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Transport for the South East's Response to the Transport Select Committee's call for evidence on Rail Investment Pipelines: ending boom and bust – call for evidence

This is Transport for the South East's (TfSE) draft response to the Transport Committee's call for evidence into its inquiry 'Rail Investment Pipelines: ending boom and bust'. This is a draft officer response that will be presented to our Partnership Board on 17 March 2025 for their approval therefore a further iteration may follow.

TfSE is a sub-national transport body (STB) for the South East of England. Our principal decision-making body, the [Partnership Board](#), brings together representatives from our 16 constituent local transport authorities, district and borough authorities, protected landscapes, business representatives, Highways England, Network Rail and Transport for London.

We have a vision led [Transport Strategy](#) in place to influence government decisions about where, when and how to invest in our region to 2050. This strategy is currently in the process of being refreshed with a draft copy of the revised strategy out for consultation until 7 March 2025.

Our [Strategic Investment Plan](#) (SIP) provides a framework for delivering our Transport Strategy setting out transport infrastructure and policy interventions needed in our region over the next 25 years.

As a strategic transport body, we are not directly involved in the delivery of track enhancements, station upgrades or rolling stock orders. However, we work with our partner local authorities, Network Rail and Great British Railways Transition Team (GBRTT) to identify the rail interventions needed in our area. We are aware from our own experience and discussions with these partners that a 'boom and bust' approach to the planning and funding of rail infrastructure projects has significant negative effects. It severely inhibits their ability to deliver rail infrastructure projects at a cost that represents good value for money for the tax payer.

It is well understood that when contractors are engaged to deliver agreed and pre-planned projects on a long term basis they can provide their supply chain with certainty in terms of what they will need to produce or supply over that planning horizon. This enables the suppliers to offer more competitive unit costs and/or rates that benefit from the resulting economies of scale. In addition they

can hire permanent staff to deliver services at a more competitive cost than those procured on a short term, temporary, one-off or irregular basis.

For the rail industry this planned approach provides the opportunity to develop a pipeline of projects that can give both short and longer term security to contractors and suppliers.

This is particularly relevant during periods of financial constraint in the public sector which tend to result in very short project by project planning horizons, leading to the delivery of fewer projects and lower orders. This can mean suppliers end up looking for more profitable markets elsewhere, including those overseas. In severe economic downturns, they may also reduce their output overall leading to increases in their unit costs.

When the rail industry bodies do get funding for projects they must then negotiate new contracts resulting in those costs being higher and less competitive. This is because the contractors and suppliers either have to increase supply quickly at short notice which is costly or charge higher costs to secure similar profits to those they have previously experienced in alternative markets.

If central government could commit to a longer planning horizon for the rail sector's capital projects and outline funding insofar as is possible, this would allow public authorities to plan ahead with contractors and suppliers. This would mean contractors and suppliers would be ready and waiting for projects to go ahead rather than having to ramp up production at short notice which inevitably costs more.

Sub-national transport bodies, including TfSE, have already set out in their transport strategies and investment plans a series of rail priorities and pipeline projects that can be planned and delivered over the short and longer term for the next 25 years.

For TfSE this pipeline includes:

- Reliable and resilient radial rail connection to and from London
- Enhanced E-W rail connectivity
- Increased ticket integration while reversing real terms increase in cost of public transport
- Increased freight on rail to support the Government's 75% rail freight target.

These priorities would be delivered through eight packages of rail interventions set out in our SIP, consisting of 79 schemes at a capital cost of approximately £24bn at 2020 prices. We also offer scheme development funding to our local authorities and Network Rail to prepare either strategic outline business cases,

feasibility studies and other preparatory work to enable them to progress schemes as soon as government funding becomes available. As such, we have a pipeline of projects that has been agreed by our local authority and other delivery partners such as Network Rail ready and waiting to be delivered. However, this scheme development is currently only limited to a few projects.

A more integrated approach to decision making on establishing priorities and planning between the local transport authorities represented by STBs and Network Rail/GBRTT would provide more opportunities to deliver more shared public sector investment priorities. This would also facilitate better integration between the transport and spatial planning undertaken by national, regional and local bodies to enable the delivery of rail passenger and freight improvements, alongside other priorities such as economic growth and house building.

As suggested above, it would also be more helpful if central government funding commitments, at least at an outline level, could also be made by other potential sponsors who stand to benefit from the interventions. We recognise that long term investment will increasingly need to be funded by both the public and private sectors. However, from our experience, trying to interest the private sector in the full or shared funding of transport infrastructure is very difficult even when fare revenue is available to finance this. This is because there is a lack of a clear long term policy and a transparent and stable pipeline of projects agreed by both the government and its rail delivery bodies. This would provide the private sector with the confidence and certainty it needs to make long term financial commitments. Without this, future investment opportunities will continue to present challenges for investors.

The DfT's 'Rail Network Enhancements Pipeline A New Approach for Rail Enhancements' (RNEP) published in March 2018 is a case in point. It originally included an ambition that the 'Government will consider opportunities for alternative sources of funding and private finance options at each stage of the pipeline.' (page 9). Although issued by the previous government, RNEP was supposed to be updated annually but since 2019 has only been issued once.

We also recognise that there may be opportunities for the newer devolved authorities to use the community infrastructure levy in the way that the London Mayor does but it is not clear that in the shorter term whether this can raise sufficient funds for the level of investment required particularly for larger projects.

In the south east, Transport for the South East, England's Economic Heartland and Transport East are now working with Network Rail, the GBR Transition Team, Transport for London and the DfT in the Wider South East Rail Partnership. The Partnership aims to provide an opportunity to develop a wider integrated planning horizon to enable longer term agreements on investment priorities. The STBs act as a unified, pan-regional voice for the rail needs of the wider south east

through our Partnership Boards and constituent local transport authorities (LTAs), as well as representing the interests of passengers and wider economic stakeholders in our area. We aim to bridge the gap between local, regional, and national priorities, ensuring that the agreed priorities of the wider south east are recognised in decision-making. Our partnership therefore aims to complement LTAs, TfL, Network Rail, GBRTT, and the Department for Transport by offering a strategic and regional perspective that aligns investments with broader economic and environmental goals with our own.

Through this Partnership we aim to support the delivery of closer integration between strategic rail partner decision-making about priorities and their subsequent delivery planning. This would facilitate the preparation of a pipeline of projects for the short and longer planning horizon in our areas. This should result in more competitive pricing by suppliers who can also plan and be involved at an earlier stage with the rail sector bodies responsible for procurement.

In summary, to enable the rail industry to establish clear investment pipelines which could help end the turbulent years of boom and bust and give more certainty to passengers, suppliers and investors, TfSE would like to see:

- a better integrated approach to decision making between strategic public sector bodies involved in rail planning at a national, regional and local level;
- a central and regional government short and long term commitment to rail investment priorities, project pipeline planning and funding; and
- a closer integration between the central government and the rail industry to allow it to plan its involvement more efficiently and secure adequate resources and financing for rail projects on a longer term basis.

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