**National Infrastructure Commission's Call for Evidence on rail in the Midlands and the North**
**Northern Rail Industry Leaders, Rail Forum Midlands & Railway Industry Association Joint Response**
**May 2020**

## 1. BACKGROUND

This response has been compiled jointly by:

- **Northern Rail Industry Leaders (NRIL),** which brings together businesses to help develop and support the rail industry in the region, and which includes 150 rail organisations in the North of England. In 2019 it published a 'Building the North's New Railways' Report, which looks at how rail suppliers, Transport for the North (TfN), Government and key rail organisations can work together to deliver the best for the region through rail investment.
- **Rail Forum Midlands (RFM)**, which is the only regionally focussed rail trade organisation in the UK, and which supports the nationally and internationally important rail supply chain cluster across the Midlands. RFM has over 200 members providing products and services across all aspects of the industry, and actively supports the national rail agenda and strategy, encouraging collaboration, promoting members' capabilities, leading a number of regional skills initiatives and supporting innovation and export priorities. RFM is owned and governed by its members with a Board drawn from member companies.
- **The Railway Industry Association (RIA**), which is the national 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.

Rail is an important industry for both the Midlands and North. Research by independent organisation Oxford Economics in 2018 report[1] shows that the rail industry generates £4.49 billion GVA in the Midlands and £7.3 billion in the Northern Powerhouse region each year. The sector also supports 84,900 jobs in the Midlands and 132,700 in the Northern Powerhouse region. And 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.

## 2. CONSULTATION RESPONSE

Below we set out our response to the questions posed by the National Infrastructure Commission's (NIC) call for evidence. We have not sought to answer every question, but instead to focus on those of pertinence for the rail supply community.

**What potential investments should be in scope of the Commission's assessment of the rail needs of the Midlands and the North? – In answering this question, please consider the terms of reference for the Integrated Rail Plan, particularly that HS2 Phases 1 and 2a are out of scope.**

NRIL, RFM and RIA support the work of Midlands Connect and specifically the projects identified in their Midlands Engine Rail Report (which includes a number of priority schemes alongside Midlands Rail Hub) together with their very recently launched Access to Toton Report. Similarly, we support Transport for the North's Strategic Transport Plan and the Strategic Outline Business Case for Northern Powerhouse Rail. All these schemes are vital for the connectivity of the two regions and should be included in the NIC integrated plan, alongside HS2 as the new spine of the UK rail network.

[1] The Contribution of UK Rail, Oxford Economics, 2018

The NIC should consider a number of issues in its assessment, including:

- How plans for HS2 Phase 2b should be integrated with Northern Powerhouse Rail and Midlands Rail Hub, as well as the existing infrastructure network. Connectivity to HS2 stations should also be included, for example, in the Midlands from Nottingham, Derby, Leicester and surrounding towns to Toton;
- The value of wider regeneration, in addition to the transport benefits, provided by these schemes. For example, the East Midland Growth Strategy outlines proposals to deliver an additional 74,000 jobs and £4 billion GVA as a result of HS2 Eastern leg;
- The capacity of the rail supply industry to deliver these schemes (taking a national view of rail investment). This should include planning for skills and labour requirements, business capabilities and the consistency of workloads – ensuring that investment does not add to 'boom and bust' cycles seen in the current Control Period system. It is our view that it is our view that capacity need not be a constraint if whole industry resource planning is robust and long-term;
- How the Midlands and North of England can ensure procurement practices deliver value for money, and encourage collaboration between the supply chain and client bodies (such as through, output driven specifications, whole life costing and early contractor involvement);
- How investment can help progress the digitalisation and decarbonisation of rail in the two regions; and
- How client bodies can ensure investment develops economic value in the UK, through the use of UK content and working with the supply chain to develop innovation and the forward visibility which supports investment in the people, plant and processes with drive productivity and underpin a viable and sustainable supply base.

**Which set of rail investments do you believe would, together: a) best unlock capacity within the Midlands and the north? b)best improve connectivity within the Midlands and the North?**

NRIL, RFM and RIA believe that HS2 needs to be delivered in full, alongside the Midlands Rail Hub and Northern Powerhouse Rail. This is not an either-or decision, and these projects need to be delivered together in full. These two regions require greater connectivity and capacity to support economic development, jobs and investment and therefore there should not have to be a decision between projects.

After the impact of the Coronavirus outbreak, it is all the more important that the two regions have an economic stimulus, and rail investment can play a key role here. For example, NRIL's preliminary calculations suggest that with the correct engagement of the rail supply chain with Northern Powerhouse Rail an additional 10,000 jobs in the supply chain and £589m in economic growth could be delivered per year.[2] However, pacing of projects is important – for example, some improvements within Midlands Rail Hub or Northern Powerhouse Rail could be delivered more quickly than the construction of HS2, and could be accelerated. It is also important that the impact of major construction in specific locations is considered.

