

Written evidence submitted by the Railway Industry Association (RIW0015)

1. INTRODUCTION

This submission constitutes the response from the Railway Industry Association (RIA) to the call for evidence for information on Railway Infrastructure in Wales, published by the Welsh Affairs Committee.

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 320 companies in membership covering all aspects of rolling stock and infrastructure supply and covering a diverse range of products and services. As well as most of the larger, multi-national companies, 60% of RIA's membership base is comprised of SMEs.
- 2.2 The Oxford Economics 2018 report shows that the UK rail sector contributes annually over £36bn Gross Value Added (GVA) to the UK economy, employs some 600,000 people and generates £11bn in tax revenues. In Wales, the UK rail sector generates £1.1 billion GVA a year, supports 20,000 jobs and contributes £338 million in tax annually.
- 2.3 For every £1 spent on rail, £2.20 of income is generated in the wider economy, meaning rail is not just an important sector in its own right, but it is also crucial for UK plc, its economy and connectivity. Rail has been a growing industry with the number of rail journeys expected to double in the next 25 years, along with significant growth in rail freight traffic, regardless of shocks such as the present Coronavirus crisis. The full report Oxford Economics report can be [accessed here](#).
- 2.4 The Oxford Economics report also highlights the fact that the UK rail industry is already a significant exporter, selling £800 million in goods and services abroad each year, whilst the European rail trade body UNIFE's recently-released World Rail Market Study report predicts annual rail market growth of between 1 and 2.3% until 2025, when an annual volume of approximately €240bn per annum could be expected. Continued investment in Welsh rail can simulate economic recovery, help support jobs and provide a valuable domestic springboard for UK companies expanding their business by exporting.

RIA provides its members with extensive services, including:

- Representation of the supply industry's interests to Government, Network Rail (NR), TfL, HS2, ORR and other key stakeholders;
- Providing opportunities for dialogue and networking between members, including several Special and Technical 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; and
- Organising UK presence at exhibitions overseas.

3. KEY ASKS

- **RIA Ask 1:** publish of a full pipeline for rail infrastructure and rolling stock investment in Wales, when possible.
- **RIA Ask 2:** Recognise the full potential social and economic value of rail by putting rail at the heart of planning and investment decisions.
- **RIA Ask 3:** Effective delegation of funding with clear roles and responsibilities helps ensure cost effective investment and project delivery – it would therefore be helpful to have greater clarity on this.
- **RIA Ask 4:** Support multi-year funding settlements for devolved Government transport bodies, in order to enable them to work with the supply chain to deliver local and integrated priorities effectively. Ensure clear roles and responsibilities and delegation. Involve the private sector, to help develop creative funding and financing models building on the lessons from regulated asset base financing, and performance based build/lease/operate models and plans for the new Investment Bank alternative and co-funding models.

4. CONTEXT

4.1 The Welsh Government wants to look at where responsibility lies for the management of rail infrastructure in Wales, how funding is allocated to rail infrastructure projects across the UK and the share of investment Wales has received since 1994. The draft strategy also looks at the impact of the Covid-19 pandemic on the rail network in Wales, and the potential opportunities of the Union Connectivity Review.

4.2 RIA submission is as follows:

Q1. Where does responsibility lie for rail infrastructure in Wales?

The Welsh Government has recently taken on direct responsibility for the Core Valley Lines in Wales, with services delivered by Transport for Wales (TfW). The Welsh Government works closely with the UK Government to improve rail services in Wales, whilst also continuing to make the case for full devolution of rail to Wales.

The Welsh Government and TfW have been responsible for the operation of trains, via the Wales and Borders franchise, and the Department for Transport (DfT) has ownership and responsibility for the rail infrastructure. However, in March 2020 TfW became the owner of the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert lines, taking ownership from Network Rail (NR). This, in time, will create a useful benchmark to compare with the cost and performance of the wider network in Wales and UK wide.

It is important that rail suppliers have a clear understanding of who is responsible for what components of the railway in Wales and across the borders. We urge the publication of a stakeholder map, clearly showing which bodies are responsible for what aspect of the railway.

RIA Ask 1: publish of a full pipeline for rail infrastructure and rolling stock investment in Wales, when possible.

Q2. How effectively do the UK and Welsh Governments cooperate with one another in the management, and funding, of rail infrastructure in Wales?

It is important to have transparent and effective communication between all parties managing and funding Welsh rail infrastructure to ensure suppliers have visibility of upcoming work. This will allow the supply chain to deliver better value for money on projects as they will be able to sufficiently prepare for upcoming work and retain a workforce.

The Covid-19 pandemic has demonstrated that collaboration is key across the board, and to deliver effective projects Governments and arms-length bodies must be in close communication. A good example of this can be seen in the recently announced Project SPEED initiative being driven by the UK Government and NR, which could be used as an example of best practice moving forwards.

Q3. Should responsibility for railway infrastructure in Wales be fully devolved?

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 Transport for the North, TfW, and Midlands Connect, can help to ensure that transport projects are more closely linked with local economic priorities. To be effective, however, these bodies need long term funding certainty to inform their strategic plans. This in turn gives suppliers more certainty and allows them to invest in skills and their companies, helping to level up the local economy. Certainty and simplicity support appropriate investment in capability and ensure cost effective delivery – hence we are proposing that the Welsh Government should publish clear investment pipelines, clarity on roles and responsibilities and alignment with UK standards and policies where this supports efficiency and effective cost management.

Q4. What share of investment has Wales secured in its rail infrastructure since privatisation came into effect in 1994, and how sufficient is this level of investment?

