

Railways Bill: NSAR submission to The Public Bill Committee

Introduction

NSAR welcomes the progression of the Railways Bill through Parliament and the opportunity to provide evidence to the Public Bill Committee.

While the Bill's primary function is to establish the entity of Great British Railways (GBR) in legislation, the structures it creates will also define the incentives and operational expectations for GBR and, by extension, the entire rail system. The design of these foundations will have long-term implications for the industry's ability to address key priorities and challenges such as workforce capability, productivity, and the delivery of social value.

The Bill is a pivotal and perhaps sole opportunity to decide what the DNA of GBR will be. To achieve a genuine cultural shift and deliver in these areas head on, the new system must be designed to optimise for the right outcomes at its foundational level. We believe the most effective way to address this is to integrate specific duties regarding these key issues directly into the Bill. Formalising these objectives in the legislation will provide the rail sector with the clear and permanent directive needed to engender change.

Accordingly, this submission identifies two areas where amendment would improve future delivery, ensuring that the reformed system is properly oriented to achieve these objectives. Separately, we also propose a slight amendment to Schedule 2. This is intended to support the long-term success of the reforms by ensuring a more stable operating environment, providing the funding consistency needed for the sector to plan and invest with confidence.

Part 1: Optimising for Productivity

Significant skills shortages are slowing down railway productivity. Because the labour market is so tight, employers are being forced to pay more for the same limited pool of workers. This means project funding is being eaten up by rising wage costs rather than expanding the industry's actual capacity.

This is more than just a budget problem; it is already significantly impactful on infrastructure delivery. Owing to skills shortages, the rail sector and supply chain cannot deliver infrastructure projects at the required pace. When a finite pool of talent is spread across a fixed volume of work, project timelines inevitably extend. These delays postpone the realisation of benefits, eroding the return on investment for both passengers and the wider economy. Ultimately, rail investment is being consumed by the scarcity of skills rather than the creation of value, meaning every pound spent yields a diminished productive output.

NSAR data indicates that these effects impose an annual cost of up to £720 million on rail capital programmes, resulting from wage inflation, project delays, and foregone benefits. Over multiple years, this represents a cumulative loss running into several billions. These pressures are set to intensify.

The rail sector faces a significant demographic cliff edge, with three experienced workers set to retire for every new entrant. Meeting future demand, therefore, requires a system-wide expansion of the skilled workforce, bringing in more people with the right capabilities than are leaving and developing the expertise needed to sustain long-term efficiency and growth. The current system provides little incentive for this. Unlocking the long-term investment needed in skills and training requires a railway that is consistently incentivised to build capability and increase efficiency. Without such a shift, many rail employers will likely continue to prioritise short-term cost management, perpetuating the erosion of the rail workforce.

The Railways Bill provides a unique opportunity to address this challenge. To ensure a fundamental change in industry culture, the new system must be designed to optimise for productivity at its foundational level. Placing this requirement within the structure of the Bill would ensure that productivity is not merely a policy ambition, but a core operational requirement that informs decision-making. By formalising this in the Bill, the sector gains a clear, long-term directive to prioritise productivity and, downstream from this, workforce capability.

Why is a standalone duty needed?

Clause 18 sets out the general duties of Ministers, GBR, and the ORR. While these duties cover related concepts such as efficient use of public funds and performance, none establishes a direct and specific duty to optimise system-wide productivity. A railway can be cost-efficient or punctual and still lack the fundamental capacity, the skilled workforce and modernised processes, to grow, innovate, and deliver value for money over the long term.

By creating a standalone duty to optimise productivity, the Bill would ensure that GBR, Ministers, and ORR are incentivised not only to maintain high standards of service but also to build the long-term productive capacity needed to sustain those standards.

Making productivity explicit in Clause 18 would create a primary duty that flows through to GBR's business planning and ORR's regulatory oversight. This ensures that productivity is not a discretionary policy, but a core requirement that cascades into procurement frameworks and supply chain contracts, creating system-wide accountability for productivity outcomes.

Proposed Amendment - new subsection within Clause 18 of the Bill.

“So as to promote productivity across the railway system.”

Part 2: Harnessing Rail as an Engine for Economic Participation

The UK rail sector's persistent skills shortage exists alongside high levels of economic inactivity in the broader economy. The Railways Bill presents a unique opportunity to address both challenges simultaneously, aligning the railways with the government's ambition to 'Get Britain Working.' Crucially, the rail industry and its supply chain have sustained demand for skilled roles in the very regions where economic inactivity is most prevalent.

Where linking rail infrastructure to addressing economic inactivity has been tested, it has been resoundingly successful. The strongest evidence comes from HS2, where approximately 10% of roles generated by the project were filled by people who were previously

economically inactive. This was achieved because social value outcomes and expectations were clearly embedded in the programme from the outset.

Currently, the fragmented nature of the rail system lacks the structural incentives to deliver these outcomes consistently at scale. The Bill presents a unique opportunity to embed social value as a core function of the reformed railway. While specific targets cannot sit on the face of the Bill, a clear direction should be established, similar to the approach taken with freight or devolved authorities. This ensures that rail's potential as a social value tool is treated as integral to the system's success.

Proposed Amendment: new subsection within Clause 18 of the Bill:

“So as to promote social value.”

Explanatory note: For the purposes of this duty, "promote social value" is intended to be interpreted in accordance with the well-being objectives of the Public Services (Social Value) Act 2012. In the context of the railway workforce, this specifically includes having regard to the creation of pathways from economic inactivity into sustained employment, so that rail investment actively supports wider national workforce participation goals.

By explicitly including these priorities in Clause 18, social value becomes a standing consideration across the entire rail system. This creates the necessary alignment for the Secretary of State's Long-Term Rail Strategy to be translated into GBR's core procedures, procurement frameworks, and contract specifications. Structurally incentivising these outcomes at the foundational level ensures the rail supply chain is consistently mobilised to support national workforce participation goals.

Part 3: Providing the Confidence to Invest (Schedule 2)

NSAR recognises the need for ministerial discretion to ensure the system remains responsive. However, the proposals in Schedule 2 of the Bill, which would allow the Secretary of State to alter funding arrangements midway through a delivery period, must be considered carefully to avoid unintended consequences.

Training for key rail skills is a multi-year undertaking. Decisions on apprenticeships and upskilling are made based on an employer's confidence that work pipelines and funding will remain stable throughout this period. Schedule 2 could create a degree of fiscal uncertainty that disrupts this planning. With the average payback period for skills investment standing at 3.3 years, employers require assurance that funding frameworks will remain consistent.

If these mechanisms are perceived as subject to frequent or mid-period change:

- Employer confidence to invest in long-term skills may erode.
- The business case for apprenticeships could be weakened, as employers require certainty that demand and support for these skills will be sustained.
- Workforce targets may become harder to reach if the sector adopts a more cautious approach to upskilling.

To support the resilience of the sector's long-term skills pipeline, it is important that the powers in Schedule 2 are exercised with a view to maintaining a stable operating environment. Incorporating a process for independent assessment of proposed funding changes would provide the transparency and confidence necessary for employers to sustain their multi-year investment in apprenticeships and upskilling.

In this context, we suggest that mid-period variations to funding should be supported by an impact assessment from the ORR. This ensures that the system-wide implications for workforce stability and productivity are fully understood before changes are finalised.

Proposed Amendment: Schedule 2, sub-paragraph (4)

“(4A) Before deciding to vary the financial assistance, the Secretary of State must consult the ORR and request an assessment of the likely impact of the proposed variation.”