out the operator's vision for a "rail revolution" in the north over the next 20 years, including Manchester Hub improvements from 2014–2019.<sup>100</sup> Iain Coucher, Chief Executive of Network Rail, said the Manchester Hub was "hugely important". Indeed, "the next big thing for us is sorting out Manchester and Leeds and that has got to be the priority, and that is why we are both excited about it and want to get on and do it".<sup>101</sup> Lord Adonis told us he was "very hopeful" that, following Network Rail's report on the Manchester Hub, "we will be able to identify

93 For example, the Northern Way [Q 20].

94 Ev 186

95 Q 323

96 Q 2

97 The Northern Way, *Manchester Hub Conditional Output Statement*, April 2009, p 63

98 Ev 163

99 Network Rail, *North West Route Utilisation Strategy*, May 2007, pp 28–29; Network Rail, *A bright future for rail in the north*, September 2009, p 2; Manchester Hub: Key facts, Greater Manchester Integrated Transport Authority website, January 2010, [www.gmita.gov.uk](http://www.gmita.gov.uk)

100 Network Rail, *A bright future for rail in the north*, September 2009, p 1

101 Q 251

work that can be taken forward after 2014 there”.<sup>102</sup> The Minister for National Networks also confirmed that the Manchester Hub was likely to be considered a priority in Control Period 5.<sup>103</sup>

**57. London has benefited greatly from the Control Period 4 package, and is likely to benefit further from projects such as Crossrail which has received the go-ahead in the last few years. London’s rail network will continue to require investment in Control Period 5, especially to increase capacity on certain commuter routes. However, projects to enhance capacity elsewhere on the network, particularly in the North, are long overdue, and the balance between investment in the South East and elsewhere needs to be realigned.**

**58. The problems of the Manchester Hub can not be ignored any longer. The current capacity constraints of the Hub are constraining rail growth across the whole of the North of England. The case for making the Manchester Hub the top priority capacity scheme for the next control period appears very persuasive. We welcome indications from Network Rail, the Government and the industry that it will be considered a high priority after 2014.**

## Electrification

59. Approximately 40% of the British rail network is currently electrified, servicing 60% of passengers.<sup>104</sup> We previously recommended further electrification of the network in our Report on the Government’s 2007 White Paper, *Delivering a sustainable railway*.<sup>105</sup> The White Paper rejected the case for electrification but, since our Report, the Government has changed its position. In July 2009, the Government announced it was embarking on a major £1.1 billion programme to electrify the Great Western Main Line and the Manchester-Liverpool line.<sup>106</sup> In December 2009, the Government further announced electrification of three lines in the North West, between Huyton and Wigan, Manchester and Euxton Junction, and Blackpool North and Preston. These projects are estimated to cost an additional £200 million.<sup>107</sup>

### Electrification

Electrified trains can offer several benefits, such as faster journey times, more seats, greater reliability, improved air quality and lower carbon emissions, than their diesel equivalents. Electrification can help to lower the costs of operating the railway since electric trains are generally cheaper to run than diesels and inflict less wear on tracks.

<sup>102</sup> Transport Committee, *Transport Questions with the Secretary of State*, HC 1087, Q 37

<sup>103</sup> Qq 335–6

<sup>104</sup> The 40% figure is measured in track miles (Network Rail, *Network RUS: Electrification*, October 2009, p 3) and the 60% figure in passenger miles (Department for Transport, *Britain’s Transport Infrastructure: Rail Electrification*, July 2009, p 6).

<sup>105</sup> Transport Committee, Tenth Report of Session 2007–08, *Delivering a sustainable railway: a 30-year strategy for the railways?*, HC 219, para 33

<sup>106</sup> “Major £1.1 billion investment in electric rail boosts travel, the economy and the environment”, Department for Transport press release, 23 July 2009

<sup>107</sup> HC Deb, 14 December 2009, cols 64–65WS

60. Many witnesses submitting evidence to our inquiry supported further electrification of the network for a variety of reasons. Network Rail—which published its own electrification strategy in October 2009—said the main business case for electrification was about “reducing costs”, for example procurement costs for rolling stock and maintenance and running costs.<sup>108</sup> National Express said electrification should be progressed on environmental grounds “as it opens the opportunity to use any source of generating energy and best places us to be free from escalating fossil fuel costs/security of supplies”.<sup>109</sup> Passenger Focus emphasised the additional space for passengers on electrified trains, because their engines take up less space than diesel engines.<sup>110</sup> The freight operator DB Schenker noted that small infill electrification schemes, linking existing electrified routes with heavy long-distance freight usage, could be particularly beneficial to the freight industry.<sup>111</sup> The industry’s *Planning Ahead* document stated that the goal should be to focus on “electrifying wherever it is economically viable so that over time the benefits are felt by a significant majority—perhaps 80%—of customers”.<sup>112</sup>

61. The case for electrification of the Midland Main Line between London and Sheffield was said to be particularly strong. The Government has confirmed it is currently considering the case, and Network Rail’s electrification strategy, published in October 2009, was supportive of electrification of the line. The study concluded that the value-for-money of electrification of the Midland Main Line was “technically infinite”.<sup>113</sup> The benefit-to-cost ratio was equal to, or better than, that for electrification of the Great Western Main Line. In evidence to us, Network Rail noted that because the Midland Main Line was already partially electrified, the business case for completing it was particularly persuasive: “you get a relatively large number of train miles electrified for a relatively small number of track miles electrified”.<sup>114</sup> The Association of Train Operating Companies (ATOC) has publicly supported Network Rail’s findings, and called for the Midland Main Line to be electrified “as soon as possible”.<sup>115</sup> Other witnesses, including freight operators and Passenger Focus, also considered electrification of the Midland Main Line to be a priority in the medium-term.<sup>116</sup>

62. The Secretary of State agreed that there was a “strong business case” for electrification of the Midland Main Line and the Department was “continuing to look” at this option. He pointed out, however, that Network Rail was already working on major electrification projects and it was necessary to find a “realistic pace” at which the operator could

108 Q 244

109 Ev 144

110 Q 75

111 Ev 82

112 Network Rail, Association of Train Operating Companies, Rail Freight Operators’ Association, *Planning ahead: Control Period 5 and beyond*, May 2009, p 11

113 Because it produced a net cost saving rather than a cost over the 60-year appraisal period. Network Rail, *Network RUS: Electrification*, October 2009, p 81.

