The 2012 Autumn Statement – transport number crunch

Background and overview

In this briefing we have sought to place the 2011 and 2012 Autumn Statements in the context of the two other major changes in transport funding that have taken place in the relatively short space of time since the general election in May 2010: firstly, the immediate in-year spending reductions following the election; secondly, the Autumn 2010 Comprehensive Spending Review.

We have therefore taken the base for this analysis as the level of committed funding for transport for 2010/11 as set out prior to the May 2010 election.

In summary, then, the story on transport spending since May 2010 has had four main stages so far:

- Stage one: immediate and substantial **in-year reductions** in transport funding between the 2010 election and the Comprehensive Spending Review – with local transport capital funding and national roads hit hardest, and national rail and London relatively untouched.

- Stage two: the **Autumn 2010 Comprehensive Spending Review** confirmed and compounded these trends – with local transport and national roads hit once again and national rail seeing its overall funding grow in real terms over the CSR period. London transport funding was relatively protected, with cuts to TfL's grant back-loaded to the end of the CSR period and additional borrowing provisions to fund Crossrail.

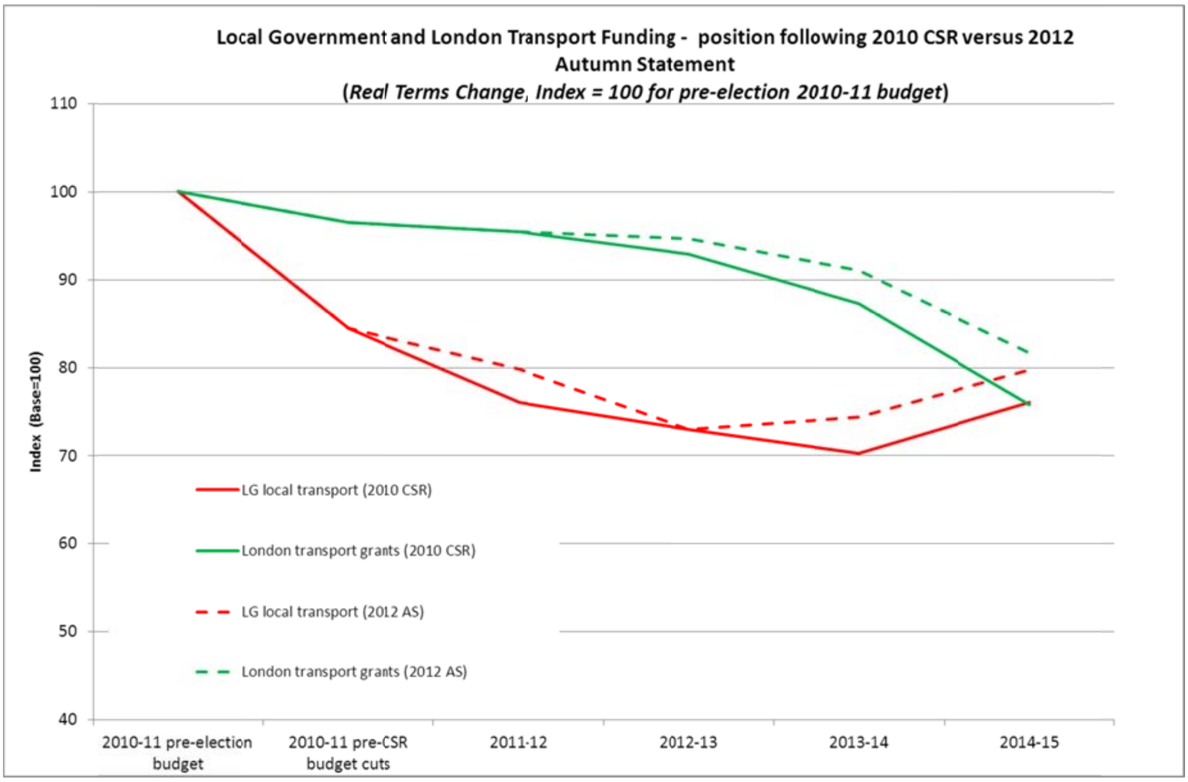
- Stage three: National roads funding saw a very substantial increase in the **2011 Autumn Statement** with projected spending rising closer to pre-CSR levels. Allied to the decision to suspend the planned increase in fuel duty, this meant inter-urban car travel was the clear winner from the new measures. The Autumn Statement also increased projected local transport capital funding outside London to levels above those set out in the CSR – but still set substantially below the pre-May 2010 levels. It also suspended planned national rail and Transport for London fare increases, though with a much smaller budgetary impact than fuel duty.

- Stage four: The **2012 Autumn Statement** followed the trend set a year earlier, with the Highways Agency again coming out as the clear winner, closely followed by local highway maintenance funding. Nevertheless, the repeat of the 2011 decision to cancel planned rail fares and fuel duty increases had the most significant fiscal implications in absolute terms.

