



**Comprehensive Spending Review 2025
representation to HM Treasury from
the Railway Industry Association**

February 2025

1. INTRODUCTION

- 1.1. This paper is the Railway Industry Association (RIA) submission to HM Treasury, as part of the Comprehensive Spending Review 2025 representations.

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).

3. OVERVIEW

- 3.1. The rail network remains one of the UK's most valuable assets, with huge potential to support both economic growth and skilled jobs for communities right across the UK. The Comprehensive Spending Review (CSR), and accompanying long-term infrastructure strategy, represents an important decision point for the future of the railway.
- 3.2. A 2024 report produced by Oxford Economics,¹ for the Department for Business and Trade and RIA, shows that in 2023 the rail industry supported:
- £41 billion GVA in economic growth;
 - 640,000 jobs across the UK (both directly and indirectly - for every 1,000 people employed in the rail network, a further 4,300 jobs were supported across the economy);
 - £14 billion in tax revenues; and
 - Higher labour productivity, with productivity in the rail supply sector 29% higher than the national average (at £74,100 GVA per job).
- 3.3. Rail has a unique role in supporting the productivity of city regions, by enabling fast connectivity for large numbers of people to densely used urban centres. The National Infrastructure Commission finds that the productivity of city regions is dependent on the quality of their transport connections. Rail connections also facilitate significant new housing development, and the decarbonisation and decongestion of the UK transport system, with a freight train removing up to 129 heavy goods vehicles from the roads.²
- 3.4. Demand for passenger rail is set to grow between 37-97% by 2050 (compared with the pre-pandemic peak),³ and Government has a target to grow freight volumes by 75% by 2050.⁴ In this context, a rail investment plan is an essential ingredient as part of a coherent suite of Government strategies for growth, infrastructure, industrial development, trade and transport.

- 3.5. The businesses RIA represents acknowledge the challenging fiscal context, and the high levels of investment in rail. However, many companies are in an extremely fragile position, following significant uncertainty and false starts in recent years, whilst awaiting clear investment decisions as part of the CSR and long-term infrastructure strategy. Uncertainty and short notice changes to plans always increase costs and this has been the pattern in virtually every area of rail spend.
- 3.6. Polling of 250 rail business leaders by Savanta – in a RIA-commissioned survey – published in November 2024 (**Annex A**) found that over 80% of businesses expect a hiatus in rail work over the year ahead.⁵ Many companies are already undertaking redundancies. A rail workforce survey by the National Skills Academy for Rail (NSAR) published in autumn 2024 found that 9.4% of the workforce (the majority in the supply chain) had left the industry in the previous 12 months.⁶ The UK is at risk of losing critical capability, such as specialist engineering skills, which we know is necessary to maintain, renew and develop the railway efficiently in the future.
- 3.7. Alongside setting out firm investment plans, there are other opportunities for Government to improve business confidence and simultaneously reduce costs through improved supply chain management. The establishment of Great British Railways should be an opportunity to tackle inefficient 'boom and bust' spending profiles; fragmented procurement; short-term decisions and micromanagement by central government. The Government's devolution agenda is an opportunity to ensure transport authorities have clear five-year funding settlements so they can plan ahead with confidence. This is especially important for Transport for London (TfL) as the largest transport authority, which does not have funding certainty.
- 3.8. Businesses in our sector now look to Government for clear commitments both to invest and to improve ways working with the public sector, so that companies have confidence to retain skilled workers, and keep investing in the technologies and innovations that will reduce costs. As the Treasury undertakes the CSR, and long-term infrastructure plan we ask Government to take account of five key principles:
1. **Investing in rail grows the economy**, boosting productivity through the better connectivity within and between key cities, and because the jobs immediately created by rail schemes are high skill-high productivity roles.
 2. **Rail plays a key role in delivering wider Government objectives**. Rail connections are one of the most efficient ways to connect housing developments. The economic benefits of rail are distributed across the UK, with strong evidence of a diverse supply chain that supports jobs and social mobility in deprived regions.
 3. **A smooth and predictable investment profile is needed to secure value for money**. This is a top priority for rail businesses; better public spending practices are needed to give companies confidence to retain staff and invest, reducing the costs of rail projects to taxpayers. The CSR needs to result in the publication of a clear investment plan and pipeline. This cannot wait for rail reform. Stability and visibility does not require extra spending, for example, confirming a long-term funding settlement for TfL will boost confidence without costing a penny.
 4. **Leverage private investment to deliver benefits sooner**. To unlock private investment Government will need to set out clear policies on the use of private finance and funding and actively facilitate investors engaging with the railway.
 5. **Avoid making cuts for minor short-term savings, and prioritise long-term sustainable growth**. Government needs to look at managing long-term costs and benefits, and should particularly avoid decisions that push up costs in future. The UK needs to establish, and then stick to, the required long-term rate of investment in key rail assets. This is the most efficient way to invest in the railway, and will lead to a better passenger and freight experience.

