

Transport Committee

Oral evidence: [Rail investment pipelines: ending boom and bust](#), HC 575

Wednesday 7 May 2025

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[Watch the meeting](#)

Members present: Ruth Cadbury (Chair); Steff Aquarone; Dr Scott Arthur; Mrs Elsie Blundell; Olly Glover; Alex Mayer; Rebecca Smith; Laurence Turner.

Questions 59–84

Witnesses

[II](#): Noel Travers, Chair, Railway Industry Association; Robert Cook, Policy Officer, Railway Industry Association; Elaine Clark OBE, Chief Executive, Rail Forum; and Michelle Craven-Faulkner, Vice Chair, Rail Forum.

Written evidence from witnesses:

- [Railway Industry Association](#)
- [Rail Forum](#)

Examination of witnesses

Witnesses: Noel Travers, Robert Cook, Elaine Clark and Michelle Craven-Faulkner.

Q59 **Chair:** Welcome to our second panel. Could I ask you each to introduce yourself?

Michelle Craven-Faulkner: I am Michelle Craven-Faulkner. I am vice-chair of the Rail Forum, and I am a partner at Shoosmiths.

Elaine Clark: Good morning. I am Elaine Clark, chief exec of the Rail Forum.

Noel Travers: Good morning. I am Noel Travers, chair of the Railway Industry Association and chief executive of Buckland Rail group.

Robert Cook: Good morning. I am Robert Cook. I am policy director at the Railway Industry Association.

Q60 **Chair:** Thank you very much. How would you all characterise the system for rail investment in Great Britain, and how has it developed over time?

Michelle Craven-Faulkner: It is incredibly fragmented, and we have already heard Sir Andrew pointing out the reasons: the separation between rolling stock and track and the fact that there needs to be a little bit more alignment there, as well as the way that the control periods are modelled. While we recognise the importance of having the funding stream and that that is different from other public sectors, the way that money is then released by way of contracts has led to a really difficult period of time for the supply chain, in particular the most recent control period. From the Rail Forum point of view, we have had members tell us that it is the worst that they have ever seen it. It is leading to redundancies and businesses closing at the moment because there is not certainty of work. Looking to the future and looking at what GBR can perhaps bring along for us, some level of increased certainty in whatever that looks like will be imperative to maintain the supply chain, if nothing else.

Chair: Thank you. Without repeating what others have said, Elaine, do you have anything to add?

Elaine Clark: I will just focus on the renewals spend profile. We have heard from previous witnesses the benefits of the five-year cycle. The five-year cycle does not necessarily show in its totality the sawtooth of annual spend within that. It is quite volatile across the five-year period. The five-year periods put an artificial fracture in the spending profile for longer projects or indeed renewals generally. It has benefits but it has its challenges.



Chair: Thank you. Noel.

Noel Travers: First, it is nice to start off with the fact that I fully agree with most of what Sir Andrew and Jeremy had to say and what Elaine and Michelle have had to say.

I have almost 37 years in the industry. Sir Andrew characterised it with a contraction initially and then periods of—I do not agree with him that there has not been boom and bust. There absolutely has been boom and bust across the piece, but what we are experiencing at the moment is way beyond anything I have experienced in my career. That is down to a number of factors. It is down to the rail reform programme, the bringing on of Great British Railways and the impact that has on those who may be affected by that. It is down to the start to CP7 being particularly difficult, which was caused by the end of CP6 being also particularly difficult. The devolution within Network Rail to the routes and regions has created a degree of uncertainty. For clarity, I completely agree that rail reform is right and that devolution is right, but what has not been considered is the impact that those things have had on the industry's ability to spend its money effectively and efficiently.

Chair: Thank you. Robert.

Robert Cook: I agree with all that. To build on it, I have brought three charts along for the Committee. We have long-term trends of Network Rail renewals since privatisation through to the current control period. You can see significant spikes as we go through that. On rolling stock—this goes from 1988 up to 2024—you can see the volumes of investment across the years fluctuating very widely. Finally, the green bars show the UK electrification volumes, and you can see the drought that Sir Andrew referred to. The red line reflects German levels of electrification over a similar 30-year period, which they delivered for significantly lower cost. The point I stress is that we have had this for a number of years across lots of different asset types. As others have said, it has been particularly acute recently for reasons that we can get into.

Q61 **Chair:** Thank you very much. If I remember rightly, German electrification was delivered at something like a quarter the cost per kilometre of track than UK electrification.

Robert Cook: Our assessment is that it is roughly one third cheaper.

Q62 **Chair:** We will probably delve into detail on some of these issues in later questions. If you accept, which I think you all do, that industry has seen a boom-and-bust approach to railway investment, in top-line summary, what effect has that had on the businesses that you represent?

Robert Cook: We are seeing reports from companies right across the sector, providing very different types of services, that they are struggling at the moment. The top-line evidence is the annual workforce survey run by the National Skills Academy for Rail, which they published in October last year. It showed that there had been a 9.4% shrinkage in the rail



workforce, which is extraordinary. That is corroborated by surveys that we run, which are independently carried out by Oxford Economics, that look at the number of people employed in UK rail. They similarly show that there has been a significant decline of about 9% in the workforce. The other bit that I stress in the top line is that we have an annual survey of business confidence, and in the autumn 83% of companies said that they were expecting to see a hiatus in the year ahead. That has been declining over the last five years. Whatever the reasons, the impact on companies is significant uncertainty.

