Written evidence submitted by the National Skills Academy for Rail (RIS0003)

Background to NSAR

The National Skills Academy for Rail (NSAR) is a non-profit membership organisation and consultancy specialising in strategic guidance, data analysis, and expertise on skills for the rail and infrastructure industries.

With a membership that spans the rail industry and its supply chain, NSAR acts as a vital link between industry, government, and training providers.

NSAR collaborates closely with the government to address the rail sector's evolving workforce needs, providing in-depth analysis, data-driven insights, and policy recommendations to overcome workforce and skills challenges.

Executive Summary:

The rail industry requires a long-term, clear, stable pipeline of enhancements and infrastructure projects. The absence of such a pipeline has fostered fragmented decision-making, misaligned industry incentives, and poor workforce integration with projects. These issues hinder cost efficiency, reduce productivity, exacerbate skill shortages, and discourage investment. To address these challenges the sector needs a comprehensive pipeline that aligns industry stakeholders and facilitates sustained planning, investment, and workforce development.

Key Recommendations:

1. **Adopt a Long-Term pipeline of projects and enchantments, which is stable and transparent.**
2. **Develop a Comprehensive Rail Strategy**: A broader rail strategy is needed that outlines the sector's overarching goals, priorities, and investment needs. This strategy should inform the long-term investment pipeline, allowing for key projects to be selected and prioritised based on their alignment with the overall vision. Such a strategy will be key to ending the boom-and-bust nature of rail investment.
3. **Extend the Control Period**: The length of the Network Rail Control Period should be extended to provide a more stable landscape, enabling longer-term planning from the supply chain.

4. **The industry needs to invest.**
   Procurement processes should be leveraged to encourage the rail supply chain to invest in workforce development and innovation, strengthening the sector's capacity for growth. This will also be crucial for achieving stability and consistency.

5. **Improved integration of Workforce Planning**
   Workforce planning needs to be more closely aligned with the investment pipeline to address skill shortages and ensure stability and the timely delivery of projects. Fundamentally, a more scientific and data-driven approach to workforce planning will be essential to meet the evolving demands of the rail industry.

What have been the barriers to establishing stable and transparent long-term investment pipelines in the past (such as for track enhancements, station upgrades, and rolling stock orders) and how can they be overcome?

Establishing a stable and transparent long-term investment pipeline for the rail sector has been hindered by several systemic barriers. A significant block is the fragmentation of decision-making processes, compounded by a broader lack of clarity about the desired outcomes for the rail sector. Without a consensus and an ownership within government on the priorities for rail, and what rail infrastructure is intended to achieve, long-term planning is difficult.

Another major challenge is that funding for rail projects is extremely sensitive to political cycles, with investment levels fluctuating based on changes in government or revolving political priorities. This cyclical nature of funding has created uncertainty and inconsistency, further complicating efforts to secure long-term commitments.

It is worth noting that in recent years there have also been extraordinary challenges in public policy, such as the COVID-19 pandemic, which have no doubt put up further barriers to the consistent delivery of rail projects and enhancements. However, while this has undoubtedly been a challenge, it would be a mistake to put too much emphasis on it. The barriers outlined below are what NSAR has identified as the most prominent blocks to securing a long-term pipeline.

Boom and Bust

The rail investment cycle often follows a "boom and bust" pattern, characterised by fluctuating funding levels, shifting political priorities, and short-term decision-making. Investment typically surges during times of economic optimism or when rail aligns with high-profile political priorities, such as levelling up. However, it wanes during economic downturns or shifts in political focus, resulting in periods of stagnation. This erratic pattern is highly disruptive and significantly undermines long-term planning.

Fragmented Decision-Making Processes and Misaligned Objectives.

Investment decisions in the rail sector involve a wide range of stakeholders, but historically, aligning on a shared vision has proven challenging both between government and industry, and within each of these entities. Within government and industry, differing perspectives on the purpose of major rail projects have persisted. For example, asking about the purpose of HS2 across various departments or industry groups might yield highly conflicting responses.