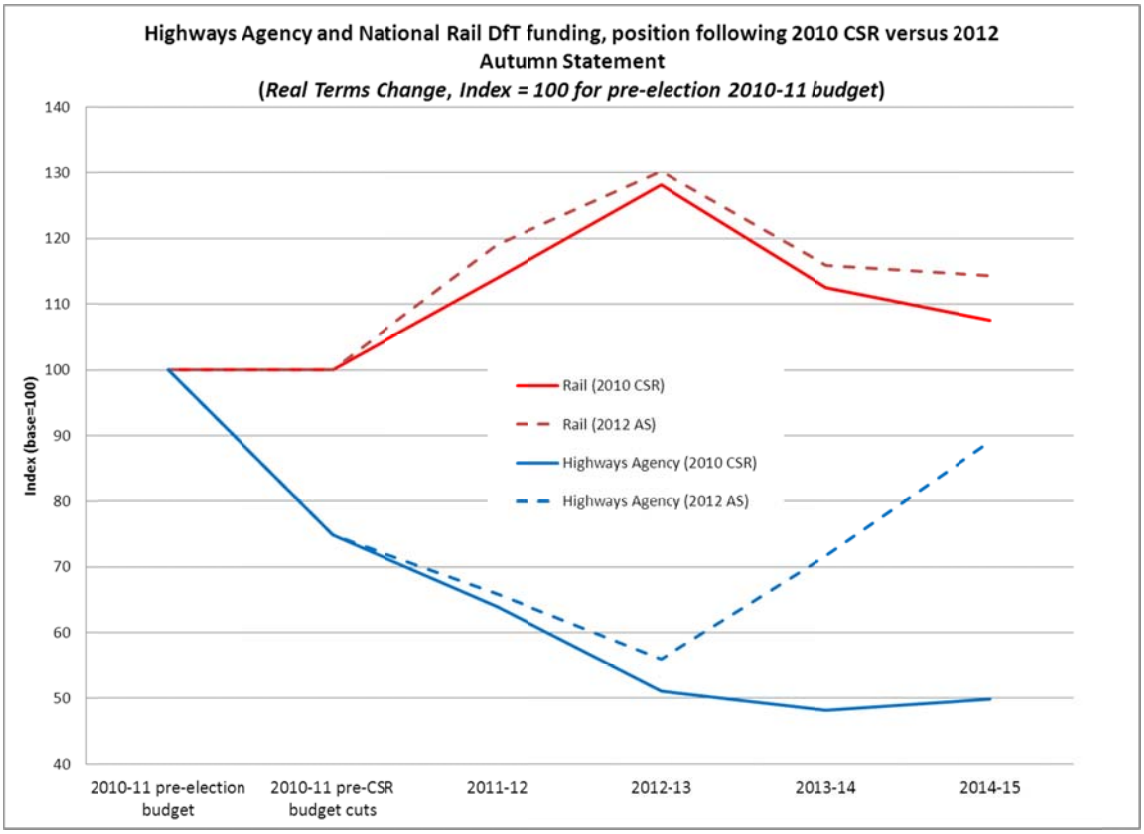
The net result of these four stages is that **overall national rail is the biggest winner** with rail spending now <u>higher</u> than it was before May 2010. **London gains from both the high levels of national rail spend (concentrated in the South East), the decision to suspend fare rises and additional funding for major schemes**. Cuts to London's core spend are also back loaded. **National roads were the biggest loser from the CSR** with very severe frontloaded reductions. Conversely, national roads were the biggest winner from the 2011 and 2012 Autumn Statements which put road spending on a steep upward trend again (though spend at the end of the period will still be below what it was pre-May 2010).

Local transport outside London is the biggest loser overall, in particular if we exclude highway maintenance, with significant frontloaded cuts but with funding back on an upward trend in the latter years of the CSR. Local transport outside London also made some modest gains in the 2011 Autumn Statement (though overall spend at the end of the period will still be well below what it was pre-May 2010).

The graphs below summarise the impacts of the CSR (stage two) and the modifications made by the 2011 and 2012 Autumn Statements (stages three and four).



N.B.: Transport for London grants exclude funding for Crossrail and Metronet; local government local transport funding includes revenue and capital grants



1. Local transport funding outside London in detail
Capital budgets

The 'stage one' in-year cuts in 2010/11 budgets had a disproportionate impact on local government transport capital funding outside London resulting in an immediate 37% reduction in Integrated Transport Block (ITB) and Major Scheme funding combined. Major schemes and the ITB are, by far, the two key local transport funding sources for large urban areas outside London. This is not the case in rural areas where the Highways Maintenance Block grant makes up a much greater proportion of local transport capital spend.