Noel Travers: It is very clear, from the perspective of running my own businesses, that boom is not much better than bust, although, given the choice, I would take the boom part of it. That is because the challenges that we have as an industry in putting in the right skilled resources during a period of boom mean that you become much less effective at delivering the projects or products that you are looking to deliver efficiently. Boom brings its own challenges, and they need not to be forgotten. I was with Bombardier, now Alstom, when it entered the significant period of boom that Rob's chart demonstrated. That brings a whole new set of problems. The last thing that we as an industry want to do is recruit huge swathes of people just to let them go a year or two later because we are going into one of the down periods.

Elaine Clark: I absolutely agree with what Noel and Robert said, specifically Rob's comments on the survey. We also do surveys of our members. We did a survey in October, and we recently followed that up with some telephone conversations with the companies that had responded. In all the years that I have been in my role, which is eight years, it is the lowest level of confidence that we have ever had reported from across the supply chain, from large companies and small companies, regardless of the types of services that they are offering.

To answer your question about what challenges and problems it causes for companies in a little more detail, it causes difficulties with recruitment decisions. Companies do not know what types of individuals and how many people they need to recruit and even where they need to recruit them in terms of locations. That does not just apply to new people; it is also about development of their existing people. It puts companies off investing in those people because they are not sure where they are going to be and whether they will be needed in the future. Sir Andrew referred to investment in technology. Technology on the railway can be quite expensive. Big road-rail vehicles do not come cheap and they cannot be deployed very easily. Companies are reluctant to invest if they are not sure when they are going to get return on investment. Then there is the obvious impact on efficiency and productivity.

The last point is that SMEs find that particularly challenging. The analogy that I tend to use is that, if you drop a stone in a pond, the big tier 1s near the centre can often weather the storm because they are big enough and perhaps diverse enough to cope, but as you get further out towards



the edge of the pond the SMEs are the ones that will get capsized by the ripples. It is important that we remember that the impact of those waves is much greater on the SMEs.

Chair: Somebody's evidence said that in those times the big companies insource work that they would otherwise contract with SMEs.

Elaine Clark: It is a double whammy for the SME.

Chair: Yes.

Michelle Craven-Faulkner: I agree with everything that has been said, but I want to pick up on another area that we also see not happening, which is the innovation side of things. Because of the uncertainty and the lack of clarity, we are not getting the investment or the development to bring about innovation. I have just spent 18 months working with the Rail Supply Group on the innovation charter that is due to be launched imminently, and the whole point of that is trying to get the industry to come together to agree the benefits of innovation. There are some real challenges within the sector. There are some real barriers to innovation: first, the uncertainty when it comes to the spend and where the spend is to go, and, secondly, clarity as to what it will actually be for, what the industry wants and what the sector is looking for. There are all those reasons why people are not innovating. The final reason why innovation is not happening is that quite often, when specifications come out, they are so prescriptive that there is no room for innovation, so we are really missing a trick when it comes to the efficiency side of things. There are cost benefits that we could be seeking and developing, but there just is not the scope to do that.

Chair: Thank you. That is useful.

Q63 **Rebecca Smith:** Building on what you have said already, thinking solely about infrastructure renewals, is the control period system fit for purpose? It sounds to me like you may not think it is, but it would be interesting to know what each of you thinks about that.

Michelle Craven-Faulkner: It is a difficult one. We need almost to separate it in the same way that Sir Andrew did. To break open the system now could be catastrophic for us because we need some money coming into the industry. The fluctuation in the way that that money is spent over the five years is what is causing significant difficulty. Since CP7 started, the amount of money that has been spent, while money is being spent, is largely still a hangover from CP7, and then there are all the instances that Sir Andrew mentioned about inflation and this, that and the other that are impacting things.

There are so many different references to so many different things. We have the control period. We have RNEP. Do we need a strategy? We just need some clarity and transparency, in whatever form that takes, and some certainty to enable investment. There are not many businesses that



HOUSE OF COMMONS

would invest millions of pounds on new technology if they only had forward sight of five years. We need to have separation between the funds within the control period and then the strategy side of things. That is what would help. Without turning around to the Treasury and saying, "We need money for the next 30 years, and here's our wish list," actually saying, "This is what we need over the next five years, but, actually, these are some of the things that we'd like to do with it," would give some certainty to the supply chain.

Elaine Clark: In general, the control periods are a good thing. Five years gives us some degree of certainty for planning, but, as we have already said and the graphs show, there is a big swing in some of those spends. There is 30%-plus year on year in some of those years. Another point is that when we talk about five-year visibility, that is not actually true. Companies only get five years' visibility at the very start of a control period. By the time you get to years 3 and 4, that visibility is down to probably 12 months because there is an artificial cliff edge at the end of a control period planning process, which is one of the reasons why we believe that the five years is a good base to work from, but it could be improved if we had a five plus two where there was much better planning for two years so that we did not have that cliff edge or artificial break between control periods, and there was a smoother transition between the two.

Chair: You do not need to answer every question unless there is something specific that you want to add.

Noel Travers: I would like to add to something Elaine said a little earlier. It is not just the tier 1s and the large contractors that in-house workload when there is a downturn or a reduction in work. Network Rail does that as well. The first place that work goes is to make sure that Network Rail staff are fully employed. That then magnifies the impact on what is passed on to the tier 1s and hits the SMEs even more.

On the control period, first of all, as an industry we feel we are pretty lucky to have a five-year funding statement. The five-year control period is not the challenge in itself. It is entirely about how it is managed. It is entirely about how the spend is profiled throughout that, and the graphs demonstrate it very ably.

