



**Rail Supply Group**

*Research undertaken by*

**Savanta:**  
**ComRes**

# Rail Supply Group:

**Coronavirus Taskforce Research**

**June 2020**



# Foreword

As the Chair of The Rail Supply Group, the leadership body for the UK rail supply sector, I would like to start by thanking the many businesses that gave their time to take part in this important, independent survey - your views have been invaluable. Thank you.

The survey results provide a clear picture of the current situation across the rail supply chain and answer many of our – and your – questions about how the sector is coping and what is needed to support recovery in the short and long term.

As you read the research report, it's clear to see that the rail supply chain has been hit hard by the effects of Coronavirus (COVID-19) with organisations of all sizes seeing declines in revenue, demand and productivity. What also shows is the determination and resilience of the industry to work hard and adapt to the current situation, introducing and adopting new working practices and business plans.

While confidence levels in surviving the crisis remain optimistic, there are strong messages around the need for greater certainty in areas such as cash flow, immediate payment terms and greater visibility of a work pipeline. The majority of organisations anticipate lack of demand and cash flow being significant barriers for their recovery.

It's clear, for optimism to remain, swift action is needed. Time is not on our side, with confidence falling the longer the impact continues. Which is why the results are now being used to inform our response to managing the Coronavirus (COVID-19) emergency on behalf of the rail sector's supply industry .

The research confirms the continued and vital role of the Rail Sector Deal, *the* deal between government and the rail industry. We will look to accelerate and adapt our work to provide *the impetus, focus and structure* for Government and the rail industry to work together to deliver the best possible recovery.

The government's openness to working with the sector provides an opportunity to work in close collaboration and set out the path from the current crisis to achieve the fullest, fastest and best recovery for the rail supply industry.

Our Rail Supply Group Taskforce, comprising of senior representatives drawn from across the rail supply chain, including clients, providers, Government (The Department for Business, Enterprise and Industrial Strategy and The Department for Transport) and key trade associations, trade unions and stakeholders, has been formed to oversee this work.

Our goal is to accelerate a deal that can spearhead and aid the recovery of the sector, so we can protect and strengthen our capability and competitiveness and continue to grow business at home and abroad.

Thank you again for taking part in the survey and I look forward to continuing to share our progress and plans over the coming weeks.

In the meantime, stay safe and well.

Thank you.

A handwritten signature in black ink, appearing to read 'Philip Hoare', written in a cursive style.

**Philip Hoare**

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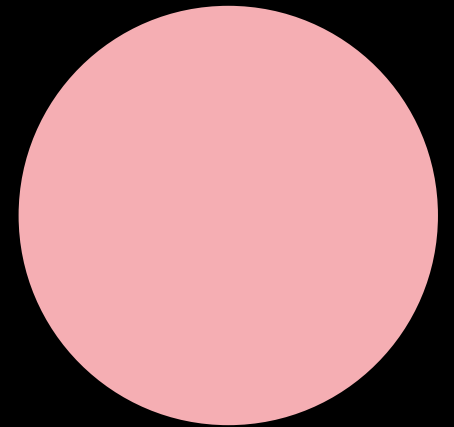
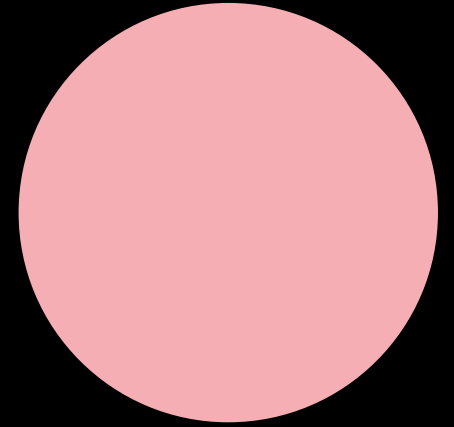
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June 2020

# Rail Supply Group: Coronavirus Taskforce Research

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# Executive summary

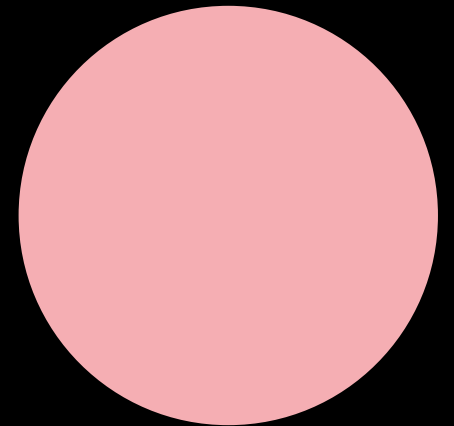
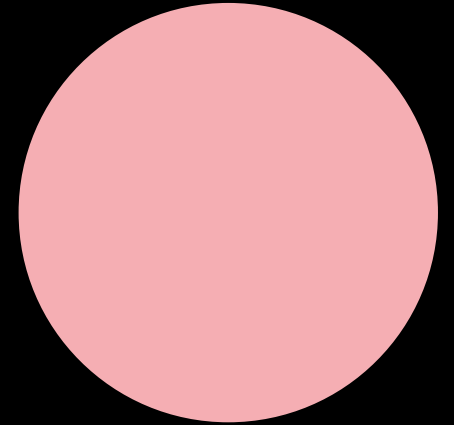
## Impact of the Coronavirus crisis

- The rail supply sector has been significantly impacted by the Coronavirus crisis with the vast majority of organisations seeing declines in revenue, demand and productivity.
- Organisations have responded by implementing working from home and social distancing measures – and where this isn't possible, utilising the Government's Job Retention Scheme.
- On the whole organisations are confident they can survive the crisis. Although confidence falls the longer impact continues, respondents who completed the survey after the Government's announcements at the start of May are more likely to be confident they could survive the crisis continuing for longer.

## The short term and long term recovery

- In the short and long term, cash flow and visibility of the pipeline of work are seen as vital for the majority of organisations.
- There is support for the continuation of the mechanisms that Network Rail has put in place to make payments as quickly, with many wanting to see this replicated across the industry.
- They would also like to see an acceleration of the publication of short and long term timelines, detailing what work will be happening, when it will be happening and highlighting where plans have been altered as a result of the crisis.
- The majority of organisations anticipate lack of demand and cash flow being significant barriers for the recovery of their organisation to pre-virus levels.

