



SLIDE 1

Good morning

It's a pleasure to be delivering the keynote today, on behalf of Alstom and the Rail Supply Group.

What a great event.

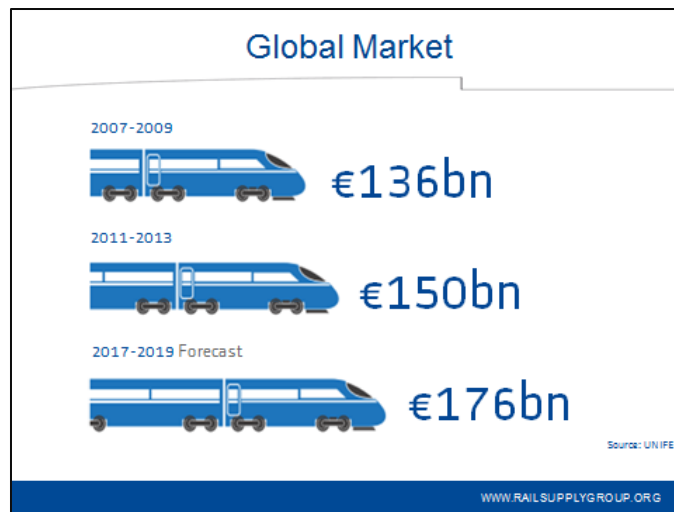
And it's timed perfectly.

A new Government with a clear mandate.

And an industry with a once-in-a-generation opportunity.

This is a **great moment** to be in this industry. We are all privileged. But we must ensure we make the most of it.

And that's what I'm here to talk about today: **a call to arms.**



SLIDE 2

First, some facts.

The global market grew by €14 billion between 2009 and 2013 despite one of the worst recessions ever seen in the developed world.

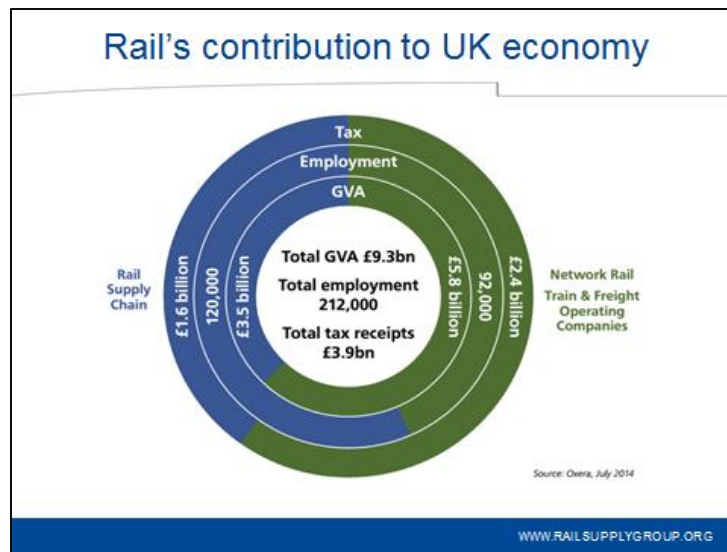
Looking forward, it is expected to grow by a further €26 billion by 2019, but driven mainly by the Americas and Asia.

So the markets are there for us – driven by a number of unstoppable **megatrends**:

1. **Urbanisation**: 50% of us live in cities today, rising to 66% by 2030.
2. **Emerging countries**: needing transport infrastructure to build their economies.
3. **New technology**: transforming industries and the way we live.
4. **Environment**: where transport plays a massive role in reducing CO2 emissions
5. **Ageing population**: particularly in Europe, where the share of people aged 65, or older, is growing. Meaning more emphasis on security, reliability and tailored access to transport.

So, in short, the demand for rail services is only going to grow; evolve; and present new challenges for us all.

We've got to move and adapt.



SLIDE 3

Let's pause for a moment on the UK.

We already know that rail makes a big contribution to the UK economy. It is a key industrial sector.

Together, the supply industry and the train operating companies:

- **employ 212,000 people** – that's about 70,000 more than the UK automotive industry (141,000);
- **contribute almost £4bn a year to the Exchequer**; and
- **move 3 million people a day** – absolutely key for the health of the economy.

