

# Transport Select Committee Inquiry into: Rail Investment Pipelines – Ending Boom and Bust, February 2025

## Railway Industry Association (RIA) Submission

February 2025

### 1. INTRODUCTION

1.1. This paper is the Railway Industry Association (RIA) submission to the Transport Select Committee (TSC) Inquiry: 'Rail Investment Pipelines; Ending Boom and Bust'.

### 2. ABOUT RIA

2.1. The Railway Industry Association (RIA) champions a dynamic UK rail supply sector. We help to grow a sustainable, and high-performing railway as well as promoting UK rail expertise and products to international markets. RIA has over 400 companies in membership, active across the whole of the rail supply sector and covering a diverse range of products and services, including both multi-national companies and SMEs (60% by number).

2.2. The rail network remains one of the UK's most valuable assets, with potential to support clean growth and wider social benefits for communities right across the UK. A 2024 report produced by Oxford Economics<sup>1</sup> shows that the rail industry supports: £41 billion GVA in economic growth; 640,000 jobs; £14 billion in tax revenue each year; and Labour productivity in the rail supply sector is 29% higher than the national average.

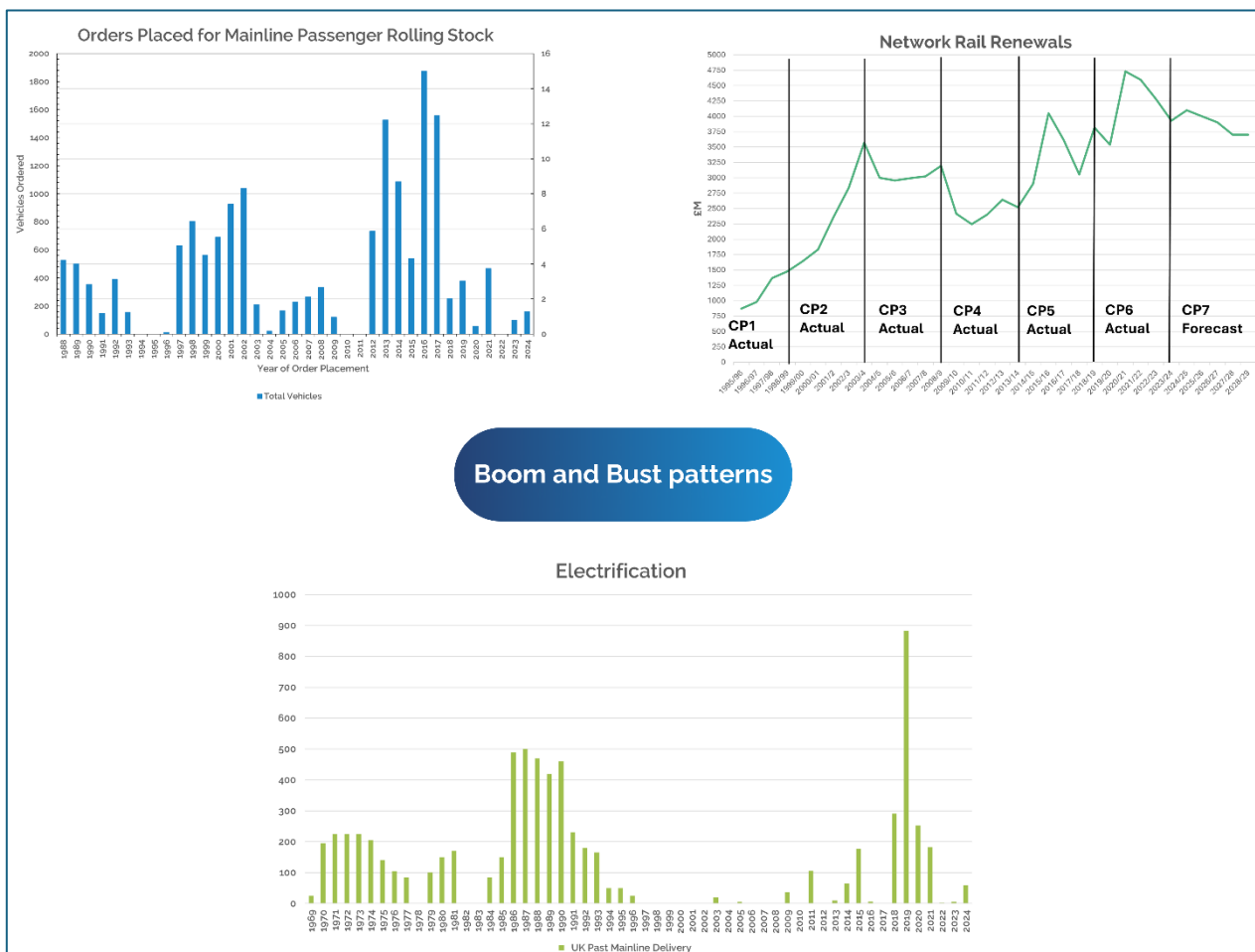


Figure 1: Rail investment levels have been volatile for decades

### 3. EXECUTIVE SUMMARY

3.1. Our **key messages**, which we expand on in Section 4, are:

- There is a direct relationship between maintaining a stable rail investment pipeline and i) reducing costs and ii) attracting business investment in high skilled jobs and innovation (see **Figure 2**, page 3).
- The rail industry has seen years of fluctuating investment, and a recent period of exceptional uncertainty (see **Figure 1**, page 1 and **Annex A**, page 18).
- The rail industry now faces a systemic risk of losing critical workforce capability. If unaddressed this will see further job losses, increased future costs and reduced UK capability to deliver critical infrastructure upgrades.
- The two major causes of 'boom and bust' investment in rail are a lack of long-term planning and an inability to turn plans into lasting financial commitments.

3.2. These causes must be addressed by the Treasury, Department for Transport and major rail clients, and we make several specific recommendations in Section 5. Swift action is necessary, and there is an opportunity to build on the Government's ongoing changes to infrastructure planning, rail reform and to learn lessons from elsewhere, such as the well-established London planning processes. There are also opportunities to build better practices now in preparation for the creation of Great British Railways.

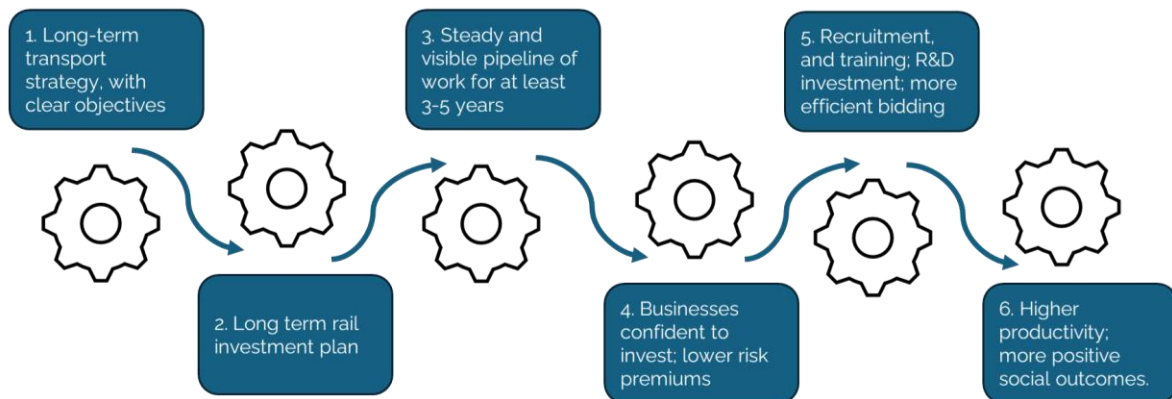
3.3. Section 6 provides additional information in response to the specific questions set by the TSC.