**Within the set of investments you identified, which individual investment(s) should be the highest priority? – Please explain your rationale for this and how this would affect the phasing and sequencing of the full set of investments you identified.**

NRIL, RFM and RIA urge the Commission to consider the capacity of the rail supply industry in its considerations around phasing and to ensure projects are phased appropriately so that there is a smooth profile for work for rail businesses. This would allow expertise to be built up and utilised, and increase efficiency of delivery. 'Boom and bust' approaches to rail investment have been shown to increase costs by up to 30% and reduce the sectors ability to invest in the people and skills which improve productivity. With a more consistent, planned, approach to investment, the sector would have the confidence to do even more in terms of skills development and apprenticeships.

[2] Building the North's New Railways, NRIL, 2019

The slides in Appendix 1 show the level of investment for Northern Powerhouse Rail over time, as estimated by NRIL, based on 2015 rates in the Strategic Outline Business Case (SOBC). These show that there is a huge opportunity for the industry, with a peak of over £5bn annual spend and a peak of 90,000 skilled resources for Northern Powerhouse Rail alone. However, this will also pose a significant challenge for the industry in ramping up resources, skilled labour, and processes, and must be considered alongside plans for HS2, Midlands Rail Hub and Network Rail's (NR) Control Period spend. There will need to be sufficient supplier confidence around all these projects to underpin the necessary investment.

NRIL , RFM and RIA also believe that a rolling programme of electrification is vital to decarbonising the rail network, and that work should be accelerated to avoid expertise being lost as projects like the Midlands Mainline electrification programme come to an end in the near future. The UK Government should look to provide a continuous programme of electrification, rather than the 'boom and bust' profiles of work the industry has seen in the past, which could help to see projects cost up to 50% less than with some past projects.[3]

Countries which have rolling programmes, such as in Germany, generally see lower costs 'per Single Track Kilometre' than in the UK.

**What supporting policies need to be in place to deliver the benefits of the investments you identified? If there are any dependencies with other investments/policies, how confident are you that these supporting policies will be put in place?**

There are a number of policy areas investment in the Midlands and the North needs to consider, specifically:

- The Government's aim to remove all diesel-only trains off the rail network by 2040;
- The Rail Sector Deal, including the pillars on industry sustainability, skills, digitalisation (digital signalling) and data all of which are complementary to investment in the Midlands and the North;
- The speeding up of planning decisions to ensure that rail projects can get to market quickly and without unnecessary bureaucracy. This will be particularly important post-Coronavirus, to ensure the sector can help support the UK's economic recovery; and
- The need for digitalisation of the rail network, including NR's Long Term Deployment Plan for digital signalling.

Crucially, the Treasury's Green Book approach to valuing investment often misses additional socio-economic benefits of projects like those being examined in this consultation. Business cases for major infrastructure investment need to incorporate carbon reductions, the generation of sustainable skills, and the added economic value through localised supply chains. Rail projects, which often have a 100+ years' life do not fit well with the 60 year time horizons considered in Benefit Cost Ratios.

Effective delivery of projects will require appropriate long term planning and sequencing. In order to ensure cost effective delivery there is also a need to review bureaucracy and reduce overhead costs at all stages of project delivery- for example, the planning system, Government decision making processes and the Network Rail GRIP system all create cost and delay. Where the strategic commitment to progress projects is in place, we should take the opportunity to increase the pace of thinking on design and start survey work now so that projects can be delivered in the most effective way.

[3] RIA Electrification Cost Challenge, Railway Industry Association, 2019

**What impact would the investments you identified have on greenhouse gas emissions? In particular, how would they affect the UK's ability to meet its domestic and international targets, including the Paris Agreement and net-zero? – In answering this question, it would be helpful if you could consider the expected decarbonisation of road transport, as set out in the Commission's National Infrastructure Assessment and Freight Study.**

HS2, Midlands Rail Hub and Northern Powerhouse Rail will all have a significantly positive impact due to the environmental nature of rail travel. HS2 will provide 144 extra freight trains per day, which could carry over 2.5 million lorries' worth of cargo each year. Similarly, completion of the Midlands Rail Hub alone provides for 6 million more rail journeys and creates 36 extra freight paths per day, removing 4,200 lorries.

Decarbonisation of the North and Midlands rail network will require further electrification for intensively used routes alongside cleaner forms of self-powered trains, including the use of hydrogen fuel cells and battery technology. The Rail Industry Decarbonisation Report[4], published in 2019, sets out how the industry can decarbonise the network by 2040 and there will be further development in NR's Traction Decarbonisation Network Study and the Department for Transport's Decarbonisation Plan.

However, we would urge the Government to begin a rolling programme of electrification urgently, before work on the Midlands Mainline comes to a halt. As shown in RIA's Electrification Cost Challenge, with the introduction of a rolling programme, the cost of electrification could be reduced by up to 50% compared to some past projects. In the past, the industry has experienced 'boom and bust' profiles in investment that have seen capabilities in the industry being built up, before work is halted and resources are moved abroad or to other sectors.

**In addition to greenhouse gas emissions, what are the potential environmental effects (positive and negative) of the investments you identified?**

The introduction of more electrification and self-powered green technologies can also improve air quality in towns and cities by removing diesel rolling stock off the network. Working with local partners there is the option to provide improved onward journey options be this light rail, electric bus or cycle. This will further assist the UK in meeting its objectives of decarbonising and remove significant numbers of cars from city and town centres.

[4] Rail Industry Decarbonisation Report, 2019