The rail sector in this country is experiencing a renaissance.

I firmly believe the UK is the most fascinating and most studied market in the world.

Many other countries are looking on enviously at the reforms and initiatives taking place here. From privatisation to innovative financing to alliancing.

They want to know why we are doing it; how we are doing it; and how they can learn from our experiences.

Suppliers here should not feel on the back foot.



SLIDE 4

So what does the future hold for the UK?

There are big opportunities:

- £38bn of projects in the National Infrastructure Plan;
- Crossrail 2;
- HS2 & 3;
- Electrification;
- Over 2,000 rolling stock cars;
- London Underground investment;
- And so on.

A pipeline of projects well into the 2020s.

A prospect that most industries would **love** to have. I think we sometimes forget that.

We await the new Government's vision for the rail sector over the next 5 years.

But the Conservative manifesto was very clear about the need to continue investing. So I see no change in commitment.

The welcome re-appointment of Patrick McLoughlin underlines that.

And it was good to hear the Prime Minister talk about infrastructure investment and the 'Northern Powerhouse' in his first post-election speech.

So that's positive news.

But we have a problem. The supply industry is not **yet** set up to maximise the returns for UK plc.

And the overseas players will find this place attractive.

The industry does 'get it', but is in development mode and, I contest, needs help to progress.

The railway is locked into a syndrome of only seeing projects, and we may be locked into that paradigm.

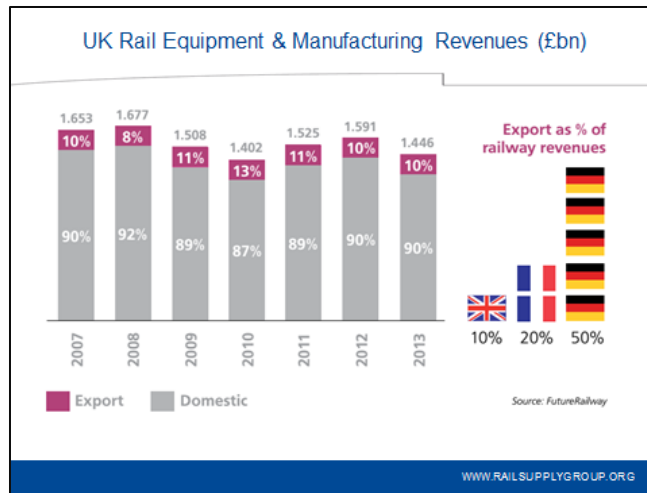
As only seeing technology being pulled by the market.

As only seeing franchises as the driver.

As only seeing domestic demand and to hell with the world market.

So we are still in tactical mode. Reactive mode. Project mode.

And strategy eats tactics and projects for breakfast.



SLIDE 5

The evidence from our exports’ record illustrates the point well. Let’s not shy away from this.

There is no doubt that UK companies provide world-class rail engineering, construction and professional services.

66% of Railway Industry Association members export from the UK and a further 10% plan to do so.

Great!! They will outperform those of us that don’t in the long term.

But some of our major overseas competitors export more than we do.

Whilst there is no comprehensive data, some estimates suggest that the UK exports as little as 10% of rail supply revenues.

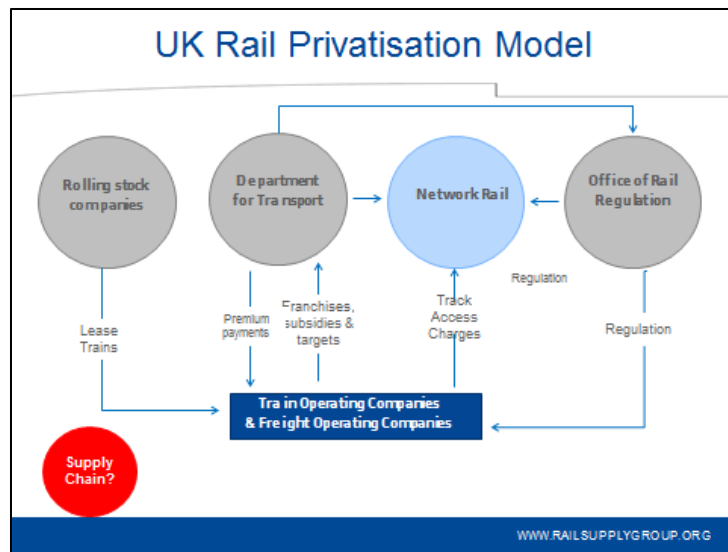
Other European countries are doing much better: France 20% and Germany 50%.