3.4. **RIA would recommend the development of a multi-level approach to developing a rail pipeline and strategy**; to include:

- A thirty-year long-term strategy, to set out how the industry will deliver core objectives for rail and transport over the short, medium, and long term. This should cover capacity growth, sustainability, connectivity, and passenger experience. This would be in line with recommendations made by the National Infrastructure Commission in their Infrastructure Progress Review 2024.
- A long-term investment pipeline, showing ten to fifteen years in advance, setting out how the strategy translates into key outputs and projects over the longer term.
- A commercial pipeline providing five years of clarity for approved, funded and procurement-ready projects and programmes.
- Separately, a pipeline should then be supported by subsequent pipelines published by Tier 1 suppliers to the wider supply chain as appropriate, providing more granularity of information and certainty for SMEs.

3.5. The pipeline should be directly informed by the various transport and growth strategies currently being planned and should reflect the priorities within them. Alongside the various Government strategies being published over the next year, an effective pipeline should also interact with Mayoral strategies and priorities, and devolved bodies such as Transport for Wales and Transport Scotland.

**Figure 2: 6 steps for higher productivity and better social outcomes in rail**



## 4. OVERVIEW OF 'BOOM AND BUST' IN RAIL

### 4.1. There is a direct relationship between maintaining a stable rail investment pipeline and i) reducing costs and ii) attracting business investment in high skilled jobs and innovation:

- **In rail, as in other infrastructure sectors, the supply chain works most efficiently when it is able to plan ahead with stability.** Over half of all UK rail expenditure is spent through the supply chain.<sup>ii</sup> Where there is a clear pipeline of work available, suppliers are able to continuously move from project to project, becoming more efficient and developing new approaches. Key skills are retained, reducing the costs of fire and rehire. Rail electrification costs are up to around a third lower when a steady level is maintained<sup>iii</sup>. RIA's report, *Delivering a low cost, higher performing, net zero railway by 2050*,<sup>iv</sup> demonstrates that money could be saved if the rolling stock renewal pipeline were smoothed over time, to keep factories busy with a consistent level of work. An 'alliance' model used in Highways that provides ten years of work bank certainty for suppliers, with collaborative ways of working, has already resulted in over £20m of cost savings.<sup>v</sup> Conversely, a lack of clarity on projects from the Government hinders collaboration between clients and suppliers; uncertainty about Government funding and decisions causes delays in coordination.
- **When companies have certainty of work, they are able to invest back into the UK and local economies.** For example, a rolling programme of work backed by the Scottish Government enabled the implementation of the Rail Skills Academy, which has supported over 80 previously unemployed young people into skilled work. The Academy, run and supported by industry, would like to expand into England & Wales, but says it cannot due to a lack of certainty. Supply chains are geographically diverse: for instance, 63% of TfL suppliers are outside of London.<sup>vi</sup> In Goole, Siemens Mobility were able to build a railway 'village' to support the manufacture of Piccadilly Line trains for TfL, as at the time they had a solid forward pipeline of work. The village significantly strengthens local and national rolling stock manufacturing capacity, and is expected to create over 700 jobs in East Riding.<sup>vii</sup> East Riding and Goole include several deprived areas.
- **Rail suppliers are currently reporting that they are unable to produce accurate financial predictions for their companies, undermining the confidence of owning groups to keep investing.** In a survey conducted by RIA in Autumn 2024, some large suppliers reported that they were unable to produce accurate financial predictions for their companies in the rail sector, undermining shareholder and owning group confidence in the UK rail industry. This risks companies, including key strategic suppliers, making the decision to move away from working in the UK rail industry, or the UK more widely. In response to the problematic gap in rolling stock orders, Alstom UK & Ireland reported that uncertainty in the UK market pushes global businesses like Alstom to invest elsewhere.

- 4.2. **The railway industry has seen years of fluctuating investment, and a recent period of exceptional uncertainty.** Rail investment levels have fluctuated cyclically for years (see *Annex A* for detailed evidence) contributing to inefficiencies, job losses and weak investment incentives., for example:
- 4.3.
- **Rolling stock procurement has seen wide variations in volumes for over 35 years.** There is a clear relationship between downturns in investment and factory and skilled job losses. Recent years have seen a significant downturn, with thousands of jobs at risk, and predictions of continuing gaps of up to 24 months until 2030 (see Fig. 3, Annex A).
  - **Electrification has also seen huge 'boom and bust' profiles for decades, which contributed to delays and cost overruns on the Great Western Electrification Project (GWEP).** GWEP was the first substantial electrification project in the UK in 20 years, following a long period of low investment. The project saw extensive delays, overran its budget, and eventually was partially cancelled.<sup>viii</sup> RIA's 2019 Electrification Cost Challenge Report found that many of these issues stemmed from insufficient planning and preparation (particularly in terms of costing estimates), a lack of joined-up thinking, and the sudden scale up of electrification works conducted after such a significant hiatus (meaning that experienced teams were in short supply).
  - **In 2022, TfL was given a funding settlement that lasted only 43 days.**<sup>ix</sup> Whilst this helped to keep TfL operations and critical maintenance funded, this and subsequent short-term settlements have greatly harmed the ability of TfL to plan for the future and get best value for money for the taxpayer.
  - **Even NR spending, which benefits from five-year funding 'Control Periods', has seen repeated patterns of peaks and troughs.** A slow start to spending on Control Period 7 (CP7) contracts since April 2024 (with a backlog of Control Period 6 (CP6) work continuing) has meant many suppliers faced unexpected reductions in work.
  - **The most politically salient example of shifting priorities and resulting uncertainty from the last decade is HS2,** which has spanned seven prime ministers, five general elections, and 18 rail ministers, with each successive political leader looking for the project to deliver something different.
  - **There is an ongoing DfT funding review of all rail enhancement projects.** Whilst important to ensure value for money, the fact that there has been no public announcement on the enhancements pipeline for over five years means continued uncertainty for many schemes.
- 4.4. **The rail industry faces a systemic risk of losing critical workforce capability. If unaddressed this will see further job losses, increased future costs and reduced UK capability to deliver critical infrastructure upgrades.**
- **According to the National Skills Academy for Rail (NSAR), There has been a 9.4% workforce reduction over the last year,** which has largely been driven by a shrinkage in the supply chain workforce, particularly attributed to capital spending uncertainty.<sup>x</sup> The industry is already facing demographic challenges with over 30% of the current workforce aged over 50 and approximately 47,000 workers due to retire by 2030 – over 20% of the current workforce.
  - **Estimates based on Office for National Statistics data show a reduction in the rail workforce from 740,000 in 2019 to 640,000 in 2023.**<sup>xi</sup>

