

What are the key issues facing the rail industry?

What are its biggest successes since privatisation?

Stephenson Harwood rail industry market research

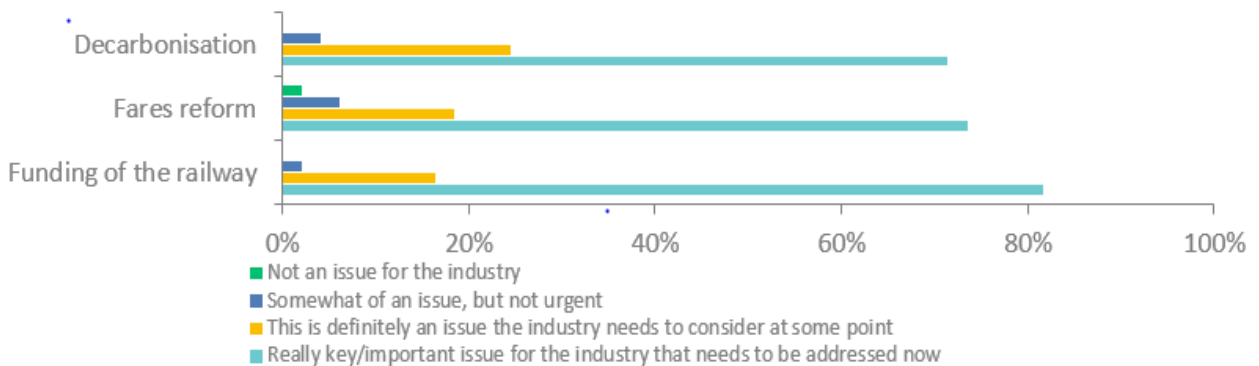


What are the key issues?

The rail industry has undergone unprecedented change over the last 2 years – with more change to come as we transition to Great British Railways (GBR). The Stephenson Harwood Rail Team conducted an industry survey to hear from our clients and contacts at the coal face about their views of the challenges and priorities that are facing the rail industry and their businesses specifically, in the coming years.

Two of the key questions we asked the respondents taking part in this research were **“What are the key issues facing the rail industry?”** and **“What are its biggest successes since privatisation?”**. In this report we explore what the rail industry thinks the answers to these questions are.

What matters most?



Funding of the railway

The top concern was future funding – not really a surprise. Common themes included certainty over funding, sticking with agreed plans and supply chain impact. There were a number of interesting comments on industry costs: increasing revenue should be the priority – even if that comes at reasonable cost. That certain industry suppliers have mini-monopolies, driving up costs, was concerning to see.

Have a long-term plan with a stable funding agreement over that time, and enact decisions that will not be affected by political influence.

During the past 15-20 years, the industry has exposed itself to suppliers where there is no choice and this leads to high industry on-going cost... These suppliers are insulated from cost pressures on Operators who have no choice but to pay high costs.

Fares reform

The need to get on with fares reform was the second priority for the industry, with respondents urging less talk and more doing. This was closely linked to customer perceptions of the industry, value for money and attracting people back to the railway.

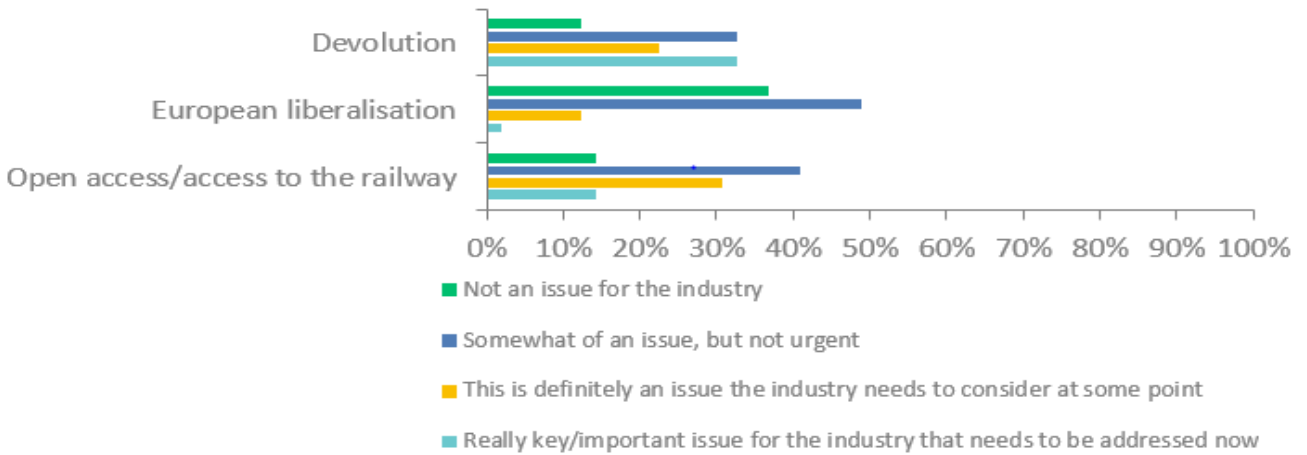
Needs a fundamental rethink, not just fiddling at the margin.

