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Familiar ring to rail improvement plan

By Mark Odell, Transport Correspondent

When David Cameron and Nick Clegg unveiled their plan to upgrade Britain's rail infrastructure on Monday, some of the plans had a familiar ring.

An £800m project to double capacity on routes between Leeds, Liverpool, Manchester, Newcastle and Sheffield, for example, contained elements that had already been announced by George Osborne in last November's autumn statement and again in his March Budget.

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For a government under pressure to do more to boost Britain's anaemic economy, the railways have proved a reliable source of ready-made, big ticket infrastructure projects to tout as evidence of action – even if they have not all been strictly new.

The coalition acknowledged that, of the £9bn of rail investments announced by the prime minister and his deputy yesterday, less than half – £4.2bn – was for new schemes over the five-year spending period from 2014 to 2019.

Labour was quick to seize on the fact that the spending was at least two years off and claimed that many of the electrification schemes were ones it had planned when in power.

"Shunting vital rail investment beyond the next election will do nothing to create jobs and growth now," said Maria Eagle, shadow transport secretary.

Nevertheless, the plans will continue the modernisation of the country's rail network that began last decade. The main focus is further electrification, which increases efficiency and therefore capacity. In addition to the Northern Hub scheme to improve trans-Pennine routes, the plans also include £800m to complete electrification of the Midland mainline between Bedford and Sheffield.

A further £600m will be spent on extending a £1bn project to electrify the Great Western mainline from London to Cardiff all the way to Swansea.

It was left to Justine Greening, transport secretary, to fend off criticism that the rail passengers would have to pick up the bill by paying higher fares. She confirmed government policy envisages rail fares to rise by 3 per cent above inflation for at least the next two years but insisted she would seek to ease the pain.

“I will be making my case across government that if there is additional funding that we help use that to make sure that rail fares stay affordable,” Ms Greening said.

Network Rail, which will now have to produce a plan to deliver the upgrades and submit it for regulatory approval next year, currently spends £5.2bn a year running and maintaining the railway, and invests a further £2bn in new rail projects. I

t receives just under £4bn a year in direct taxpayers’ subsidy and £1.5bn from train operators for using the network. It borrows the remainder.

The government said it will cut the direct subsidy to about £3.5bn in the next five-year regulatory period.

The shortfall will be made up in part from cost cutting but Network Rail will also continue to borrow and officials confirmed on Monday that most of the £9.4bn in capital expenditure is likely to end up on the company’s balance sheet, which already has £27bn in net debt.