4. INVESTING IN RAIL GROWS THE ECONOMY

- 4.1. In addition to the economic contribution summarised in paragraph 3.2:
- For every £1 spent with the supply chain, at least £2.50 is generated in wider economic benefit.⁷
 - Reducing journey times between key cities can significantly increase wages. For example, reducing journey times between Manchester and Leeds could increase wages by around £600 per worker each year, whilst elsewhere, a 10% reduction in regional journey times could support between 1,950 and 12,600 jobs, depending on the area.⁸
 - Rail also supports the growth of the wider economy. Living standards are enhanced by investment in rail. The Jubilee Line Extension resulted in job growth in catchment areas that outpaced Greater London by 6%, created over 30,000 jobs in the two years after it was opened, and reduced commuting times by up to 27 minutes for an additional 1 million jobs. The populations of surrounding areas grew by 31%, and land value along the route increased by 50%.⁹
- 4.2. It is crucial to plan for future demand. The National Infrastructure Commission has stated that rail capacity constraints risk holding back growth and productivity in key cities.¹⁰ The scenarios for future passenger demand growth to 2050 are shown in **Annex A**. With passenger growth of at least 37% expected (above of the pre-pandemic historic peak), and possibly much higher (up to 97%),¹¹ and a freight growth target of 75% there is a timely question whether failure to invest in reliable rail capacity may hold back productivity.¹²
- 4.3. To underpin its suite of strategies and plans for boosting growth and productivity the UK needs a clear plan to ensure reliable and timely connectivity between key industrial centres and between major urban conurbations. As the National Infrastructure Commission analysis shows, the productivity of UK 'second city' regions is disproportionately lower when compared to similar cities in other countries.¹³ Strategic investment is needed to relieve bottlenecks, enabling access to congested city centres, improving regional performance and supporting the economic growth of major cities. A clear plan for UK transport capability will support a strong domestic supply chain which in turn unlocks greater opportunities for UK exports.
- 4.4. **Since the cancellation of HS2 phase 2 there has been no credible plan to address pressing north-south bottlenecks on the West Coast Main Line, one of Europe's busiest mixed-use railways.** Growing demand for both passenger and freight journeys cannot be addressed without new investment. On HS2, it is right that new Chief Executive Mark Wild is given the opportunity to review and reset the project to ensure best value for money, but Government needs to provide consistency of approach and ensure the value of the investment is not lost. It needs to:
- Produce a credible plan to deliver the required HS2 terminal at Euston station, with enough platform capacity provision to 'futureproof' for forecast passenger demand growth (passive capacity can avoid further expensive modifications).
 - Commit to funding new rail capacity to Crewe in the CSR, which will benefit communities along the route who currently face one of the most congested rail lines in Europe. Without swift action there is a risk the West Coast Main Line has a worse service than prior to the construction of HS2. Purchased land should be retained, to protect for future developments, and a decision should be taken as soon as possible to reduce further cost overruns, and impacts from inflation. The High Speed Rail (Crewe-Manchester) Bill remains in the Parliamentary process and

is an opportunity to confirm legal provision for much needed north-south rail capacity.

- With the right approaches, a streamlined Euston Station and connections to Crewe can be delivered at significantly lower cost, compared with previous estimates. Completing the route will also unlock opportunities for private investment options based on lessons from HS1's concession model, which could generate significant income for the taxpayer.
- Additionally, it is essential that the Government continues to plan for the long-term by continuing feasibility work to connect to the North. To simultaneously boost growth and business confidence, feasibility work should be commissioned to develop a credible plan for connectivity beyond Crewe, as part of the 10-year infrastructure plan. This will be essential in the near future due to increasing passenger demand.
- Developing and delivering this capacity will secure skilled jobs and enhance future productivity in key cities in the Midlands and the North.

5. RAIL PLAYS A KEY ROLE IN DELIVERING WIDER GOVERNMENT OBJECTIVES

5.1. In addition to contributing to the Government's primary objective of economic growth, rail also plays a role in accomplishing a number of the Government's other objectives. The Chancellor's commitment to reviewing the rules of the Green Book is an opportunity to take investment decisions that are more clearly informed by the long-term benefits of projects, including social and environmental benefits.

5.2. **Housing:** The Government's milestone to build 1.5 million homes by the end of this Parliament can only be met if those homes have effective transport connections. **Rail can play a key role in connecting new towns and developments**, which is already being seen through the Government's desire to target new towns along the East West Rail route.

- The previous new towns programme had significant success when built with strong rail links. The Milton Keynes urban area, the fastest growing new town, is served by seven stations, including direct links to both London and the Midlands.¹⁴
- Land within walking distance of existing commuter stations can be developed to boost the number of homes by 10%.¹⁵
- Transport for London's Places for London subsidiary has seen 3,500 homes built.
- Three proposed London transport projects; the Docklands Light Railway extension to Thamesmead, Bakerloo Line extension to Lewisham and the West London Orbital extension, would together support the delivery of over 100,000 new homes, as well as new jobs and commercial space.¹⁶

5.3. **Breaking down barriers to opportunity**, providing skilled jobs across the country: In addition to growth in major cities, **the rail industry supports growth across the country, often in economically disadvantaged areas**. Rail supports high-skilled jobs, driving spending in these areas, and helping to regenerate communities. The rail sector's strong focus on apprenticeships means that these jobs are available to all, irrespective of educational attainment.

