

i n v e n s y s
Rail

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UK Rail: A Case for Investment





Rail is a major UK industry with excellent employment economics. It has the potential to be a significant engine for job creation and economic growth during this economic downturn.

Rail as an employer

Rail is a major employer in the UK, with approximately 268,000 individuals reliant on the industry for their livelihoods. These can be regarded as belonging to one of three groups; Direct, Indirect and Induced employees (see Figure 1).

Direct employees are those whose employer's core business involves the movement of passengers or goods by rail (TOCs and FOCs), and those who manage the physical rail infrastructure (Network Rail and Eurotunnel).

Rail transport features some very significant employers - Network Rail accounts for 34,000 alone - and overall 112,000 individuals are directly employed by the industry. Indirect employees are those whose employer's core business involves supply of goods or services to the rail industry.

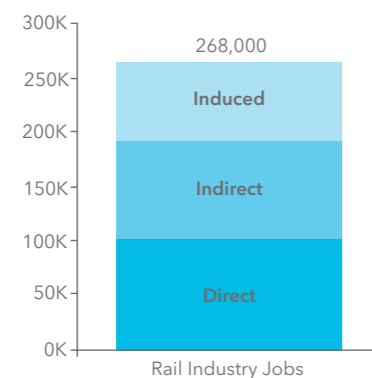


Figure 1: People employed by rail industry

This includes engineering companies and equipment suppliers of all sizes, and represents a further 75,000 individuals. Finally, Induced employees are those whose jobs depend upon the demand for goods and services generated by the spending of Direct and Indirect employees; 81,000 in total.

Funding for Rail

The majority of Funding for the UK rail industry comes from two sources. First, the Fare Purse; revenues generated by the TOCs & FOCs from operations. Secondly, by Government grants; principally to Network Rail for renewals and enhancements of the network.

"The UK's rail industry is reaping the rewards of unparalleled investment... [and] is now among the most open and competitive in the world. A decade after it was privatised, all sectors of the industry have thrived in the newly competitive marketplace. Faced with tough competition from both home and abroad, our rail sector continues to innovate to further its leading position in the market, in financial, operational, engineering and manufacturing sectors."

UK Trade & Investment

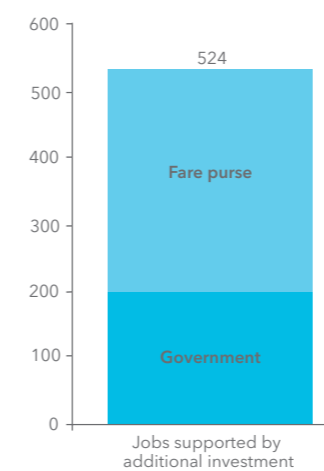


Figure 2: Jobs created by investment

The ratio of Government to non-Government funding is approximately 1.0 to 1.3. In other words, for every £1.00 invested by Government, the industry generates £1.30 in its own funding.

A case for further investment

Assuming maintenance of a 1.0 to the 1.3 ratio, an additional £10m investment from the Government would generate a total of £23m in industry funding. Analysis shows that this investment would support the creation of an additional 524 Direct, Indirect, and Induced Jobs (see Figure 2).

Additionally, it is likely that the 1.0 to 1.3 ratio could be improved by targeting investment to the right areas; specifically slower, capacity constrained areas of the rail network with high revenue potential. Dramatically increased uptake of Eurostar services since reducing the UK side journey time provides a recent example.

An engine for job creation

The Government can maximise the efficiency of its plans to support the UK economy by choosing to invest in industries with the widest benefit to the economy as a whole. In this respect, the rail industry has a significant advantage, as it enjoys high economic multipliers.

Figure 3 shows that the creation of 100 additional Direct rail jobs supports a further 140 Indirect and Induced Jobs. By comparison, 100 additional motor industry jobs only supports 48 Indirect and Induced. Rail represents an efficient investment opportunity in terms of job creation.

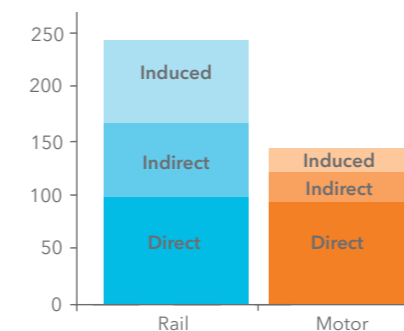


Figure 3: Jobs created in rail vs. motor