- **An annual RIA-commissioned Savanta survey of 250 rail business leaders shows declining confidence in the past five years, with 83% now expecting a hiatus in the year ahead.**<sup>xii</sup>
  - **Many companies are taking steps that will further reduce the rail workforce.** RIA has received reports from many companies that have been making redundancies. Some are taking work in-house (meaning it will not be subcontracted to SMEs) and others are being forced to pause long-standing apprenticeship and graduate schemes. One key supplier has reported to RIA that they have had to make 660 employees redundant, including 172 highly skilled and experienced permanent signalling staff, due to unusually long delays in work coming through at the beginning of CP7, and postponements and cancellations of work. They also report that another 600 skilled jobs are at immediate risk without intervention.
  - **Recent shortages in rolling stock orders left nearly 4,000 jobs at risk across two sites, and another 15,000 jobs in one business' onward supply chain alone.**<sup>xiii</sup> Last-minute deals (one private, one from the Elizabeth line) have temporarily filled the order gaps. The longer term uncertainty continues, along with the threat to UK manufacturing capabilities and crucial jobs in industrial areas.
- 4.5. **The two major causes of 'boom and bust' investment in rail are a lack of long-term planning and an inability to turn plans into lasting financial commitments.**
- 4.6. **Firstly, the rail sector has suffered from a lack of (approved) long-term plans, which has been particularly acute in recent years:**
- **The last integrated transport strategy for England was published in 2000**, so there has been no wider plan to guide rail investments.
  - **There is no published UK-wide rail investment plan**, although it is welcome that the Government committed to produce a long-term rolling stock plan in October 2024. In 2018, the then-Government announced it was "taking a new approach to the way it enhances the railway, creating a rolling programme of investment that continued to focus on outcomes that deliver real benefits for passengers, freight users and the economy."<sup>xiv</sup> It published a Rail Network Enhancements Pipeline (RNEP), which it committed to update annually to provide visibility and confidence. It was updated once, in 2019, and has never been published since, repeatedly due to having an inability to secure political backing for the commitments.
  - **In 2021, the Great British Railways (GBR) Transition Team consulted widely on a Whole Industry Strategic Plan**, which to this day has not been published or confirmed by the DfT.
  - **There is currently no confirmed decarbonisation route map for rail to 2050**, which is a legally binding target and necessary to inform decisions on rolling stock and electrification.
- 4.7. **Secondly, there are a) no adequate mechanisms to turn plans into funded commitments, and b) financial frameworks incentivise short-term decisions, not longer-term value:**
- **Although NR has often produced longer-term plans, these have not been able to be endorsed as part of the five-yearly Control Period funding settlements** or longer-term financial commitments by Government even where there is a good business case. The five-year review process provides an

essential minimum level of predictability, but it is necessary to go beyond this, ensuring there is always a well-developed plan for the full five years ahead, not just to the end of the current five-year period.

- **An annual business planning cycle has dominated Train Operating Company (TOC) investment decisions**, following the Covid pandemic, and changes to contracts.
- **Government budgeting processes incentivises short-term cost savings through project rescoping or delays, rather than considering the opportunities for long-term benefits** either through continuing work or considering new products or services to help reduce whole-life costs.
- **There are no easy mechanisms to make joined-up investment decisions across track and train assets**, such as signalling – which requires investment in both infrastructure and rolling stock. There is potential for Great British Railways to address this shortcoming if it is given the flexibility to do so.
- **The Government fiscal framework places a strong emphasis on cost control, but with no commensurate incentives for revenue growth**, which is essential for long-term financial sustainability and requires a longer-term perspective.
- **There is insufficient transparency over whole-life cost** implications of decisions, such as reductions in renewals expenditure.

- 4.8. It is also important to acknowledge that cost overruns on major projects have significantly disrupted rail spending plans. The causes of such overruns are well documented, but an important common feature is that they often occur where there has not been a history of steady investment with continuous lesson-learning and knowledge transfer. To that extent, they are not only a cause but also a symptom of the challenges the sector faces.

## 5. RECOMMENDATIONS

- 5.1. The Treasury, DfT, NR and other rail clients can all take steps to address and help improve the status quo. We suggest several practical actions for consideration, summarised below.

### 5.2. **Actions for HM Treasury (HMT):**

- A long-term infrastructure strategy is needed to provide clarity on future rail upgrades and expected sequencing. This must be updated regularly so there is always a long-term outlook.
- Give the National Infrastructure and Service Transformation Authority (NISTA) a clear remit to monitor and make recommendations on effective supply chain management.
- To avoid 'cliff edges' between funding periods, all major clients need a minimum five-year funding certainty, including a long-term funding settlement for TfL.
- Clients also need clear planning assumptions and instructions beyond funding periods so that minimum levels of work required are automatically planned for and longer-term procurements can be undertaken. Without such arrangements, suppliers will not have confidence that work volumes will be forthcoming.
- To provide greater certainty over rail enhancements, especially small and medium projects, establish a clear framework for allocating funds, such as assessing and funding individual projects based on: a transparent priority

matrix; using factors like network operation and safety; opportunities for growth; and societal needs.

- Establish a clear framework (e.g. a 'playbook') to facilitate long-term private investment into rail, which once committed can provide greater certainty.
- Consider new mechanisms to improve financial certainty, such as the principle used for HS1 to set aside funds for future renewals through an escrow account.

### 5.3. **Actions for the DfT:**

- Commit to clear and transparent communication by publishing and maintaining an up-to-date list of all rail projects, showing the status of their funding and business case approvals. RIA would recommend the development of an approach that builds on recommendations made by the Government's Construction Playbook.<sup>xv</sup> This would build on the requirement in the DfT High Level Output Specification (HLOS) for Network Rail in CP7 to work *'collaboratively with its supply chain and to exercise its role as an effective and engaged client'*, making it a requirement for all publicly funded projects and clients.
- Publish a long-term rolling stock strategy as soon as possible, setting out a clear pipeline of investment and confirming the desirable long-term 'run rate' of investment (up to 2050) for all key rail assets (e.g. rolling stock, civils renewals, electrification, signalling) for railway networks where DfT has oversight responsibility.
- Actively monitor and report on the health of the supply chain and workforce at UK level.
- Take a strategic view to ensure that rail projects are sequenced in a way to support a sustainable workforce and supply chain.
- Introduce a legal requirement for producing a long-term rail strategy, showing how rail supports wider Government objectives and strategies, with independent monitoring of progress. The long-term strategy shall consider all sources of funding, and work in tandem with other strategies, and the pipeline should be developed from and informed by the strategies.
- Delegate effectively to rail clients, avoiding prescribing or changing details of requirements to avoid suppliers having to alter plans at short notice.

### 5.4. **Actions for major clients e.g. NR, DfT Operator, HS2**

- To publish their full work pipelines and indicative workbanks for suppliers for a minimum of three years ahead, indicating levels of certainty, and provide transparent reporting on progress, with regular updates.
- Produce and maintain long-term investment plans, which Government should endorse or modify as required to provide clarity.
- Adopt best practices in procurement and support long-term partnership-working with suppliers.

5.5. Finally, RIA recognises that there may sometimes need to be alterations to plans simply to reflect changing political choices. Without removing discretion to make such changes, consideration needs to be given to statutory requirements that provide for transparency over future investment plans and over the impact of changes (including requiring appropriate consultation with suppliers beforehand to establish the impact).