- The contribution of the rail supply sector, and induced impacts, to the economy is widely distributed geographically, with significant jobs in every region (the regional pattern is fairly similar to the economy as a whole, but wages and productivity are higher than average therefore boosting productivity in lagging regions).¹⁷
- 63% of TfL's suppliers and around a third of supplier spend and economic impact are outside of London, supporting jobs in communities often in deprived areas. Around 21,500 jobs are supported outside the capital.¹⁸

- HS2 already supports over 30,000 jobs, including over 1,500 apprenticeships and 4,500 jobs taken by people who were previously unemployed.¹⁹ **The Government's desire to break down barriers to opportunity can be heavily supported by the rail sector, providing skilled, productive jobs across the UK**, including roles for those from economically disadvantaged backgrounds, or at the beginning of their careers.
- 5.4. **Decarbonisation:** The Government should not only acknowledge the contribution that rail makes to decarbonisation, but support the potential that the sector has.
- Rail is one of the greenest forms of transport, contributing just 1.3% of transport emissions in 2022, while accounting for 9% of all passenger kilometres.²⁰ Rail emissions are on average over seven times lower per kilometre travelled than all road vehicles. Through smooth investment profiles for battery and electric rolling stock, and cost-effective electrification, the railway can decarbonise completely by 2050, whilst simultaneously improving performance and saving costs.²¹
 - A single freight train removes up to 129 heavy goods vehicles from the roads, significantly reducing carbon emissions,²² whilst increased rail usage reduces congestion, and the increased carbon emissions caused by it.

6. A SMOOTH AND PREDICTABLE INVESTMENT PROFILE

- 6.1. Well over half of all railway expenditure is spent through the supply chain,²³ and this will continue to be the case after bringing operators into public ownership, meaning effective management of the rail supply sector is essential. However, too often we see unexpected changes and peaks and troughs in spending across all asset types (**Annex B**). This has negative consequences for:
- **Maintaining a skilled UK workforce**, since companies will make surplus employees redundant, and the UK then loses benefits of continuous learning from project to project. A smooth investment profile and confidence in a visible pipeline of work helps businesses make decisions to retain and recruit skilled workers, and invest in innovation.
 - **The cost of rail**, which could be reduced through better continuous learning, and through certainty that work which has been committed will actually happen. Delay and deferral leads to increased costs, for both the taxpayer and for suppliers, meaning fewer projects can be completed for the same spending, and benefits are lower. This is particularly important at a time when inflation, especially in the construction sector, has been high. Companies face additional costs when preparing bids for work that does not then proceed, or to respond to changing requirements on projects. Piecemeal procurement approaches and micromanagement of specifications by Government also add unnecessary cost. The margins made by contractors for large UK infrastructure projects are typically low – between 3% and 6%²⁴ – the main drivers of cost lie with the way projects are brought to market and factors such as inflation.
- 6.2. The rail industry is seeing **clear risks of skills retention**, creating a risk that there may not be the skills the railway needs in future:
- Low business confidence is particularly low (see **Annex C**), with, many companies are privately reporting making significant numbers of redundancies. 9.4% of the workforce has left the industry over the last year.²⁵
 - Nearly 90,000 people are projected to leave their current employer by the end of this decade with a large proportion of these retiring.²⁶
 - Significant deficits in skilled jobs such as engineers, maintenance technicians, testers, and signallers are expected in the next five years.²⁷

- This is corroborated by national data, with Oxford Economics research showing a decline in rail supply chain jobs from 317,000 in 2019,²⁸ to 276,500 in 2023.²⁹
- 6.3. **To provide greater certainty for businesses and reduce costs** the CSR, long-term infrastructure strategy and the creation of the National Infrastructure and Service Transformation Authority (NISTA) is an opportunity to improve a number of aspects of how the public sector invests in rail:
- **Publish a transparent pipeline** of work to manage expectations about what work is coming to market when, giving companies an investment profile for the next three to five years. This helps businesses make decisions to retain and recruit skilled workers, and will support healthy competition. Basic pipeline information is becoming a legal requirement, but Government needs to go further in adopting best practices. **A firm date should be set for the publication of a clear investment plan and pipeline, that is not deviated from.**
 - **Build credibility with companies by delivering on commitments:** there are many recent examples where public sector purchasing, for both infrastructure and rolling stock, has not resulted in the work companies expected (including on some zero value frameworks). Companies may face costs of redeploying staff at short notice and then anticipate that public commitments cannot be relied upon and need to price for the cost of lost work.
 - **Ensure long-term capital funding settlements (at least five years) for Transport for London (TfL), other combined authorities and national Government** to plan and commission infrastructure projects effectively. These need to be situated in longer term (at least 10 year) strategic plans which set out a coherent sequence of planned investments. Strategic planning is also needed to ensure that different transport clients procure in a way that considers each other's plans and projects. Last year, TfL reported that it became operationally financially self-sufficient for the first time. A long-term capital funding settlement will enable TfL to consolidate on such progress, and continue investment to unlock growth.
 - **Avoid 'cliff edges'** at the end of Control Periods, in the case of Network Rail, and spending periods for other rail clients, and plan continuously five years ahead. Public sector teams should have the authority to plan beyond the end of funding settlements, at least for a minimum level of required spend, or suppliers will not have confidence that work volumes will be forthcoming as planned, as experience has shown there is typically a hiatus in spending at the cross-over between every rail spending period.
 - **Procure for outcomes, and remove micromanagement of specifications:** the public sector frequently adds detailed requirements to specifications which can prevent economies of scale, and may not be necessary for, or aligned with, the outcomes being sought. The Department for Transport's (DfT) role should be providing strategic coherence and oversight, not specification of schemes.
 - **Avoid fragmented procurements for similar activities:** a clear strategy is needed to identify the types of projects where a larger portfolio level approach can deliver efficiencies, and reduce costs. Currently, there are a large and increasing number of public sector teams pursuing parallel procurements for similar activities.
 - **Engage with the industry to identify the best way to reduce costs:** public bodies should not automatically look to pass budget restriction to supply businesses, which would disrupt supply chains. Any spending deferrals or cuts must be delivered in consultation with the industry. Consultation will allow companies to prepare, avoiding economic losses, whilst also giving the Government greater understanding of the impact that these decisions will have on the supply chain.

