

26 March 2020

Summary and Key Asks of Government

Rail Forum Midlands (RFM) represents some 230 rail organisations. The impact of Covid 19 on our industry has been immediate and far reaching. Following numerous discussions with members several issues have been fed into government and we are grateful for the speedy response to date. This document summarises our 'key asks'; those actions that will make the difference for many businesses over the coming weeks and months.

1. Pressure should be maintained on Network Rail, TOCs and other key clients to keep as much work flowing to suppliers as possible including early GRIP stage work, TOC service improvement commitments and so on. This will facilitate a quicker return to 'business as usual' for many organisations.
2. Cash flow is absolutely critical for companies throughout the supply chain. Urgent clarification is required on how the furlough payments scheme will work and the process for claiming this relief. Some companies will struggle to stay afloat until the end of April so all avenues to advance some money to those that are in real need should be explored.
3. In addition to the above clients/tier one's must ensure that payments are made promptly and that this flows down through the whole supply chain. Payment for invoiced work/delivered services should be brought forward wherever possible and especially where payment terms are currently in excess of 30 days.
4. Many suppliers are subject to penalty clauses within their contracts for example for late delivery or failure to provide services. DfT, TfL and other 'ultimate clients' should act to facilitate relaxation of these throughout the supply chain to avoid unnecessary concerns, penalties and potential litigation.

Background to the Key Asks of Government

1. Railway Critical National Infrastructure

The railway is part of our national infrastructure and provides a critical service to passengers and freight companies. Whilst on the passenger side of the railway ridership has dropped by up to 90% leading to a reduced timetable we need to be in a position to quickly ramp up again as the nation comes out of the current lockdown situation and gears up to go 'back to work' etc. Depending on what work actually continues in the coming weeks this will be a challenge to do in a speedy way and could cause several months lag/delay leading to a bow wave of future work which the supply chain will struggle to cope with. This applies across all aspects of the industry.

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If at all possible we should avoid postponing non critical Network Rail contracts / stopping work on Network Rail's infrastructure and TOC activities that 'could' continue in some way during the current lockdown situation. Work on design and earlier GRIP stages should continue otherwise there will be a delay in a few month's time as there will be no designs/plans ready. In addition where work can be brought forward due to availability of the network this opportunity should be explored. I would stress, however, that whilst we support the continuation of work this is of course subject to observing PHE advice on social distancing and any other measures needed to maintain the safety of the workforce and others impacted by our work.

As rolling stock manufacturers across Europe close factories for several weeks their suppliers are now following suit. Ramping production back up to current levels will likely take weeks rather than days. These supply chains are complex and include suppliers in numerous other countries in Europe and further afield.

2. Cash Flow and Access to Government Support Packages

The industry is dominated by many SMEs for whom cash flow is critical. Many work on the basis of a few weeks of cash, they do not have deep cash reserves to draw on! Whilst the government support package of 80% wages up to £2500/month for furloughed workers has been well received there is real anxiety on the timescales and process for claiming this. It should be noted that some companies also pay wages weekly, so waiting until the end of April and possibly longer before they can access furlough relief will be extremely difficult for them. SMEs are very loathe to take up the business loans – banks are requiring personal guarantees and even if they are prepared to ask for a loan not all will secure one.

3. Contractual Terms and Penalty Clauses

This is a particularly complex set of issues. We are aware of force majeure notices that have already been served, some of which could have far reaching consequences depending on the specific contract and how long the current situation continues for. Many contracts have penalty clauses for failure to supply services or failure to deliver parts on time etc. These clauses often start at the 'top' of the chain with the ultimate client and flow through the supply chain; many are onerous especially for smaller companies. There is no 'one size fits all' easy solution but common sense suggests that there should be a 'supply chain wide' discussion to cut through these issues and agree some form of relaxation to help everyone. These may need to be led from within DfT, TfL etc as the 'ultimate' procurers.

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