Robert Cook: I have a very specific point on that. Under the proposed rail reform legislation, there is a line in the consultation document that says that in the future there may be mid-period reductions to funding available. We have been keen to avoid that situation in whatever is set up. We have seen a slightly different model for highways. The intent was a five-year control period, but that legislation has actually resulted in currently a one-year funding process for highways and delays to when you would expect to see the beginning and end of those control periods. That is something for rail to watch, and not to emulate that model.



Michelle Craven-Faulkner: What will be interesting when we get to the next control period is how the requirements under the Procurement Act play into that. There is the requirement for six-month forward planning and the six-month announcements to be made, and how that is going to be rolled into CP7—I do not think we have had clarification yet from Network Rail of how that will be brought together.

Q64 **Alex Mayer:** We heard from our last panel of witnesses that the rail network enhancements pipeline was a flawed proposition and not a strategy for the railway. Do you agree with that? What purpose do you think it currently serves?

Noel Travers: I fully agree with that. The fact that it has not been updated in seven years, and that it is something that we at RIA and our colleagues at the Rail Forum have campaigned on for what feels like forever, is a demonstration of that. Sir Andrew is absolutely right. It has become subject to political input. We are a democracy, and local decisions are made based on local investments in terms of elections, and therefore there is always going to be a desire for your piece of work, your enhancement or your upgrade to be made in your local constituency, because that will give the politicians the best chance of getting elected. Therefore, when things are removed from an enhancement plan because they have fallen down the pecking order—there should be a pecking order and there should be decisions on each project—it has a significant impact in terms of the political view against the Department.

The Department has understandably been reticent to produce anything, but we as an industry need a long-term plan. We do not need long-term commitments. That is an important point to make. We need a plan so that we can see where investment is going to be made to meet a long-term strategy that should be set from Government. We can start to plan, recruit, invest and train to meet some of those commitments if they are coming against a long-term plan.

Robert Cook: It is important to stress that the RNEP is never supposed to be a complete promise about all the schemes. It is supposed to give visibility to companies of exactly what stage the different schemes are at. It is about having early visibility of whether there is a project that somebody has taken a decision to start developing and whether we are going to start the design work. That is a different judgment from when you are going to complete the project. You will have suppliers at different stages of the project getting involved. Often, it is the very early stages when you are talking about design choices that will make a huge difference to value for money or passenger experience, so you want to get supplies in early. Currently, what we are seeing is information only much later in the day rather than steadily all the way through the process: “Where are you in your current development?”

Q65 **Alex Mayer:** In principle, do you think it would be a good idea if it were updated, or would you scrap the whole thing?



HOUSE OF COMMONS

Noel Travers: No. It is an excellent idea if it is updated, current and reflective of what is likely to happen, rather than just a long list of wishes.

Q66 **Alex Mayer:** There is also Network Rail's enhancements delivery plan published quarterly. Do you think that that gives certainty to industry?

Robert Cook: We were looking at that. We do not think it is published quarterly in practice. We think it is quite a bit more sporadic. The introduction to the document is very clear on its limitations. It says that "milestones will only be published in this plan once a scheme has passed its FID"—final investment decision. In other words, it gives you no early visibility. It might be of use if you are a train operating company or a freight company trying to anticipate where there will be future capacity to run your trains, but if you are a supply chain trying to bid into the work it is not going to give you that. There is a Scotland plan, which is somewhat better in that it gives earlier visibility of what is happening with projects and gives a proposed or agreed status so that you have a bit more nuance, but that does not include values and is about three years old. We are not getting visibility through those at the moment.

Elaine Clark: We absolutely agree with what Robert said. It does not provide a great deal of value. If you look at the current published plan, there are 33 projects in there, eight of which are complete, and a third of the 33 are under change control, so that does not give you confidence about what is going to happen next.

If I can come back to your original point about the RNEP and whether it has value, the answer is that it should have, but for the reasons we have heard it does not at the moment. If I may quote from the original RNEP publication, which is a good few years old now: "Our intention is also for more Enhancements to be promoted, funded and/or financed by a range of parties, for example the Transforming Cities Fund, Local Enterprise Partnerships, Sub-national Transport Bodies, Local Authorities, Metropolitan Mayors, and the private sector. To meet our ambitions of a growing rail network built by and for a diverse range of stakeholders, it is ever-more important that government provides clarity and certainty over how projects are moved forward, and what railway users can expect."

Recognising that some of those fundings have moved on, the basic premise that was trying to achieve still holds and is still important, arguably even more important with devolution, where we have heard already from previous witnesses about some of the tensions—that was the word used—that will probably come about with national versus local prioritisation. As Noel said, we are not suggesting that we should have a 10 or 20-year budgeted set of projects. Companies work with pipelines all the time. They have their own business pipelines. Some have a higher degree of certainty than others. It is the same sort of concept. What we are asking for is normal good business practice.

Q67 **Alex Mayer:** Do you think that funding for enhancements should be



reintegrated into the control period process?

Michelle Craven-Faulkner: If it is certain of the lower-level things, the smaller-value things, absolutely. There are various reasons why that should be the case, not least that if somebody is doing something on a station and there is some enhancement work that needs to be done, let's get it all done at the same time rather than its being done by two different teams at two different times. The risk of incorporating the larger enhancement work into the control period funding package is the potential for delay, the amount of time it would take and the amount of further additional scrutiny, which it is absolutely right should take place. I think it would cause delays on an already delayed programme. To include something like HS2 in the enhancement programme would cause unnecessary bother.