7. LEVERAGE PRIVATE INVESTMENT ALONGSIDE CAPITAL INVESTMENT

- 7.1. The rail industry urgently needs a new approach to securing the funding necessary to maintain and upgrade the railway. RIA has called for a fresh approach to attract private investment into the railway, to bring forward investments that would boost productivity, reduce future costs and grow the economy earlier and faster. Private investment models can be used to provide strong incentives for revenue growth and help support financial sustainability.
- 7.2. **Private investment models have already been used successfully in the rail industry, both in the UK and other countries.** Much investment in new rolling stock is undertaken by the private sector (transferring risk for construction and future use), and there have been many individual success stories where private investment contributions have allowed schemes to progress, from Crossrail (Elizabeth Line), the Battersea Northern Line and DLR extensions, to the new Northumberland Line, and instances of investment around stations. However, there is no Government strategy or policy to make the most of the opportunities to leverage private investment, and it could be used to bring forward investments across stations, depots, electrification, signalling and other assets.
- 7.3. **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. For example, the Government could adopt and expand the use of the Mutual Investment Model developed by the Welsh Government. A playbook 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.
- 7.4. Most importantly, **the Government's role needs to shift from being a gatekeeper of private investment, to being a facilitator.** Government should actively look to involve third parties and develop models, and providing clear advice to allow businesses and investors to prepare. This will require an integrated approach across Government departments, with streamlined processes to avoid costly delays.

8. AVOID MAKING SHORT-TERM CUTS FOR MINOR SAVINGS, AND PRIORITISE LONG-TERM BENEFITS

- 8.1. Whilst RIA recognises the present fiscal and funding challenges, it is vital to avoid short term cuts that could push up the cost of rail in the longer term. For example, by undermining revenue growth, the condition of the rail network, or UK supply chain capability. There is also a very strong case for continuing to make strategic investments in areas such as signalling and electrification that will improve the operational efficiency of the railway.
- 8.2. **The most cost-effective way to reduce costs sustainably and secure long-term benefits is to establish a steady long-term 'run rate' of investment across all key assets.** This allows experience (both engineering and commercial skills) to build up, be transferred from project to project with continuous improvements and for both public sector and supply chain to plan ahead for the capabilities required:
- The steady rate of electrification in Germany, compared with the boom-bust approach in the UK, has resulted in costs around one third lower.
 - Evidence from Spain, where the Madrid metro expansion has been one of the fastest and cheapest in the world, showed that a pipeline of projects enabled investment in

the necessary capability to deliver the project, with experienced engineers and managers.³⁰

- The UK has historically lost skilled jobs in rolling stock manufacturing and engineering during market downturns. There is a significant cost to the industry in reskilling, but more importantly, projects with lower expertise face higher risks of failure. The Great Western Electrification Programme, which resulted in a major review of rail enhancement projects is a powerful example of the challenges in rapidly scaling up the volume of investment after many years of neglect.

8.3. Delaying and postponing projects that are already underway always adds cost.

In particular, major projects such as HS2 Phase 1, TransPennine Route Upgrade and East West Rail must be completed as planned, to secure both their economic benefits and their wider social benefits. Even at a smaller scale, rephasing expenditure is often expensive as companies need to reallocate workers and plant and may face periods where they are idle if not planned well in advance.

8.4. The long-term rate of investment needs to be defined in the context of a long-term strategy, supported by long term budget certainty.

Based on a Government commitment to decarbonise rail by 2050, RIA estimates that a pragmatic approach is taken to maintain a sustainable rate of electrification and rolling stock production:

- UK domestic capability will be essential as the UK targets net zero in 2050, with 515 vehicle coaches needing to be replaced each year to 2050 in order to decarbonise. We recognise the previous Government's work to give certainty to the rolling stock sector with the order of 90 vehicles for the Elizabeth Line,³¹ but we need to see this become a steady rolling pipeline in the future.
- RIA research has estimated that, should we exploit the capabilities of battery-electric bi-mode trains, the minimum additional electrification required by 2050 to be around 8,600 single-track kilometres (stk), above the current electrified distance of 14,360stk. To meet this, an annual average increase of around 350stk is required, a not-unachievable amount, providing that we continue with the current rate of electrification, so that we have the capability to increase this in the future. The volume of electrification in existing plans at the time of the General Election in July 2024 was broadly in line with these levels, and must be maintained, otherwise the industry will struggle to retain and grow skills, costs will increase, and rail will not be decarbonised.

For more information, please contact RIA Policy Director, Robert Cook at robert.cook@riagb.org.uk or 020 7201 0777 or 07951 776 874.

ANNEX A: ANNUAL BUSINESS CONFIDENCE SURVEY

In September and October 2024, Savanta conducted a survey of 250 rail business leaders on behalf of the Railway Industry Association (RIA). Results from the survey are below.