## 6. FURTHER RESPONSES TO SPECIFIC QUESTIONS SET BY THE COMMITTEE

### ***a) What have been the historic 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?***

6.1. Historically, the primary barriers to establishing stable and transparent long-term investment pipelines have been a lack of long-term planning and an inability to turn plans into lasting financial commitments. In addition to the reasons and recommendations set out above:

- Great British Railways (GBR) is an opportunity to take a whole-industry and whole-system view of rail funding and develop a long-term strategy covering infrastructure and rolling stock. A comprehensive long-term rail strategy, developed by experts and approved by Government, would enable better investment decisions, by identifying long-term goals and benefits. It could also permit the packaging of work to create greater efficiency. One possibility might be introducing a legal requirement for producing this long-term strategy, with bodies such as NISTA responsible for owning and monitoring the process. RIA welcomes Chancellor Rachel Reeves' announcement on Wednesday 29 January 2025 of the Treasury's new Investment Rule,<sup>xvi</sup> considering the benefits of investment alongside the costs.
- GBR is also an opportunity to rethink project prioritisation and funding in a transport plan which delivers core enhancements and maintenance in order of priority, without being dependent on the Government of the day. Rail projects, especially enhancement projects, should be prioritised by genuine need, rather than political gain; focusing on solving bottlenecks, meeting societal needs, unlocking economic growth, and encouraging passengers onto lower-carbon transportation modes. This should be supported by prioritising clear and timely communication with regional stakeholders and the supply chain.
- The Great Western Electrification Project offers significant learning opportunities for project design and delivery, and the importance of considering industry capability before scheduling a major project. The industry faces a similar challenge now, with the successful electrification of the Core Valley Lines (CVL) shortly ending. With a lack of clarity on the electrification of the Midland Main Line (MML) and other electrification projects, there is a real risk that the skills and efficiencies developed on the CVL will once again be lost to the industry.

### ***b) What funding sources need to be drawn on to plan such pipelines and is an appropriate framework in place for the allocation of funding to different projects?***

6.2. To plan ahead efficiently, it is helpful to have a degree of coordination and visibility across all different funding streams, spanning:

- Major projects (e.g. HS2, East West Rail)
- NR, the DfT Operator, and in future, GBR

- Devolved authority funding (including Mayoral funds and City Region Sustainable Transport Settlements)
  - Smaller funding streams from central Government (e.g. active travel, or housing-related)
  - Private investments by rolling stock leasing companies (ROSCOs) and other bodies such as Canary Wharf Group into Crossrail (Elizabeth Line).
- 6.3. The purpose of bringing together a coordinated view would be to provide suppliers with visibility, but also to allow consideration of sequencing of investment and identification of funding streams that could be used to support rail investment plans.
- 6.4. Private investment will continue to play a vital role in financing and funding the railway. Private funding of rolling stock has been the predominant model for the last 25 years where almost all UK rolling stock is owned by rolling stock leasing companies (ROSCOs) or special purpose vehicles (SPVs) created for that purpose. The key benefit of this approach from a taxpayer perspective is that the companies take the residual value risk on the assets. Some rolling stock companies have diversified their investment portfolio into other rail infrastructure such as depots, which reflects how private finance can be channelled into wider rail infrastructure.
- 6.5. Separately, Train Operating Companies have funded station improvements and successful collaborations, like Crossrail's partnerships with the Canary Wharf Group and the Corporation of London, which demonstrate the potential of private sector involvement at a larger scale. Models like High Speed 1 (HS1) have enabled long-term investment certainty (because future investment is funded through an escrow account). Various land value capture mechanisms—used to monetise the increase in land values generated by transport infrastructure projects—are already in use, as seen in the reopening of the Northumberland Line, and have the potential to be expanded to support new projects. Public-Private Partnerships (PPP) have been seen to expand opportunities for infrastructure development, as seen in developments around renewal projects like Birmingham New Street (retail), Epsom (housing), and Cannon Street (over-site developments).
- 6.6. Consideration also needs to be given to future revenue potential. There is an opportunity to establish GBR with a focus on growing passenger and freight revenues sustainably, as well as considering the revenue benefits of projects as part of the decision-making.
- 6.7. Funding for enhancements, especially for small and medium-sized projects, should be allocated based on priority of need and potential benefits. Historically, the lack of a robust public framework for allocating funds has contributed to the instability of infrastructure projects noted above. A funding framework should be developed in consultation with industry to ensure it facilitates private investment. It must also enable collaboration with devolved bodies to maximise efficiency, ensuring that funding packages are used effectively and funded projects complement each other.
- c) ***A pipeline made for industry:***
- i. ***What time period should it cover?***

6.8. **RIA would recommend the development of a multi-level approach to developing a pipeline and strategy**, which includes:

- A 30-year long-term strategy, to set out how the industry will deliver core objectives for rail and transport over the short, medium, and long term. This should cover capacity growth, sustainability, connectivity and passenger experience. This would be in line with recommendations made by the National Infrastructure Commission in its Infrastructure Progress Review 2024.
- A long-term investment pipeline, showing 10-15 years in advance, setting out how the strategy translates into key outputs and projects over the longer term.
- A commercial pipeline providing five years of clarity for approved, funded and procurement-ready projects and programmes.
- Separately, a pipeline should then be supported by subsequent pipelines published by Tier 1 suppliers to the wider supply chain as appropriate, providing more granularity of information and certainty for SMEs.
- The Construction Playbook, published in 2022 by the Cabinet Office, highlights the importance of both short and long-term pipelines, *saying 'One of the most important things we can do is to prepare, maintain and publish comprehensive pipelines of current and future Government contracts and commercial activity... Published commercial pipelines should look ahead three to five years to be truly effective.'*<sup>xvii</sup>

6.9. **Creating a mature culture around the development and publication of any pipeline will be crucial.** The current funding model allows for a good level of certainty around NR's (Operations, Maintenance and Renewals) OMR works for the next five years, and a mild level of certainty up to ten years. Any pipeline reaching out to 20-30 years must be willing to sensibly prioritise projects, and suppliers using the pipeline must recognise that long-term plans may still change or are subject to planning consent and changing priorities. The most important part of any pipeline is to give certainty that rail projects are being planned sensibly and facilitate clear communication about any changes to plans. A pipeline also can and must take long-term economic, societal, and environmental goals into consideration.

6.10. **Any pipeline should be developed alongside long-term strategies relating to rail, transport, and infrastructure development** (for example, the National Integrated Transport Strategy, and the Rolling Stock Strategy). The benefits of long-term planning of this type can be seen in examples of such plans. International examples include the California State Rail Plan 2050<sup>xviii</sup> and the Swiss Rail 2050 plan<sup>xix</sup>, both of which focus on long-term visions of integrated and cohesive statewide rail systems, which address issues affecting train performance, and also consider future increases in demand and future goals the rail plans could contribute towards.

*ii. What level of project specification should it include?*

6.11. **The pipeline should be published with the expectation that it includes the current best understanding whilst recognising the need for flexibility.** The pipeline should include estimated timescales, routes to market, clear project outcomes, and any known specifications to help guide preparation by the supply chain. It should also include information about key stakeholders, particularly who is expected to manage the project, e.g. NR, GBR, or Mayoral Authorities.