RIA does not have the data to answer this question authoritatively but would highlight that rail investment is crucial to connectivity and offers three benefits, as part of economic recovery:

- Growth: Rail projects generate significant investment – for every £1 spent on the rail network, £2.20 is generated in the wider economy;
- Geography: Rail projects 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; and
- Green: Rail is a green mode of transport and investing in rail will ensure the economic recovery is also an environmentally beneficial one. Rail is the only mode with a ready solution to zero carbon long distance heavy freight and has a major role to play in modal shift.

As previously mentioned, the 2018 Oxford Economics Report on the Economic Contribution of UK Rail shows that every £1 of investment into rail generates £2.20 of income in associated industries. Funding for future rail work is important, and should be balanced according to needs across the UK, including devolved regions and bodies. Rail projects should be at the forefront of investment as part of the building back better initiative, and a catalyst for other local and national development.

RIA Ask 2: Recognise the full potential social and economic value of rail by putting rail at the heart of planning and investment decisions.

Q5. How is funding allocated to rail infrastructure projects across the UK and how are the different infrastructure needs of the regions and nations of the UK assessed?

HM Treasury is the Government’s economic and finance ministry, maintaining control over public spending, setting the direction of the UK’s economic policy and working to achieve strong and sustainable economic growth. It is responsible for public spending: including departmental spending, as well as the delivery of infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure. The Treasury announces spending via regular spending reviews. The most recent Spending Review in 2020, prioritised funding to support the Government’s response to Covid-19, including allocating over £2 billion to the DfT to ensure continued operation of the railways in 2021-22.

The DfT is responsible for setting the strategic direction for the rail industry in England and Wales. It provides funding and sets the priorities for NR's maintenance, renewal and enhancement of the rail network to support passenger rail services and movements of freight. DfT is also responsible for awarding and managing rail franchises, and regulating rail fares.

The National Infrastructure Commission produces reports as directed by Government, for example the Rail Needs Assessment for the Midlands and the North, published in December 2020. The Commission works separately from Government in order to produce a menu of options for Government funding.

RIA understands that Welsh Government funding is allocated via the Spending Review process and that allocation of this funding is then agreed locally. It is less clear what devolution of responsibility for the rail infrastructure and franchising means in practice for both operations maintenance and renewal and project funding in Wales.

RIA Ask 3: Effective delegation of funding with clear roles and responsibilities helps ensure cost effective investment and project delivery – it would therefore be helpful to have greater clarity on this.

Q6. What will be the impact of the Covid-19 pandemic for the railway network in Wales (including the sustainability of services and potential impact on investment in railway infrastructure)?

Whilst the Coronavirus outbreak poses a challenge to the railway and its suppliers, in the long term it is clear that continued and accelerated investment in rail can help support economic recovery and achieve the UK Government's aim of 'building back better'. RIA believes that the need to travel and to transport freight by rail will not go away in the next 20 to 30 years and beyond. Therefore, the network cannot be neglected until customers – including passengers and freight – return, continuing to build and improve the network will generate jobs and investment, and deliver an even better, more connected, transport system for the future.

Coronavirus has highlighted the need to deploy proven but not widely utilised technologies, including effective use of data and remote monitoring equipment. These technologies can enable rail services to be more responsive to demand, enable off site working and improve the efficiency of the railway. Although the Lab by Transport for Wales is a welcome initiative, more could be done to create an environment which incentivises and supports innovation in rolling stock and operations – for example, more targeted innovation, effective use of procurement, and creative match funding to leverage Government rail funding. Rail should be a priority when it comes to wider zero carbon and air quality funding initiatives in order to unlock the full potential benefits and deliver Government targets cost effectively.

A key issue for the industry is the limited availability of testing centres. RIA and our members would like to see greater test track availability across the UK and therefore welcome the proposals for a Global Centre for Rail Excellence in South Wales. This new development could act as a catalyst for further investment and jobs into the area, helping support a new rail industry cluster in the UK.

Q7. What opportunities are there for Wales as a result of the recently launched Union Connectivity Review?

Strategic long-term planning, such as the Union Connectivity Review, support cost-effective investment and delivery of zero carbon ambitions. It allows for prioritisation of service improvements on the existing network, for both passengers and freight. Strategic planning also enables balanced investment and cost-effective deployment of electrification, digital, hydrogen and battery across the transport sector and wider economy.

In order to maximise the benefits of rail, and other transport investment, long term strategic planning is essential. RIA has recommended that the Union Connectivity Review should build on the proposed Integrated Rail Plan for the North to create a new national strategic map for rail across the UK.

The scale of investment that would be entailed in high quality transport connectivity between the four nations is such that it would be important to establish agreement on a strategic target network (to replace the TEN-T network) which would be developed in phases. Providing commitment to such a framework would allow all transport modes and bodies to develop their own plans in the context of a long term strategic plan. Government could demonstrate commitment to the strategic plan by progressing the enabling acts to secure the routes.

Effective management requires a balance between national and local structures. With regard to rail specifically, RIA supports long term funding settlements such as Transport for Scotland Network Rail Control Periods, which allow for a pipeline of work and integrated transport planning. Planning should also consider opportunities for alternative funding models noting that the Channel Tunnel was built on a Build Own Operate Transfer Model with a 65-year operating concession. RIA members have global experience of project funding and financing and would welcome the opportunity to share expertise and work with the Government on plans for the new Infrastructure Bank co-funding models.

RIA Ask 4: Support multi-year funding settlements for devolved Government transport bodies, in order to enable them to work with the supply chain to deliver local and integrated priorities effectively. Ensure clear roles and responsibilities and delegation. Involve the private sector, to help develop creative funding and financing models building on the lessons from regulated asset base financing, and performance based build/lease/operate models and plans for the new Investment Bank alternative and co-funding models.

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