

January 2025

1. INTRODUCTION

- 1.1. This paper is the Railway Industry Association (RIA) submission to the Department for Business & Trade (DBT), in response to the Trade Strategy call for input.

2. ABOUT RIA

- 2.1. RIA is a national trade body, which champions a dynamic UK rail supply sector. Our mission is to help grow a sustainable, and high-performing railway as well as promoting UK rail expertise and products to international markets. Rail is a foundation sector for the UK's economy which supports sustainable investment and jobs in communities across the UK. RIA has over 400 companies in membership, and is active across the whole of railway supply, covering a diverse range of products and services and including both multi-national companies and Small & Medium Sized Enterprises (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 2021 report produced by Oxford Economics shows that the rail industry supports:
- More than £41 billion GVA in economic growth;
 - 640,000 jobs;
 - Over £14 billion in tax revenue each year;
 - Labour productivity across the rail supply sector is 29% higher than the national average; and
 - Rail related exporters and their supply chains add £800 million to the UK economy each year, contributing 12,500 jobs.¹
- 2.3. UK rail has a global reputation, so there is enormous potential to grow rail exports, boosting UK trade and increasing resilience of the UK supply chain, e.g., creating new SME jobs. The Global Market Study conducted by the European trade association UNIFE in 2022 forecasted rail market growth of 3% every year to 2027, from a current market volume of €177 billion per annum.²
- 2.4. There is an exciting opportunity for UK rail to increase exporters to the global market, by developing a Trade Strategy with the correct support and direction. RIA already undertakes a wide variety of export activities, open to both RIA member and non-member organisations alike. This includes arranging overseas rail trade missions, national UK Pavilions at major rail exhibitions, exporting seminar events, schemes such as 'Meet The Buyer' and support for inward missions – this is often conducted in partnership with the DBT's overseas Posts, regional officers and/or the DBT sector rail team.

¹ Oxford Economics, 2024. The Economic Impact of UK Rail in 2023. https://riagb.org.uk/RIA/Newsroom/Publications%20Folder/The_Economic_Impact_of_UK_Rail_in_2023_Infographic.

² World Rail Market Study 2022. UNIFE. <https://www.unife.org/>

3. CONTEXT

- 3.1. Rail supports the so-called four 'Es' of economic growth and prosperity: Enterprise, Education, Employment and Everywhere (ensuring economic development benefits are felt across the whole of the UK).
- 3.2. Rail is a vibrant industry in its own right, supporting enterprise and innovation, and hundreds of thousands of jobs directly, indirectly and induced. These jobs are not only spread across the country, but are also highly skilled and more productive than the UK average, contributing to a higher GVA per person.³
- 3.3. Rail connects people and places across the UK, contributing to local growth. The railway industry itself, and the rail services it ultimately delivers, has strong potential to boost productivity and grow a skilled workforce.
- 3.4. As mentioned above rail globally is growing at 3% every year to 2027 from a current market volume of €177bn p.a. This presents significant export opportunities for the UK.
- 3.5. Whilst other countries continue to invest in their rail infrastructure, particularly high-speed rail and electrification, the UK lags. On electrification, for example, only 38% of the network is electrified, compared to 57% in mainland Europe. The Trade Strategy should aim to work with other countries to benefit domestic UK rail as well as UK rail exports.
- 3.6. There is scope to accelerate investment in greener technology – whether battery, hydrogen or low-carbon construction techniques – which could enhance the UK's global standing in these areas and also increase its exporting potential. Companies at the forefront of this innovation need clear Government commitments that the railway will use these innovations, which in turn will translate into enabling more commercial opportunities both at home and abroad.
- 3.7. The adaptation to Net Zero and sustainable infrastructure are important elements of rail and the wider capabilities of the UK rail supply sector and exporting credentials. The Government needs to take into account and recognise decarbonisation of the production cycle, to reduce emissions or the carbon footprint of a manufactured product. Both production methods and/or products can be greener or more innovative in production terms, and should also be included in examples of UK expertise linked to decarbonisation.
- 3.8. In October 2020, RIA hosted an exports survey on behalf of the Rail Supply Group, linked to the Rail Sector Deal. Out of 139 companies who completed a section related to exporting, over 55% confirmed they are currently exporting, or planning to export. Of these, the top five priority markets where companies believe their rail exports has potential to be increased with assistance from the rail industry and Government included, in order, Australia, United States, India, Germany and France. This means that with more focused export support, there would be a significant boost to the percentage of companies exporting or planning to export.

³ Oxford Economics, 2024. The Economic Impact of UK Rail in 2023.
https://riagb.org.uk/RIA/Newsroom/Publications%20Folder/The_Economic_Impact_of_UK_Rail_in_2023_Infographic.