Decarbonisation

Respondents queried how the government was planning to get to net zero whilst cutting industry costs: there doesn't seem to be a plan. The balance between electrification and other technologies was also seen as a key challenge. The role of the private sector was highlighted repeatedly and the need to encourage third party financing was a message from many.

What are the key issues?

What matters least?



European liberalisation

With the UK being ahead of the game in liberalising the railway – and with Brexit now having taken place – we can understand why this was considered a low priority by many. With some European markets only just opening up to competition, this may still be relevant for some: there may be new opportunities emerging in Europe that have not been there to date.

The private sector brings innovation and entrepreneurialism far beyond that which the public sector can bring. Facilitate that innovation and entrepreneurialism without micromanagement. Allow the private sector to benefit when the railway benefits.

How advanced they are in comparison to other European countries. [one of the biggest successes of the GB railway model]

Devolution

Devolution featuring in the bottom three priorities came as one of the biggest surprises from the survey. Decision-making closer to the user has been a theme for some time and the future relationship between GBR and local authorities was a theme mentioned in the Williams-Shapps Plan for Rail. This included, for example, in relation to service specification and involvement in decision-making. Perhaps people think devolution is already heading in the right direction so that this isn't so much of a concern, although there are still a number of people seeing this as a priority.

Open access

Linked with liberalisation of the railway, it makes sense that this ranks similarly in importance. With GBR taking control as part of the Williams-Shapps Plan for Rail, non-GBR operators such as freight and open access will need to ensure their rights to use the network are respected so that their businesses are protected. Within this, the role of the Office of Rail and Road in granting access to the network – and what the future “rules based system underpinned by legislation” actually means in the real world – will be important.

Change can only come when there is progress, so it's time to get going with the new approach.

What do you think the biggest success of the GB railway model has been over the past 25 years that we should keep in future?

It has facilitated a large amount of investment over the years.

The unrelenting focus on safety.

Commercial approach of organisations delivering services and their ability to bring innovation and best practice from a wider perspective than just the rail sector.

Direct or indirect government support for a huge investment programme, may be 10 x larger in real terms than was possible under BR

Allowing competition in the industry.

Increasing number of customers and private investment in rolling stock.

Allowing entities to focus on the successful delivery of their component part.

Improved performance for the customer and investment in stations and customer amenities at a reduced cost to the taxpayer.

How does this affect the rail industry?

There were so many interesting – and at times surprising – insights offered and we were delighted to see the honesty with which people responded. There was a clear appetite for reform, with particular priorities being clarity on future funding for the railway, fares reform and decarbonisation, with regulatory reform and the future model for private involvement in operations close behind. This makes sense: these are the high value areas which will fundamentally shape the future railway and how people use it. There are obvious links with other areas of government policy and the future of the planet.

The involvement of the private sector in the railway – through operations and financing – was widely championed as a success of the past 25 years. Ensuring the future environment remains fertile for private involvement and investment was seen as a priority as operating models were developed. Getting the right balance of risk transfer, commensurate reward and government control will always be a challenge – and one the industry hadn't quite got right pre-pandemic.

The need for clarity and making progress came up consistently in comments: we don't have that yet. A priority for the year ahead must be giving the industry clarity: not only in the direction of travel but the necessary detail we have been waiting for. Confidence also needs to be given that the future rail industry isn't just the same people doing the same things under a different name: currently there seems to be some nervousness in this area.

What is absolutely clear is that there is so much enthusiasm for the railway industry which we absolutely have to draw on to make the future railway a success.

be bold and be quick - currently it feels like old railway chums slowly putting together NR2.0 (or BR2.0)

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