6.12. **It is important to note when developing a pipeline:**

- Any system should be open to development and continuous improvement
  - Detail included in the pipeline will increase the closer a project gets, as more development work is done and the project moves towards procurement
  - Different companies will need different levels of detail. Tier 1 suppliers typically make strategic decisions about how to deploy their capability across short, medium and long-term timescales. They usually span multiple infrastructure sectors and multiple international markets, and as such, having high level and long-term certainty is valuable for maximally efficient development and deployment of capability. Tier 1s also seek clarity on behalf of the wider supply chain. Certainty is crucial for SMEs - who rely on Tier 1s for work - to plan effectively, and last-minute changes undermine confidence within the industry. Specialist SMEs will also be looking for more detailed information addressing their specific area and will rely on more regular, smaller packages of work.
- 6.13. **When larger projects and frameworks are awarded to Tier 1 suppliers, the Tier 1s should then be supported to publish their own pipelines of work.** This will help to provide clarity of upcoming work for smaller organisations, which are typically more vulnerable to periods of 'boom and bust'.
- iii. What commitments from Government should it include in both the short and long-term?*
- 6.14. **Regular updates** in order to rebuild trust after the RNEP and to provide clarity of information to help the industry right-size prior to projects coming to market. Prompt communication of new details or project cancellations facilitates planning and should be prioritised.
- 6.15. **Centralised monitoring of the supply chain**, actively led by the Government, to track the health of the supply chain and therefore its ability to deliver future projects. An example of this monitoring in practice can be seen in the National Highways' supply chain mapping, which identifies interdependencies beyond Tier 1 contracts and monitors supply chain fragility. A spokesperson for National Highways reported this meant that no contracts were incomplete due to the supplier going into administration over the second road period of 2020-2025, and credited this to this practice<sup>xx</sup>.
- 6.16. **Strategic oversight when planning projects in the medium to long term.** Part of reducing 'boom and bust' profiles of investment will be to ensure that there is an even spread of major projects planned, both to reach a state of consistent funding and to ensure that there are sufficient skills and equipment available. We can see a lack of strategic oversight in the 'boom and bust' profile of electrification investment, where GWEP came directly after a period of low investment when the industry lacked enough skills to effectively deliver a project of such scale. The situation was further exacerbated by several other projects ordered in the same period as GWEP.
- 6.17. **Finally, the Government should commit to clear and transparent communication about delays or cancellations.** If there is no option but to delay or cancel a project, the industry must be kept informed so they can prepare in advance, and the Government should commit to a robust protocol for this. This will reduce costs in the long term by helping organisations to redeploy and retain staff when projects are delayed mid-flight. In situations where the industry is waiting for progress on a project due to come to

market, such as Midland Mainline (MML3), companies have been retaining unproductive bid and engineering teams based on unclear timescales and unreliable promises of Invitations to Tender (ITTs) coming to market.

*iv. What budgets and sources of public funding should it encompass?*

- 6.18. **The pipeline should encompass all Government funding to the rail industry**, including existing Control Period funding, enhancement funding, Pan Regional Partnership (PRP) funds (in collaboration with PRP and Mayoral Authorities), and active travel funding.
- 6.19. **There should also be a separate rolling stock pipeline developed** – GBR provides an opportunity to make pipelines in this area more visible than they have ever been and develop a much smoother profile of rolling stock investments and refurbishment. The rail reform process should provide a role for GBR to consider the long-term rolling stock needs of the network and the sustainability of the supply chain, creating a strategy, including for example framework orders, with the objective to intelligently smooth the pipeline.
- 6.20. **Exploring funding opportunities which link housing developments and rail/transport developments is a promising area for growth**, and the potential for this is heightened by Treasury announcements about the positive impact its new Planning & Infrastructure Bill will have on developments around transport hubs.

*v. How should it engage private investment?*

- 6.21. **RIA has called for a fresh approach to attract private investment into the railway**, and to make use of private financing arrangements where possible, to bring forward investments that would effectively boost productivity, reduce future costs and grow the economy earlier and faster. Private investment models have already been used successfully in the rail industry. This is largely rolling stock - 65% of private investment in 2023/24 – with rolling stock-owning companies (ROSCOs) investing billions of pounds into the national fleet since 1997, including in the procurement of over 14,000 new vehicles. ROSCOs bring crucial whole-life asset management experience to the sector and support depot upgrades alongside their investment in rolling stock. Effective use of private financing should be expanded to include other asset types such as stations, depots, electrification and signalling, leveraging the benefits of these models.
- 6.22. **A pipeline needs to make clear which opportunities are open to private investment**. This is best done collaboratively upfront, with opportunities discerned where investors can make a return and deliver projects which would not otherwise be possible, either directly or by releasing money to support more social projects. A clear, long-term pipeline of high-priority projects with demonstrable benefits can attract private investors. Uncertainty, frequent reviews, and political volatility deter investment – private investment decreased by over 50% from 2019 to 2024 - and this is particularly a problem for international investors. *See Fig. 4 in Annex A.*
- 6.23. **A clear policy is needed, demonstrating the Government's views on private investment in rail**, along with a playbook showing how and where the Government would like it to be leveraged. The Government should look to become facilitators,

creating an environment that allows for and encourages private investment. This should be developed in consultation with both the operational railway and those looking to invest, to ensure that the running of the railway is not impacted and that investment opportunities are attractive.

- 6.24. **Most importantly, the Government's role needs to shift from being a gatekeeper of private investment to being a facilitator.** Instead of looking for reasons against private investment, Government should actively look to involve third parties, develop models for private investment, and provide clear advice to help businesses and investors to prepare. This will require an integrated approach across Government departments, with streamlined processes to avoid costly delays. Efforts by NR to make the process of investing in the industry more transparent should be encouraged, as in their manual on investing in rail, and lessons from this process should be brought over into a new GBR system. This will require an integrated approach across relevant Government departments.
- 6.25. **There is appetite amongst private investors to be involved in transport schemes.** *Fig. 4 in Annex A* illustrates the latent opportunity which shows that private investment has fallen since a peak in 2018 and has historically been dominated by rolling stock investment. This suggests that there are significant opportunities to both return rolling stock investment to previous levels and increase private investment in other types of railway assets. In the absence of franchising competition, which was the previous trigger to leverage in the majority of private investment, careful consideration needs to be given to creating new conditions to encourage private investment.
- 6.26. Developments in the Planning & Infrastructure Bill could also unlock new systems of Land Value Capture, which could lead to key funding opportunities. These developments should enable the consideration of new models and ways of working.
- d. What role should the industry play in the development of this pipeline and how should Government engage with industry in its delivery?*
- 6.27. **It is important that any pipeline is developed and displayed in a way that is useful to businesses and allows them to plan.** Engaging with industry, including via trade associations such as RIA, in an iterative manner during the development can be central to making sure any pipeline is a success and received well.
- 6.28. **One way that industry could be involved is through the establishment of an expert panel representing industry,** who could help advise and provide feedback on proposed timescales and specification scales for different projects.
- 6.29. **After development and publishing, any changes to the pipeline or the process should be communicated clearly with industry,** both in terms of relaying further details as they become available, and for any unavoidable delays or cancellations to projects.
- e. What role would a long-term rail investment pipeline play in developing the railway supply workforce?*
- 6.30. **Maintaining a skilled workforce in a specialised industry like rail requires consistent recruitment and training,** yet the rail industry has faced a 9.4%

workforce reduction over the last year reported. According to NSAR, this decline is driven by uncertainty surrounding the capital spend pipeline, which deters supply chain companies from replacing staff or investing in training.<sup>xxi</sup> Nearly 90,000 people are projected to leave their current employer by the end of this decade with a large proportion of these retiring.<sup>xxii</sup> Significant deficits in skilled jobs such as Engineers, Maintenance Technicians, Testers, and Signallers are expected in the next five years.<sup>xxiii</sup>

- 6.31. **Short notice changes to the work bank make it extremely hard for suppliers to plan internal resources.** Whilst it saves money in the short term, suppliers will often have to make employees redundant before then bringing them back on at a later date, often for significantly higher salaries, increasing costs in the long run.
- 6.32. **Companies typically need around three years of certainty of work in order to invest in apprenticeship and graduate schemes,** but as reported earlier in this response, the overwhelming majority of rail companies currently lack this clarity. Maintaining a strong intake of new entrants to the industry will be vital to meeting future demand, both to maintain the existing assets and to deliver enhancement schemes.
- 6.33. Again, the implementation of GBR provides an opportunity for the industry to take a strategic view of workforce planning, carrying out gap analysis work and then acting to fill gaps before there is a critical need.