Initial 'stage one' 2010-11 cuts were followed by a further significant cut to ITB in the same year as a result of the CSR ('stage two'). Effectively, the 2011/12 ITB allocation was 50% lower than the 2010/11 pre-election budget. The original reduction in the CSR was slightly softened in the 2011 Autumn Statement ('stage three') with an extra £50m going into the pot. However, this still means that the 2011/12 ITB grant will be 44% below its 10/11 level (pre-'stage one') in real terms.

Over the next two years, the ITB grant will remain fairly stable, after which it will go up in 2014-15, to become 32% below pre-election (pre 'stage one') levels in real terms. The severe reduction in ITB funding throughout the CSR period is of significant concern since this is one of the few sources of guaranteed funding available to PTEs and local authorities to deliver high impact, low cost schemes, such as bus priority, traffic management and real time information systems aimed at improved reliability. At the same time, the Department for Transport published a consultation proposing changes to the ITB allocation formula which could see PTEs losing as much as 10% of any future funding from 2015 onwards.

The CSR ('stage two') was less harsh on the Major Schemes budget overall, which also received an additional £205m boost in the 2011 Autumn Statement ('stage three'). After in-year ('stage one') cuts of more than 50% in 10-11, this budget has gone up again to levels closer to those seen before the election (pre 'stage one'). **Once the 2011 Autumn Statement announcements ('stage three') are taken into account, by 14/15 the major schemes budget will be 4% above pre-election levels (pre 'stage one'), in real terms.**

Although this does seem to be consistent with the government's claim that public funds are being targeted at investment projects we need to remember that the increase in funding in the later years of the CSR is entirely at the expense of the severe cut that took place in 'stage one'. If we take a longer time period and compare the budget allocated to Major Schemes over the CSR period (£1.7bn, current prices) against the previous four years (£1.9bn, current prices) then we conclude that **the current government is planning to spend 18% less in real terms through this funding stream than occurred in the four years before the election**.

Overall, Integrated Transport Block and Major Scheme funding combined will have been 33% lower in 2011/12, 41% lower in 2013/14 and 23% lower in 2014/15, relative to the 2010-11 budgets (prior to the in-year cuts). At the same time, the highways maintenance grant, which flows disproportionately to shire counties with large rural road networks has been reduced by a much smaller proportion, especially taking into account the additional funding announced in the 2012 Autumn Statement.

New competitive funding streams, in particular the Regional Growth Fund (RGF), the Local Sustainable Transport Fund (LSTF) and the recently announced local pinch point fund (LPPF), are intended to supplement capital spend and an analysis of the impact of these funds is set out in the following section. But regardless of their absolute value, one important thing to note is that these new grants contradict the government's rhetoric around the devolution of funding to the local level, firstly by ring-fencing funding for specific purposes and secondly by being allocated on the basis of centrally run competitions.

What's happened to local major schemes?

The DfT suspended the local major schemes approval process in June 2010 and also cancelled £236m of in-year expenditure budgeted for by the previous government (pre 'stage one'). The CSR ('stage two') later confirmed that £1.5bn of funding would be available for major local schemes until 14/15. Of this, around £0.6bn was ring-fenced for schemes already under construction, including the Manchester Metrolink phases 3a and 3b and the overhaul of the Tyne and Wear Metro. This left £0.9bn for new schemes to be subsequently approved by the current government. This budget was later increased to £1.1bn in the Autumn Statement ('stage three').

Following the spending review ('stage two') the DfT classed most of the projects received from local authorities into one of three major categories: Supported Pool, Development Pool and Pre-Qualification Pool. All nine schemes in the Supported Pool were given full approval by the DfT ahead of the Autumn Statement. These included schemes worth approximately

£300 million in the Metropolitan areas: extension of Midland Metro from Snow Hill to New Street (and a new fleet of vehicles), Leeds Southern Station Entrance, Thornton to Switch Island Link Road (Sefton) and Improvements to the A57 east of M1 at Todwick Crossroads (South Yorkshire). The Mersey Gateway Bridge, although not within the Merseyside PTE, will have significant implications for the whole area.

In February 2011, the DfT announced which of the schemes in the pre-qualification pool were to be moved into the Development Pool and considered for funding within the CSR period. The 2011 Autumn Statement ('stage three'), and subsequent announcements by the DfT in December 2011, confirmed funding for the vast majority of schemes in the Development Pool, including the Leeds Rail Growth Package, White Rose Way Improvement (Doncaster), Rochdale Interchange, Sunderland strategic corridor, Manchester cross city bus, Sheffield Supertram additional vehicles and South Yorkshire Bus Rapid Transit Phase One. The DfT subsequently gave the go-ahead to the Leeds New Generation Transport (bus scheme) and the Bexhill-Hastings Link Road in 2012.