# Objectives, methodology and sample



# Objectives

This research was conducted on behalf of the Rail Supply Group's (RSG) Coronavirus Taskforce in order to:

- Assess the impact of the Coronavirus crisis on organisations in the UK's rail supply sector.
- Understand where organisations need support to ensure their survival in the short and long term.
- Explore the anticipated barriers to achieving the fullest, fastest and best recovery for the industry.



# Methodology

Savanta ComRes interviewed 442 individuals working in the UK rail supply sector online between 30<sup>th</sup> April and 18<sup>th</sup> of May 2020.

Savanta ComRes also conducted 10 in-depth interviews with individuals representing organisations across the UK's rail supply sector between 12<sup>th</sup> and 3<sup>rd</sup> June.

Throughout this report, ☆ is used to indicate statistically significant differences.

Savanta ComRes is a member of the British Polling Council and Market Research Society. This research was designed to obtain **unbiased and statistically relevant results**, through:

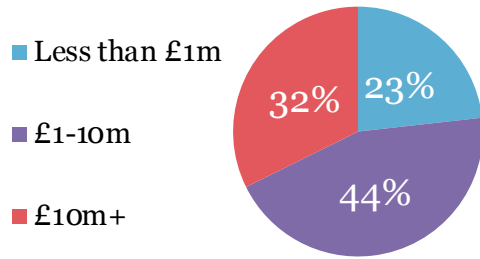
- A logical structure to minimise the impact of each question on the rest of the survey.
- Randomisation of answer options to avoid first-response bias.
- Intelligent routing to ensure only relevant questions are asked to each respondent.
- Text piping to remind participants of previous answers or vary question wording where appropriate.



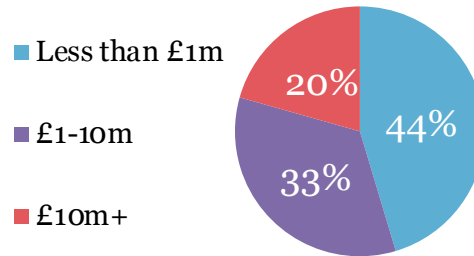


# Sample make up

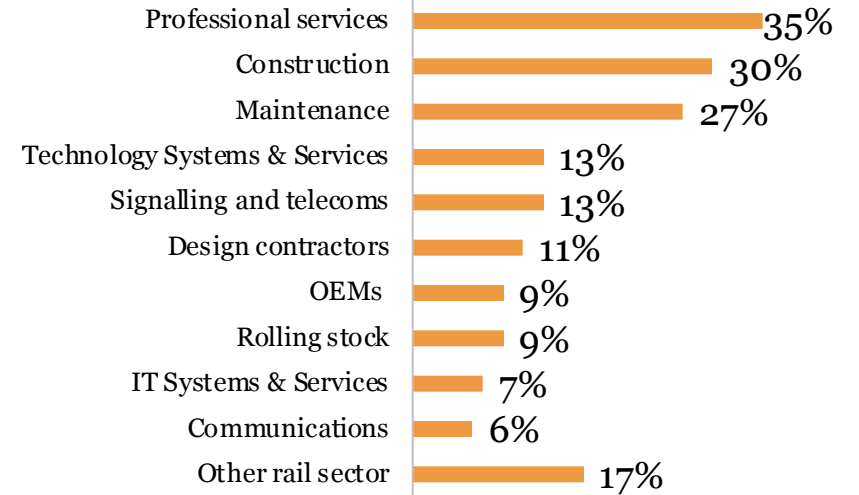
## Annual revenue



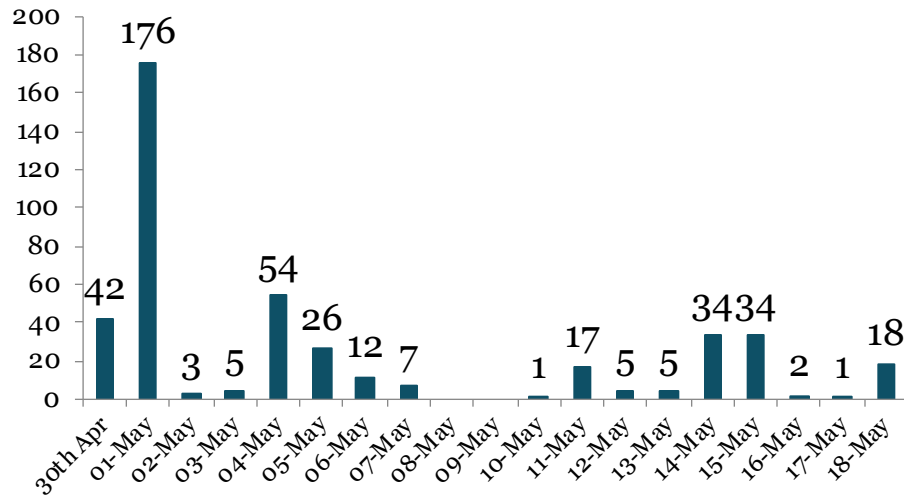
## Rail related annual revenue



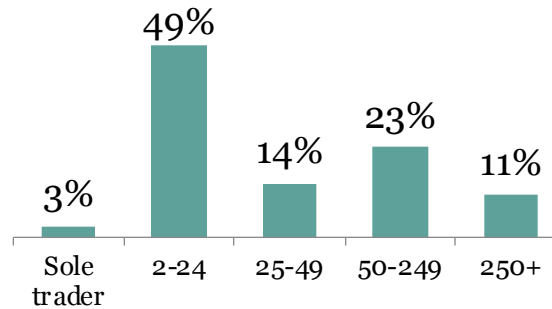
## Areas that make up at least 25% of revenue