114 Q 245

115 “Electrification proposals “good news” for passengers says ATOC”, Association of Train Operating Companies press release, 28 October 2009

116 Ev 82 [DB Schenker]; Q 75 [Passenger Focus]

undertake another major electrification programme such as the Midland Main Line, even if the funding was available.<sup>117</sup>

**63. We have previously supported electrification of the network, and we welcome the Government's change of position on this matter. The electrification of the Great Western Main Line and four lines in the North West should be considered only important first steps in the electrification of the network. Funding for Control Period 5 is likely to be under pressure. However, further electrification of the network should be considered one of the top investment priorities for the period. We would support electrification of the Midland Main Line in particular as a major electrification project to be undertaken in Control Period 5.**

**64. Prior to the 2009 change in policy, we had criticised the Government for not giving small-scale infill electrification projects the consideration they deserve. In the current financial climate, the attractiveness of such schemes is even greater as they are often relatively cheap and represent particularly good value-for-money. The Government should ensure that the next stage of its electrification strategy gives priority to a range of small-scale infill schemes over the short to medium term.**

## High speed rail

65. Britain already has 68 miles of high speed line, High Speed One, linking Folkestone and the Channel Tunnel to London. This compares unfavourably with a number of other countries in Europe and elsewhere in the world. Spain, for example, has a 790 mile high speed rail network and Germany 802 miles. As with electrification, the Government has recently changed its position on high speed rail. The Government's 2007 Rail White Paper broadly accepted the conclusion of the Eddington Transport Study that high speed rail would represent poor for value for money in the UK because the distances between major conurbations in the UK were too short to justify the construction of high speed links.<sup>118</sup> At the time, we criticised the Government saying it was "deeply disappointing that the White Paper dodged the decision on high speed rail" due to the additional capacity it would bring and the limited additional cost in building high speed as opposed to conventional rail lines.<sup>119</sup>

66. Over the past 18 months the Government's attitude to high speed rail has changed markedly. In January 2009 the Government set up High Speed Two Ltd to advise on the development of high speed rail services between London and Scotland. At the end of 2009, High Speed Two reported, in private, to the Government on a detailed route plan for the first stage of a north-south high speed line, from London to the West Midlands. The company also provided advice on options for extending high speed services, and high speed lines, to destinations further north, including the North West, the East Midlands, Yorkshire, the North East and Scotland. It also assessed the options for serving Heathrow Airport and for linking up High Speed One and High Speed Two. The Government will

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<sup>117</sup> Transport Committee, *Transport Questions with the Secretary of State*, HC 1087, Qq 37, 49

<sup>118</sup> Department for Transport, *Delivering a Sustainable Railway*, CM 7176, July 2007, p 62

<sup>119</sup> Transport Committee, Tenth Report of Session 2007–08, *Delivering a sustainable railway: a 30-year strategy for the railways?*, HC 219, para 28

publish a White Paper setting out its response and plans by the end of March 2010.<sup>120</sup> This is expected to be accompanied by a draft National Policy Statement on National Networks, covering roads and railways. Rt Hon Lord Adonis told us in evidence that he found it “inconceivable that over the next generation Britain will not proceed with a north-south line”.<sup>121</sup>

67. In the 2009 Pre-Budget Report, the Chancellor announced that one of the responsibilities of the new body, Infrastructure UK, will be to advise on a new high speed rail line in the UK, including sources of funding.<sup>122</sup> Estimated costs for the project vary, depending on the exact route, but studies have quoted £11 billion for a London–West Midlands line, £34 billion for a London–Scotland line and up to £69 billion for a full 1,500 mile network.<sup>123</sup>

68. With High Speed Two Ltd undertaking its work during the course of our inquiry, and with limited information in the public domain, our evidence on potential new high speed rail developments was inevitably speculative. However, although the vast majority of organisations submitting evidence to our inquiry supported new high speed rail lines, we heard two common concerns about the proposals. The first concern was that the large amounts of funding required for new high speed rail lines may detract from much-needed investment on the existing, “classic”, rail network. The second concern related to the competitive disadvantages potentially suffered by those areas not served by the initial stages of a new high speed line.

### **Maintaining investment in the “classic” network**

69. Large infrastructure projects including wholly new rail lines require long lead times and it is estimated that a new north-south high speed line could become operational only in the early 2020s, or later.<sup>124</sup> Several witnesses—whilst supportive of new high speed rail lines—raised concerns that the “classic” network might suffer from a subsequent lack of investment. Virgin Group said that the country “could not afford an investment holiday” on “classic” lines while High Speed Two was being planned and built because the West Coast Main Line would reach full capacity by the end of the decade.<sup>125</sup> Similarly, the Northern Way said the existing north-south lines on the “classic” network would reach capacity before any new high speed lines are operational.<sup>126</sup> ASLEF said it was “essential” that works on the classic network were not missed due to large projects, such as high speed rail.<sup>127</sup> Other organisations, including Passenger Focus, made similar points.<sup>128</sup>

120 HC Deb, 14 December 2009, cols 213–214WS

121 Transport Committee, *Transport Questions with the Secretary of State*, HC 1087, Q 43

122 HM Treasury, *Pre-Budget Report*, Cm 7747, December 2009, p 65

123 Greengauge 21, *High Speed Two: A Greengauge 21 Proposition*, June 2007, p 23; Network Rail, *The case for new lines: Synopsis*, August 2009; Greengauge 21, *Fast Forward: A High Speed Rail Strategy for Britain*, September 2009, p 47

124 Estimate given by Sir David Rowlands, Chairman, High Speed Two Ltd. Transport Committee, First Report of Session 2009–10, *The future of aviation*, HC 125–II, Q 478