This lack of cohesion has led to misaligned priorities and delays, creating uncertainty for both the industry and its supply chain, which, in turn, discourages long-term investment. Strategically, reaching a clear consensus on the desired outcomes for the railway is vital. A stable, long-term pipeline of enhancements can only be established by adhering to this consensus, ensuring that investments are driven by a cohesive and unified vision. The lack of this is a big hurdle to achieving a sustainable, long-term plan for rail infrastructure.

The Control Period

The short-term nature of the Network Rail Control Period framework presents a significant barrier to achieving a stable investment pipeline for maintenance and renewal work, creating substantial disincentives. Its short five-year period, further divided into 18-month segments, is insufficient for long-term planning. This structure inhibits the supply chain from making strategic, long-term investments, undermining skills development, innovation, and productivity.

Incentivising the Industry

As previously outlined, much of the instability in establishing a long-term pipeline emanates from fragmented decision making and the cyclical nature of government funding - issues that are well-documented. However, the industry also bears some responsibility for not delivering the necessary investments at the required scale needed to prevent delays in delivering infrastructure. Such delays are clearly a major impediment to a stable pipeline. While instability and a lack of clarity contribute significantly to this underinvestment, it cannot be the full explanation. Many sectors and their supply chains operate with inherent uncertainty yet still manage to deliver the needed investment.

Therefore, delivering a stable, long-term pipeline presents a twofold challenge. Addressing this requires not only top-down improvements from government, such as stable investment but also measures to increase investment from the industry and its supply chain. Contractors must increase their investment, especially in critical areas such as skills development, which are essential for the consistent and timely delivery of projects. However, previous experience tells us that there will need to be the right incentives in place for this to happen and that such incentives are best achieved by leveraging the procurement process.

Both government and procuring bodies have a role to play in this. By leveraging procurement processes more effectively, they could stimulate the necessary investment and help create a more stable and resilient pipeline for the rail sector. This is already happening at the top of the industry, but it needs to be embedded as a practice throughout industry procurement.

Insufficient Workforce Planning Integration

Investment in rail infrastructure often lacks alignment with workforce and skills planning, which functions as a significant barrier. Rail infrastructure projects typically overlook the importance of addressing skills requirements until they are critically required, at which point skilled workers are frequently unavailable. This can cause delays and increased costs that disrupt the pipeline consistency and stability. To overcome this, embedding skills planning into the investment process is essential. A scientific approach to workforce planning (SAWP) is needed.

This approach ensures the right mix of skills and talent is available at each stage of every project. It involves analysing current workforce strengths, forecasting future skill requirements, and aligning resources to meet project objectives. The goal is to guarantee that the necessary workforce is available at the right time, enabling successful project outcomes.

Key steps in applying workforce planning to a project pipeline include:

- **Gap Analysis**: Evaluating the existing workforce against the needs of upcoming projects to identify skill shortages or resource gaps that could hinder progress.
- **Solution Development and Implementation**: Developing and implementing strategies to address identified gaps, such as recruiting new talent, upskilling current employees, or reallocating resources.
- **Ongoing Monitoring and Adjustment**: Regularly assessing workforce performance and its alignment with project needs. As projects evolve, workforce requirements may change, necessitating adjustments to resources or skill development.

Lack of Transparency and Communication

Another clear barrier, specifically regarding pipeline transparency, is a simple lack of communication. Without a consistent, clear pathway and regular updates, the supply chain and private sector investors are left in the dark, unable to plan or respond effectively. Overcoming this challenge requires a clear plan outlining investment priorities and timelines. It is also not enough to release a plan every few years; regular updates will be essential to ensure alignment and preparedness. Plans need to be updated annually and communicated clearly to all stakeholders.

What role would a long-term rail investment pipeline play in developing the railway supply workforce?

The rail sector faces a pressing workforce challenge owing to an ageing workforce, with projections indicating a potential loss of up to 90,000 workers by 2030 owing to retirement and other forms of attrition. The sector’s workforce's average age is 44.1, and one-third of employees are aged fifty or older, while the proportion of workers aged 31-49 has declined. Compounding this issue is a lack of younger entrants, with only 10% of the workforce under thirty.