4. RIA'S KEY RECOMMENDATIONS – SUMMARY

4.1. The UK railway industry has a strong reputation worldwide, presenting significant opportunities to expand rail exports, enhance UK trade, and strengthen the resilience of the nation's supply chain. To enable these higher export returns, RIA and members suggest a number of recommendations to enable improvement. In summary, the Government should:

- Publish a full yearly forecast of its actual and partner's trade activity on a sectoral basis, to both align with industry marketing budgets and forecasts and to allow companies to plan trade activity more effectively;
- Align more closely with single sector bodies, such as relevant trade associations, to take forward and deliver trade-related activity in partnership;
- Increase the level of support at overseas rail exhibitions for UK Pavilions, by helping to fund the costs of GREAT branding (or equivalent), and networking space;
- Review the cancellation of the previous Tradeshow Access Programme scheme for UK SMEs, and reintroduce or improve the existing UK Tradeshow Programme grant scheme to make it more generous and aligned to industry needs and timings;
- Produce a visible pipeline of international rail projects looking to be awarded project finance support from UK Exports Finance;
- Provide seed funding and initiatives to support exporters, especially for SMEs, by re-introducing or continuing the 'Internationalisation' fund;
- Ensure UK railways can align as much as possible with international standards (otherwise there is a risk that, *in extremis*, UK suppliers might require two different production lines, one for the UK market and one for overseas); and
- Provide specific support to SMEs wanting to export, by including an SME Chapter to Free Trade Agreements, wherever possible.

5. RIA'S KEY RECOMMENDATIONS – IN DEPTH

- 5.1. The Government should publish a full yearly forecast of actual and partner's trade activity on a sectoral basis, to align with industry marketing budgets and forecasts and allow companies to plan trade activity more effectively. This will also drive a greater return on investment for companies involved in this activity, through better and more visible planning.
 - These activities should include trade missions, national UK Pavilions at key overseas trade exhibitions, seminars, and any other related events, along with key contacts for the recruitment purposes of partners.
 - The Government should start to align more closely with single sector bodies such as relevant trade associations to in partnership take forward and deliver this trade related activity.
 - Funding support where possible would be helpful but, if necessary, at the very least out-of-pocket expenses could be partly funded by charging for trade missions with time provided for free.
 - Delays or the late advertising of exporting events costs the industry much more, due to higher booking costs for both travel and accommodation. Earlier and more visible planning allows for greater returns on investment, giving businesses the opportunity to combine visits with events and client meetings, as well as in-country networking from the companies own research ahead of travel.
- 5.2. Overseas exhibitions are very expensive to arrange and involve a high level of finance risk for those that form and create Pavilions, especially for not-for-profit organisations, which many trade associations are who are the typical provider of such pavilions. We suggest the DBT increases the level of support at overseas rail exhibitions for UK Pavilions, by helping to fund the costs of GREAT branding (or equivalent), and networking space. This will help to create a rolling offer which is typically used by UK exhibiting companies, along with many visiting UK companies and Government officials.
- 5.3. An example is that of a major German trade fair called InnoTrans – which takes place every two years in Berlin – where the space for a UK Pavilion alone is over £115k without any build or other related costs. When considering that GREAT or other equivalent national branding is used and meeting space is provided, the appeal is significantly increased, but also the overhead costs. The Government should help fund some generic costs, to make the national branding more impressive, especially when the space is typically used by UK visitors, and officials, including DBT Commercial Officers for meetings along with paying exhibitors on UK Pavilions.
- 5.4. At times, it is clear that UK Pavilions at major exhibitions are not as striking as other countries' national pavilions. Whilst functionally they work functionally, are not regarded as being at the same level of national branding as other nations – some countries have two-tier or event three-tier pavilions. RIA suggests a brief investigation is undertaken to ascertain the levels of funding support foreign governments provide for their national Pavilions, which the then matched by the UK's funding.
- 5.5. Many rail SMEs are finding it difficult to exhibit overseas, given the sometimes-steep costs of exhibitions and the current 'high-cost' for businesses, resulting in fewer SMEs exporting or attending expos. Therefore, the Government should review the cancellation of the previous Tradeshow Access Programme (TAP) scheme, that supported UK SMEs, and reintroduce an improved grant scheme, more aligned to industry needs and timings.
 - Trade associations should be included in the initial consideration process on which exhibitions grant schemes are supported, as they know the exhibitions they are targeting and committing to, at times up to two to three years in advance. A rolling budget should be considered for the DBT, which would better align the Department with industry needs and pipelines of future exhibition

activity. This should also be aligned to rail industry marketing, budget planning, and wider commitments.

- A 'London Economics 2008' study found that, "*The total benefit of the programme in 2007/2008 amounted to £57.1mn. Given the programme costs of £11.2mn, the estimated benefit-cost ratio is 5.1*".⁴
- Export Partners UK state that their members delivered 70% of the old TAP scheme and have demonstrated its success: for every £1 invested by the Government in the TAP scheme, on average £40 returns to UK in taxable income, creating jobs around the country and supporting the Government's "local growth" agenda.

5.6. Finally, the Government should produce a visible pipeline of international rail projects: i) which looks to award project finance support from UK Exports Finance (UKEF); and ii) which enables the development of schemes where pre-feasibility work undertaken by UK consultants can be captured and included against the UKEF funding requirements of clients. All this will enable industry to better plan, widen the possibilities of UK industry being asked to be involved at an earlier project stage, secure more support towards such initiatives, and help to get resources in place.

Outside the context of this submission, RIA would be happy to meet with the DBT and discuss supporting it more, in developing its Trade Strategy and increasing the number of UK rail companies exporting.

For more information, please contact RIA Exports Director, Neil Walker at neil.walker@riagb.org.uk and on 020 7201 0777 / 07860 928 506.

⁴ Impact evaluation of the Tradeshow Access Programme (TAP), 2008. London Economics. https://londoneconomics.co.uk/le/publications/pdf/UK_Trade_and_Investment_TAP_Report_Final_Report.pdf.