125 Ev 139

126 Ev 163

127 Ev 79

70. Others, however, did not believe there would necessarily be a conflict between investment in high speed and “classic” rail. The Minister pointed out that much of the major expenditure on the high speed network would be “coming further down the [line ...] towards the end of the next decade [2010s]”.<sup>129</sup> This mirrored the view of Eurostar who told us the major spend for High Speed Two would probably occur in Control Period 6, not CP5.<sup>130</sup> Others such as Greengauge 21 and The Northern Way concurred.<sup>131</sup> Bob Linnard, the Department’s Director of Rail Strategy, agreed that it did “not necessarily follow that a big project squeezes out others”: he pointed out that the current HLOS had a very big programme of expenditure, including the purchase of rolling stock and station upgrades, whilst commitments to major new capital projects like Crossrail had been made independently of the HLOS. The Department, however, said it was not able to provide further details on how the balance might be achieved until High Speed Two Ltd had reported on possible costs and funding mechanisms of the project, and the Department had published its response.<sup>132</sup>

**71. We welcome the Government’s change of policy on high speed rail. Nevertheless, new high speed lines will not be operational for a decade or more. It is essential that investment in a high speed rail network does not detract from necessary medium term investment on the “classic” network. Capacity constraints on the classic network look set to worsen in the next decade and we must continue to invest to address these problems. After all, the majority of passenger and freight rail journeys will continue to be made on the classic network. The bulk of funding needed for new high speed rail line is, in any case, unlikely to be invested before Control Period 6, or later.**

**72. The Government cannot be expected, at this stage, to explain precisely how it would balance the funding between investment in high speed rail and the maintenance of existing investment levels on the classic rail network. In its response to the High Speed Two study, however, the Government must explain how this balance will be struck, the mechanisms by which a high speed line would be funded, and how investment on the classic network will be maintained at an appropriate level.**

### *The routes for high speed rail*

73. Unsurprisingly, whilst High Speed Two Ltd has been undertaking its work, much debate has been taking place across the country—across local communities and within the media and Parliament—about the exact routes of a high speed rail network, the regions it should serve, and the order in which the lines should be constructed. Most commentators agree, however, that the Government was right to focus first on a possible high speed line connecting London to the West Midlands, due to the capacity constraints expected on the West Coast Main Line over the current decade.<sup>133</sup>

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128 Ev 186

129 Q 362

130 Q 132

131 Q 132; Q 37. See also the Association of Train Operating Companies [Q 192].

132 Qq 363, 365

133 For example, Greengauge 21 [Q 126], The Northern Way [Q 8], Association of Train Operating Companies [Q 198].

74. Several witnesses were concerned that those cities not served in the initial stages of a new high speed line would be at a competitive disadvantage to those areas that were served. Specific concerns were raised about the potential economic disadvantage suffered in eastern England. The Northern Way said cities such as Sheffield, Leeds and Newcastle would face “quite a big economic disadvantage” if there was a time-lag in serving them. It proposed that, to overcome this imbalance, two north-south high speed lines should be built between London and the North of England before continuing the line into Scotland.<sup>134</sup>

75. The Government was initially criticised for defining the remit of High Speed Two Ltd too narrowly. Subsequently, Government ministers have emphasised that High Speed Two will provide options for extending high speed services, and high speed lines to a variety of destinations further north, “including the North West, the East Midlands, Yorkshire, the North East and Scotland”.<sup>135</sup> Rt Hon Lord Adonis told us it was important for the Government to consider how a high speed network might develop beyond the initial stages of a north-south line. He was “very mindful” that high speed rail should serve the North East, for example. A “key requirement” imposed on High Speed Two was to ensure new high speed lines were “fully interoperable” with the existing network, which would allow a greater variety of destinations to be served by high speed services.<sup>136</sup> This is similar to the French TGV model, where the majority of the route mileage of TGVs is on the “classic” network, ensuring that most major French cities are served. On the other hand, this differs from the Japanese model, where the high-speed network is a self-contained operation separate from the classic rail network.

76. It would not be right for us to comment on the specific routes of a possible high speed network nor to speculate on the order in which they should be constructed. High Speed Two Ltd has undertaken detailed work on these questions and we await the publication of its report, along with the Government’s response, with great interest.

**77. We recognise concerns about the potential competitive disadvantage faced by regions not served by the initial high speed line. It is helpful, therefore, that High Speed Two Ltd will be proposing options to extend high speed services, and high speed lines, to a range of areas in the North East as well as the North West. It is very important that, from as early a stage as possible in the development of high-speed services, new high speed rail lines are interoperable with the existing network.**

### Smaller-scale schemes

78. During our inquiry we were told about other railway schemes that could provide significant benefits to the economy and society but which required relatively modest investment. Eddington too stressed that smaller-scale transport interventions were often the most cost-effective solutions.<sup>137</sup> Witnesses emphasised three schemes in particular as possible priorities for Control Period 5:

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134 Q 8

135 HC Deb, 14 December 2009, cols 63–64WS

136 Transport Committee, *Transport Questions with the Secretary of State*, HC 1087, Q 46

137 Sir Rod Eddington, *The Eddington Transport Study: The Case for Action*, December 2006, p 121

- a) new lines to connect communities with poor access to the railway network;
- b) the Strategic Freight Network proposals; and
- c) schemes to integrate rail with other modes of transport.

We cover each of these schemes in turn below.

