Written evidence submitted by the Railway Industry Association (LRS0032)

1. INTRODUCTION

1.1 This submission constitutes the response from the Railway Industry Association (RIA) to the above call for evidence launched on 24 July 2020.

2. BACKGROUND TO RIA

2.1 RIA is the trade association for UK-based suppliers to the UK and world-wide railways. It has some 300 companies in membership covering all aspects of rolling stock and infrastructure supply and covering a diverse range of products and services. As well as the vast majority of the larger, multi-national companies, 60% of RIA's membership base is comprised of SMEs.

2.2 The Oxford Economics 2018 report shows the UK rail sector contributes annually over £36 billion Gross Value Added (GVA) to the UK economy, employs 600,000 people and generates £11 billion in tax revenues. For every £1 spent on rail, £2.20 of income is generated in the wider economy, meaning rail is not just an important sector, but it is also crucial for UK plc, its economy and connectivity. Despite the Coronavirus pandemic, the long-term future of rail is positive – rail has been a growing industry since the 1990s and the number of rail journeys are expected to double in the next 25 years, along with significant growth in rail freight traffic. The full report Oxford Economics report can be accessed here.

2.3 RIA provides its members with extensive services, including:

- Representation of the supply industry's interests to Government, Network Rail (NR), Transport for London (TfL), High Speed 2 (HS2), the Office of Rail & Road (ORR) and other key stakeholders
- Providing opportunities for dialogue and networking between members, including a number of Special Interest Groups
- Supply chain improvement initiatives
- Provision of technical, commercial and political information every week
- Export promotional activity, through briefings, visits overseas, hosting inwards visits
- Organising UK presence at exhibitions overseas.

Executive Summary

- **Rail projects need to be sped up as part of the Government's plans for the UK's economic recovery following the Coronavirus outbreak.**
- **It is important for the rail supply chain to have certainty and visibility of upcoming work.**
- **A 30-year plan for rail and funding certainty for devolved transport bodies will support this.**
- **Reducing 'boom and bust' in rail infrastructure work banks and rolling stock will give rail supply businesses the confidence to invest in skills and training, innovation and equipment. It will also help manage costs and improve productivity.**
- **This will support the levelling up agenda creating opportunities for individuals and communities across the UK.**
- **Rail is the transport mode with the lowest greenhouse gas (GHG) emissions in the UK, achieving full decarbonisation in rail can support significant emission reductions in other transport modes through modal shift.**
- **Achieving full decarbonisation in rail can support significant emission reductions in other transport modes through modal shift. But if support for rail is neglected, carbon targets are unlikely to be achieved.**
- **RIA welcomes the devolution agenda and Project Speed – there is an opportunity to reduce bureaucracy and cost and to review the balance between Government client bodies and the private sector companies who deliver projects ("make or buy").**

3. RIA SUBMISSION

Evidence base

What evidence exists to measure the performance of the various tiers of regional and local government in the delivery of growth? What evidence have regional and local leaders based their local or regional industrial strategies on, and what forms of stakeholder engagement were included in the drafting of priorities? Considering the cost of institutions, what cost benefit analysis exists to show the value for taxpayers' money when compared to the delivery of wealth and job creation?

Currently, the main measures of economic performance for the various tiers of regional and local government are the official ONS labour market statistics (NOMIS) – these include Gross Value Added (GVA), employment and unemployment, employment by occupation, skills levels and gross weekly pay by residence. These statistics have provided the evidence base for Local Industrial Strategies (LIS) and Strategic Economic Plans produced by Local Enterprise Partnerships (LEPs), as well as for the LIS being produced by Combined Authorities. The same set of ONS data can be used to identify clusters/ agglomeration and productivity hotspots. In turn, the evidence can help to target measures to support the local economy, such as the provision of infrastructure e.g. housing, transport and digital connectivity.

Typically, these strategies have undergone wider consultation with business, residents, public sector bodies and local government in the geographies they cover. These strategies are essentially about place shaping, i.e. improving the quality of an area. These strategies, by and large, support wealth creation through a basket of measures, such as skills and training, access to housing, good transport links. For the rail supply sector, including its high value manufacturing businesses, it is the quality of jobs that are created that is important.

Local structures

What structures exists across the country and how does this compare across different regions? How do these different tiers work together to deliver local growth? What good case studies exist, and can lessons be learnt from poor collaboration or leadership? How should local structures support delivery of regional growth across England? Do regional or local structures act in the best interests of local priorities and stakeholders or act more as a delivery arm of central Government? What should local authorities do more or less of to achieve these aims? Where should government focus its post-Covid-19 levelling up policy to best support regional growth: English regions, core-cities, towns, Growth Hubs and LEPs?

