

Spending on rail, February 2005

Written statement to Parliament by Transport Secretary, Alistair Darling, on how money for the railways to 2009 is to be allocated.,. Delivered: 10 February 2005.

In the 'Future of Transport' White Paper published in July, (Cm 6233, available from the House of Commons Library), we set out how the Government will respond to the factors that shape travel over the long term, and the resources being made available to support its strategy.

The 2004 Spending Review settlement has provided the Department with almost £15bn to spend on the railways over its three year period. This is an increase of £1.9bn over previously published plans, averaging at 15% per year.

This statement sets out how the Department for Transport intends to allocate this money on the railways until April 2009, which is the end of the current Control Period for rail.

Department for Transport (all figures £m at cash prices)	2005/06	2006/07	2007/08	2008/09
Government Support to Franchises	1,066	1,501	1,353	1,417
Network Grant	1,843	2,883	2,832	2,651
1Enhancements	33	18	27	34
Freight	22	26	21	20
2Other	206	201	175	177
Total Government commitments to franchise support, Network Rail and other	3,170	4,629	4,408	4,299
CTRL	1,387	1,181	180	93
Total Rail	4,557	5,810	4,588	4,392

¹ This reflects the enhancements that are directly funded on a 'pay-as-you-go' basis by DfT/SRA, as opposed to those enhancements that are funded through Network Rail

² *Expenditure on Other includes, inter alia, support for Merseyrail, rail pensions, the British Transport Police, research and project development, as well as running costs currently incurred by the SRA*

³ *The above figures include funds which will be transferred to the Scottish Executive for rail spending in Scotland, details of which were provided by the Minister for Transport in his written Statement to the House on 27 January 2005.*

⁴ *The balance between Network Grant and Government Support to Franchises is not precisely fixed and will be subject to ORR approval. The result of any ORR approval to any increased enhancement expenditure by Network Rail will be to increase their level of borrowing.*

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As can be seen, Government commitments to the passenger railway are significantly higher after 2005/06, owing to increases in Network Grant and support to franchises. This largely reflects trends in Network Rail income and the increased investment now going into the railway coupled with the significant decreases in the amount of new borrowing by Network Rail.

Funding for CTRL reflects the profile of our payments under the contracts with the CTRL promoter.

Our spend will enable the Government to deliver its commitments to complete a broad range of plans. These include the completion of the Channel Tunnel Rail Link, and through Network Rail, the modernisation of the West Coast Main Line. We will also complete the Mark I rolling stock replacement programme which is bringing some 2,000 new vehicles on to the network.

The Spending Review outcome allows the Department to support the Regulator's Interim Review funding for Network Rail, (published in December 2003 and March 2004, available from the House of Commons Library), as shown in the following table:

Network Rail (all figures £m at cash prices)²	2005/06	2006/07	2007/08	2008/09
Source of funds				
Network Grant	1,843	2,883	2,832	2,651
Access Charges	1,553	2,584	2,687	2,927
Other income	401	372	400	420
Total	3,797	5,839	5,919	5,998
Additional borrowing (repayment)	3,108	446	333	(13)
Total source of funds	6,905	6,285	6,252	5,985
Application of funds				
Operations and Maintenance¹	2,505	2,396	2,317	2,243
Interest on borrowing	1,075	1,179	1,201	1,211
Renewals	2,897	2,389	2,465	2,287
Enhancements	428	321	269	244
Total application of funds	6,905	6,285	6,252	5,985

¹ Includes performance payments

² DfT analysis based on ORR Interim Review

³ The balance between Network Grant and Access Charges is not precisely fixed and will be subject to ORR approval. The result of any ORR approval to any increased enhancement expenditure by Network Rail will be to increase their level of borrowing.

These figures show Network Rail progressing towards much greater financial stability. In particular, its need for additional borrowing will decline dramatically in 2006/2007 and continue to reduce until the end of the current Control Period.

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Network Rail is funded through Network Grant, paid direct by Government; access charges paid for use of the network by private train and freight operating companies; and other income from activities such as property and retail. In the current year it is forecast that 47% of Network Rail funding will be from the Public Sector, and 53% from the Private Sector (44% from train operating companies and 9% other income, including freight access charges).

Network Rail also has the capacity to borrow. As at September 2004 Network Rail reported a net debt of £14.3bn.

The Interim Review by the Rail Regulator, and supported by the Government's spending plans, ties Network Rail into achieving efficiency savings of some 30% by 2009. Nevertheless, its plans for the four year period in the above table include the replacement of 3,360 km of rail, the renewal of 2,900 km of sleepers and the reduction of train delay minutes by 26%.

The Government's plans provide the best opportunity in a generation to achieve a stable and sustainable funding position for the national railway. In particular, they see rapid investment by Network Rail on infrastructure renewal and investment, delivering on a range of planned projects, improving reliability, and putting right decades of neglect on the basis of properly funded proposals.

Realising this stability in the medium term will require careful control of costs, particularly over the coming spending review period. In addition to the 30% efficiency savings, Network Rail will need to retain a focus first and foremost on the renewal and modernisation of the existing network and demonstrate its improved efficiency before looking at any wide-ranging enhancement programmes. Efficiencies will be required as much on the franchising side as from Network Rail - and the costs of rolling stock remain an important part of the equation.

But, the provisions of the Railways Bill currently passing through Parliament will enable the Government to fulfil its White Paper commitments, delivering better cost control and greater efficiency. The Spending Review settlement will enable the Government to tackle the decades of under-investment and put the railways on a secure footing for the future.