

RESPONSE FROM THE RAILWAY INDUSTRY ASSOCIATION (RIA) – MAY 2020

This submission is the Railway Industry Association (RIA) response to the above inquiry, of 27 April 2020.

1. BACKGROUND TO RIA

- 1.1 RIA is the trade association for UK-based suppliers to the UK and world-wide railways. It has over 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.
- 1.2 The Oxford Economics 2018 report¹ shows the UK rail sector contributes annually over £36bn GVA to the UK economy, employs 600,000 people and generates £11bn 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.

Executive Summary

- **The Government's response to Coronavirus and engagement with rail suppliers has generally been positive so far.**
- **RIA welcomes the Government's and Network Rail's assurance that where work can go ahead safely, it should do so.**
- **Rail supply business's top concern is a hiatus or drying up of work.**
- **In this difficult period, effective communication between the Government, clients and the supply chain is more important than ever, so that rail can support and ensure a safe return to work for workers throughout the UK, helping the economic recovery and ensuring we can build world class rail at home and abroad in the months and years to come.**

2. INTRODUCTION

- 2.1 The Government's response to Coronavirus and engagement with rail suppliers has generally been positive so far. Rail Minister Chris Heaton-Harris MP has been supportive and accessible, and, together with Network Rail Chief Executive Andrew Haines and HS2 Chief Executive Mark Thurston, has engaged regularly with RIA and the rail supply sector. Concerns from the sector have been responded to quickly, and measures put in place to limit the financial uncertainty for businesses, to ensure suppliers are able to continue supporting rail services for key workers and resources. There has also been some engagement with the Train Operating Companies (TOCs), and rail suppliers welcome this support.
- 2.2 Rail suppliers would like to see greater engagement with Transport for London, including how it sees investment plans changing due to the Coronavirus outbreak and the impact on the supply chain. Further dialogue would be beneficial for both parties and would encourage greater engagement.

3. RIA SUBMISSION

Ensuring work can continue.

- 3.1 Both Government and Network Rail have assured RIA that where work can go ahead safely, it should. RIA members are starting to see workers returning to work, as long as this is safe working, adhering to relevant guidelines. Together with DfT and the Rail Supply Group, RIA is exploring how work plans are prioritised to enable the rail sector to deliver maximum value to passenger and freight customers during this challenging period.

¹ See Oxford Economics report – https://www.riagb.org.uk/RIA/RIA_new/Press/Oxford_Economics.aspx

Certainty and forward planning

- 3.2 For rail suppliers in this difficult period, it is essential to have certainty and visibility of upcoming work. The Government and Network Rail assured RIA they would like to see design work continue, enhancement decisions speeded up with bureaucracy reduced, and a clear return to work plan for when Coronavirus measures are eventually relaxed. The results of a survey of RIA members (March-April) on the impact of Coronavirus showed their main concern was a hiatus or drying up of work.
- 3.3 RIA is encouraging Network Rail to identify opportunities to bring work forward, such as design, IT and telecoms, as this does not require the longer timeframes to plan seen in many engineering projects. Whilst RIA members welcome Government support for TOCs they are concerned TOCs benefit from taxpayer-funded guarantees – including management fees which guarantee profits – without sharing these benefits with their supply chains. Indeed “committed obligation” investments have not been taken forward under these contracts. This is short sighted and damaging both to supply chain sustainability and future train performance for passengers and freight.

Clear lines of communication with Government, clients and key stakeholders on Coronavirus

- 3.4 RIA has seen good engagement from DfT and Network Rail to ensure issues raised by rail suppliers are resolved. RIA has also engaged with Business & Industry Minister Nadhim Zahawi MP and Exports Minister Graham Stuart MP, as well as the Chief Executives of Network Rail and HS2 Ltd, Andrew Haines and Mark Thurston respectively. Communication with the TOCs has, at the time of writing, been less regular and RIA would like to see stronger engagement with Transport for London.

Rail workers to be recognised and valued as ‘key workers’

- 3.5 Transport workers have now been recognised with ‘key worker’ status. RIA welcomes the extension of the furlough rules announced on 12 May, including plans for part time furlough from August. This is a development which our members have been asking for, and is particularly important for the rail supply sector where rotational working requires greater flexibility.

Appropriate financial support

- 3.6 RIA welcomes support from the Government for businesses and from Network Rail, with new expedited prompt payment rules for SMEs and the wider supply chain². We commend Network Rail’s response to Public Procurement Note PPN02/20 – which sets out information and guidance for public bodies on payment of suppliers to ensure service continuity during and after the Coronavirus outbreak – and the measures it is implementing around ‘suppliers at risk’.
- 3.7 RIA’s members have expressed concerns over the pace at which lending decisions have been made, support for self-employed company directors and challenged whether EU ‘undertakings in difficulty’ rules are inhibiting investment in innovation. We are considering this further.

Return to ‘normal’

- 3.8 We urge the DfT, alongside major rail clients and the TOCs, to involve the rail supply sector in discussions over the recovery of the railway so that we can all respond promptly once lockdown has been lifted. Rail has a key role to play in supporting the success of the wider UK economy.

If you would like further information, please email RIA’s Policy Director Kate Jennings / Senior Policy Manager Damian Testa at kate.jennings@riagb.org.uk and damian.testa@riagb.org.uk respectively.

² See <https://www.networkrail.co.uk/news/network-rail-gives-suppliers-cashflow-boost>