Q68 **Mrs Blundell:** In written evidence to us, the Department said that providing a medium to long-term period of schemes or strategic outcomes would be "a challenging ambition in times of uncertainty". From the organisations that I speak to, including figures across the local authority in and around my constituency and in Greater Manchester, they want more certainty, not less. I would love more certainty about some long-term projects such as potential stations in my constituency. Is industry being realistic given the current fiscal situation? Do you envisage a point when we can begin to talk in the medium to long term again with a bit more conviction?

Elaine Clark: We are being realistic because we are not asking for a 20-year budget. We are asking for fixed five-year funding, which we have, but better spent and better profiled. Importantly and overarchingly, we are asking for a long-term strategy to give a clear route map that sets out the purpose of the railway and what we are here to deliver. We are not here just to look shiny and new with a pretty set of rails and some signalling equipment. We have a purpose. It is about moving people and goods around the country. What is that clear sense of purpose? Where do we fit within an integrated, modern, future decarbonised transport network? What is the role that Government want the railway to play over that long 20-year period? That strategy does not cost, other than someone to develop it, huge amounts of money.

We are asking for clarity about where we are heading, backed by, say, a 10-year plan of the things that will help us to get there, the projects and the enhancements, and what we need to do on the railway to move us in that direction, backed by the fully funded five-year plan. I do not think we are asking for anything massively difficult. It is about vision. A key point for me is having a vision that helps us to drive our future as a railway, to drive a positive future for the railway, and the contribution it can make to the economy, rather than what at the moment feels very reactive.

Noel Travers: I completely agree with everything that Elaine said. I will perhaps stop saying that because I have agreed with everything so far.



As an industry, we have never asked for more money. We would love more money, but we do not campaign for more money. What we really want are the significant sums being invested in our industry to be spent efficiently and effectively. We fully understand—electrification is a perfect case in point—that the ability to deliver projects effectively and in a value-for-money way requires us to take a long-term steady view. The level of funding that is there is absolutely fine. It is not a problem. We would just like it to be spent properly.

There is a nuance to how money is spent. Sir Andrew and Jeremy talked about overall levels of expenditure being at a reasonably steady level with small fluctuations. What sits below those numbers is how the money is spent in different types of activity. If you break things down into track, signalling and electrification, every one of those disciplines sees huge shifts year to year, particularly over a two or three-year period. It is those shifts that hurt the supply chain more than anything else. This is not about quantum of spend; it is about how we spend the money to make sure that we are getting the greatest value for money out of it and the most out of the supply chain, which just wants to do a good job.

Q69 Mrs Blundell: This may be for the RIA witnesses. You say in written evidence that companies typically need about three years of certainty of work in order to invest in apprenticeships and graduate schemes. Why are five-year control periods and funded enhancement commitments not sufficient?

Noel Travers: There are a couple of points on that. First of all, Elaine made a very good point earlier that a five-year commitment is only a five-year commitment at the start of the five-year period. We want to be able to offer apprenticeships and training programmes when we have a degree of certainty that there will be a role for the employee at the end of that. It is a challenging enough world out there for youngsters, although even people of my age nowadays can do apprenticeships. When you are recruiting and when you are investing the significant sums in the people that we need to do, you want to be able to offer them a job at the end of it. Companies will be loath to invest if they see it as a potential waste of money, which it can be if you have to let people go towards the end of their period.

One of the best current examples of driving investment in apprenticeships is HS2. They have been able to recruit and retain significant numbers of apprentices. That demonstrates—the Crossrail project did the same—that for real investment in bringing new talent into the industry, a longer-term view has to be taken. Another issue in that, at a time when we are in a trough, is that we are losing huge swathes of staff. Rob's numbers alluded to that earlier. You do not lose people who are early in their career; you lose the people who are getting towards the end of their career, because, quite frankly, most of them can afford to walk away and take a little bit of risk on the next income. That means that you lose huge amounts of experience and knowledge that then is not



HOUSE OF COMMONS

there to pass on to the next generation. It is not just about apprenticeships; it is about retention of knowledge and capability within the industry.

Q70 Mrs Blundell: I would be interested to hear from you and perhaps other witnesses what else industry needs from Government in order to develop and maintain a highly skilled workforce. Do any of you have views on that?

Michelle Craven-Faulkner: To follow up on Noel's point first, we are also an ageing workforce in the sector, and that is something that has been long recognised. Again, it is lack of clarity and certainty. The National Skills Academy said that 200,000 people require upskilling in the coming years. Add to that changes in technology. There are people who are still going to be in their careers in the rail sector who need that level of training. It is not happening at the moment. Going back to what I said about the innovation side of things and the technology side of things, we are not keeping up with the times.

Q71 Chair: What else could Government do, outside the investment pipeline stuff?

Michelle Craven-Faulkner: It is providing certainty and also encouragement with regard to innovation—the requirement and the need for innovation—and moving away from prescriptive specification, making sure that what is coming from the Government is, “You will deliver something that does X, Y and Z,” and not, “In order to do so, you need to use these screws from this person.”

Noel Travers: I was extraordinarily disappointed that we did not see the rail sector have its own industrial strategy. The industrial strategy gives, in my view, the ability to make investment decisions that will develop your supply chain, develop the technologies and develop the innovation that allow us to—

Chair: And skills.

Noel Travers: And skills—that allow us to go back to what we previously were, which was the inventor of the railways across the globe. The rail industry is seen as a means of getting people to and from their very important jobs. It is not seen as a creator of economic value in itself, and that is the thing that I would like to see most. It would make the biggest difference to us that we are considered as a sector worth investing in because we deliver more than just trains and train services.