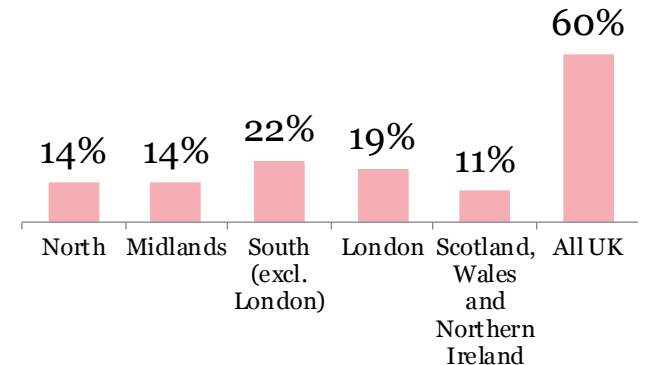
## Survey completes by day



## Number of UK rail employees



## Regions where staff are employed



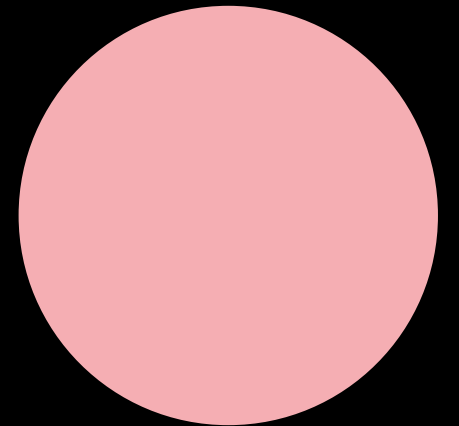
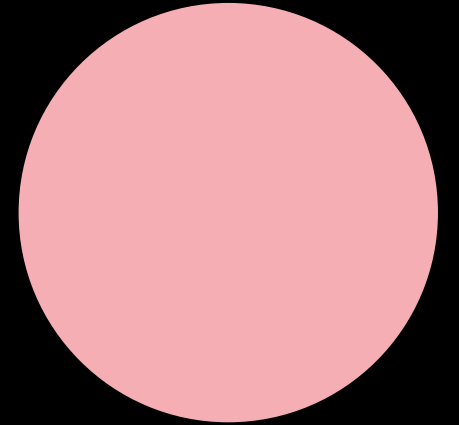
Q1. To the best of your knowledge, what is your organisation's annual income / turnover / sales (i.e. revenue)? Q2. To the best of your knowledge, what is your organisation's rail related annual income / turnover / sales (i.e. revenue)? Q3. Which of the following describe your organisation's role(s) in the rail sector and its supply chain? Please select all that make up at least 25% of your organisation's revenue. Q4. In which regions does your business employ staff to provide products or services into the rail sector? Q5. To the best of your knowledge, how many employees work in your UK rail organisation?



Rail Supply Group

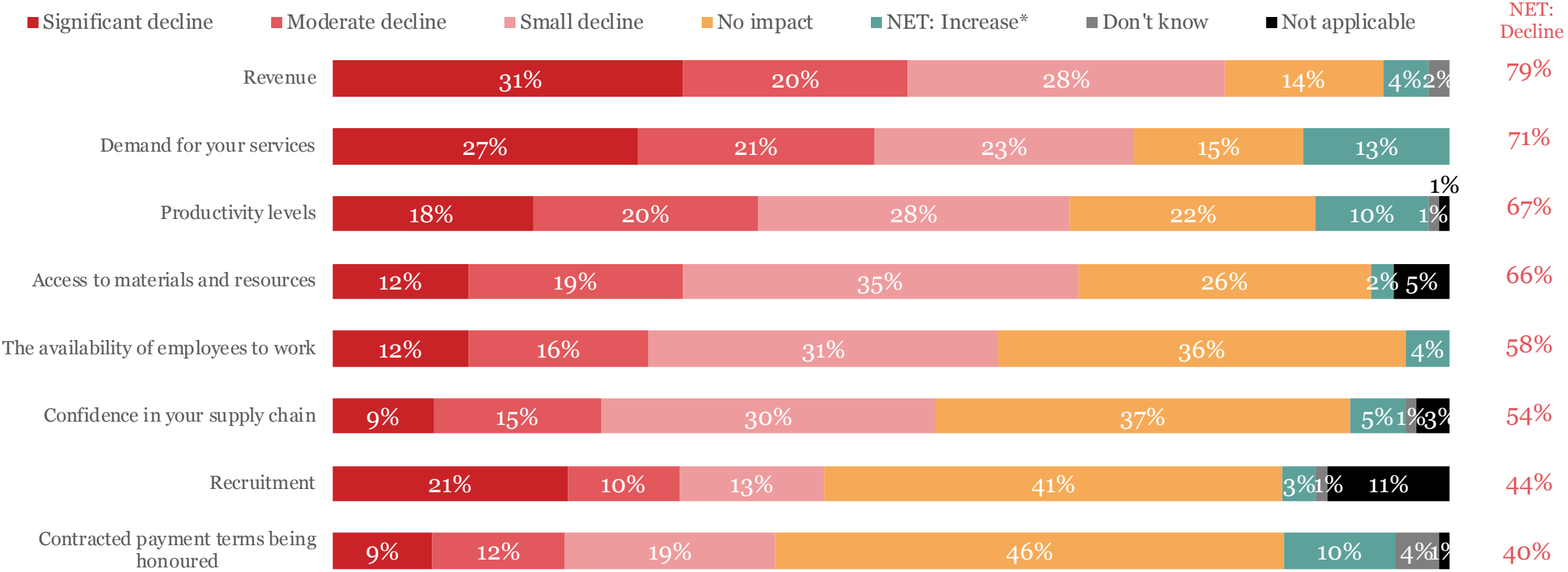
Savanta  
ComRes

# Impact of the Coronavirus crisis



# Four in five organisations in the rail supply sector say their revenue has declined compared with pre-virus levels

Impact of the Coronavirus compared with pre-virus levels

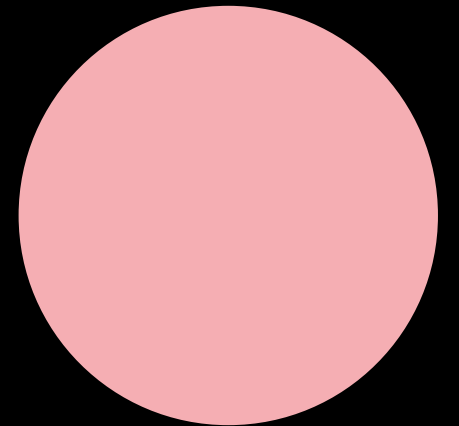
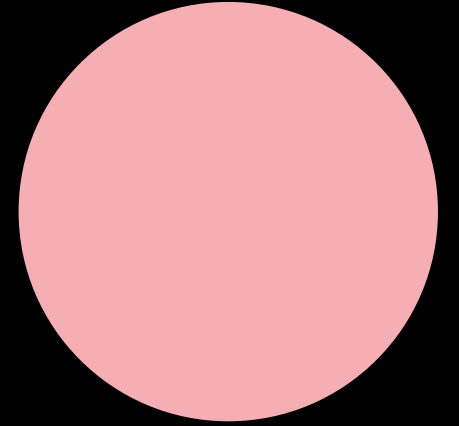