#### ***Case Study: the QTS Rail Skills Academy***

- 6.34. The QTS Rail Skills Academy is a successful initiative run in Scotland since 2022, by the rail supply organisation QTS. The Academy takes on young people aged over 18 who are unemployed and have experienced various barriers to work. No prior training or experience is required, and the programme equips them with the competencies, skills and experience required to thrive in the railway maintenance sector. Since launching, the Academy has supported over 80 young people in their career development.
- 6.35. The initiative is supported by other industry partners and is helping to combat industry workforce challenges by providing a pipeline of competent young entrants into the sector. The programme has had a success rate of 98% employment in the rail industry following graduation.
- 6.36. QTS and their partners have been able to run this initiative successfully, significantly due to a visible pipeline of work in Scotland supported by the Scottish Government. This allows them to justify taking on cohorts of young people and invest in their training, knowing that there are jobs available to them once they have completed the course. This also helps to attract people onto the initiative; without at least some level of guaranteed work at the end, QTS and their partners would struggle to fill their cohorts.
- 6.37. There is an appetite from QTS and partners to expand this initiative into England & Wales, but due to uncertainty of work in the coming years, it is harder to justify the investment. This is just one example of how a lack of a visible pipeline and work bank has long-term impacts on the ability of the industry to attract and train new entrants, and therefore the ability of the industry to react to and deliver future projects.

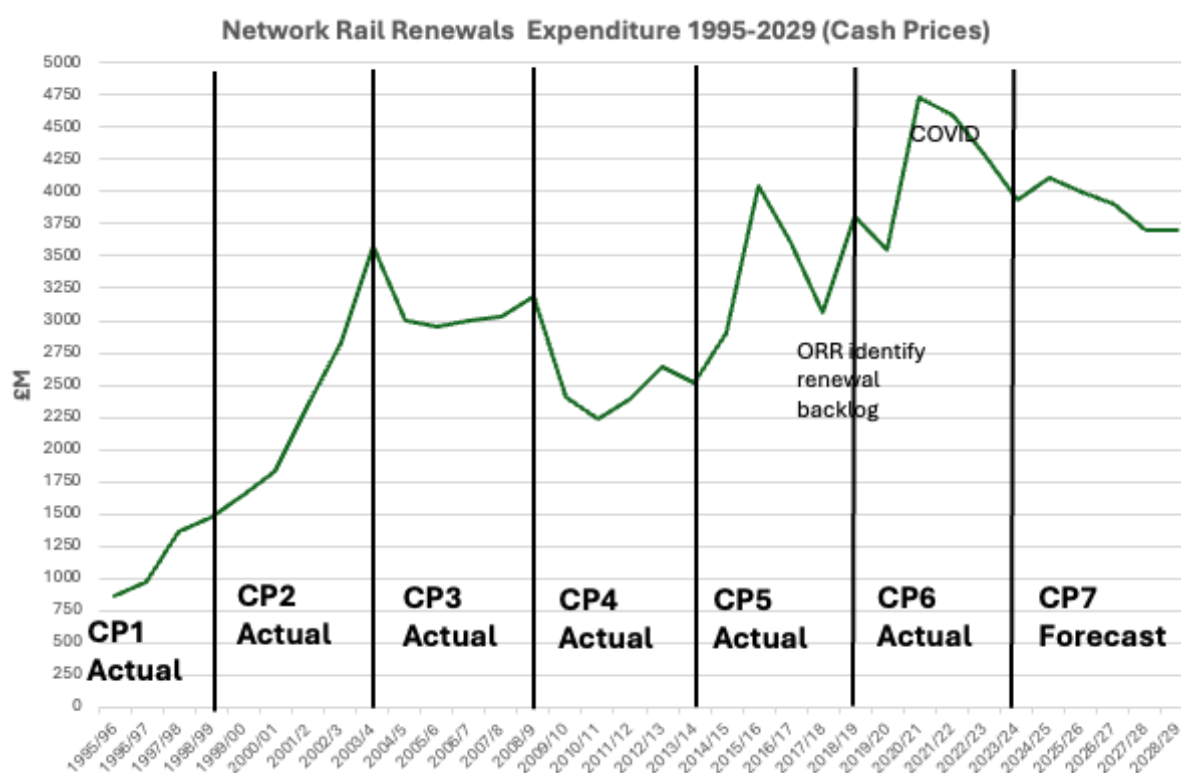
***f. How should a pipeline interact with the Government's development of a wider long-term rail strategy, rolling stock strategy, infrastructure strategy, and the Invest35 industrial strategy?***

- 6.38. RIA urges the Government to consider how the rail strategies can link up with wider strategies and plans for development outside of transport, such as by mapping and assessing the transport connections between key industrial centres. The rail investment pipeline should be directly informed by the various strategies and reflect the priorities within them.
- 6.39. The development of a smoother pipeline aligns with the goals of the UK's industrial strategy Invest 2035, published in 2024; facilitates the growth of renewable jobs; gives businesses the certainty they need to invest; and is crucial to the growth-driving sectors identified in the strategy. A lack of infrastructure holds back growth across the country, for example in regions like Manchester (where a lack of transport is estimated to cause a productivity gap of £8.8 billion each year). Development in coordination with these strategies could mitigate this.
- 6.40. The various strategies should aim to solve capacity issues, such as those on the West Coast Main Line, East Coast Main Line, and around Chester and Teesside. A clear plan is needed to ensure that HS2 runs to Euston and that the station is built to allow for expansion in the future, if it is not built to its full size now. The bottleneck between Birmingham and Crewe needs a solution to prevent a scenario where the West Coast Main Line has less capacity than prior to the construction of HS2.
- 6.41. Alongside the various Government strategies being published over the next year, an effective pipeline should also interact with Mayoral strategies and priorities, and devolved bodies such as Transport for Wales and Transport Scotland.