And our Chinese competitors are **40 times larger** than the largest UK rail supplier. Come on!

This is unsustainable. We once had a strong export record; we lost it; and, now, we want it back.

And we should make a big contribution to the Government’s target of achieving £1trillion exports by 2020.

A great challenge for us.



SLIDE 6

So, my argument is this: it is time to see the rail industry as strategic. Just as our competitor countries do.

We need to be more joined up.

One of the reasons we struggle stems from a gap in the privatisation model.

The model did not fully address supply industry issues, manufacturers' issues, which are often long term.

Railway operators and infrastructure managers are in a highly competitive market. Where, understandably, survival is the number 1 priority.

Because of that, reasonably in my view, they have little interest, or involvement, in costly technology development.

R&D costs are high and immediate returns uncertain.

So the pressure to deliver in the short-term has obscured the need for investment in the long-term.

They know they have a duty, but cannot express it in business terms.

Likewise the Government wants to help. They are beginning to tweak the franchise model to encourage wider benefits.

But why should a five-year franchise help to develop a technology that won't produce a return for 10 years?

And so a gap remains.

To bring costs down, the whole industry has to drive investment in innovation & technology.

And the market we target should be a world market, not just the UK.

This is a flaw that the industry and government have to solve together. The supply chain cannot do it on its own.

But we can certainly give it a firm boot and take responsibility to provide ideas, direction and voice.

What does failure look like?



WWW.RAILSUPPLYGROUP.ORG

SLIDE 7

What happens if we fail to reshape the domestic supply industry?

10-15 years from now the UK market will peak and decline.

If we don't have export capability, the industry will wither.

It's not an academic point. It is fact.

Investment falling once again in people, skills and innovation.

A downward spiral to being an importing country.

Making us uncompetitive. At the whim of foreign supply chains and exchange rates.

And then increased costs when we ramp up again to meet demand in the next economic cycle.

We have seen this happen in the British nuclear energy sector. The warnings are very clear.



SLIDE 8

So that, in part, is why the Rail Supply Group was established last year.

11 industry leaders, 2 Secretaries of State and 2 senior officials.

A genuine partnership between industry and government.

Resulting in the RSG Vision published in January.

A vision that is crystal clear.

By 2025, **the industry is pledging** that we will:

- More than double **export** volumes
- Attract the very best **UK talent** to the rail sector
- Harness the energy & innovation of a greater number of **SMEs**
- Be a global leader in **High Speed rail**. And
- Have a highly **innovative and entrepreneurial** supply chain.

All of that resulting in the UK confirming its place as a **global leader in rail**.

This is an ambitious vision, with a clear timetable, but one that I am confident we can deliver.

And we've had fantastic, supportive responses to the Vision document.

From customers, SMEs and stakeholders - all willing to be involved.

People I've met have been inspirational. We're joined by Network Rail and the TOCs. And supported by RDG, RIA, Rail Alliance and RFG.

We're already taking action. Later today we launch the 'Open Doors' Initiative to help SMEs.

And by the end of this year, subject to ministerial agreement, we will present Government and the market with an industrial strategy.

Let's be clear: over the coming decade, we have a unique opportunity.

Jobs, new technologies, investment, growth, innovation, a more diverse workforce.

Resulting in higher efficiency, reduced costs and a better service for passengers.

And every one of you in this hall has a part to play.

So please, get in touch, get involved.

Dozens of firms are involved....but we need more.

Our project will not succeed with a few big firms leading from the front.

It requires a **huge effort** from everyone – and you are a crucial part of that.

Together with my RSG colleagues and industry stakeholders, I'm looking forward to working with you and watching this industry grow.

Thank you.