11 Q6. What impact, if any, has Coronavirus had on each of the following aspects of your organisation compared with pre-virus levels? Base: All respondents (n=442)  
 \*NET: Increase is the sum of Significant increase, Moderate increase and Small increase

## **Respondents in interviews describe similar declines in demand, revenue and productivity**

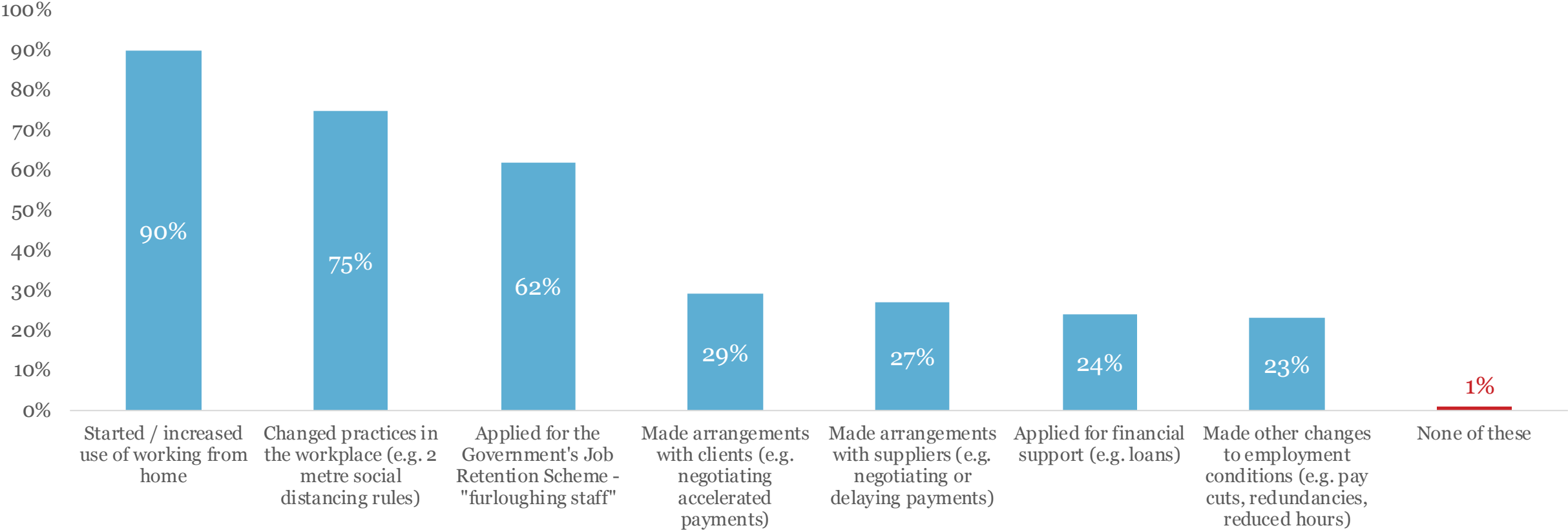
- The qualitative findings show organisations experiencing large declines in demand and revenue in recent months.
- Even where projects can continue, there have been productivity issues with conducting work while maintaining social distancing.
- Some discussed their frustration at having work cancelled that they believe could have been completed safely.

# Actions taken to alleviate the impact of the Coronavirus crisis



# The vast majority of organisations have started/increased use of working from home or changed practices in the work place, while three in five have furloughed staff

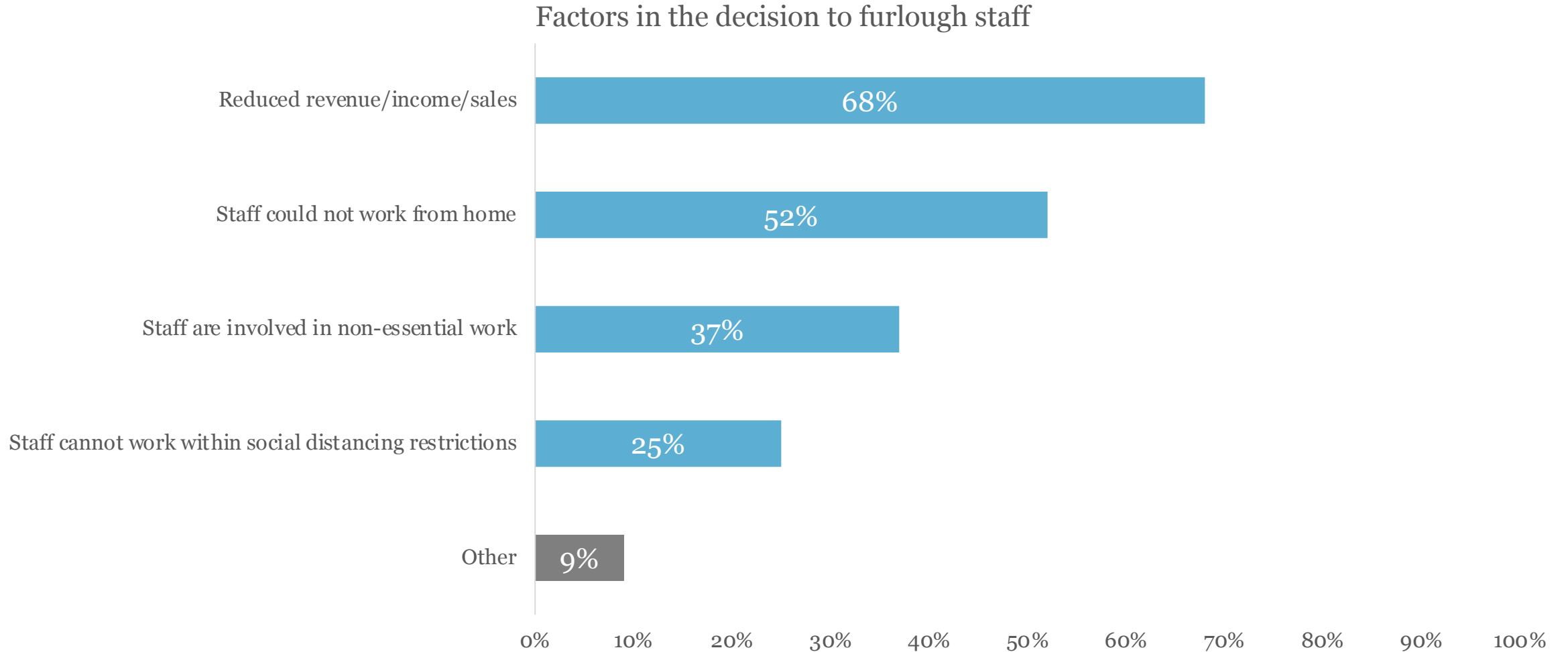
Actions taken to reduce the impact



# Larger organisations are significantly more likely than smaller organisations to have taken all the tested actions to reduce the impact of the Coronavirus crisis – with the exception of applying for financial support