Of the DfT funding awarded by this government, 56% has gone towards new highway or road maintenance schemes whereas 38% has gone towards conventional bus, rail and light rail schemes. In terms of spatial distribution, PTE areas have received 33% of the total funding allocation, which is similar to their 33% share of the ITB grant. However, the government has recently announced that, from 2015 onwards, it intends to distribute major scheme funding entirely on the basis of population, which would see the PTE share of the money to just under a quarter of the total funding to be made available.

As the DfT pointed out, one reason why the majority of schemes under consideration were eventually funded was the fact local authorities had been asked to revise their required funding contribution from the DfT. While this will have resulted from efficiency savings in some cases, it's likely that in others it will have meant other funding streams (such as ITB, DCLG revenue support grant, council tax and, in some cases, voluntary private sector contributions) were being diverted to make up for the DfT shortfall. This would therefore be expected to have a knock on effect on smaller schemes and some front-line services.

Emerging DfT funding streams

Some of the reduction in ITB and Major Scheme budgets was compensated for by the introduction of the Local Sustainable Transport Fund (LSTF, aimed at lower cost interventions with an emphasis on carbon reduction), the Regional Growth Fund (RGF, which, it should be noted, is not ring-fenced to transport) and the Growing Places Fund (introduced ahead of the 2011 Autumn Statement). Excluding the Growing Places Fund[1], for which all funding is assumed to be spent in 2011/12, these funding streams taken together become of comparable magnitude to the ITB and Major Scheme funding by the end of the CSR period. The DfT's total budget for these schemes is set out below.

[1] The Growing Places Fund consists of a £500m pot to be awarded to local authorities in 2011/12 to fund pressing infrastructure needs which are required to unlock stalled commercial developments.

However, inevitably new competitive funding streams take time to establish themselves, for the contests to be organised, and for the winning bids to be selected. During this period funding levels have clearly been lower than was the case when much higher levels of mainstream funding for transport were available.

So far then, this shift towards competitive funding streams has meant that PTEs have to date spent a negligible proportion of the funding available through LSTF and RGF. With respect to the LSTF, this is largely to do with the complex appraisal process for larger bids, which meant the final DfT decision on funding allocation was only made in the Summer of 2012.

With respect to the RGF, the emphasis on the part of the decision making panel on schemes that are able to contribute to short term job creation has meant that transport funding has largely been targeted at freight schemes. Incidentally, one of the winners from the 2011 and 2012 Autumn Statements (AS) has been the Regional Growth Fund (below we show only the contribution made by the DfT).

Table 1 Regional Growth Fund and Local Sustainable Transport Fund (DfT CSR allocations)

£million	2010-11	2011-12	2012-13	2013-14	2014-15
LSTF (capital)	-	30	40	60	80
LSTF (revenue)	-	50	100	100	100
LSTF - AS12				*20*	*30*
RGF (capital) – CSR DfT contribution only	-	165	100		
RGF (revenue)	-	-	-	200	-
RGF – AS11			*13*	*76*	*137*
RGF – AS12				*14*	*38*
TOTAL	-	245	253	470	385

N.B.: All figures in current prices; The total expenditure allocated to the RGF in the CSR was £1.4bn, with a further £1.2bn added in the 2011 Autumn Statement. The DfT's contribution to the Autumn Statement RGF announcement was assumed to be proportionately the same as had taken place in the CSR (18.8%). At the time of writing, no details had yet been provided as to how the additional cycling infrastructure funding was to be allocated so it was assumed that this would take the form of an additional round of the Local Sustainable Transport Fund.

Table 2 Local Transport Funding (ITB, Major Schemes, PFI funding streams)

£million	*2010-11**	2010-11	2011-12	2012-13	2013-14	2014-15
ITB	*600*	450	300	320	320	450
Major Schemes	*435*	199	418	364	335	427
Maintenance	*809*	793	806	779	750	707
PFI	*170*	170	195	239	311	320
ITB AS11			*50*			
Majors AS11			*40*		*90*	*70*
Maintenance AS12					*133*	*72*
Local pinch point fund AS12					*90*	*80*

*N.B.: All figures in current prices * Pre-election budget; AS stands for 2011 Autumn Statement; of the additional £215m additional maintenance grant funding, £10m will be paid out to TfL; in met areas the additional grant will be paid out directly to districts, rather than ITAs has is the case for the rest of the highways maintenance grant – no explanation has been provided by the DfT to justify this change; the local pinch point fund is a new competition funding pot aimed at removing bottlenecks and support development.*

The CSR also included a substantial increase in the DfT's allocation for Local PFI projects, which will total £320m by 2014/15 growing from £170m in 2010/1111. However, all this money was allocated to pre-existing projects which, apart from Nottingham NET phase 2, largely focus on highway interventions.