### **“Connecting communities”**

79. In June 2009, the Association of Train Operating Companies published *Connecting Communities: Expanding Access to the Rail Network*. ATOC found that some communities that had grown significantly in the past 15 years still lacked adequate access to the railway network. ATOC identified 14 places in England, each with a population of 15,000 or more but not currently served by the railway, with a positive business case for a new rail line. It also identified seven communities where a good business case for the construction of a new station could be made.<sup>138</sup> Taken together, these schemes would provide direct and indirect rail access for around a million people. ATOC said further work was required but it was hopeful that these schemes would be integrated into Control Period 5.<sup>139</sup>

80. Some witnesses emphasised the importance of these relatively smaller-scale enhancements.<sup>140</sup> The Campaign for Better Transport pointed out that, in the past, previous station and line re-openings had consistently seen greater than predicted usage,<sup>141</sup> and such schemes would encourage modal shift from road to rail. In their view, investment in these smaller new railway lines was “vital” because it provided people with a “real alternative to driving”.<sup>142</sup> Railfuture North East branch said extending rail to excluded communities in the North East<sup>143</sup> had the potential to re-connect 100,000 people to the rail network, which would “boost the local economy and improve employment prospects for many”. It pointed out that the infrastructure required to do this was already available and the re-opening schemes were therefore relatively cheap.<sup>144</sup>

81. When questioned on this issue, the Minister said the Department generally supported the proposals but this was primarily a matter for local authorities to pursue through Regional Funding Allocations. If the Government were confident about passenger usage forecasts, however, it would consider requiring commitments to such schemes within franchise contracts.<sup>145</sup> Subsequently, in January 2010, the Government announced, as part of the extension to the Chiltern Railways’ franchise, an agreement to construct a new

138 These are: Aldridge; Ashington and Blyth; Bordon; Brixham; Brownhills; Cranleigh; Fleetwood; Hythe; Leicester–Burton; Rawtensall; Ringwood; Skelmersdale; Washington (Leamside Line); and Wisbech. The stations are: Rushden; Peterlee; Kenilworth; Ilkeston; Clay Cross/N Wingfield; Ossett; Wantage/Grove. The report does not cover Scotland or Wales where strategies for new rail links have been developed by devolved government.

139 Q 196

140 For example, Brian George [Ev 91].

141 ATOC cited Stirling Alloway and the Ebbw Vale as example of re-openings where the demand forecast had been exceeded [Q 194].

142 Ev 200

143 Blyth, Ashington, Washington and Peterlee

144 Ev 71

145 Q 414

railway line at Bicester (subject to planning consents) and an entirely new station at Water Eaton Parkway in North Oxford.<sup>146</sup> This is an example of the creativity we want to see more often to secure funding for the railway from non-Government sources.

**82. We were not satisfied by the Minister’s response regarding the proposals to “connect communities”. For relatively modest costs, these schemes to open new lines and stations, and re-open old lines, can be of great value to communities and passenger usage has often exceeded expectations. The Government should take a more positive and pro-active policy position to encourage local authorities to seriously consider these schemes and align them to regional economic and social objectives and strategies. The Government should fund schemes where it is confident about high passenger patronage directly through the national rail investment programme. Alternatively, where the opportunity exists, it should encourage private investment through the franchise system.**

### **Strategic Freight Network**

83. Rail freight industry forecasts, endorsed by the Department for Transport and Network Rail, suggest a doubling of rail freight activity by 2030.<sup>147</sup> The Control Period 4 settlement included £200 million to begin the implementation of a Strategic Freight Network (SFN), less than 1% of the current investment programme.<sup>148</sup> Its purpose is to provide a network of trunk routes to accommodate future freight flows, particularly from the major sea container ports.<sup>149</sup> The first stage is to provide enhanced capacity between Ipswich and Peterborough and to create a large diversionary route between Southampton and Basingstoke. Freight representatives were strongly supportive of the SFN proposals. The Freight Transport Association said the SFN was “excellent” and functioning as an “effective mechanism to direct public spending on rail freight projects”.<sup>150</sup> The Rail Freight Group said the current SFN investment programme was “hugely positive” and an “important step”.<sup>151</sup>

84. The Department for Transport has recently published its *Strategic Freight Network Vision* which sets out how the SFN should develop after 2014.<sup>152</sup> The approximate level of SFN funding for the post-2014 period, however, is not yet known. Freight representatives, and other witnesses, emphasised the importance of maintaining rail freight investment in Control Period 5 at least at the current level. The Freight Transport Association said that one of its main priorities was to “ensure the continuation of existing SFN funding” during

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146 “Franchise extension kick starts faster, more frequent journeys between London and Midlands”, Department for Transport press release, 15 January 2010

147 Ev 82 [DB Schenker]

148 Ev 82 [DB Schenker]. The Freight Transport Association made a similar point [Ev 125].

149 Announced by the Government in its 2007 Rail White Paper, the Strategic Freight Network is defined by the Department as a “core network of trunk freight routes capable of accommodating more and longer freight trains with a selective ability to handle wagons with higher axle loads and greater loading gauge, integrated with and complementing the UK’s existing mixed traffic network”.

150 Q 291; Ev 85

151 Q 258

152 Department for Transport, *Strategic Freight Network: The Longer Term Vision*, September 2009

CP5, with the £200 million to be “maintained or increased” in the next control period.<sup>153</sup> Network Rail told us that it would “make a case” for further Government funding for the SFN in the longer term.<sup>154</sup>

**85. The need to invest in UK rail freight is more clear and pressing than ever in the context of the UK’s climate change targets. We would expect the funding committed to the Strategic Freight Network to be, at the very least, maintained by the Government in the next control period. The current proposals to develop the Strategic Freight Network after 2014 should be given a high priority and must be aligned with economic and environmental objectives.**

### ***Integration of rail with other transport modes***

86. As part of our inquiry, we examined whether enough consideration was given to the integration of rail with other transport modes when rail investment decisions were made. Several witnesses believed this was an area which had been neglected.<sup>155</sup> The Northern Way, for example, criticised the inability to develop a transport smartcard, similar to Oyster, outside of London.<sup>156</sup> TravelWatch NorthWest described the provision of through-ticketing and marketing of multi-modal travel as a “patchwork” with “little attention” paid to sub-regions outside major cities, particularly rural areas.<sup>157</sup> The Office of Rail Regulation also said there was scope for improvement in this area.<sup>158</sup>

87. Network Rail, ATOC and the Rail Freight Operators’ Association’s joint report, *Planning Ahead*, identified integration with other modes of transport as one of the industry’s high-level priorities for CP5. Iain Coucher, Chief Executive of Network Rail, told us that integration had not been a key priority for Network Rail when it started five years ago but it was now considered a “no-brainer”. He highlighted the need for car parking at stations as one area where investment was required, as did National Express and Passenger Focus.<sup>159</sup> Transport for London also wanted greater co-ordination and integration between transport modes to be a high investment priority for CP5.<sup>160</sup>

88. The Minister defended the Government’s record in encouraging integration between rail and other transport modes. He cited the January 2010 extension of Oyster onto National Rail services in London, additional car parking specifications in some franchises, and investment to improve cycle interchanges at railway stations, as examples of the Government’s commitment in this area.<sup>161</sup> Since then, the Department has launched its Smart and Integrated Ticketing Strategy, which aims to increase the spread of smart and

153 Ev 125

154 Q 238

155 See West Northamptonshire Development Corporation [Ev 142], National Express [Ev 144]; Chartered Institute of Logistics and Transportation [Ev 149]; Eurostar [Ev 184]; Campaign to Protect Rural England [Ev 213].