Elaine Clark: Absolutely. The role that we have in economic growth is critical and absolutely underpins whatever else an industrial strategy might have in it. We absolutely agree that rail merits its own industrial strategy. At a very practical level—picking up on the point that Michelle was making—200,000 people needing upskilling and training means a significant cost. I have no idea how much, but there has to be a cost. There is also a time element. At a very practical level, it is perhaps an



HOUSE OF COMMONS

understanding from Government that that is a major challenge that the industry will be facing over the next five-plus years. Maybe it merits its own specific funding, to be set aside specifically for development of the workforce, because we are talking about major activity in that area.

Alongside that—I know that a lot of work has been going on already—is helping to make apprenticeships more responsive to employers' needs. We have employers saying, "Apprenticeships don't meet our needs. They are too prescriptive in this area and too prescriptive in that area." It is just making sure, working with other Departments, that we are able to offer employers the best opportunities to train young people who come into the sector.

Chair: Excellent. Okay, we need to move on now.

Q72 Laurence Turner: The 2015 Bowe review of CP5 said that there was an unhelpful lack of "clear and common understanding of the scope of projects and programmes" across Government and industry. Ten years on, does that characterisation ring true? If it does, can you please give the Committee a couple of practical examples of how it manifests?

Noel Travers: Yes, it absolutely rings true, although things are slightly better than perhaps they were at that stage. One of the biggest challenges as we move from every control period to the next—unfortunately I have seen it too many times in my career—is that there is often a promise that we are going to be better. The point was made earlier that you need to be planning for projects in advance of looking to put spades in the ground. You need to be doing that work two to three years in advance. CP5 and the Great Western electrification challenge, which wiped out huge swathes of expenditure and meant that there was nothing left to prepare for future projects, meant that we entered CP6 with no shovel-ready projects at all. I would not say that it has been the same in CP7. CP7 had its own challenges. There is recognition that these schemes need to be worked on at the very early stage and planned for at the very early stage so that you do not end up starting a control period with huge amounts of money to spend and an inability to spend it because nothing is ready to go at that point. It is better, but there is still a long way to go.

Q73 Laurence Turner: Are you saying that projects are still entering the pipeline at a not sufficiently mature stage of planning and understanding?

Noel Travers: Yes. There is evidence across the piece, regardless of whether they are small projects or mega-projects such as HS2, that projects will be much more effectively delivered if the right level of planning and preparation has gone in before there is a rush to demonstrate that we are getting on with it. The Great Western electrification is an unfortunate example, but it is a great case in point. We moved to construction of an electrification system before we even knew whether the ground conditions were sufficient to hold up the masts



HOUSE OF COMMONS

that were required for it. That is a great example of a project that was under-planned and therefore failed in delivery.

Elaine Clark: I will pick up on a different angle, but it very much builds on what Noel said. If I go back to 2015—10 years ago, so things have moved on, I hope—I was not in this job. I was at the National Skills Academy for Railway Engineering, as it was at the time. It is now the National Skills Academy for Rail. I was responsible for all the workforce planning and all the skills forecasting modelling at the time. From a very personal experience perspective, I remember having some quite challenging and robust conversations with colleagues in Network Rail about some of the challenges that they either thought or didn't think they were facing, or were going to face, with skills in particular.

I remember two very different conversations, one in electrification, where the view was, "Everything is fine. I don't know why you are doing this piece of work," to one in signalling, where there was a real recognition that the graph that Rob has eloquently shown, with some sawtooths, was a challenge and how were we going to manage all that. There were some very different views across Network Rail at the time. Sir Andrew said that they were inexperienced in some areas of contracting—I do not think he used the word "naive". That manifested itself in some of the behaviours and where people were starting from in Network Rail at that point.

The other thing that Network Rail was going through at the time was a major restructuring, and that, I am sure, took eyes off the ball. If we move forward 10 years, the restructuring is that we have the devolved routes, which are not without their challenges, and the devolved regions, but restructuring has progressed significantly. The most recent example of a completed piece of electrification is on the midland main line just to the south of Leicester. That piece of work has recently been completed on time and under budget. That demonstrates what the industry can do when Network Rail and the supply chain work collaboratively and properly together. We have moved on.

Chair: Scott, quite a lot of your question has been answered, but I will let you give them another chance.

Q74 **Dr Arthur:** Robert, the evidence that RIA gave said that short notice changes to the work bank have had significant impacts. Do you want to give examples and explain why the changes were made?

Robert Cook: I think that refers to what has been going on with the current control period, CP7, where we have seen a slightly different set of issues. Historically, there is the planning hiatus and, "Are you all ready?" As we went from CP6 into CP7, at the end of CP6 you had double-digit inflation eating through a significant number of budgets. There was work that was not completed at the end of CP6. That then had to be completed out of CP7 budgets once the new control period started last year. That meant that the work that people had been expecting would go ahead last year did not go ahead. On top of that there were already planned quite



HOUSE OF COMMONS

significant swings in what type of work was going to happen in the next control period. There is an 11% reduction in the number of track renewals that were planned—certainly in England and Wales regions. A lot of that was due to be offset by a national-level signalling project. That spending has not happened yet.

One of the key lessons about that is that while there are understandable reasons for those changes in funding, and inflation is absolutely outside Network Rail's control, the one thing, as Sir Andrew acknowledged, is clear communication to the supply chain about what is happening next, and that is the piece that has not happened across several of the projects. Lots of our members have been surprised by what they have seen coming.