In the past year alone, the sector's workforce has contracted by 9.4%, with infrastructure-related roles in the supply chain experiencing particularly sharp declines. The are also other significant workforce challenges facing the sector. For example, an approximate 200,000 workers will also require upskilling in digital technologies to keep pace with industry advancements. Moreover, competition from other sectors is projected to shrink the workforce, with an anticipated 7.2% reduction.

Exacerbating the problem further is the anticipated loss of up to 40% of rail trainers by 2030, which threatens to deepen the skills gap and hinder efforts to address workforce shortages effectively.

If the industry continues this trajectory, the costs and productivity losses from workforce shortages could be prohibitive to enchantments and infrastructure projects. Analysis by NSAR has shown that missed opportunities and a traditional approach to workforce planning could already be leading to an additional £720 million in people costs to CAPEX activities, while also increasing people costs by as much as 7.25% for each project (money that is not budgeted for). Over several years this could add up to billions. Without a proactive response to these challenges, the rail sector risks facing substantial financial strain and continued and increased difficulty in delivering projects efficiently.

A long-term rail investment pipeline is essential for developing the railway and supply chain workforce needed to prevent looming shortages and overcome the current pressure. The sector needs this stability to build the confidence to act. Clear visibility of future projects enables proactive workforce planning and ensures the industry can equip its workforce with the necessary skills. Investments in skills and productivity often takes over three years to deliver returns, supply chain confidence typically lasts just 11-18 months. A longer-term pipeline is vital to bridge this gap and provide the confidence needed.

A further point worth noting is that, at its core, the labour market in the rail industry is not functioning effectively. The skills landscape has shifted dramatically over recent years, and this will require a new mindset and approach. For example, the ageing workforce in rail means that the traditional approach to workforce planning will no longer work. Proactive workforce planning is now essential to prevent labour shortages and the inevitable bottlenecks these would create in the infrastructure pipeline. Similarly, Brexit has further altered the landscape, meaning the industry can no longer rely on the EU labour market to fill skills shortages, meaning the previous 'just-in-time' style approach to recruitment must give way to a longer-term focus on developing homegrown talent. This will involve prioritising apprenticeships, reskilling, and targeted recruitment campaigns aimed at diversifying the workforce. Rail can adapt to this new landscape, and it needs to. However, if the industry does not have the confidence to take the long-term view, it is unlikely to happen.

Specifically, a long-term pipeline would empower the industry and its supply chain to implement the following measures, which are critical to addressing the sector's skills challenges.

1. **Skills Forecasting and Capability Building**: A well-defined pipeline enables accurate projections of future skills requirements, allowing the industry to address gaps pre-emptively and mitigate wage inflation, yielding significant cost savings.
2. **Diversity and Inclusion**: It creates opportunities to attract younger and more diverse talent, including individuals from disadvantaged backgrounds, fostering social mobility and increasing workforce capacity.
3. **Upskilling and Retention**: Long-term planning supports upskilling initiatives and reduces reliance on external recruitment, enhancing workforce adaptability to meet emerging challenges.
4. **Apprenticeships and Training Capacity**: A sustained pipeline supports the expansion of apprenticeships and training.
5. **Technological Readiness**: It allows the industry to anticipate and address skills needs in advanced digital and green technologies, ensuring

readiness for innovations in signalling, electric vehicles, and predictive maintenance.

Social Value

With the stability and certainty, a long-term pipeline will provide, there is also greater opportunity to generate substantial economic and social value. For example, NSAR estimates that assigning just 10% of rail roles to individuals who are currently economically inactive would generate an additional £39 million in economic value. If this figure were increased to an ambitious 20%, it could result in over £76 million in economic value. Evidence indicates that HS2 consistently achieves 10%, making 20% an achievable target. Overall, there is potential to generate £344 million in total economic value for the UK by filling the current gaps in the rail sector between now and 2029. However, achieving this requires stability within the supply chain to encourage the necessary investment in skills and training.