The creation of sub-national transport bodies, such as Transport for the North (TfN), have the purpose of providing the infrastructure needed to drive economic growth. RIA believe this is a very positive development. Such bodies' role is to add strategic value by ensuring that funding and strategy decisions about transport in their region are informed by local knowledge and requirements. The development of strategic plans needs to involve local businesses and residents, local councils, and service users (e.g. rail and road passengers) and providers (e.g. national agencies, such as Highways England and Network Rail, as well as housing developers and social housing providers). TfN and Midlands Connect have both consulted with stakeholders on their strategic plans and RIA has responded to and supported these.

RIA recognises the move towards devolution of funding can be an effective way of prioritising transport asks and ensuring efficient delivery which reflects local interests. Sub-national and regional strategic transport bodies, such as TfN, Transport for Wales and Midlands Connect, can help to ensure that transport projects are more closely linked with local economic priorities. To be effective, however, it would be helpful if these bodies, including Transport for London, had longer term funding certainty. These transport bodies, plus Transport for the South East, need to be given an indicative long term investment budget by the Government to inform their strategic plans. That said, this funding then has to be drawn down for specific projects through the Government's Green Book process, which is not as agile as businesses would like.

Coronavirus has hit local transport revenues and devolved budgets significantly. Hence, in order to support the levelling up agenda, including a sustainable rail sector, the Government needs to create funding certainty. For example, both Network Rail (NR) regulatory settlements and franchise terms create periods of planning certainty: to unlock full growth and productivity potential Government needs to develop 30-year investment plans underpinned by clear, and democratically accountable funding settlements.

It should start by publishing the delayed National Infrastructure Strategy and the Integrated Plan for the North as soon as possible – and by committing to bring forward schemes which have the greatest potential to benefit local passengers and regional economies. In this context RIA welcomes Government commitment to new acceleration units which we understand will consider ways to reduce bureaucracy and accelerate the initiation of work.

The adage that 'business follows the money' is true in respect of the rail supply sector. While projects may come through LEPs, Growth Hubs, subnational transport bodies, major rail clients (NR, HS2, TfL) and/ or the Department for Transport, what is essential is the ability to plan for and manage work in an efficient manner. An efficient and properly resourced supply chain with visibility of a stable and smooth workload pipeline coming to market is vital, if the industry is to deliver what is required of it by the economy, by Government and by passengers and freight customers.

No or minimal major rail projects/schemes (known as enhancements) risks the loss of multi-disciplinary skillsets in the rail supply industry, such as electirification, systems integration and project and programme management. These specialist skills could move to other sectors with fuller order books or abroad. Such specialist skillsets are expensive to regain once momentum of rail major projects returns.

Stakeholder engagement

How does each tier of regional or local government engage with delivery stakeholders (such as businesses, education providers, etc)? Do different tiers engage in different ways? Where are there examples of good practice? Do stakeholders believe the different tiers are effective and worthwhile to engage with? Do stakeholders consider certain tiers to be more of a constraint on growth as opposed to a delivery partner for growth?

RIA recommends that the Government review public procurement policy to ensure it remains relevant in a post-EU world, with a view to considering how it can incentivise local sourcing for rail procurement, including rolling stock procurement be it for heavy rail or metro systems. This approach would support investment in skills, UK capability and rail supply chain growth. This procurement policy would then be implemented by the different tiers of the public sector.

RIA is aware that some major rail clients are using local authority procurement frameworks for some rail-related contracts, such as for a simple building with facilities for a frontline workforce and office space. As this work does not require rail expertise, it allows the client to approach other contractors and businesses. The issue for the rail supply chain, who are keen to take on this work, is the visibility of the pipeline and transparency around the procurement strategy for such work. This would increase the number and hence the competitiveness of tenders received by the client.

Sustainable local economies

How could a green economic recovery stimulate local economies and embed upskilling at a regional level? Which tiers are best placed to provide the leadership of local net zero and skills-based priorities? Should leadership responsibilities be separate from delivery responsibilities?

Rail can play a key role in the economic recovery and help the Government's 'building back better' infrastructure agenda and its economic 'New Deal'. Rail schemes will be particularly effective in generating an economic bounce back because of the three Gs:

- **Growth: They generate significant investment** – for every £1 spent on the rail network, £2.20 is generated in the wider economy.
- **Geography: They support investment in all regions and nations of the UK**, including areas of social deprivation where investment and regeneration is urgently needed – supporting the Government's 'levelling up' agenda.
- **Green: They promote a green mode of transport**, ensuring the economic recovery is also a 'green' one.