The other interesting point when you develop these complex pipelines is that early on, when you go out for procurement on framework contracts, you have to make a judgment about what value you are going to put on that contract. You do not go in as low as possible. You want to give yourself flexibility on those contracts, so the headline value on them does not necessarily represent the value of work that will come to market, and you have another communication challenge. You need good clients to be able to say, "Okay, this is specifically what work we think is coming to you and when it's coming." Network Rail has done quite a lot of work this year to improve the quality of its pipeline—it has been going through quality assurance for that—but we are not quite there yet. It is a fairly universal experience for companies working with Network Rail that they have seen changes around the volumes expected.

Q75 Dr Arthur: So you respect the decisions that are made; a lot of it is really about how they are communicated. Touching on the pipeline of work and specifications, Sir Andrew talked about how there are no longer gold-plated projects. They try to bring projects down to the utilitarian needs of travellers and freight operators. Is that something you guys have been able to interface with, or is it something that has caused you a bit of stress?

Robert Cook: It is about getting companies in early enough to help design projects. That is the key. Where that has happened you see some quite successful examples, but where it has not you run into trouble quite a bit later.

Noel Travers: We fully support—I do not think they are quite utilitarian—the much more fit-for-purpose solutions that are being developed. Our suppliers are our members. The industry supply chain can see how money can be saved in each of these projects, but sometimes when the die is cast it sets how it has to be delivered, so it is challenging to change things through the piece. If you can get in early enough to help people understand how it can be done more effectively, we have a much better chance of being successful.

Q76 Dr Arthur: So a bit of engagement is needed there. Somewhere else



HOUSE OF COMMONS

perhaps we could touch on engagement is around the need for a strategic plan. Everybody agrees that we want one, and aren't strategies fantastic? Is there anything else that you want to see in that? Do you feel that your voices have been heard in its development?

Robert Cook: There is a real mindset shift. It is so much more efficient for the public sector if we can get on to a steady long-term run rate of investment across all the different asset types. The strategic plunge that we need to take is making that not necessarily as a budgetary commitment but as a long-term strategic commitment. You need to start with your expectations around future freight growth and future passenger growth.

Q77 **Dr Arthur:** Are those things compatible? We want masses more passengers and masses more freight. Can we do both?

Robert Cook: Hopefully. Of course, the question is: what is the price tag? You have a 75% freight growth target. We have projections of passenger growth from 37% to 97% by 2050 depending on Government policy. It is a big range. There is a lot to plan for. We think that if you know what you want from the railway over that timescale, it is not that difficult to do the long-term maths. Rail is all about doing the long-term maths of the rate your assets are degenerating and the capability you need to provide. If we do the long-term maths, we can work out annually how many trains we need, how many kilometres of electrification we need and how much digital signalling we will need. That is the shift that we need to get to. We need to work out what the annual value is and get that programmed in.

Elaine Clark: If you have a long-term strategy, you can plan, as Rob said. At the moment, it feels like we are very good in the industry at writing reports and coming up with lots of nice, pretty slides and presentations, but we are not that great at the action. Sometimes that is because the big report says, "To do all of this, we need to spend a significant sum of money." The strategy should enable us to say, "The bits of the report that we need to action will cost a smaller amount of money, and that will take us on the right journey." At the moment, because that is difficult, we do not do anything, and it stifles decision making. You do lots and lots of analysis, and then we get the paralysis by analysis syndrome. That long-term strategy should really help what Rob is saying.

Noel Travers: What the industry would benefit from is the Government setting a long-term vision/strategy/plan for the industry, and then stepping back and allowing a body such as Great British Railways to get on and deliver that most effectively within the budget constraints that we have. That is probably what will make the biggest difference.

Dr Arthur: I like that kind of strategy. Let the technocrats get on with it rather than what I called political meddling earlier.



Q78 Alex Mayer: With the move to the brand-new world of GBR, how do you feel that GBR could be best structured to deliver a more robust investment pipeline?

Noel Travers: Going back to my earlier point is probably the first thing: set it up and allow it to get on with it within the constraints of the political strategy. The integration of track and train is absolutely critical. We talked earlier about our ability to get things wrong when the two are looked at independently. They are different things. A long-term rolling stock strategy is a different thing from a long-term infrastructure strategy, but they have to be compatible. They have to be thought through. You cannot build an entire new fleet of trains for the southern region without upgrading the power supply system so that they can operate. The integration of track and train is critical for success.

The point is: where do we want to get to? Where, as a nation, do we want our rail industry to provide services? How do we want those services to be provided? Sometimes it makes sense to reduce services because there will be a greater good elsewhere. It might be in terms of maintenance. It might be in terms of freight operation. Is it better to be running a one-car unit with two people on it at 1 o'clock in the morning from A to B when a bus would do the job, if you are stopping a freight train operating along the same route? Taking a whole-system view of costs and benefits is critical for us to be able to do what we are doing effectively.

Michelle Craven-Faulkner: Obviously I am going to agree, carrying on the theme of the day. When you talk about the structure, there is the risk that we follow the regional view that we have with Network Rail at the moment, and you remove the lack of cohesive working together and end up having different ways of working. We have just seen with the CP7 contracting process that each of the regions went through a different tendering process. The supply chain had to do different means of tendering with different hoops to jump through for each of the regions, all happening at the same time, and at the same time as those people were trying to do their day job. We need to be really careful about that, especially because we all want integration of the track and train.