The key findings of the survey are:

- Only 26% of respondents believe that the rail supply industry will grow in the next year, with 48% saying it will contract. This is a slight improvement from last year's score of 54%.
- 46% think their business will grow and 29% say they will contract in the coming year. This is largely consistent with 2023 but is the lowest score of the last five years.
- As last year, 83% think it likely that there will be a hiatus in rail work over the next year, for example due to the time taken to deliver GBR-related rail reform, or uncertainty over enhancement or major projects budgets.
- The three main measures rail businesses will take in response to a hiatus in the coming year are freezing/slowing recruitment (51%, up from 44% in 2023), prioritising work outside the UK (51%, up from 42% in 2023), and pausing or slowing plans to expand in the UK (35%).

Q1. How likely, if at all, do you think it is that the rail supply industry will grow or contract in the coming year? Base: All respondents 2024 (n=250) 2023 (n=200) 2022 (n=163) 2021 (n=265), 2020 (n=257), 2019 (n=174).

	2019	2020	2021	2022	2023	2024
Very likely to grow	11%	12%	12%	7%	5%	6%
Quite likely to grow	30%	23%	33%	28%	19%	20%
Likely to neither grow, nor contract	25%	25%	22%	18%	21%	26%
Quite likely to contract	18%	31%	25%	36%	32%	32%
Very likely to contract	10%	5%	6%	7%	23%	16%
Don't know	5%	4%	2%	5%	2%	1%
NET: Grow	42%	35%	45%	34%	24%	26%
NET: Contract	28%	36%	31%	43%	54%	48%

Q2. How likely, if at all, do you think it is that your business will grow or contract in the coming year? Base: All respondents 2024 (n=250) 2023 (n=200) 2022 (n=163) 2021 (n=265), 2020 (n=257), 2019 (n=174).

	2019	2020	2021	2022	2023	2024
Very likely to grow	16%	12%	19%	15%	11%	14%
Quite likely to grow	43%	39%	41%	44%	37%	32%
Likely to neither grow, nor contract	21%	25%	23%	25%	23%	25%
Quite likely to contract	14%	16%	14%	10%	21%	20%
Very likely to contract	5%	4%	2%	3%	8%	9%
Don't know	2%	4%	1%	3%	2%	0%
NET: Grow	59%	51%	60%	59%	48%	46%
NET: Contract	18%	21%	17%	13%	28%	29%

Q4A. How likely or unlikely do you think a hiatus in rail work over the next year is, for example due to the time taken to deliver GBR-related rail reform, or uncertainty over enhancement or major projects budgets?

(2023 wording: How likely or unlikely do you think a hiatus in rail work over the next year is, for example due to a delay in GBR-related rail reform, or uncertainty over the completion of major projects?) (2022 wording: or uncertainty over future rail funding?)

Base: All respondents 2024 (n=250) 2023 (n=200) 2022 (n=163)

	2022	2023	2024
Very likely	31%	35%	44%
Quite likely	46%	48%	39%
Quite unlikely	12%	9%	9%
Very unlikely	2%	5%	2%
Don't know	9%	5%	6%
Net: Likely	77%	83%	83%
Net: Unlikely	14%	13%	12%

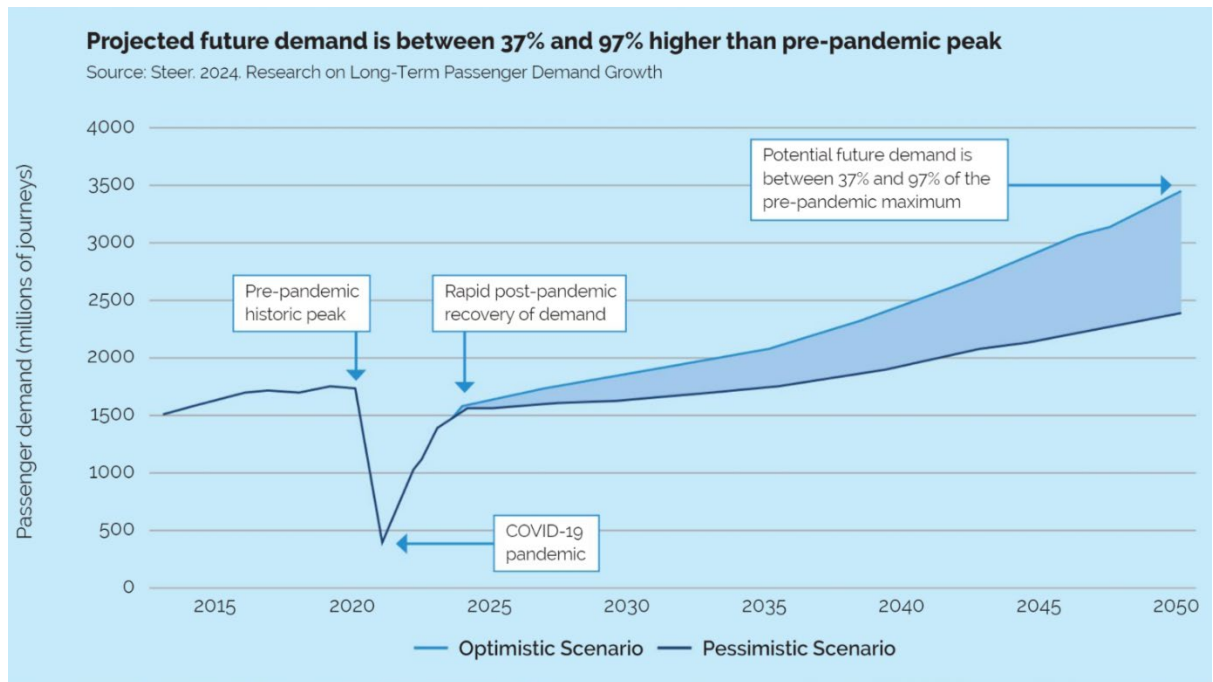
Q4B. Which of the following measures, if any, is your business likely to take in response to a hiatus in the coming year? Base: All respondents who think a hiatus in rail work is likely 2024 (n=207) 2023 (n=165) 2022 (n=125)