# Organisations that have furloughed staff are most likely to say reduced revenue/income/sales was a factor in the decision

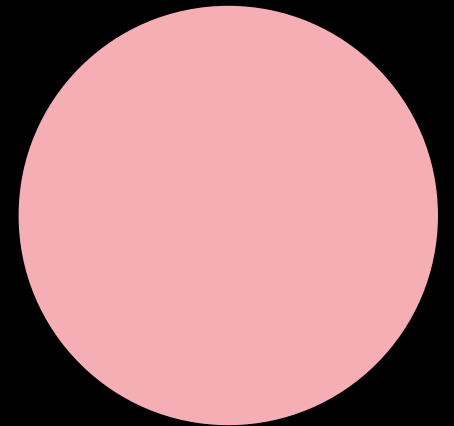
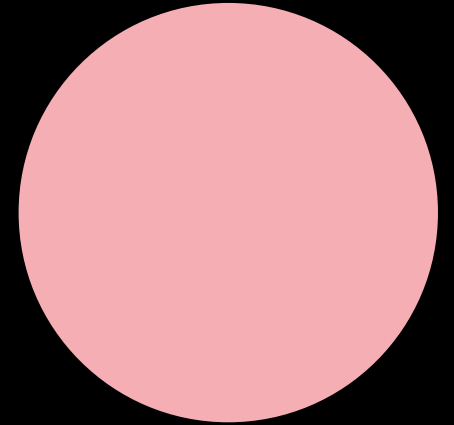




## **Respondents in interviews describe utilising the furlough scheme based on reduced revenue and the employee's role**

- Whilst the proportion of staff placed on furlough varied by organisation, there was a common sense that the scheme was vital in avoiding redundancies.
- Staff that have been furloughed are most likely to be involved in work that has either been cancelled or cannot be done from home.
- Participants hope that if work returns then they will be able to bring people back to work.
- There is support for allowing employees come back to work part-time while still on furlough.
- However, there are concerns about changes being made before demand returns and that this could lead to redundancies.

# Confidence in surviving the Coronavirus crisis



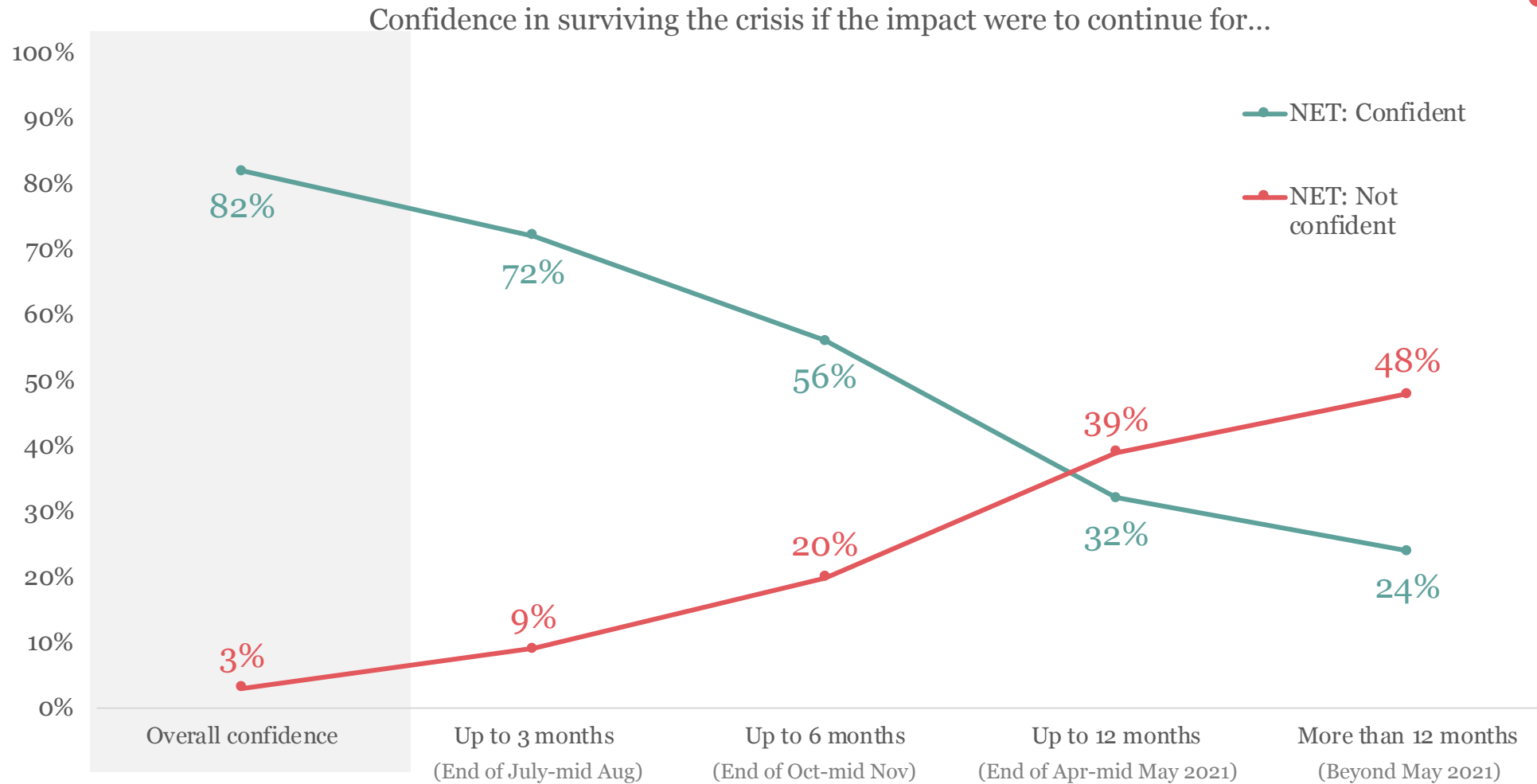
# Four in five (82%) organisations are confident they will survive the Coronavirus crisis