Overall, this means that despite the new funding schemes created by the DfT, PTE areas and many other local authorities have felt a significant squeeze in terms of capital funding in the first two years of the CSR. However, the outlook will improve gradually over the next two years.

Revenue Funding

The full implications of the spending review on PTE revenue budgets is still not completely clear since the majority of PTE revenue funding comes from a levy on constituent District Councils negotiated on a yearly basis. In turn, District Councils receive the majority of their funding from the Department of Communities and Local Government (DCLG), which introduced substantial front-loaded cuts (discussed in the next section). Overall, PTE levies fell by between 2.5% and 8% in real terms between 2010/11 and 2011/12, which was followed by broadly similar cuts in 2012/13.

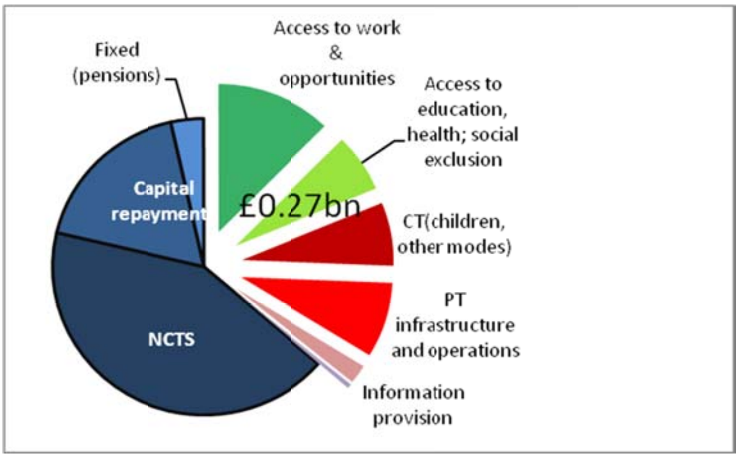
The remainder of PTE revenue budgets comes mainly from a number of small DfT grants, the majority of which were scrapped in the CSR, leading to a cut of 20% in the DfT's local transport revenue budget in the first year of the CSR. Grants that disappeared or were severely reduced include the Rural Bus Grant, the Urban Challenge Fund and the Kickstart scheme which supported new and innovative bus services.

Although the DfT has since introduced new grants such as the Better Bus Areas fund, this did not result from an increase in the DfT's funding envelope as set out in the CSR, which implies that the additional money will have come from underspend elsewhere in the DfT budget. For example, the Bus Service Operators Grant (BSOG) had an underspend of £25m in 2010/11, which we expect to be a result of the reduction in bus mileage that has taken place.

The analysis of local transport revenue budgets is complicated by the loss of the former 'Special Grant', aimed at funding the national concessionary travel scheme (NCTS) for older and disabled people. This grant is no longer passed on to PTEs and other LTAs directly as a ring-fenced grant, but is now lumped into DCLG's revenue support grant paid to upper tier authorities. Although the 2011/12 Local Government Funding Settlement (LGFS) showed that the amount flowing to metropolitan districts from the concessionary travel pot had not been cut, a reduction in the overall funding pot from 2012 and changes to the allocation formula mean that funding to metropolitan areas will start to decrease while the costs of the scheme are on the rise. PTEG's own forecasts suggest that the cost of the scheme in PTE areas will increase at around the rate of inflation over the next 10 years[2], while the latest DfT statistics suggest a jump in the cost of reimbursement in PTE areas of 13.6% between 2011/12 and 2012/13[3].

It is important to stress that PTE revenue budgets are highly sensitive to funding cuts given that a high proportion of the total is taken up with non-discretionary spend – in particular our legal duty to fund the English National Concessionary Travel Scheme (ENCTS). In 2010/11, the total revenue budget for the 6 English PTEs (excluding Rail Grant) amounted to £0.76bn. Around 65% went towards funding fixed commitments, including £0.3bn to pay for ENCTS. That left only £0.27bn to pay for essential services, such as tendered bus services, school transport, services catering for the mobility impaired, integrated ticketing and information, public transport infrastructure maintenance and operations. This means that any reductions in revenue funding have a disproportionate effect on our discretionary spend. This includes frontline services like concessions for children and younger people, socially necessary bus services, subsidy for key bus links to jobs, bus stations, information provision and dedicated services for older and disabled people. The diagram below shows the revenue split of PTE budgets (excluding rail grant).

Figure 3. Revenue split of PTE budgets (2010-11)



DCLG funding and Local Government expenditure

Much attention was given, at the time of the publication of the CSR, to the headline figure that central government funding of local authorities was being cut by around 7% p.a. in real terms over the following four years[4]. The Local Government Funding Settlement (LGFS) painted an even bleaker picture, when it comes to metropolitan districts.