There have to be clear levels of accountability. There have to be clear levels of autonomy so that GBR can get on and do what it needs to do. One of the pieces that has not been touched on yet is the cultural side and making sure that culturally it is an enabler for growth and an enabler for development rather than being something that could stagnate and prevent that from happening.

Robert Cook: I will pick up on a couple of the cultural points. That is spot on. The number of people involved in the organisation means that it will take time to build that culture, and it needs to be set from the leadership. There are some things that may shape culture. The financial framework around Great British Railways that will be set by Treasury could have a huge influence on attitudes in the business to taking



HOUSE OF COMMONS

decisions. Will it incentivise long-term, good value for money decisions, will there be a focus on short-term cost management, or will GBR be able to grow revenues over the long run? That is a key question. That will flow through. Businesses' budgets often dictate culture.

In terms of being a transparent, innovation-friendly organisation that is easy to work with, GBR will be under a licence, and that licence needs to say not just what outcomes it should deliver but how it should behave. That is an important part of external accountability. There have been some examples recently around using licences in a number of sectors to set behavioural expectations. To reinforce the point on bidding costs, we have seen examples where, for large projects such as the midland main line, companies can easily spend over £1 million just bidding for them. If you fragment that right across the network, you are going to multiply those costs.

Elaine Clark: There is a role for a strong piece of leadership from the system operator, whatever the future system operator looks like, to make sure that we have cohesion but that we retain the more regional accountability.

Q79 **Alex Mayer:** I take your point that it does not make sense for different regions of Network Rail to be following different processes. Hopefully, within whatever format of regionalised structure, if there is one, in GBR, that might be wiped out. We know that there will be more devolved mayors, strategic authorities and the like. Do you think, therefore, that there is a case for making some investment decisions in a more decentralised way?

Michelle Craven-Faulkner: There are two sides to that. If we are talking about closed-loop systems that are entirely within that authority, absolutely. That is the combined authority's money for it to spend in the best way for its region. If we are talking about the national network, consultation is imperative, but without that level of control, because that could then fall into wherever we are with the political cycles and political appointments, rather than looking at it from a national network point of view.

Noel Travers: It is very clear. There are many examples where local decisions deliver better local outcomes. We saw that in TfL when it devolved. We saw it in Transport for Wales. We saw it in Liverpool and in many local areas. However, they cannot be made in isolation. A train going from York to Liverpool will go through at least four devolved authorities, and they cannot operate without understanding the impact that they are having elsewhere. There has to be a national strategy, but there should be the ability to make local decisions on where funding is going to make the biggest impact.

Q80 **Chair:** We have one final section of questions, but I want to pick up on an issue that is part of the national narrative, which is cost control. Of course, the Government are under pressure to show that contracted costs



can be controlled, with HS2 being the most glaring example. Do you have a view about how industry and Government can best work together to address this challenge?

Noel Travers: There is absolutely a need for contracting costs to be minimised. HS2 will unfortunately provide many examples of what could be done differently. There are many factors that contributed to the cost of HS2.

Q81 **Chair:** We will park the change in policy, but what about some of the other areas?

Noel Travers: There are lots of good examples of how the right contracting environment can create value. We see, and our members have seen, those that are part of it. The southern renewals that Sir Andrew talked about a little earlier are a good example of how to use the supply base, working with Network Rail and working with those who are setting the policy, to drive good, efficient and economic delivery of projects. Rather than focusing on just what has gone wrong, we need to highlight what is going right and make sure that we repeat that, because it is often easier to do that than just solve the problems of not making the same mistake again.

Chair: Thank you. This Committee and the Public Accounts Committee are on HS2's back, as you know.

Q82 **Steff Aquarone:** Thanks for the various elucidating comments about the characteristics or features of the investment pipeline that we have been talking about—the timescales and what is in and out of scope at what stage. I want to come back to something you said, Noel, about the rolling stock question and track and train at GBR level. Should that extend to including rolling stock in the pipeline, or does it need a separate pipeline?

Noel Travers: I think I alluded to the point earlier. There needs to be a separate pipeline, but the two have to be connected. Rolling stock orders are set almost entirely by Government policy. The huge uplift in new train orders that we saw over the past 10 years, which has tailed off to zero at this point in time, was driven by a very simple change to the scoring mechanism in how franchises were let, where a much higher level of quality rating was attributed to new rolling stock, and therefore people could win a franchise purely on the basis of the quality score that they would have received.

We have a tendency to focus on rolling stock from a new build perspective, but the lack of a rolling stock strategy does not just affect the four factories that are being significantly affected now; it massively affects the market for maintenance, overhaul, renewal and upgrade of rolling stock. We have seen a huge impact on many of our members and many of Rail Forum's members from the lack of a long-term plan for improvement, overhaul and upgrade. Many upgrade projects can produce rolling stock to the travelling customer that is every bit as good as brand-new. It needs to be looked at holistically. The long-term plan will allow us



HOUSE OF COMMONS

to put in place the right level of capability within the upgrade overhaul market as well as within the new build market, and it is critical that we reach that.

Elaine Clark: I agree that that aftermarket, as we tend to refer to it, has really struggled in recent years, too. Having a long-term view helps not just the new but the aftermarket. GBR is a real opportunity. There is an opportunity to move away from what has traditionally been relatively shorter-term franchising and relatively shorter-term leases. If you own an asset that has a 35-year life and you have a lease agreement for eight years, do you want to invest in it to keep it, just in case it is going to be released? Longer leases would enable a much better planning and investment profile from the private sector to really support the longer-term plan.