Confidence in surviving the crisis

■ 5 - Very confident ■ 4 ■ 3 ■ 2 ■ 1 - Not at all confident ■ Don't know

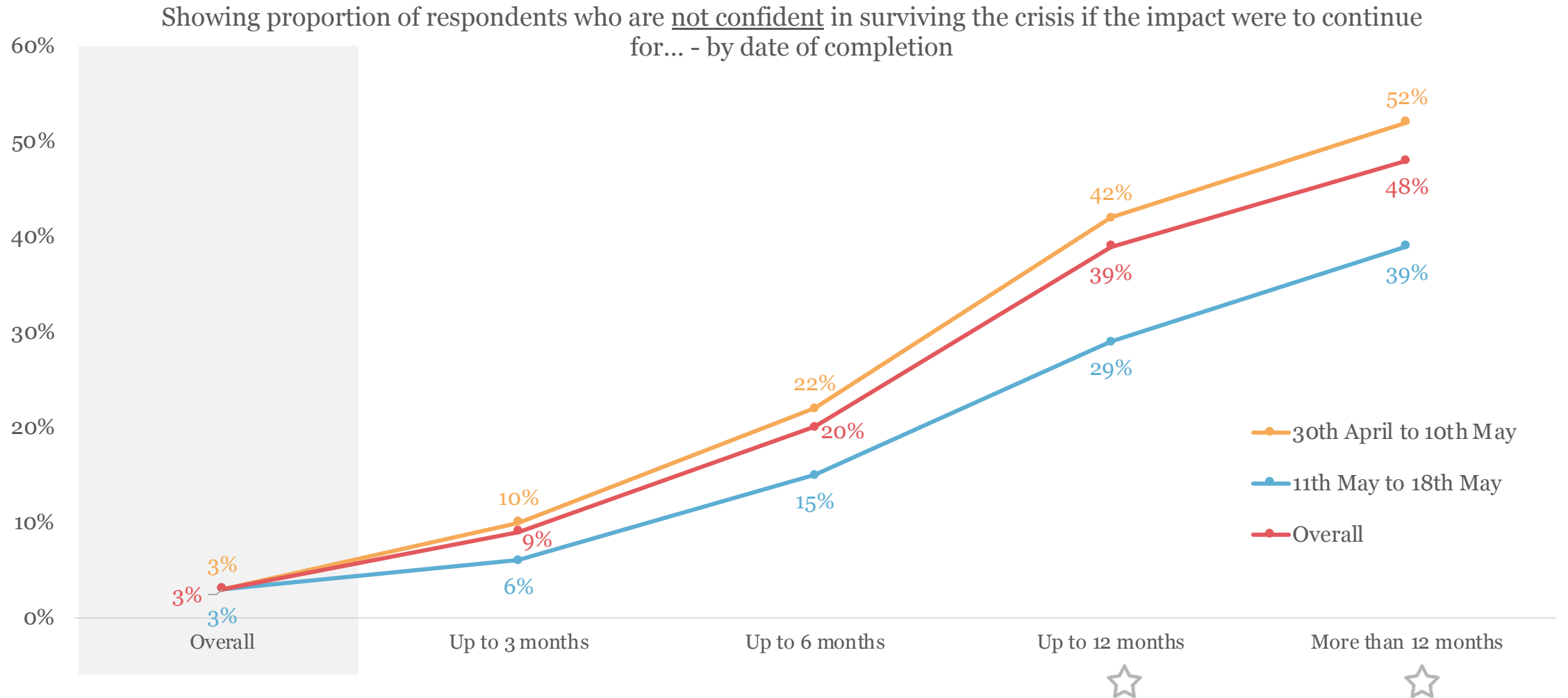


# If the impact of the Coronavirus were to continue for up to 12 months, organisations are more likely to be not confident than confident of surviving the crisis (39% vs. 32%)



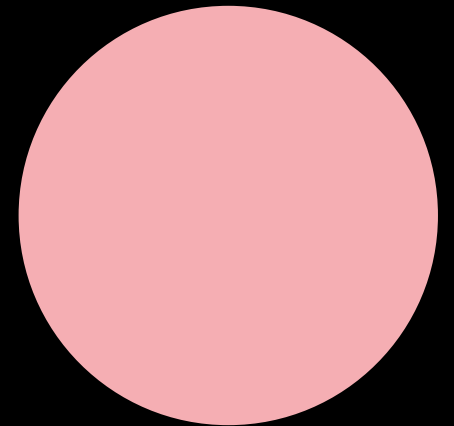
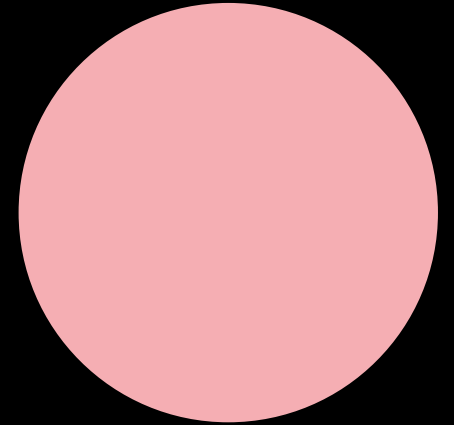
“ If we find ourselves into September, October, and projects are still slow to mobilise, and new projects are slow to be awarded, then **you become less confident the longer it goes on.** ”

# Organisations that completed the survey prior to the Prime Minister's 10<sup>th</sup> May statement were significantly more likely to say they were not confident of surviving the crisis if the impact were to continue for up to 12 months