## ANNEX A: SUPPORTING EVIDENCE

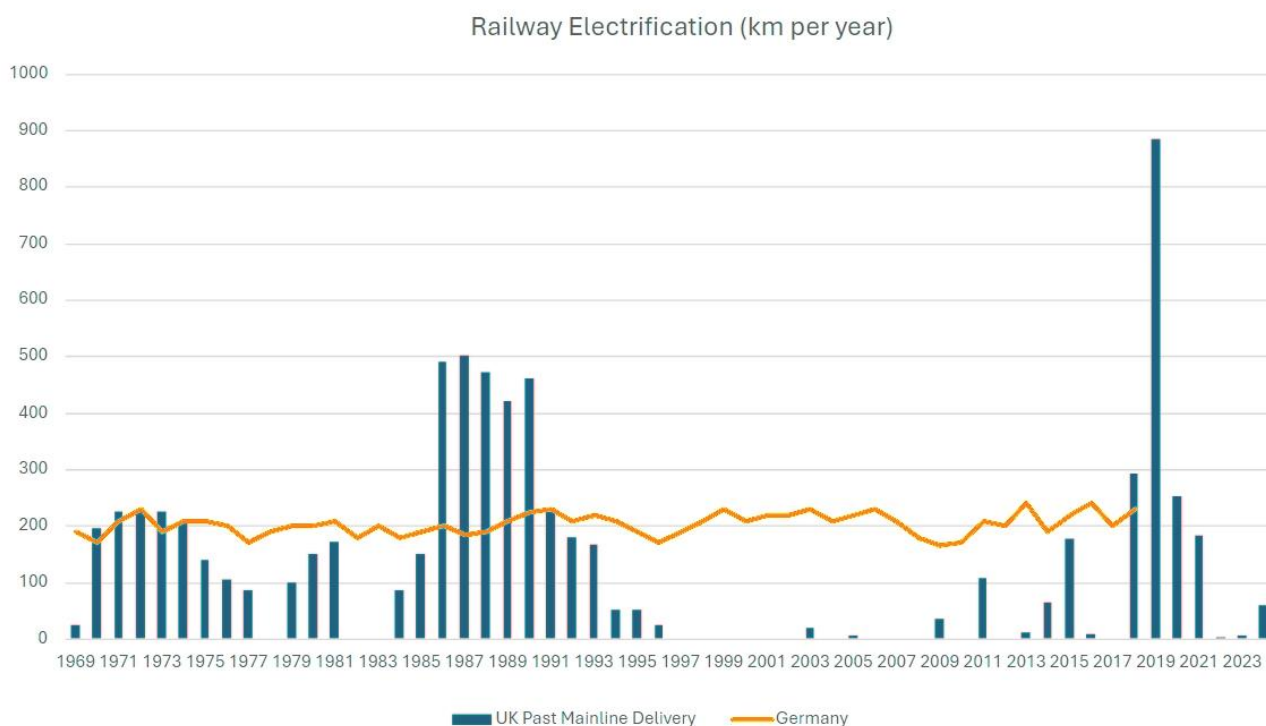
**Figure 1 – Network Rail Renewals Expenditure 1995 – 2029 (cash prices).**

Network Rail's renewals expenditure has shown a long-term upward trend, but significant variation between control periods highlights the broader issue of inconsistent funding for renewal, maintenance and enhancement projects. This stop-start approach increases costs and makes it more difficult to retain skilled teams. Within control periods, spending often peaks in the middle, creating fluctuations that disrupt a steady pipeline of work, and hinder certainty and planning within the supply chain.



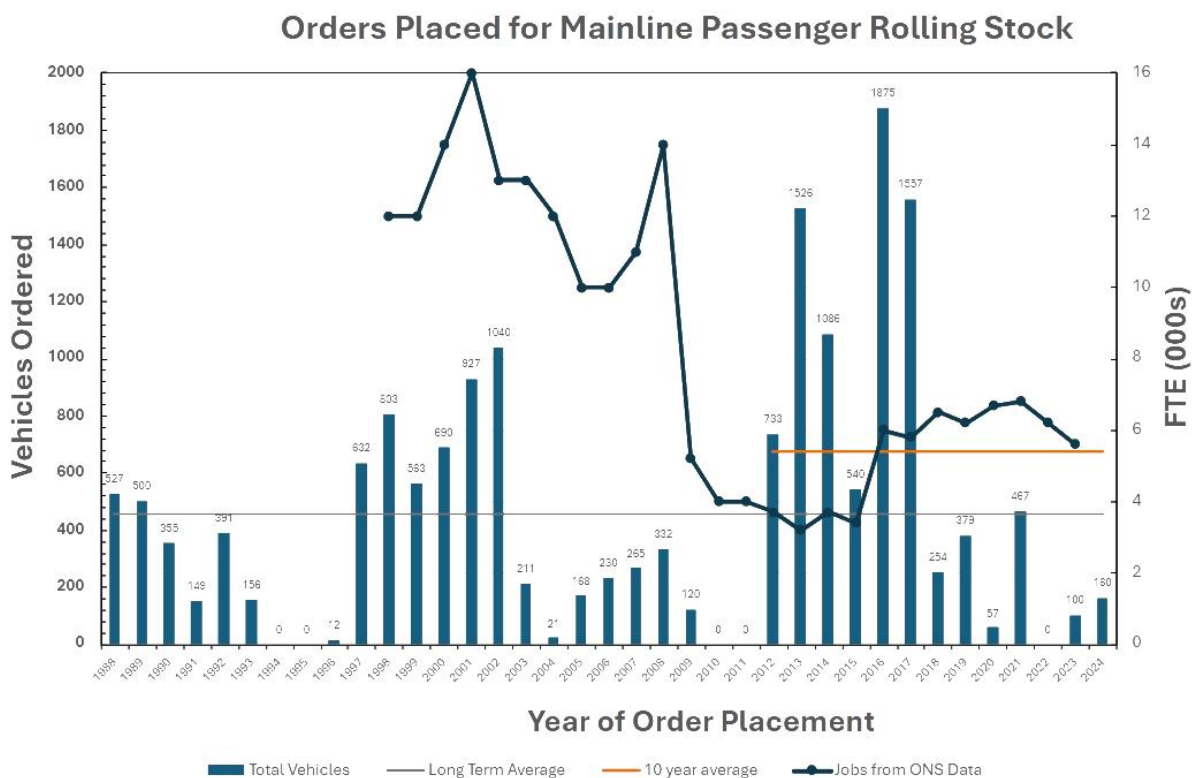
**Figure 2 – Railway electrification (km per year) in the UK and Germany, 1969 – 2023.**

The UK has historically delivered electrification of rail lines at an irregular pace, a trend that has worsened since 1990, when investment in electrification began to significantly decline. There were then no major projects for two decades, until the CP5 programme including Great Western Electrification Project (GWEP) in 2009, which faced considerable challenges. This boom-bust cycle has resulted in higher costs, inefficient delivery, and poor skills retention, as outlined in RIA's 2019 Electrification Cost Challenge report. In contrast, Germany has maintained a steady and consistent electrification programme, leading to lower costs and greater efficiency.



