



National Audit Office

NEWS RELEASE

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Report by the Comptroller and Auditor General

Investigation into the Department for Transport's decision to cancel three rail electrification projects

In July 2017 the Secretary of State for Transport announced the cancellation of three electrification projects. This followed an earlier commitment by the Department for Transport in 2012 where it identified rail electrification as a strategic priority and announced £3 billion of electrification schemes for England and Wales in the 2014-2019 rail investment period.

Following this decision, the National Audit Office (NAO) received correspondence about why the projects were cancelled and, given its interest in this area, it decided to carry out an investigation to determine why and how the projects were cancelled and the impact on benefits, which has been published today.

In his cancellation announcement, the Secretary of State explained that the projects were cancelled on the basis that it was no longer necessary to electrify every line to deliver passenger benefits. He said that passenger journeys on the Great Western Main Line in South Wales, the Midland Main Line and on the Lakes Line between Windermere and Oxenholme could be improved sooner than expected by using "state of the art trains". In the near term these would include bi-mode trains which can transfer from diesel to electric power without passengers being aware of the switch. The NAO investigation identifies that it is too early to determine whether the Department will still be able to deliver the benefits of electrification without these electrification projects in place.

When the Secretary of State made his decision to cancel electrification north of Kettering in March 2017, the Department had advised that bi-mode trains with the required speed and acceleration to deliver the timetable of the route did not exist. When he made his announcement in July 2017, the Department was still uncertain whether existing bi-modes could be modified to achieve the required speed and acceleration.

While the availability of alternative means of delivering passenger benefits was important, the major reason for cancellation was affordability. The Department decided to cancel projects because Network Rail could no longer deliver its 2014-19 investment programme within the available funding. Network Rail found that the cost to complete planned works exceeded the available funding by £2.5 billion. In late 2016, the Department and Network Rail found that plans to raise and retain £1.8 billion to reduce the funding shortfall, through asset sales, were unachievable. They decided to cancel projects to help address the

shortfall.

The Department estimated that cancelling these three projects would save a maximum of £105 million in 2014-19 rail investment period, but would avert £1,385 million of spending in the following 2019-24 period.

In March 2017 the Secretary of State and the Chancellor agreed a package of cancellations and deferrals, including cancellation of the Midland Main Line north of Kettering and the Oxenholme to Windermere electrification projects. After reviewing a planned update of the economic case for the Cardiff to Swansea scheme, the Prime Minister agreed to cancel the Cardiff to Swansea project in July 2017 shortly after which the Secretary of State announced his decision to cancel all three projects.

Further information about the NAO's investigation is available in the report:

<https://www.nao.org.uk/report/investigation-into-the-department-for-transport-decision-to-cancel-three-rail-electrification-projects/> [link will go live at 00.01 Thursday 29 March]

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Notes for editors

1. The NAO conducts investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.
2. This investigation focuses on the three electrification projects the Secretary of State announced as cancelled in July 2017 - the Midland Main Line north of Kettering (to Nottingham and Sheffield); the Great Western Main Line between Cardiff and Swansea; and the Lakes Line between Oxenholme and Windermere. Our investigation does not seek to evaluate the value for money of the projects or the decision to cancel. It considers the savings to be achieved by cancelling the three electrification projects. It does not look at other cancelled or deferred projects in Network Rail's enhancement portfolio or at the Department's proposals for addressing the full funding gap in the 2014-19 rail investment period.
3. In 2012 the Department identified rail electrification as a strategic priority and announced £3 billion of electrification schemes in the 2014-2019 rail investment period. Network Rail had previously highlighted the role that electrification could play in delivering environmental benefits, reducing operational costs, increasing capacity and reducing journey times. Electrification of the Midland Main Line to Sheffield was a 2015 Manifesto commitment which also stated that work was underway to electrify the railway in South Wales.
4. Press notices and reports are available from the date of publication on the [NAO website](#). Hard copies can be obtained by using the relevant links on our website.
5. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value for money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency and good practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £734 million in 2016.

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