There were two reasons for this. The first is that DCLG cuts have been front loaded with by far the biggest hit taking place in 11/12. Although the provisional allocation for subsequent

[2] See PTEG 'concessionary timebomb' brieding and MVA (2011), Modelling Bus Subsidy in English Metropolitan Areas, report to PTEG. Available from: http://www.pteg.net/Publications/Reports.htm

[3] DfT Bus Statistics Tables BUS 0810 and 0811

[4] Source: DCLG

years suggested a deceleration in the rate of cuts, the recently published 2012 LGFS suggests that cuts are actually going to get worse over the next couple of years.

Secondly, the LGFS seems to have had a perverse distributional impact with the loss of some important grants aimed at areas of high deprivation. The overall result is that DCLG funding to metropolitan districts in 10/11 fell by around 10% in real terms, compared to an 8% cut for London districts and a 5% cut in shire areas[5].

Since the CSR, there have been further indications that the allocation of other funding pots may be working against metropolitan areas. For example, the Growing Places fund was allocated on the basis of average earnings and working population, which can move funding away from areas of high unemployment and deprivation and towards high income areas. The DfT is also consulting on proposed changes to the allocation formula for the ITB grant which could lead to PTEs receiving a 10% cut in ITB funding.

2. London

The CSR's headline figures suggested a funding cut to London of 28% by 2014-15 (or 7% per annum). In reality, this figure significantly overstates the extent of total transport cuts in the capital. First of all, the 28% reduction refers only to the general TfL grant of around £1.9bn. In 2010-11, TfL received an additional Investment Grant of £0.9bn, which will be cut by only 14% in real terms by 2014-15. But more significant, perhaps, is the fact that the 28% cut in the general TfL grant will mostly take place from 2013-14. **In 2011-12, the TfL revenue grant was cut by 3% in real terms**, following a 5% in-year cut prior to the CSR. The cut will be 2.5% in 2012-13, 9% in 2013-14 and 17% in 2014-15. This phasing in of cuts gives TfL time to adapt.

But the GLA and TfL also receive substantial additional financial support from central government, which, in some cases, will grow in the coming years. The Metronet grant (currently £0.4bn) will increase by 5% in real terms in the coming year, although it will then be phased out by 2014-15. With respect to Crossrail, the DfT allowed the GLA to borrow £0.7bn in 2011-12 to be supported by a supplementary business rate[6]. Over the four years of the spending review the GLA will be able to borrow £2.7bn in this way. TfL received a further Crossrail capital grant from DfT of £0.5bn in 2011-12, growing to £1.2bn in 2012-13. On top of that, TfL will be able to borrow up to an extra £0.4bn per year for other purposes, although this is not a new facility.

On top of this, the 2011 and 2012 Autumn Statements delayed the planned RPI+3 annual TfL fares increases for three years, which we estimate will lead to an additional compensation to TfL of over £0.3bn between now and 2015. We also need to bear in mind that most of the proposed additional rail investment will be targeted at London and the South East.

[5] Based on CLG's comparison of the 2011-12 settlement with 2010-11 adjusted figures,

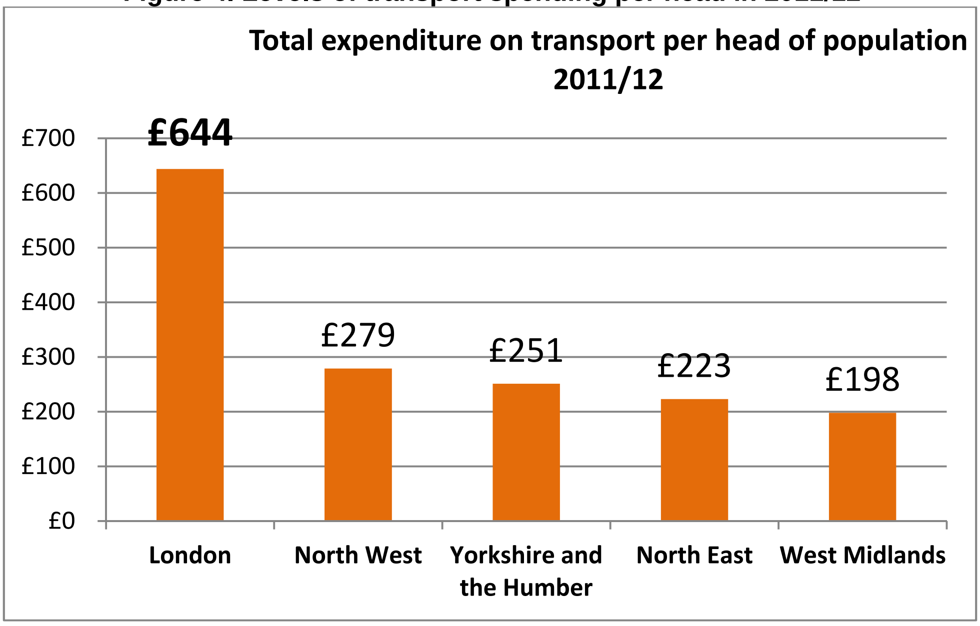
[6] At a time when local authorities were asked to freeze council tax.