156 Q 52

157 Ev 111

158 Ev 160

159 Q 250; Ev 144 [National Express]; Ev 136 [Passenger Focus]

160 Ev 186

161 Q 438

integrating ticketing throughout England. The strategy includes the provision of £20 million to be awarded to nine of the largest urban areas outside London to help deliver smart ticketing infrastructure.<sup>162</sup>

**89. It is unacceptable that investment in schemes and projects that integrate rail with other transport modes has not always matched the Government's rhetoric. The Government must ensure that investment in rail takes into account good integration with other modes of transport. The recent strategy to increase the use of smart and integrated ticketing outside London is a step in the right direction. The Government must, however, make faster progress in this area. This is the only way to achieve a genuinely convenient and accessible public transport system for passengers which presents a real alternative to the car.**

## 7 Conclusion

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90. The scale of the current five-year £35 billion rail investment programme—£16 billion of which comes directly from Government grants—is significant against any yardstick. The severity of the recession, and the magnitude of the national deficit, makes it difficult to sustain such levels of investment in the short and medium term. We believe, however, that the Government is right to deliver on the investment commitments it made prior to the crisis—not just to renew and maintain the existing railway network but to enhance the network to make it bigger, faster and greener. The fact is that many parts of the network are creaking at the seams following the unprecedented passenger growth over the past 15 years. Investment in rail enhancements can positively benefit the economy through reducing journey times, providing access to employment, contributing to the regeneration of local areas and, in the short-term, providing much-needed construction jobs. Failure to invest now to enhance the network, and to alleviate capacity constraints, will only damage the prosperity of the railways in the long term.

91. The next funding settlement for 2014–2019 is not likely to be so generous. Strict prioritisation of projects will be necessary and difficult decisions have to be made. However, we have identified some of the high-priority projects and schemes that must be considered serious contenders for investment in Control Period 5, if not before. Again, we believe the Government should continue to focus on enhancing the network: be it through further electrification of the network, particularly the Midland Main Line, or through investment in the “Manchester Hub” to resolve the severe capacity constraints experienced across the North of England. Freight investment should at the very least be maintained at current levels and we would like to see the Government more active in encouraging integration of rail with other modes of transport in a focused and proactive manner. Integration can be facilitated through simple measures such as better car parks at stations or more complex ones, such as the roll-out of smartcards outside of the capital. Finally, we expect the Government to react positively to proposals to develop new rail lines, or reopening old ones, serving communities with little or no access to the rail network.

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<sup>162</sup> HC Deb, 15 December 2009, col 122WS

92. A longer-term investment priority must be the development of Britain's second high speed rail line. Whilst we recognise that the bulk of the investment may not be made until after Control Period 5, it is essential that the billions of pounds required for a new high-speed rail line does not detract from investment on the existing railway network in the meantime. After all, the vast majority of passenger journeys will continue to be made on the traditional network. The current outlook for the railways is already positive. We hope that the development of a new high speed line, from London to the north of the country, will signal yet a further important and exciting step-change in the history of our railways.

# Conclusions and recommendations

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## The value of rail enhancements

1. There are differing views on the economic and environmental benefits of investing to enhance the railway network. It is clear, however, that enhancements to the railway network provide good value-for-money in many cases and are a worthwhile investment of public funds. Rail network enhancements can have important economic benefits and help to regenerate, and connect, local communities. If extra transport capacity is needed, rail is also more environmentally friendly than road or air. The UK's challenging climate change targets increase the attractiveness of investing in the network, to encourage modal shift in terms of both passenger and freight transport and to make the railway network itself greener. (Paragraph 27)
2. We welcome the scale of the current investment programme and we commend the Government for its commitment to the railways. The Government is right to prioritise increasing capacity during the current control period, and we are pleased that the Government is investing in growth. We call for this to continue across the country in the next period. (Paragraph 28)

## Improving the process of investment decision-making

3. Prioritisation methodology can never take account of all the economic and other impacts of transport schemes. There are always likely to be some social, environmental and economic impacts that are hard to monetise. Too often, however, the Government prioritises its spending on rail projects based on current and forecast demand, which has contributed to a disproportionate increase in the ratio of investment into London compared to the regions. If this continues, the effect will be to increase disparity between spending in London and the South East and other regions, creating a 'vicious cycle' of demand-led investment. The Department needs to develop its methodology to make its appraisal of projects more dynamic to integrate wider social, environmental and economic considerations, including the impact of transport investment on the GDP of regions and secure better integration with regional economic and social objectives. (Paragraph 34)
4. The last High Level Output Specification (HLOS) and Periodic Review processes generally worked well. We welcome and support the Office of Rail Regulation's recent commitment to improving the representation of passengers, freight users and regional representatives in the next Periodic Review. The Government must, however, go further. It needs to set out a clear plan for improved consultation with regional representatives in advance of the next HLOS. (Paragraph 40)

## Security of the current investment programme

5. Given current levels of overcrowding on parts of the network along with passenger demand forecasts, it is vital that current and planned projects to increase capacity continue to the present timescale. We welcome the strong assurances from the Government and the Office of Rail Regulation that the Control Period 4 funding

settlement for the next four years is secure. Cuts in transport investment are easy to make, but are costly in the long term, undermining future growth prospects and depriving future generations of a lasting legacy of good transport services. Investment in improving transport infrastructure should be based on the long-term needs of the economy and society, not directed by the need for immediate public expenditure savings. (Paragraph 47)