Michelle Craven-Faulkner: One of the reasons for the interconnectivity and having some level of overlap is that you have track being looked at and questions raised as to whether we are going to electrify a route, but on the other hand a new rolling stock order has just been placed for diesel trains for that route. They have to talk to each other, which they do not necessarily do at the moment.

Q83 **Steff Aquarone:** Elaine, you spoke about the role of private finance in rolling stock. It has been a bit of a delicious lightning rod for private investment. Does anyone have specific thoughts about where private finance could add value, particularly to enhancements, for instance? Is there a greater role for it or a different role for it in the future that we are entering?

Robert Cook: It is definitely something that we need to look hard at as the railway, and there are a couple of different rationales for it. First, there is private funding and then there is private finance, which is somewhat different. We should be doing everything we can to attract third-party funding to the railway. That could be contributions from devolved authorities, but it might also be from developers. The relationship between housing and rail is going to be important. Station development areas obviously have the ability. We have heard there are new powers to do land assembly around stations. You could use that to leverage contributions. What we look for is that some of that funding is put into upgrading those stations. There are other funding sources as well. You could look at small-scale energy generation, car parking, retail and all the stuff that grows community economies.

On the private finance side, clearly, the rolling stock model has successfully allowed finance to come in and fund lots of rolling stock. There is an interesting question about whether you could extend that model or other models to infrastructure. Jeremy Westlake recognised that there is a gap at the moment around infrastructure financing particularly. This is a really key policy moment for Government. One of the things we always say is that you need a central Government policy decision about what private investment models will be allowed for rail. At the moment,



there are lots of ideas that have been developed for different schemes, but you tend not to find out until the 12th hour whether you are able to go ahead, because it goes up to the Treasury and then it will go off to the ONS for a decision on whether it is on balance sheet or off balance sheet. Actually, we need to collaborate with the Government about the models that the Government think will bring best value for money and then where the private sector might come in. There is value there in that you are talking about, first of all, risk transfer to the private sector—if you are talking about risks of overruns, you can certainly transfer long-term risk to the private sector—and, secondly, the length of the concessions and the ability to smooth investment across that. That is an easy model for getting your investment from the supply chain in skills and innovation. That is the rationale for thinking about it. It does not make it easy, but it is worth us investing some time in.

Noel Travers: There is one example, which is unfortunately forgotten, but my 30-odd years of experience allow me not to. Project Evergreen was one of the first franchises that were let by the Government under privatisation, and it was to Chiltern Railways. It was the only franchise that was let under a 22-year period, which allowed significant investment and upgrades to the line. I used to work on Thames and Chiltern when I first started on the railway many years ago. The difference that was made by allowing the private sector to come in and invest to improve the overall infrastructure, stations and rolling stock because it had that long-term contract was remarkable, and it is something that we should probably look back at to see whether there is anything to learn from it.

Steff Aquarone: Not quite belt and road, but clearly a role.

Q84 **Laurence Turner:** I want to ask about wider industrial strategy. Of course, the situation at British Steel's Scunthorpe long products division is at the forefront of all our minds. In general, what opportunities do you think there are for the rail industry to support the UK's wider industrial base? If anyone has any comments about the potential implications for the wider rail supply chain if Scunthorpe were to cease operations, that would be appreciated.

Noel Travers: The industry absolutely supports the need for support for British Steel. It is a significant supplier of many different products. It is a supplier to one of my companies. We manufacture wagons in Mansfield, and a lot of our steel comes from British Steel. Probably more critically, it manufactures most of the rail that is used to replace. Having access to a local supplier is critical.

I have experience going back probably eight years, when I was at an international exhibition called InnoTrans. We hosted a reception for the industry at the British ambassador's house. We had the director of procurement for Deutsche Bahn as the keynote speaker. It was attended by the great and good of the railway supply chain. It will always stick with me because he came in and laughed at us. He said, "You Brits are crazy." I'll not use a German accent. He said, "I've got two jobs as the



HOUSE OF COMMONS

director for procurement for Deutsche Bahn. The first one is to supply good value for money, high-quality products for the use of Deutsche Bahn in providing its services to the public, but the second job—and it's every bit as important as the first job—is creating a strong, long-term supply chain that can go and take German products to the international market." Deutsche Bahn was able to do that within the constraints of the EU procurement rules. We always applied them slightly differently. A change to supporting local manufacturing and local services, to strengthen them and to allow them to go and compete on an international stage, cannot be underestimated. That is why I believe we should have had an industrial strategy for the rail sector as well.

Elaine Clark: I 100% support that. We have four factories, as Noel has already said. From a rolling stock manufacturing perspective in the UK, we need to export. It is not just about those factories; it is about all the supply chains that support those factories. It is not just in rail manufacturing. There are lots of other opportunities, be they design or digital, where we can lead the world and where we should be leading the world. The rail industry has an important role to play in supporting that and helping to drive that from an export perspective.

Beyond that, we have an important role in helping to drive economic growth, social inclusion and lots of important issues that the country faces. All of that means that we are absolutely critical to whatever industrial strategy finally gets published for whatever sectors. We have a critical role to play in all that.

Chair: Thank you. That brings us to the end of our session today. Thank you all for your contributions. Everything that we have heard has been really informative. It has laid the groundwork for the weeks ahead and the subsequent sessions. We look forward to taking further evidence as we progress with our inquiry, and also, as I said before, anything you want to submit in writing that you felt was not drawn out sufficiently today or you have not already submitted. That concludes today's meeting.