Therefore, rail is crucial in supporting the success of the wider UK economy as it has clearly demonstrated recently, in difficult lockdown conditions enabling key workers to get to workplaces. It has also shown it can continue to safely maintain and build track and train, essential to the UK's connectivity and levelling-up agenda.

<u>Green Growth</u>

RIA supports the Chancellor's call for 'shovel ready' projects to help reboot a green economy post Coronavirus. We recommend the Government accelerate the 80 projects in its Rail Network Enhancements Pipeline (RNEP) and adopt the following approach to deliver on green growth and help achieve net zero emissions.

- **Procure zero carbon:** include embodied carbon considerations in procurement specifications to leverage zero carbon rail fleet and infrastructure manufacturing and building capabilities;
- **Plan for zero carbon:** start a rolling programme of rail electrification now; and
- **Support zero carbon innovation:** support early introduction of hydrogen and battery powered train fleets as part of wider UK place, innovation, technology, and export strategies.

The UK is the first major economy to pass a net zero emissions law, which will require the UK to bring all greenhouse gas emissions to net zero by 2050. If the Government is serious about meeting this target, it should give environmental goals a higher priority in public investment and in its Green Book appraisal of proposed projects. Policy uncertainty is one of the major risk factors that currently hamper private infrastructure investment. Greater consideration of social value as part of public procurement would also provide a useful mechanism to emphasise social and environmental goals and support local employment. Government should publish its long awaited review of the Green Book.

<u>Decarbonisation</u>

Even though rail is the transport mode with the lowest greenhouse gas (GHG) emissions in the UK (in 2018, GHG emissions from rail – passenger and freight – made up just 1.4% of the UK's domestic transport emissions), achieving full decarbonisation in rail can support significant emission reductions in other transport modes through modal shift. Alternatively, if support for rail is neglected carbon targets are unlikely to be achieved.

There is a need for far greater clarity and certainty from Government on the policy roadmap for rail decarbonisation. Existing targets such as no-diesel only traction by 2040 and net zero carbon by 2050 need to be underpinned by further policy, guidance and targets so that the rail supply chain can make informed decisions now.

A clear roadmap is required which is based on:

1. the technology development roadmap for alternative traction solutions including *inter* alia battery and hydrogen powered trains
2. the industry's capacity and available funding to electrify the network.

As an example, a target date by which no new diesel traction can be procured could be set in parallel with a target for electrification of certain routes.

The purpose of the policy roadmap will be to:
1. provide clarity to the industry and supply chain on what is required and by when, providing a more nuanced and gradual transition to a fully decarbonised railway by 2050.
2. incentivise the adoption of available technologies that can deliver carbon savings now – moving the industry out of a 'wait and see' mentality.
3. recognise that a strategic policy decision to decarbonise the railway also requires public and private investment in the associated infrastructure to support successful delivery of the policy, e.g. self-power traction sources, such as hydrogen, requires production, storage capacity and refuelling; and battery power requires charging infrastructure. Investment in such would be a long-term decision with the finance geared appropriately.
4. minimise the costs to UK Plc. of decarbonising rail, by making the transition to net-zero appropriately staged so that public sector investment (whether that be electrification projects, or the necessary infrastructure rollout to support battery and hydrogen operations) is phased, and managed.
5. maximise private sector investment by removing the risks and uncertainty that exist under the current high-level policy.

Note that a delay to, or lack of, a policy roadmap may mean new orders now for diesel or bi-mode trains that have a 35 to 40-year asset life - taking them well beyond the existing 2040/ 2050 targets.

<u>Tiers of government</u>
In terms of which tiers of government are best placed to provide the leadership of local net zero and skills-based priorities, this should follow the maxim 'form follows function'. There may be a case for local authorities to have more powers to deliver these objectives, such as over setting more locally appropriate and ambitious standards, e.g. for energy efficiency.

The rail industry suffers from skills shortages given its ageing workforce, many of whom are due to retire in the next few years. The National Skills Academy for Rail (NSAR) has identified the industry's key skills areas are digital skills, cyber security' systems engineering and leadership and management. The rail industry also needs to promote and attract more workers to help mitigate the impact of its ageing workforce.

The Government and the industry need to work together to ensure rail maintains and develops the number of engineers, technicians, and operational staff it needs to function successfully. Additionally, RIA would like to see more engineering/integration resource in the areas of signalling and mechanical and electrical equipment, vital to the successful delivery of major investment programmes such as HS2, London Underground and the Digital Railway. A strong element of skills and training delivery will be provided/ funded at a local level so good levels of engagement between the rail supply sector and public bodies is important.