6. The Government was right to revise its rolling stock plans in light of its electrification announcement. We are concerned, however, by the postponements in issuing the plan and by the uncertainty and confusion caused by the delay within the industry. Rolling stock is required urgently in several parts of the country. We urge the Government to set out its revised rolling stock proposals as soon as possible to provide the industry with certainty about future capabilities and to improve the travelling experience of passengers on overcrowded parts of the network. (Paragraph 50)

### Priorities in the medium to long term

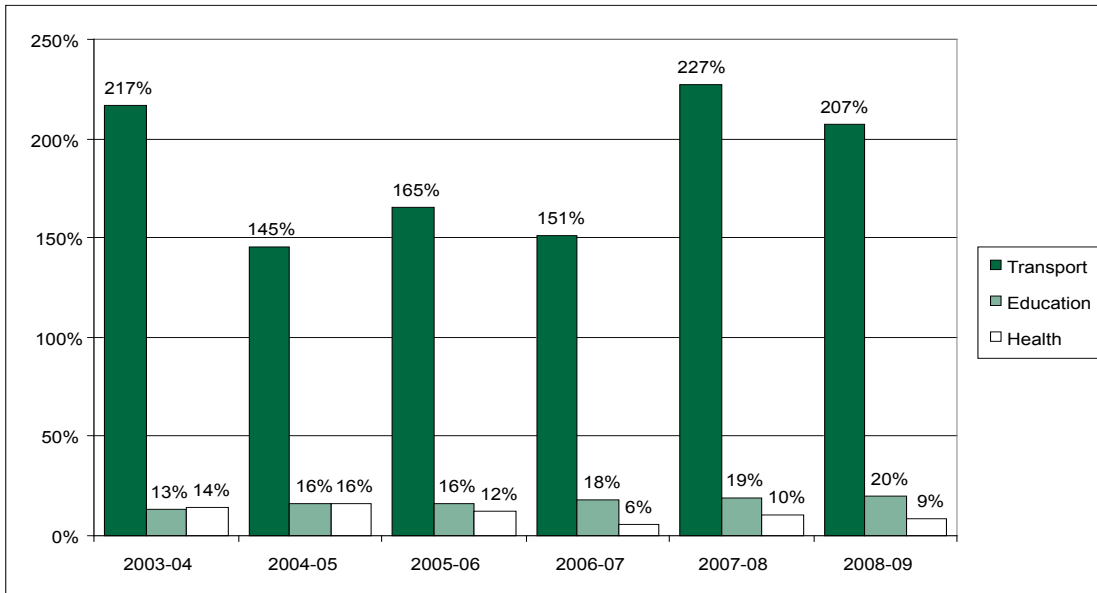
7. London has benefited greatly from the Control Period 4 package, and is likely to benefit further from projects such as Crossrail which has received the go-ahead in the last few years. London's rail network will continue to require investment in Control Period 5, especially to increase capacity on certain commuter routes. However, projects to enhance capacity elsewhere on the network, particularly in the North, are long overdue, and the balance between investment in the South East and elsewhere needs to be realigned. (Paragraph 57)
8. The problems of the Manchester Hub can not be ignored any longer. The current capacity constraints of the Hub are constraining rail growth across the whole of the North of England. The case for making the Manchester Hub the top priority capacity scheme for the next control period appears very persuasive. We welcome indications from Network Rail, the Government and the industry that it will be considered a high priority after 2014. (Paragraph 58)
9. We have previously supported electrification of the network, and we welcome the Government's change of position on this matter. The electrification of the Great Western Main Line and four lines in the North West should be considered only important first steps in the electrification of the network. Funding for Control Period 5 is likely to be under pressure. However, further electrification of the network should be considered one of the top investment priorities for the period. We would support electrification of the Midland Main Line in particular as a major electrification project to be undertaken in Control Period 5. (Paragraph 63)
10. Prior to the 2009 change in policy, we had criticised the Government for not giving small-scale infill electrification projects the consideration they deserve. In the current financial climate, the attractiveness of such schemes is even greater as they are often relatively cheap and represent particularly good value-for-money. The Government should ensure that the next stage of its electrification strategy gives priority to a range of small-scale infill schemes over the short to medium term. (Paragraph 64)

11. We welcome the Government's change of policy on high speed rail. Nevertheless, new high speed lines will not be operational for a decade or more. It is essential that investment in a high speed rail network does not detract from necessary medium term investment on the "classic" network. Capacity constraints on the classic network look set to worsen in the next decade and we must continue to invest to address these problems. After all, the majority of passenger and freight rail journeys will continue to be made on the classic network. The bulk of funding needed for new high speed rail line is, in any case, unlikely to be invested before Control Period 6, or later. (Paragraph 71)
12. The Government cannot be expected, at this stage, to explain precisely how it would balance the funding between investment in high speed rail and the maintenance of existing investment levels on the classic rail network. In its response to the High Speed Two study, however, the Government must explain how this balance will be struck, the mechanisms by which a high speed line would be funded, and how investment on the classic network will be maintained at an appropriate level. (Paragraph 72)
13. We recognise concerns about the potential competitive disadvantage faced by regions not served by the initial high speed line. It is helpful, therefore, that High Speed Two Ltd will be proposing options to extend high speed services, and high speed lines, to a range of areas in the North East as well as the North West. It is very important that, from as early a stage as possible in the development of high-speed services, new high speed rail lines are interoperable with the existing network. (Paragraph 77)
14. We were not satisfied by the Minister's response regarding the proposals to "connect communities". For relatively modest costs, these schemes to open new lines and stations, and re-open old lines, can be of great value to communities and passenger usage has often exceeded expectations. The Government should take a more positive and pro-active policy position to encourage local authorities to seriously consider these schemes and align them to regional economic and social objectives and strategies. The Government should fund schemes where it is confident about high passenger patronage directly through the national rail investment programme. Alternatively, where the opportunity exists, it should encourage private investment through the franchise system. (Paragraph 82)
15. The need to invest in UK rail freight is more clear and pressing than ever in the context of the UK's climate change targets. We would expect the funding committed to the Strategic Freight Network to be, at the very least, maintained by the Government in the next control period. The current proposals to develop the Strategic Freight Network after 2014 should be given a high priority and must be aligned with economic and environmental objectives. (Paragraph 85)
16. It is unacceptable that investment in schemes and projects that integrate rail with other transport modes has not always matched the Government's rhetoric. The Government must ensure that investment in rail takes into account good integration with other modes of transport. The recent strategy to increase the use of smart and integrated ticketing outside London is a step in the right direction. The Government

must, however, make faster progress in this area. This is the only way to achieve a genuinely convenient and accessible public transport system for passengers which presents a real alternative to the car. (Paragraph 89)