	2022	2023	2024
Freeze/slow recruitment	26%	44%	51%
Prioritise work outside the UK	33%	42%	51%
Pause or slow plans to expand in the UK	36%	35%	38%
Make redundancies	12%	27%	31%
Increase the cost of your products or services	31%	11%	11%
Take on less work	8%	5%	5%
Close the business	1%	3%	3%
None of the above	23%	16%	12%

ANNEX B: FUTURE PASSENGER DEMAND SCENARIOS

A report by Steer analysing passenger growth highlighted that by 2050, demand is set to grow by anywhere between 37% and 97%, compared with pre-pandemic peak.³² In the worst-case scenario, where we do nothing, passenger demand would still grow by over a third, whilst if we implemented the right policies and incentives, demand could nearly double (growing 97%) compared with the pre-pandemic peak.

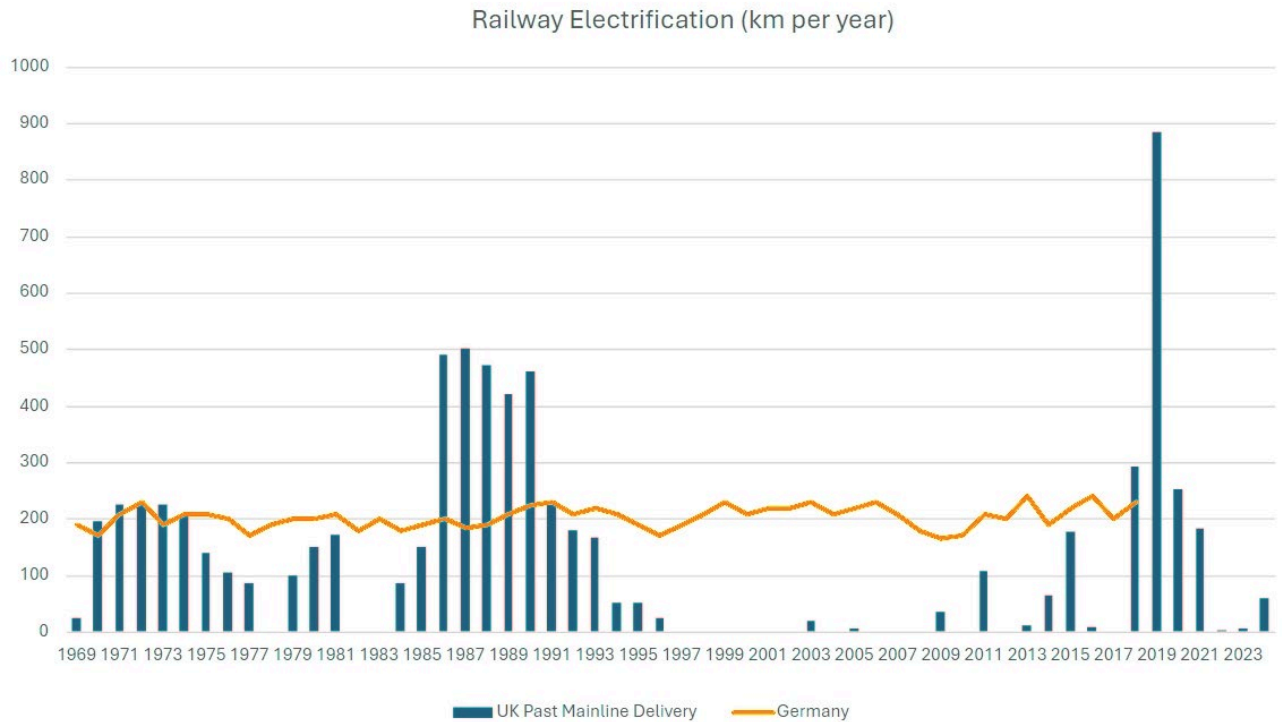
Figure 1: Projected passenger demand between now and 2050 (millions of journeys)



ANNEX C: HISTORIC TRENDS IN RAIL INVESTMENT

Figure 2 shows historic rates of electrification in the UK compared with Germany, over a 30-year period. Estimates of unit costs in Germany show they are around one third cheaper than in the UK.