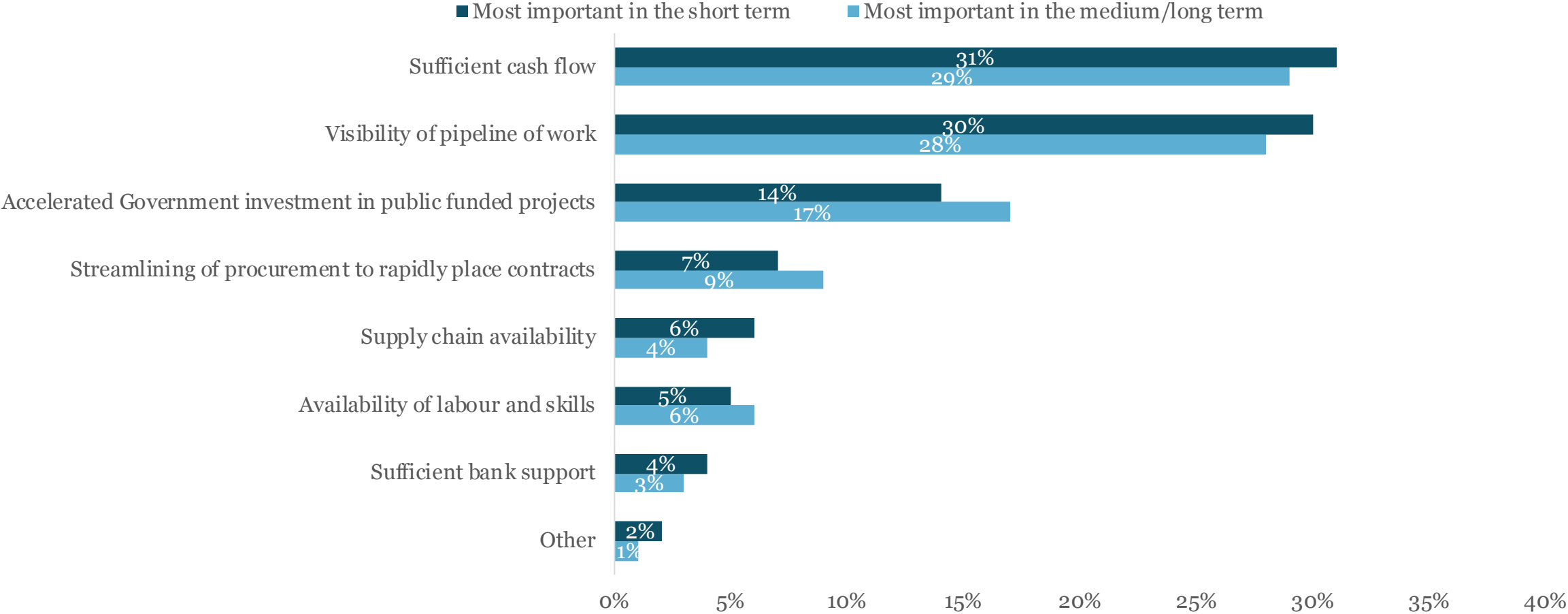
21 Q9. On a scale from 1 to 5 where 1 is not at all confident and 5 is very confident, how confident are you in your organisation surviving the Coronavirus crisis?  
 Q10. What would be your level of confidence in in your organisation surviving the Coronavirus crisis if the impact of Coronavirus were to continue for... Base: All respondents who completed the survey between 30<sup>th</sup> April and 10<sup>th</sup> May (n=326), All respondents who completed the survey between 11<sup>th</sup> May and 18<sup>th</sup> May (n=116)

# Recovering from the Coronavirus crisis



# While accelerated Government investment in projects is considered slightly more important in the longer term, the importance of areas is broadly consistent over time

Areas considered most important for short term survival vs. a full recovery in the medium to long term



# The priority for organisations concerned about cash flow is for contracts to be honoured and payments made early where possible

- Importance of contracts and payments being honoured.
- Many would like invoices paid within shorter time frames / more up-front.
- Support for Network Rail mechanisms to make payments quickly – desire to see others do the same.
- Desire more support from Government: continuation of the furlough scheme, scrapping tax payments and funding grants.
- A view that banks can do more to support the industry by making loans easier to acquire.

“ We need **jobs to be honoured**, not to be cancelled last minute... We are keeping key workers off furlough to service the clients needs but they keep cancelling jobs.  
*Construction and Maintenance, 2-24 employees*

“ For large companies (especially Tier 1) to follow Network Rail’s lead and make **payments within 7 days to SMEs** and not force us to 60 day contracts.  
*IT Systems & Services, 2-24 employees*

“ The government to **abandon planned changes to VAT collection rules on construction work**. The changes have been deferred, they should be scrapped altogether.  
*Construction and Maintenance, 50-249 employees*

“ **Bank support** without unnecessary red tape.  
*Construction, 2-24 employees*



# Visibility of the pipeline of work, and the impact of Covid-19 on this, is seen as vital for short and long term planning

- A clear sense of how much work is in the pipeline is especially important during the Coronavirus crisis.
- This is influencing decisions around revenue and labour forecasting, and cash flow.
- Organisations want to see clarity from Government – especially Network Rail.
- Desire for faster publication of short and long term timelines of what work will be happening, and any changes due to the crisis.
- Organisations would like to see procurement become more accessible to a wider pool.

“ We need to understand all clients’ availability, funding and appetite to complete works and invest in projects, so we can ensure that **financial targets can be re-forecasted** and set accordingly. If we do not have enough investment in projects then we will need to re-assess staffing levels and furloughed staff.