So, summarising TfL's recent financial receipts from government, its general and investment grants (totalling £2.8bn in 2010-11) were initially cut by around 3% in real terms. But TfL was then able to raise a further £2bn either directly from DfT or through borrowing. And despite a further 2.5% cut to its general and investment grants in 2012-13, TfL was able to raise in excess of £2.5bn from other sources. In effect, total transport expenditure in the capital over the first two years of the CSR has increased in real terms.

This is in the context of the funding gap that has opened up in recent years between London and the regions on transport spend per head.

The latest set of retrospective HMT public spending figures[7] show spending per head on transport is considerably higher in London than in the North of England and the West Midlands. A total of £644 is spent on transport for every Londoner, over two and a half times the spending per head on transport in the North and the West Midlands.

Figure 4. Levels of transport spending per head in 2011/12

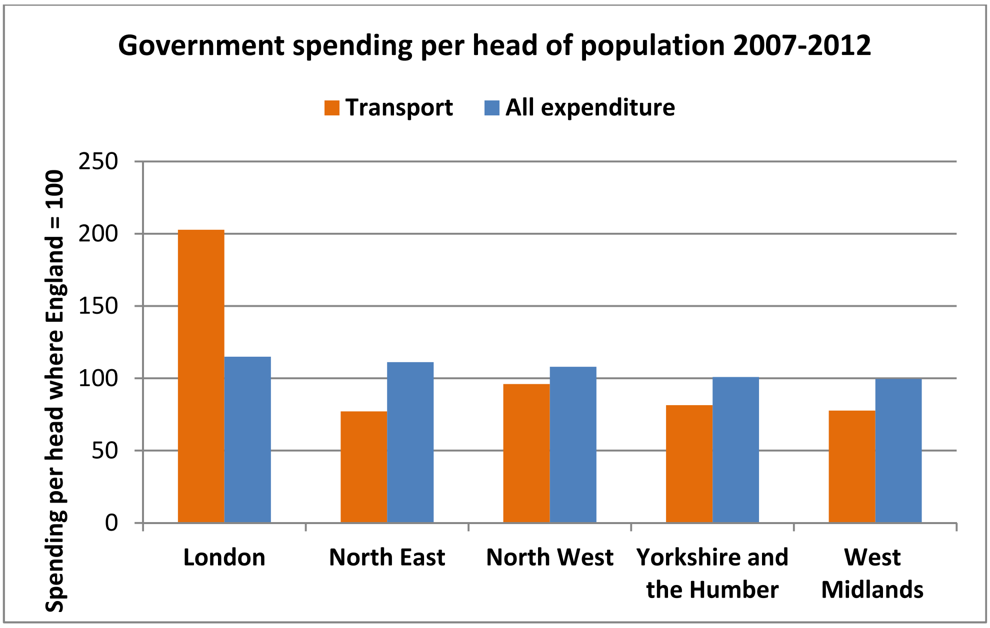


It is important to note that this disparity is a relatively recent phenomenon and that it is not replicated for many other key areas of public spending[8] or indeed for public spending as a whole, as the chart below illustrates. The large disparity in transport spending (shown in orange) is once again clearly visible, however, levels of overall expenditure (shown in blue) vary much less between London and the Northern regions and West Midlands.

[7] HM Treasury (2012) Public Expenditure Statistical Analyses – October 2012. Available from http://www.hm-treasury.gov.uk/pespub_index.htm

[8] See ***pteg*** (2012) The 2012 ***pteg*** Funding Gap report http://www.pteg.net/PolicyCentre/FundingCase/FundingGapreport

Figure 5. Transport expenditure compared with overall public spend[9]



3. National Roads

There was initially an apparent shift away from new interurban road schemes by the current government, both immediately after the election and then again at the CSR, with very significant cuts in the Highways Agency capital budget taking effect from 2010-11 and growing over time. However, the original position was largely reversed in the later years of the CSR period as the result of the 2011 and 2012 Autumn Statements, with the Highways Agency receiving an extra £2bn over the CSR period (ie: a 25% budget increase in money terms relative to the position at the CSR).

Table 3. Highways Agency (HA) - DfT CSR and Autumn Statement allocations - resource and capital DfT Departmental Expenditure Limits (DEL) - £million

	*2010-11**	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue expenditure – CSR	*1600*	1571	1244	921	877	1040
Capital expenditure – CSR	2000	1124	1118	1016	998	947
AS11 additional funding			*10*	*75*	*410*	*705*
AS12 additional funding					*295*	*515*
HA total funding post-2012 Autumn Statement	-	2695	2372	2012	2590	3207

* Pre-election

[9] Cumulative per capita expenditure on all public services and on transport (for the years 2007/08 to 2011/12 inclusive) have been scaled against expenditure for England (public services compared with public services, transport compared with transport) as 100.