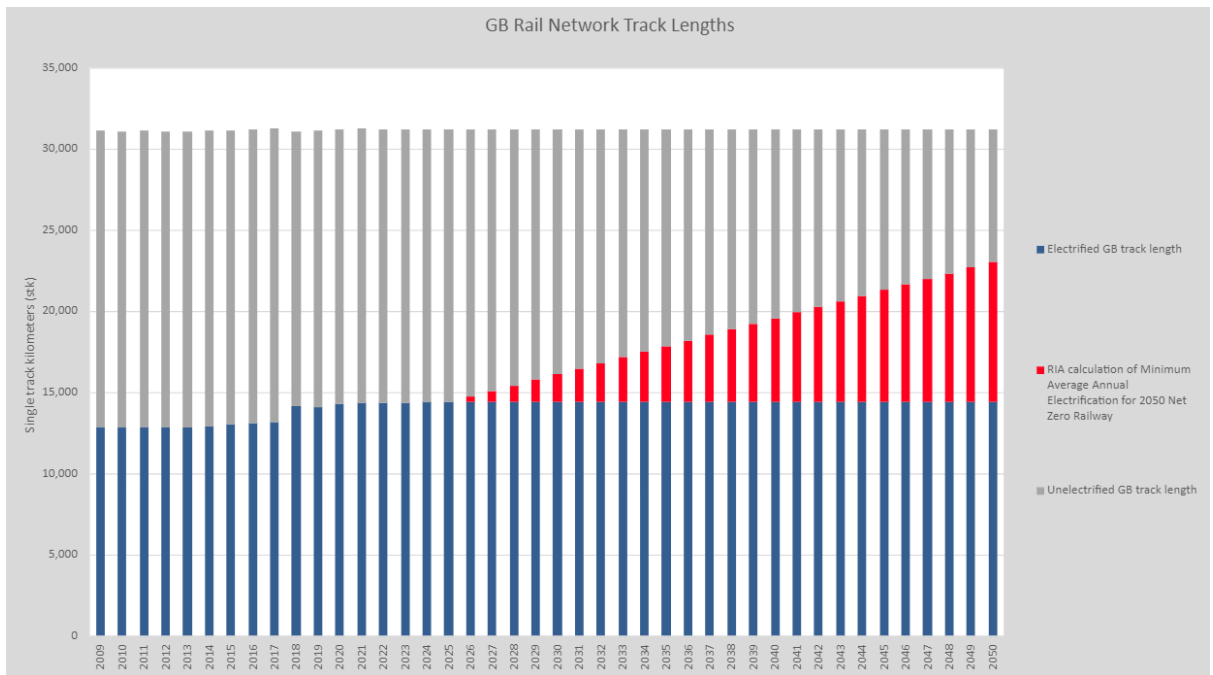
Figure 2: rail electrification (km per year) in the UK and Germany, 1969-2023



Currently, 46% of the track length of the UK mainline railway is electrified. In distance terms, 14,360 single-track kilometres (stk) is electrified out of a network total of 31,203 stk. RIA research has estimated that, if we exploit the capabilities of battery-electric bi-mode trains, the minimum additional electrification required by 2050 to decarbonise the network is around 8600 single-track kilometres (stk), up from the current electrified distance of 14,360stk. This is not an unachievable amount, with the average added electrification between 2018 and 2021 being greater than 400stk (See Figure 3). However, the longer-term average since 2013 is much lower than this, at 161stk.

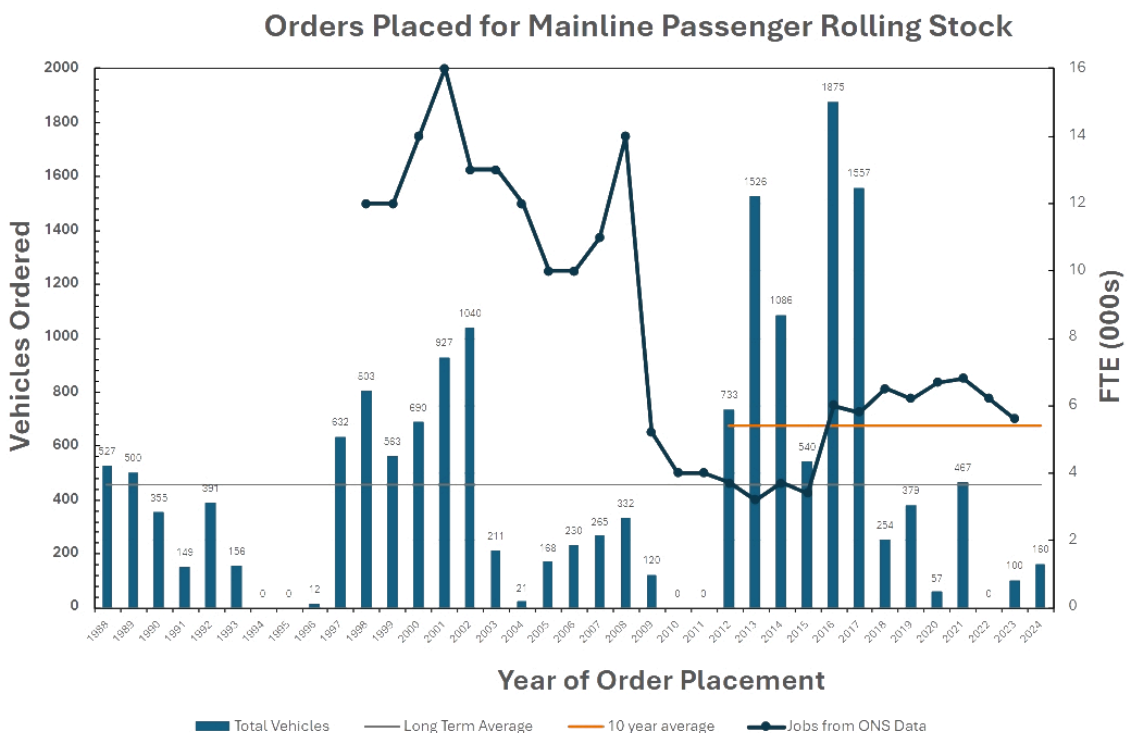
Electrification projects are ongoing in 4 out of 5 of Network Rail's regions. It is vital that the knowledge and skills learned during these projects is retained, to ensure project delivery and cost optimisation in future projects.