*Professional services and Construction, 50-249 employees*

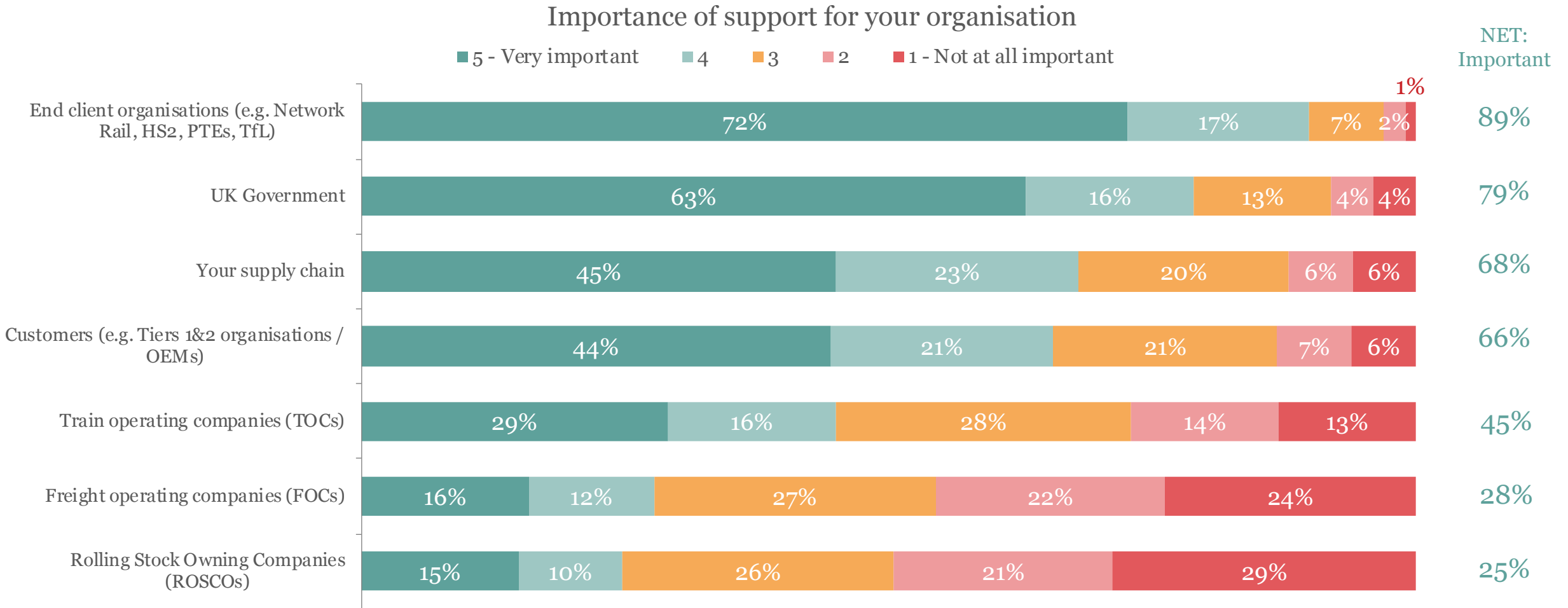
“ Visibility of works coming out from NR, TFL etc to better be able **to manage cash flow and labour requirements**.

*Professional services, 2-24 employees*

“ **A year on year view over 5-10 years** of the vision and investment funding available.

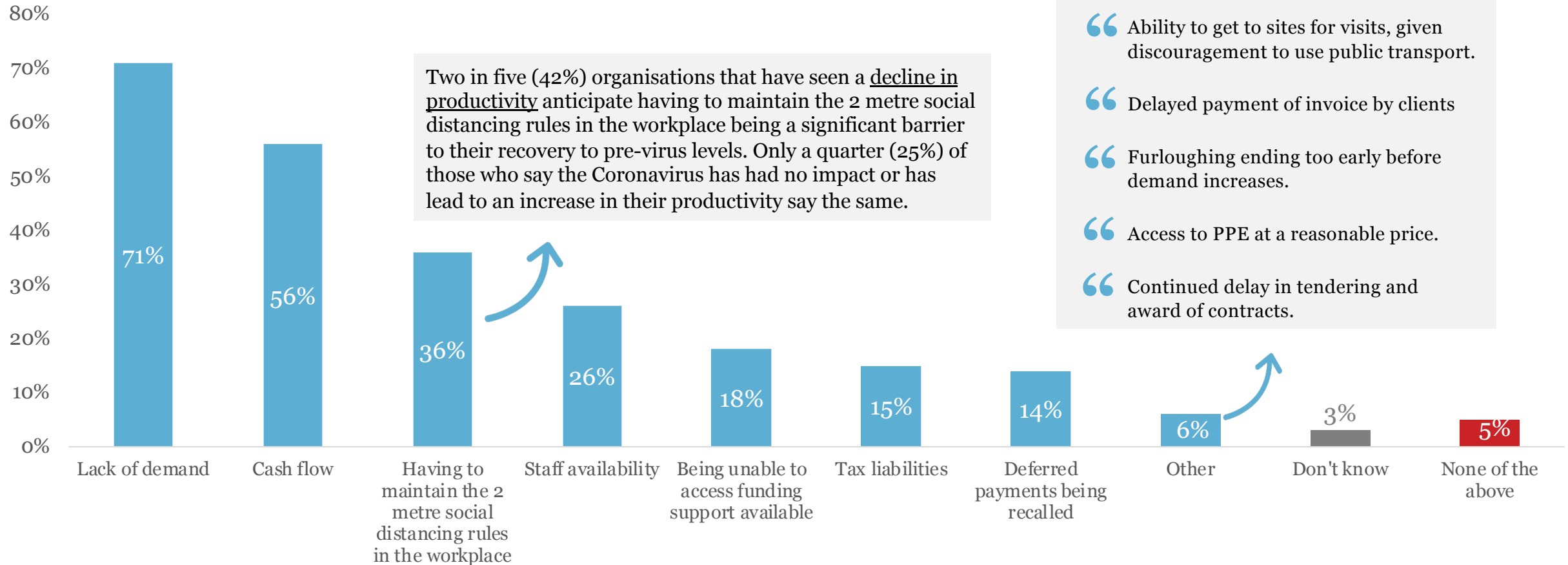
*Professional services, 50-249 employees*

# Nine in ten organisations consider support from end client organisations to be important for their recovery from the Coronavirus crisis



# The majority of organisations anticipate lack of demand and cash flow being significant barriers for the recovery of their organisation to pre-virus levels

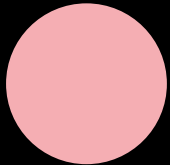
Anticipated barriers to the recovery



## **In the interviews, lack of demand was seen as the single biggest factor preventing the recovery of most organisations**

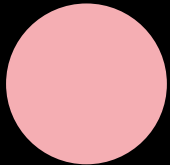
- Lack of demand was the biggest single barrier that could prevent an organisation's recovery.
- Social distancing will require extra planning, but most are confident that if work comes in they will be able to recover.
- Participants from SMEs had concerns that discussions on recovery will be dominated by larger organisations.
- SME's want to see more dialogue across the industry and for contracts for major projects to spread work throughout the supply chain.

# Contact us



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**For more information about the work of the Rail Supply Group's  
Coronavirus Taskforce go to <https://rsgtaskforce.org>**