Targeted regional investment
How could 'shovel ready' growth projects in England drive local growth and jobs? How could clustered R&D investment support local growth? How should priorities be agreed across the regions?

Rail remains a key vehicle for Government investment; for every £1 spent on the rail network, £2.20 is generated in the wider economy. Rail projects including enhancements and renewals, are an essential part of the day-to-day work completed by the rail supply industry. Everything from upgrading stations, replacing track, introducing new signalling systems and installing digital technology to improving mainline travel and freight services. These works contribute to the delivery of a safe, efficient and reliable railway for passengers and freight services. This will support the supply chain through the current crisis and ensure the supply chain can deliver efficiently.

The Government should therefore support rail investment projects by bringing forward renewals from the planned peak in 2022/23 to 2020/21 and committing to accelerate the 80 projects within the RNEP. These projects will that span the breath of the country.

Rail projects have a vital role to play in the economic recovery, providing green investment across towns and communities throughout the UK and generating significant economic growth and jobs. Hence, in early July, RIA launched the next stage of its SURE campaign, calling on the Government to 'Speed up Rail Enhancements' (SURE). The campaign is calling on the Treasury to play its part and to fast-track and fund the projects in the Rail Network Enhancement Pipeline (RNEP).

The recent announcement (on 23 July) by the Secretary of State for Transport on progressing the Trans Pennine Route Upgrade and the establishment of a Northern Transport Acceleration Council are both positive signs that the Government is serious about the role of rail schemes in generating an economic recovery following the Coronavirus outbreak. Following the stepping up of RIA's SURE campaign, these announcements show a clear impetus to make rail a central part of the Government's 'build, build, build' agenda. The Trans Pennine Route Upgrade is a key artery for the Northern economy. Rail contributes £7.3 billion to the Northern Powerhouse region each year, supporting 132,700 jobs, with around 300 rail supply companies located in the region.

We also await publication, by the end of 2020, of the Integrated Rail Plan for the north and Midlands being developed by the Government, working with HS2 Ltd and local leaders. The plan will be framed by the Government's commitment to bring forward transformational rail improvements along the HS2 route as quickly as possible. This work will be informed by an assessment from the National Infrastructure Commission (NIC) looking at the rail needs of the Midlands and the north, and the available evidence on Northern Powerhouse Rail, Midlands Rail Hub, HS2 Phase 2b and other proposed Network Rail projects.

The acceleration of schemes that are both 'shovel ready' (those that are ready to build) and 'shovel worthy' (those that are worth accelerating) will also help to ensure a sustained programme of schemes that support wider economic growth and the Government's levelling-up and connectivity agendas. Decision-making on 'shovel ready' schemes needs to be sped up, with bureaucracy reduced, while design work on 'shovel worthy' schemes needs to continue in parallel. This will help avoid a hiatus in work for rail suppliers, which risks the loss of skills from the sector and disincentivises investment in people, process and plant.

There are underpinning conditions that can help to improve business productivity. For the rail supply chain, this means consistency in rail investment with visibility of a stable and smooth workload pipeline coming to market will give the rail supply chain the confidence to invest in plant, machinery, skills and training and innovation, all of which will deliver better services for passengers and freight users. It will enable capacity building and the capability to deliver multi-annual work programmes. A smooth pipeline will also enable the rail supply industry to reduce costs and improve efficiency industry and to sustain and develop skilled teams and thus improve productivity to deliver more with the Government investment it receives.

However, the current system creates periods of 'boom and bust' in infrastructure investment, which manifests itself in a see-saw profile in the way work comes to market, often requiring suppliers to increase their capacity at the start of a five year funding period, only to reduce it when they see a sharp drop-off in workload near the end. This creates uncertainty for the supply chain and is a sub optimal way to run the railway both for the supply chain, for passengers, freight and taxpayers.

Connectivity

The economic structure of the UK exhibits a wide dispersion in regional productivity levels between the South East, including London, and the rest of the country. Connectivity is widely recognised as a driver for economic growth. Adequate infrastructure provision would be instrumental in lowering regional disparities and balancing economic growth geographically, so that all parts of the UK can prosper in future. This supports the Government's 'levelling up' agenda.

Better connected towns and cities have deeper labour markets, greater competition and greater economies of scale, leading to higher growth and living standards. This is why it is right that the Government should support the development of major infrastructure projects like Northern Powerhouse Rail and the Midlands Rail Hub – to join up towns and cities more effectively, and enable them to pool their labour markets and economic strengths.