4. National Rail

Funding up to 2015

Rail was clearly the overall winner from the CSR ('stage two') with an 8% real terms increase in the Network Rail grant between 10/11 and 14/15, and that is even before the investment in Crossrail is taken into account.

Much was made at the time of the 2011 Autumn Statement ('stage three') of the additional rail expenditure announced. However, this needs to be put into context as it was:

a) a relatively modest increase in relation to the projected spend in the CSR ('stage two')

b) highly geographically concentrated, and

c) dwarfed by the biggest change made in the Autumn Statement, which was the substantial increase in spend on roads (compared with the projections in the CSR).

In reality, the 2011 Autumn Statement ('stage three') only committed £270 million of new money to rail infrastructure (when compared with the projections in the CSR), which is dwarfed by the additional £2bn committed to the Highways Agency since.

Table 4. National Rail (NR) – DfT CSR and Autumn Statement funding allocations - £million

	2010-11	2011-12	2012-13	2013-14	2014-15
CSR	3441	4022	4649	4179	4097
AS11 additional capital	*-*	*180*	*15*	*15*	*60*
AS11 (rail fares)[10]	*-*		*56*	*56*	*72*
AS12 (rail fares)				*56*	*72+56*[11]
National Rail total funding post-Autumn Statement	3441	4202	4720	4250	4229

About three quarters of the additional 2011 Autumn Statement rail commitment was spent in 11/12, with £125 million going towards new carriages and smart ticketing in London and the South East and the rest going towards new carriages for the Caledonian sleeper fleet. Most other parts of the country will only see any additional money by 14/15. With respect to Trans-Pennine electrification, the Autumn Statement has essentially only committed an additional £20m of DfT money to be spent in 14/15 (the overall scheme budget is £290m). However, it

[10] The 2011 AS did not distinguish between the cost of this measure relating to national rail and TfL services separately. We have therefore adopted the proportions set out in the DfT supplementary note to the TSC from January 2012 (AES01) – 47% to TfL and 53% to national rail services.

[11]

is unclear whether this may actually be money already committed by Network Rail to the Northern Hub scheme in the following control period.

On the revenue side, the 2011 and 2012 Autumn Statement also committed an additional £368m of funding to keep regulated rail fare increases at RPI+1% for three years (relative to the planned increase of RPI+3%). Note that while metropolitan commuters will benefit from some of this money, overall expenditure will be heavily skewed towards London and the South East where the majority of rail travel is concentrated.

Picture beyond 2015

In July 2012, the DfT published its High Level Output Statement (HLOS), which sets out the proposed funding envelope for the rail industry for the period between 2014/15 and 2018/19 (known as Control Period 5 or CP5). This followed the publication by Network Rail in September 2011 of the Initial Industry Plan, which included a detailed proposal of capital schemes (‘enhancements’) which should be considered for funding from 2014 onwards. Although the HLOS explicitly confirmed DfT support for a number of the IIP proposals, including high profile projects such as the Northern Hub, it is likely that it will be up to the industry to prioritise available funds amongst the remaining projects.

In this analysis, we take the full set of schemes in the IIP as an indication of the likely geographical distribution of rail capital expenditure beyond 2015 and compare it with expenditure over the CP4 period (2009/10 to 2013/14). Table 5 shows the geographical distribution of capital expenditure, broken down by London and the SouthEast, Inter-city and Regional (including PTEs), excluding any network-wide funds which are allocated on a case by case basis. The results show a likely shift from London and the South East towards the inter-city and regional networks. Assuming a similar overall level of expenditure, then capital investment on the regional networks would more than double between CP4 and CP5, largely as a result of the Northern Hub and North West electrification projects (together worth £631m).

Although much of the proposed CP5 expenditure is yet to be confirmed, the IIP suggests a much needed step change in infrastructure investment outside London and the SouthEast, given the growing importance of rail network to regional economies.

Table 5. National Rail (NR) – Capital expenditure in CP4 and CP5 compared

Network type/ geography	Planned CP4 expenditure (£bn – 12/13 prices)	% by geography	Proposed CP5 expenditure - IIP (£bn – 11/12 prices)	% by geography
London/SE	3.84	76%	4.03	55%
Inter-City	0.93	18%	2.27	31%
Regional/PTEs	**0.29**	**6%**	**1.02**	**14%**
Not regionally identifiable	*2.12*	-	*3.15*	-
Total	7.17		10.47	

Sources: Network Rail's Initial Industry Plan (2011); Network Rail's CP4 Delivery Plan Enhancements (June 2012 Update)

15 February 2013