## Appendix

**Figure 2: Comparison of public spending between London and the North and West Midlands in transport, education and health**



Source: pteg, *The 2009 pteg Funding Gap report*

# Formal Minutes

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**Tuesday 9 February 2010**

Members present:

Mrs Louise Ellman, in the Chair

Mr David Clelland

Mr Philip Hollobone

Mr John Leech

Mr Eric Martlew

Ms Angela C. Smith

Sir Peter Soulsby

Graham Stringer

Draft Report (*Priorities for investment in the railways*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 92 read and agreed to.

A Paper was appended to the Report.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Wednesday 24 February at 2.30 pm]

## Witnesses

### Wednesday 28 October 2009

Page

**Mr Roger Allonby**, Director for Infrastructure at Advantage West Midlands, English Regional Development Agencies; **Professor David Begg**, Chair of the Northern Way Transport Compact, The Northern Way; **Mr Neil Scales**, Chair of pteg and Director General of Merseytravel, pteg (Passenger Transport Executive Group); and **Mr Richard Meeks**, Network Development Manager, London Rail, Transport for London

Ev 1

**Mr Anthony Smith**, Chief Executive and **Mr Guy Dangerfield**, Passenger Link Manager, Passenger Focus; and **Mr Simon Weller**, National Organiser and **Mr Hugh Bradley**, Executive Committee Member for District 2, ASLEF

Ev 11

**Mr Bill Emery**, Chief Executive and **Mr John Thomas**, Director, Railway Markets and Economics, and **Mr Michael Lee**, Director, Railway Planning and Performance, Office of Rail Regulation

Ev 15

### Wednesday 11 November 2009

**Mr Richard Brown**, Chief Executive, Eurostar; **Dr Andreas Hamprecht**, Head of International Business France, Benelux, UK, Deutsche Bahn; and **Mr Jim Steer**, Director, Greengauge 21

Ev 20

**Mr Michael Roberts**, Chief Executive and **Mr Richard Davies**, Head of Strategic Policy, Association of Train Operating Companies; **Mr Tony Collins**, Chief Executive Officer, Virgin Trains, Virgin Group; and **Mr Andrew Chivers**, Managing Director, National Express East Anglia, National Express

Ev 29

**Mr Iain Coucher**, Chief Executive, **Mr Paul Plummer**, Director of Planning and Regulation and **Mr Ed Wilson**, Head of Public Affairs, Network Rail

Ev 36

### Wednesday 25 November 2009

**Ms Maggie Simpson**, Policy Manager, Rail Freight Group; **Mr Graham Smith**, Planning Director, DB Schenker Rail (UK) Ltd; and **Mr Christopher Snelling**, Head of Rail Freight and Global Supply Chain Policy, Freight Transport Association

Ev 43

**Chris Mole MP**, Parliamentary Under Secretary of State, and **Mr Bob Linnard**, Director, Rail Strategy, Department for Transport

Ev 50

## List of written evidence

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1	Unite	Ev 64
2	Mr M Rawson	Ev 65
3	Railfuture, Policy Committee	Ev 67
4	Railfuture North East branch	Ev 71
5	Freight on Rail	Ev 75
6	ASLEF	Ev 79
7	Royal Borough of Kensington and Chelsea	Ev 80
8	DB Schenker Rail (UK) Ltd	Ev 82
9	Rail Freight Group	Ev 85
10	Invensys Rail	Ev 88
11	Mr B George	Ev 91, 94, 95
12	Mr M Blathwayt	Ev 96
13	Railway Engineers Forum (REF)	Ev 99
14	TravelWatch East Midlands	Ev 101
15	HSBC Rail (UK) Ltd	Ev 104
16	South Yorkshire Passenger Transport Executive (SYPTe) on behalf of the South Yorkshire Integrated Transport Authority (ITA) and Sheffield City Region (SCR)	Ev 107
17	TravelWatch NorthWest	Ev 111
18	North West Rail Campaign (NWRC)	Ev 112
19	National Union of Rail, Maritime and Transport Workers (RMT)	Ev 114
20	Network Rail	Ev 116, 121
21	Greater Manchester Integrated Transport Authority	Ev 122
22	Freight Transport Association (FTA)	Ev 125
23	Skipton East Lancashire Rail Action Partnership (SELRAP)	Ev 127
24	South West Councils (SWC) and the South West Regional Development Agency (SWRDA)	Ev 131
25	Manchester Airports Group (MAG)	Ev 135
26	Passenger Focus	Ev 136
27	Virgin Group	Ev 139
28	West Northamptonshire Development Corporation (WNDC)	Ev 142
29	National Express	Ev 144
30	Cogitare	Ev 147
31	Chartered Institute of Logistics & Transport (UK) (CILT)	Ev 149
32	Wandsworth Council	Ev 152
33	West of England Partnership	Ev 153
34	Somerset County Council	Ev 154
35	Royal Automobile Club Foundation	Ev 156
36	English Regional Development Agencies (RDAs)	Ev 157
37	Office of Rail Regulation (ORR)	Ev 160, 163
38	The Northern Way	Ev 163
39	London Borough of Croydon	Ev 167
40	pteg	Ev 170

41	London TravelWatch	Ev 174
42	Department for Transport (DfT)	Ev 178, 181, 184
43	Eurostar	Ev 184
44	Transport for London (TfL)	Ev 186
45	Campaign for Better Transport	Ev 200
46	Association of Train Operating Companies (ATOC)	Ev 203
47	Nottingham City Council	Ev 205
48	Campaign to Protect Rural England (CPRE)	Ev 213
49	Nottinghamshire County Council	Ev 217
50	City of London Corporation	Ev 224
51	East Midlands Regional Assembly	Ev 226
52	Deutsche Bahn	Ev 228, 230
53	Greengauge 21	Ev 230
54	Birmingham Friends of the Earth	Ev 233
55	Mr K Turton	Ev 233