It will be important not to neglect London and the South East. To boost connectivity, it is vital that the Government builds on its economic strengths and commits to the funding and financing of Crossrail 2, East West Rail and the Cambridge-Oxford-Milton Keynes Growth Corridor, and to connecting Northern Powerhouse Rail and Crossrail with HS2. This would align with the Government's 'build, build, build' infrastructure agenda.

The national impact of Transport for London's (TfL) investment programme means:
- Out of every pound spent on its investment programmes, up to 55p is received by workforces located outside of London.
- 43,000 UK jobs are supported by TfL's supply chain: 68% of which are outside of London. Over half of these jobs are related to the investment programme.
- By spend, 55% of companies delivering the London Underground investment programme are located outside of London and utilising regional workforces to provide design, engineering and professional services.

R&D investment

RIA believes that Government funding of innovation and product development for the lower tiers of the rail industry, in support of the SME and smaller non-SME companies who have struggled the most during the pandemic, should be part of the approach to supporting local growth. Having such funding would help 'ideas' get over the 'valley of death' (the phase between research and commercialisation), which would help speed products to market. Some of these businesses will be able to scale up their operations and contribute more to their local economy.

Regional funding

How should the UK Shared Prosperity Fund be specifically targeted to replace EU Funding and address regional inequality? What role should local structures play in allocating funding to best achieve regional growth? What role could the British Business Bank have in the post-Covid-19 levelling up of regional economies?

Responsibility for the strategic transport network (at a national or regional level where transport responsibilities are devolved), including financial investment, should rightly remain with the Government. However local stakeholders will be better at identifying local priorities and opportunities for integrated planning. Governance and funding could be improved by devolving regional schemes these to the appropriate body, such as a LEP or local transport body.

Government should bring forward the proposed changes to the Green Book so that it better reflects local and indirect benefits including the transformational effects of some schemes.

A recognised way to secure control of long term transport investment, and funding that prioritises an area's needs, is access to locally-controlled funding. This is recognised by the Government as it is devolving decisions over, and funding for, public transport through multiple mayoral devolution deals with major cities, regions and LEPs across England. These mayors have control over a consolidated transport budget and 30-year investment funds, enabling strategic prioritisation of projects in a way that is informed by local need. This is also enabling cities to take a joined up approach to planning infrastructure for public transport, housing and industrial growth. Sub-national and regional strategic transport bodies, such as Transport for the North, Transport for Wales and Midlands Connect, will help to ensure that transport projects are more closely linked with local economic priorities.

Project Speed

Project Speed will bring forward proposals to deliver government's public investment projects. How should Project Speed identify and distribute growth opportunities into communities across the country to best achieve its levelling up agenda? What should the balance be between Whitehall decision making and local decision making? Do we have the capacity and capabilities at local and/or regional level to do this work on behalf of central government?

The Government has, over a number of years, delegated funding to the Devolved Administrations, Local Enterprise Partnerships, subnational transport bodies and various tiers of local government to identify and deliver economic growth opportunities. On this basis, capacity and capability at the regional/ local level to speed up infrastructure delivery appear to be present. Historically, it has been the level of funding devolved to these tiers that has been a determinant of the pace of delivery.

Following the establishment of the Government's Infrastructure Delivery Taskforce, Network Rail has set up its own version of Project Speed, as it fully recognises that efficient investment in rail is a Government priority. Hence, Network Rail has set up a challenge programme based on pace and simplicity. The goal is to halve the time and reduce the cost it takes to do things. The aim is to articulate and demonstrate how rail enhancements can be delivered more quickly and effectively, using real time live projects at varying states of the early delivery cycle with political profile. Network Rail has chosen five projects to learn from and act on in real time. It will share its learning after three months. The projects in the programme are located throughout the country.

The rail supply chain stands ready and willing to support quicker delivery of major schemes. To maximise its endeavours, it needs a visible and smooth pipeline of schemes to:

- enable it to plan for and manage this work
- enable capacity building and the capability to deliver multi-annual work programmes.
- enable the rail supply industry to reduce costs and improve efficiency
- sustain and develop skilled teams and thus improve productivity to deliver more with the Government investment it receives.

RIA welcomes project Speed – we think there is a real opportunity to learn from how we have done things differently during coronavirus – for example with closer collaboration and more flexible and intelligent use of planning and consultation rules. There is an opportunity now to consider where unnecessary bureaucracy can be removed and to unlock productivity by playing to the strengths of the sector – for example we think that Network Rail should be given more delegated authority and that Government should consider its approach to "make or buy" as often the private sector will be best placed to ensure efficient project delivery. Delegation also supports wider skills and capability development.

August 2020