How should a pipeline interact with the Government's development of a wider long-term rail strategy, rolling stock strategy, infrastructure strategy, and the Invest 35 industrial strategy?

A clear and cohesive rail pipeline must be informed by and aligned with all relevant rail and government strategies. Without this alignment, the pipeline risks deviation, inconsistency, and inefficiency, setting progress back. It is essential for headline government strategies such as the industrial strategy and the long-term rail strategy to clearly define rail's role in achieving key objectives such as reducing carbon emissions, improving regional connectivity, and driving economic growth. Building on this foundation, the pipeline can be strategically developed to achieve these ambitions.

The misalignment between the pipeline and the government's broader goals has been a recurring issue in recent years, resulting in fragmented efforts and inefficiency within the rail industry. A shared vision across all strategies is critical.

How could a potential pipeline provide transparency and certainty for the industry?

A clear and sustained pipeline of projects provides businesses with the transparency and certainty needed to make informed decisions about workforce retention, recruitment, and investment. This visibility fosters a more competitive bidding environment and drives productivity by enabling companies to plan effectively, train their workforce, adopt modern technologies, and optimise operations to meet demand.

What period should it cover?

Rail must shift away from its current short-termism. A more appropriate period for planning would be 25–30 years. This longer period will facilitate alignment with broader national goals, such as achieving net-zero emissions by 2050, improving regional connectivity, and fostering economic growth.

What commitments from the government should it include in both the short and long term?

Short-term:

- **Rail Network Enhancements Pipeline (RNEP):**
  The government should urgently publish an updated RNEP and commit to annual updates to provide the industry with the necessary visibility for planning and investment.

Long term:

- **A whole industry workforce plan.**
  - The government should also commit to a comprehensive skills and workforce planning strategy to accompany the pipeline and support delivery, proactively addressing potential labour shortages and skill gaps linked to the pipeline. Without the necessary skills in place, delivering these projects as planned will lack the consistency needed for success.
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- **Rolling Stock Strategy:**
- Develop a sustained programme for rolling stock procurement and maintenance, ensuring consistent orders to avoid job losses, factory closures, and workforce shortages. The strategy should prioritise low-

carbon and digital technologies to future-proof the fleet. This will help prevent closures and job losses.

- **Commit to a rolling programme of electrification.**
- **Commitment to a programme of digitisation across the network.**
- **A strategy to increase freight capacity.**

<u>The need to set the scene:</u>

Long-term commitments should not focus solely on specific projects or enhancement programmes. The government needs to clearly articulate its vision for rail's role in delivering broader economic and regional priorities. This vision is crucial for providing the clarity the industry requires to plan effectively. Without a consistent and clear government vision, the industry cannot align its strategies or investments. The vision must outline how rail is expected to contribute to national and regional economic development, social mobility, and sustainability. Additionally, clarity is needed on how the investment plan interacts with devolved regions, combined authorities, and other stakeholders.

How Should It Engage Private Investment?

A transparent and consistent pipeline of rail projects is essential for attracting private investment. The current fragmented and opaque approach fails to provide the clarity necessary to effectively engage markets. A stable pipeline would enable earlier and more proactive private-sector involvement, fostering stronger participation and collaboration. One key issue is the delayed engagement of private investment and finance, who are often brought in too late in the process. To ensure effective engagement and delivery, consultation with private investment and finance must occur from the outset.

Another major obstacle to fostering private sector engagement is the persistent lack of clear and consistent communication between public and private stakeholders. To cultivate trust and maintain investor engagement, it is vital to establish a structured system for sharing timely and detailed updates. This should include comprehensive information on project timelines, investment opportunities, and strategic priorities. By ensuring transparency and fostering a continuous dialogue, the rail sector can create a more collaborative environment that supports effective engagement and drives long-term investment.

Such an approach will not only build confidence but also enable the private sector to align its expertise and resources with public priorities more effectively. This alignment will help accelerate project delivery.

The private sector has both the appetite and resources to invest in rail infrastructure; it is up to the sector and the government to create a clear and reliable pathway that allows them to do so.

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