## List of unprinted evidence

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The following memoranda have been reported to the House, but to save printing costs they have not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives, and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

11	Mr B George (maps)
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# List of Reports from the Committee during the current Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2009–10

First Report	The future of aviation	HC 125 ( <i>HC(08–09)499</i> )
Second Report	Work of the Committee in 2008–09	HC 262
Third Report	Priorities for investment in the railways	HC 38 ( <i>HC(08–09)1056</i> )

## Session 2008–09

First Report	Work of the Committee in 2007–08	HC 211
Second Report	School Travel	HC 351 ( <i>HC 561</i> )
Third Report	Appointment of the Chair of the Office of Rail Regulation	HC 433
Fourth Report	The effects of adverse weather conditions on transport	HC 328 ( <i>HC 957</i> )
Fifth Report	The use of airspace	HC 163 ( <i>HC 996</i> )
Sixth Report	Taxes and charges on road users	HC 103 ( <i>HC 995</i> )
Seventh Report	The enforcement activities of the Vehicle and Operator Services Agency (VOSA)	HC 39 ( <i>HC 1057</i> )
Eighth Report	Rail fares and franchises	HC 233 ( <i>HC 1004</i> )

## Session 2007–08

First Report	Galileo: Recent Developments	HC 53 ( <i>HC 283</i> )
Second Report	The London Underground and the Public-Private Partnership Agreements	HC 45 ( <i>HC 461</i> )
Third Report	Work of the Committee in 2007	HC 248
Fourth Report	The future of BAA	HC 119 ( <i>HC 569</i> )
Fifth Report	Ticketing and Concessionary Travel on Public Transport	HC 84 ( <i>HC 708</i> )
Sixth Report	The Blue Badge Scheme	HC 475 ( <i>HC 1106</i> )
Seventh Report	Department for Transport Annual Report 2007	HC 313 ( <i>HC 1102</i> )
Eighth Report	Freight Transport	HC 249 ( <i>HC 1103</i> )
Ninth Report	The Draft Marine Navigation Bill	HC 709 ( <i>HC 1104</i> )
Tenth Report	Delivering a sustainable railway: a 30-year strategy for the railways?	HC 219 ( <i>HC 1105</i> )
Eleventh Report	Ending the Scandal of Complacency: Road Safety beyond 2010	HC 460 ( <i>HC(08–09)136 &amp; HC(08–09)422</i> )
Twelfth Report	The opening of Heathrow Terminal 5	HC 543

**Session 2006–07**

First Report	Work of the Committee in 2005–06	HC 226
Second Report	The Ports Industry in England and Wales	HC 61–I & 61–II (HC 954)
Third Report	Transport for the London 2012 Olympic and Paralympic Games: The Draft Transport Plan	HC 199 (HC 484)
Fourth Report	Department for Transport Annual Report 2006	HC 95 (HC 485)
Fifth Report	The Government's Motorcycling Strategy	HC 264 (HC 698)
Sixth Report	The new National Boatmasters' Licence	HC 320–I & 320–II (HC 1050)
Seventh Report	Novice Drivers	HC 355–I & 355–II (HC 1051)
Eighth Report	Passengers' Experiences of Air Travel	HC 435–I & 435–II (HC 1052)
Ninth Report	The draft Local Transport Bill and the Transport Innovation Fund	HC 692–I & 692–II (HC 1053)

**Session 2005–06**

First Report	UK Transport Security – preliminary report	HC 637
Second Report	Financial Protection for Air Travellers: Second Report Abandoning Effective Protection	HC 636 (HC 996)
Third Report	Going for Gold: Transport for London's 2012 Olympic Games	HC 588–I & 588–II (HC 1152)
Fourth Report	Departmental Annual Report 2005	HC 684 (HC 1517)
Fifth Report	Future of the British Transport Police	HC 1070–I & 1070–II (HC 1639)
Sixth Report	How fair are the fares? Train fares and ticketing	HC 700–1 & 700–II (HC 1640)
Seventh Report	Parking Policy and Enforcement	HC 748–I & 748–II (HC 1641)
Eighth Report	Piracy	HC 1026 (HC 1690)
Ninth Report	The work of the Department for Transport's Agencies – Driver and Vehicle Operator Group and the Highways Agency	HC 907 (HC 1615)
Tenth Report	Roads Policing and Technology: Getting the right balance	HC 975 (HC(06–07)290)
Eleventh Report	Bus Services across the UK	HC 1317 (HC(06–07)298)
Twelfth Report	Local Transport Planning and Funding	HC 1120 (HC(06–07)334)
Thirteenth Report	The work of the Civil Aviation Authority	HC 809 (HC(06–07)371)
Fourteenth Report	Passenger Rail Franchising	HC 1354 (HC(06–07)265)
First Special Report	The Performance of the London Underground: Government Response to the Committee's Sixth Report of Session 2004–05	HC 431
Second Special Report	The Departmental Annual Report 2004: Government Response to the Committee's Fourth Report of Session 2004–05	HC 432
Third Special Report	Integrated Transport: the Future of Light Rail and Modern Trams in the UK: Government Response to the Committee's Tenth Report of session 2004–05	HC 526
Fourth Special Report	Search and Rescue: Government Response to the Committee's Eighth Report of Session 2004–05	HC 586

Fifth Special Report	Rural Railways: Government Response to the Committee's Fifth Report of Session 2004–05	HC 587
Sixth Special Report	Tonnage Tax: Government Response to the Committee's Second Report of Session 2004–05	HC 611
Seventh Special Report	Financial Protection for Air Travellers: Government and Civil Aviation Authority Responses to the Committee's Fifteenth Report of Session 2003–04	HC 639
Eighth Special Report	European Community Competence and Transport: Government Response to the Committee's Ninth Report of Session 2004–05	HC 976