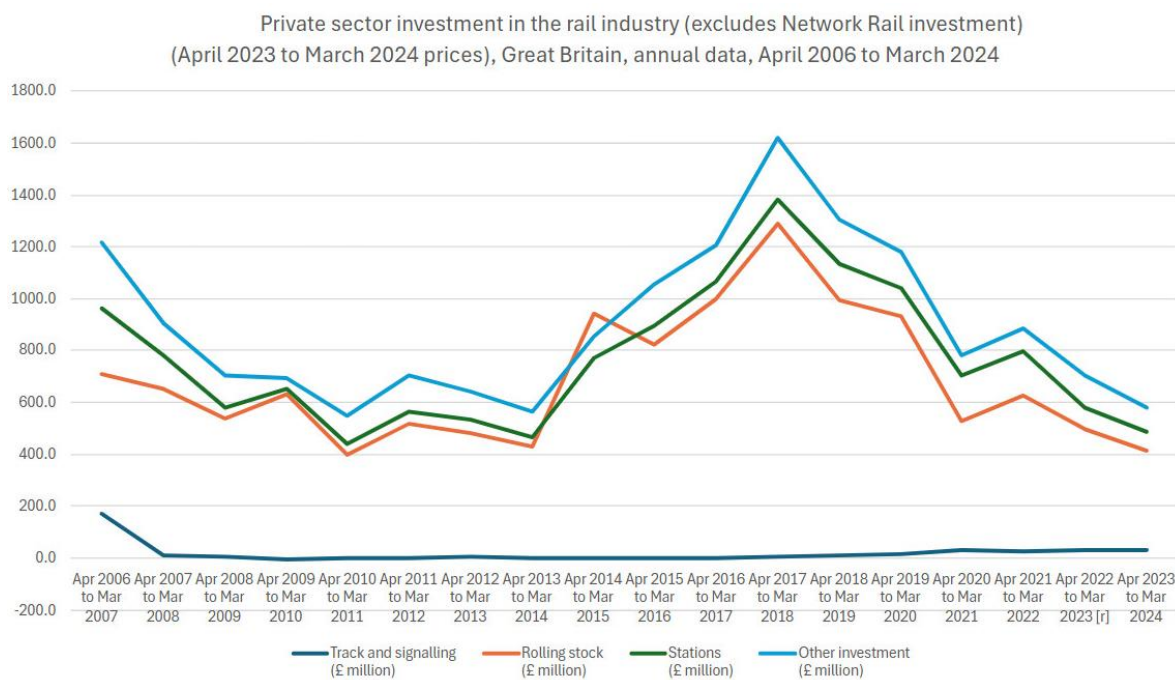
**Figure 3: Orders placed for mainline passenger rolling stock, including overlaid data on jobs.**

An inconsistent rolling stock order profile has led to inefficiency and higher costs. This is especially problematic for maintaining a skilled workforce, because of the unpredictability in levels of work. The decline in the workforce is concerning, particularly since passenger demand is expected to rise, so workforce retention and recruitment is vital. RIA's Rolling Stock Strategy outlines how to smooth this 'boom and bust' cycle and thus reduce costs and support employment.



**Figure 4: Private sector investment in the rail industry, 2006 – 2024 (ex. Network Rail investment), April 2023 to March 2024 prices.**

Private sector investment plays a relatively small role in UK rail infrastructure, with the majority in rolling stock, and small amounts of investment in stations and track. The level of investment has seen a decline in recent years which suggests a latent potential, but RIA’s 2023 report *How can the UK railways secure more private investment?* outlines the challenges private investors face, and how they might be overcome. Given most private sector investment was previously driven by franchising there needs to be clarity about how GBR will attract the significant amount of potential private investment.



## Endnotes

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- <sup>i</sup> [The Economic Impact of Rail in 2023](#), Oxford Economics for RIA
- <sup>ii</sup> Rail Supply Group, 2023. Industry Cost Analysis Financial Year 2021/22. <https://media.graphassets.com/YzWLuYLmS2CknFdXzQCz>
- <sup>iii</sup> Electrification costs in Germany have been around one third lower than in England and Wales, and a Network Rail report showed a marked reduction in unit costs of electrification where a rolling programme was backed by Government.
- <sup>iv</sup> RIA, 2024. A Lower Cost, High Performing Net Zero Railway [https://www.riagb.org.uk/RIA/RIA/Newsroom/Publications%20Folder/A\\_lower\\_cost\\_higher\\_performing\\_net-zero\\_railway.aspx](https://www.riagb.org.uk/RIA/RIA/Newsroom/Publications%20Folder/A_lower_cost_higher_performing_net-zero_railway.aspx)
- <sup>v</sup> The SMP Alliance model, Project 13 Early Adopters. <https://www.project13.info/news/project-13-early-adopter-case-study-smp-alliance-r65/>
- <sup>vi</sup> Transport for London Supply Chain: Economic Impact Assessment 2023/24; Hatch. <https://content.tfl.gov.uk/tfl-supply-chain-economic-impact-assessment-2023-24.pdf>
- <sup>vii</sup> Invest Goole. <https://investgoole.co.uk/eight-years-of-work-comes-to-fruit-for-invest-goole/>
- <sup>viii</sup> RIA's 2019 Electrification Cost Challenge Report
- <sup>ix</sup> Letter from the Secretary of State for Transport to TfL, 2022. <https://content.tfl.gov.uk/tfl-extraordinary-funding-and-financing-settlement-letter-25-february-2022.pdf>
- <sup>x</sup> NSAR 2024 Workforce Survey & Report. <https://www.nsar.co.uk/wp-content/uploads/2024/11/ONLINE-Annual-Workforce-Survey-2024-compressed.pdf>
- <sup>xi</sup> The [Economic Contribution of Rail, 2021, and update 2024](#), Oxford Economics research for RIA
- <sup>xii</sup> Railway Industry Association, 2024. Annual survey of rail business leaders: confidence in the rail supply industry still low. [https://www.riagb.org.uk/RIA/RIA/Newsroom/Press\\_Releases/Annual\\_survey\\_of\\_rail\\_business\\_leaders\\_confidence\\_in\\_the\\_rail\\_supply\\_industry\\_still\\_low.aspx](https://www.riagb.org.uk/RIA/RIA/Newsroom/Press_Releases/Annual_survey_of_rail_business_leaders_confidence_in_the_rail_supply_industry_still_low.aspx)
- <sup>xiii</sup> <https://www.telegraph.co.uk/news/2024/04/11/britain-train-factory-derby-factory-jobs-alstom-french/>
- <sup>xiv</sup> Rail Network Enhancements Pipeline, 2018
- <sup>xv</sup> <https://www.gov.uk/Government/publications/the-construction-playbook>
- <sup>xvi</sup> <https://www.gov.uk/Government/speeches/chancellor-vows-to-go-further-and-faster-to-kickstart-economic-growth>
- <sup>xvii</sup> The Construction Playbook, Version 1.1, 2022, page 16. [https://assets.publishing.service.gov.uk/media/6312222de90e075880923330/14.116\\_CO\\_Construction\\_Playbook\\_Web.pdf](https://assets.publishing.service.gov.uk/media/6312222de90e075880923330/14.116_CO_Construction_Playbook_Web.pdf)
- <sup>xviii</sup> <https://dot.ca.gov/programs/rail/california-state-rail-plan>
- <sup>xix</sup> <https://www.bav.admin.ch/bav/de/home/verkehrsmittel/eisenbahn/bahninfrastruktur/ausbau-programme/perspektive-bahn-2050.html>
- <sup>xx</sup> [Revealed: 56 Network Rail contracts from CP6 where supplier went into administration | New Civil Engineer](#)
- <sup>xxi</sup> <https://www.nsar.co.uk/wp-content/uploads/2024/11/ONLINE-Annual-Workforce-Survey-2024-compressed.pdf>
- <sup>xxii</sup> NSAR, 2024. Annual Rail Workforce Survey 2024. <https://www.nsar.co.uk/wp-content/uploads/2024/11/ONLINE-Annual-Workforce-Survey-2024-compressed.pdf>.
- <sup>xxiii</sup> NSAR, 2024. Annual Rail Workforce Survey 2024. <https://www.nsar.co.uk/wp-content/uploads/2024/11/ONLINE-Annual-Workforce-Survey-2024-compressed.pdf>. Engineers have a projected deficit of -3,101; Maintenance Technicians -1,903; Testers -1,278; and Signallers - 595 over the next five years.