Figure 3: Minimum required electrification of single-track kilometres to have a net zero railway by 2050.



Similarly to electrification, rolling stock investment has also followed an unsustainable pattern of 'boom and bust'. Figure 4 shows this pattern, as well as highlighting factory closure after periods of little or no investment in the rolling stock industry, a smooth investment trajectory across key assets that ends 'boom and bust' is essential.

Figure 4: Orders placed for mainline passenger rolling stock, excluding London Underground and Light Rail, 1988-2024.



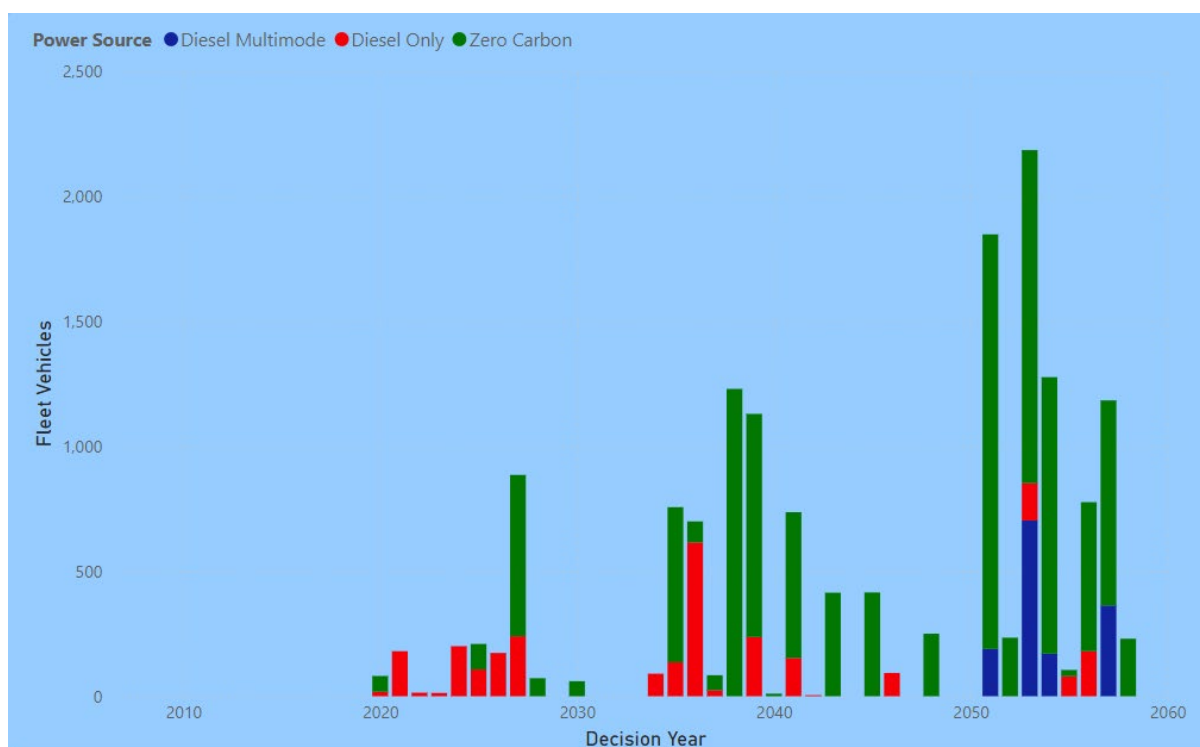
With a typical design life of 35 years for a heavy rail vehicle and up to 40 for one running on the London underground, an average of around 428 heavy rail vehicles, 515 vehicles if LU are included, need to be replaced every year.

By 2030, 2400 multiple unit vehicles and locomotive hauled coaches will have exceeded their design life and will need to be replaced, however only one order has been placed for these vehicles. Even with immediate placement of orders for the outstanding vehicles, it is unlikely that manufacturing of these vehicles would be completed by 2030. Figure 5 shows the years in which existing rolling stock will reach the 35-year typical design lifespan requiring a decision. Due to the boom-and-bust nature of previous rolling stock procurement, there are very few vehicles coming to the end of life between 2030 and 2034, with the next peak starting around 2035.

To meet this problem, a stable pipeline of rolling stock orders is essential for the supply chain. Further long-term planning is then required to manage the following peaks and troughs caused by previous procurement strategy.

RIA's report *A new strategy for delivering a lower cost, higher performing net zero railway by 2050* gives estimates of the new rolling stock that would be required to decarbonise the railway.³³

Figure 5: Decision years for the current rolling stock fleet, with type of rolling stock.



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