Invest 2035: the UK's modern industrial strategy

Campaign for Better Transport response to Department for Business and Trade consultation

October 2024

Questions

1. **How should the UK government identify the most important subsectors for delivering its objectives?**

Sustainable transport investment is central to delivering on the Government's industrial strategy objectives of sustainable, inclusive, and resilient growth. The government should prioritise sub-sectors that:

- Contribute to Net Zero goals: public transport, such as buses, trams, and rail, reduce greenhouse gas emissions by offering lower-emission alternatives to private vehicles. This aligns with the UK's commitment to achieving net zero by 2050.
- Drive regional growth and productivity: public transport underpins economic activity in cities and regions, connecting labour markets to jobs and services, thereby enhancing regional productivity and reducing disparities.
- Enable inclusive growth: affordable, reliable public transport improves access to jobs, education, and healthcare for underserved communities, ensuring that economic growth benefits everyone.

2. **How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?**

The government should:

- Support data innovation in transport analysis and use dynamic data from smart ticketing systems, IoT sensors in vehicles, and geo-spatial data to understand usage patterns and identify investment priorities.
- Collaborate with technology providers, transport operators, and academic institutions to forecast trends in mobility, electrification, and autonomous systems.
- Promote public transport electrification and automation by encouraging research and development in electric buses, hydrogen-powered trains, and autonomous transport systems to reduce emissions and improve efficiency. Focus should be placed on commercialising innovations by offering targeted subsidies, tax incentives, or grants for companies working on green transport technologies.

- Develop flexible metrics for emerging trends by tracking the indirect benefits of public transport, such as urban development driven by new transport corridors or modal shifts away from cars.

3. How should the UK government incorporate foundational sectors and value chains into this analysis?

Public transport systems are foundational to many growth-driving sectors because they enable workforce mobility. Reliable public transport is critical for sectors such as advanced manufacturing, professional services, and life sciences, ensuring employees, business partners and customers can travel efficiently. In addition, it supports clean energy and growth as public transport electrification boosts demand for clean energy infrastructure. Therefore, the Government should:

- Conduct value chain analysis of 'downstream' impacts on productivity across growth-driving sectors that depend on effective transport links.
- Invest in supply chains for green transport. It should prioritise domestic production of components such as electric batteries, charging stations, and hydrogen fuel cells to reduce reliance on imports.
- Incentivise partnerships between transport operators and clean energy providers to accelerate the transition to green transport and net zero.
- Recognise public transport as critical infrastructure as it is an enabler for the other eight growth-driving sectors, ensuring it is central to future sectoral plans.

7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

Growth-driving sectors, such as clean energy or advanced manufacturing, rely on efficient public transport to attract and retain workers. Funding uncertainty delays critical projects that improve connectivity and economic productivity. For example, the stop-start nature of rail electrification in the UK has limited progress toward decarbonisation and reduced the appeal for private investors in transport-related projects. Bus and rail manufacturing industries are, or can be, growth sectors too. However, they need government certainty and support through diesel phase-out plans, rail track electrification, and a steady supply chain of orders. The Rolling Stock Strategy is a welcome step, and UK procurement should be prioritised to maximise domestic economic benefits.

The current regulatory complexity and fragmentation creates inefficiencies, particularly for sectors dependent on reliable freight and commuter services, such as advanced manufacturing or financial services. Poor coordination increases costs and delays. Disjointed transport policies have led to inconsistent service coverage, with rural areas in particular suffering from bus service cuts, further isolating communities and businesses.

There is a lack of skilled workers in engineering, digital systems, and sustainable transport planning, limiting the pace at which projects can be developed and deployed. The report earlier this year from the National Infrastructure Commission highlighted that there is a chronic shortage of engineers and technicians to deliver large-scale transport projects, such as HS2 or local bus network upgrades.

To address these barriers and support the industrial strategy's objectives, the government should:

- Establish long-term funding mechanisms – particularly for local bus services. It should create multi-year funding guarantees for public transport, reducing uncertainty for investors.
- Develop public-private financing models with tax incentives for green transport initiatives.
- Accelerate rail electrification and develop charging and refuelling infrastructure for electric and hydrogen vehicles.
- Partner with clean energy firms to ensure the energy grid can meet public transport electrification needs.
- Launch targeted apprenticeship and training programmes in green transport technologies and infrastructure.
- Provide direct subsidies, loan guarantees, or tax relief to encourage private sector investment in low-carbon public transport solutions.

Investing in public transport will not only reduce barriers to growth in other sectors but also enable the UK to achieve its net zero and productivity goals. Campaign for Better Transport urges the government to recognise public transport as both a foundational enabler and a growth-driving sector in its own right. By addressing the outlined barriers, the UK can create a truly pro-business environment that fosters sustainable and inclusive economic growth.

14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

In order to streamline planning – particularly for significant infrastructure projects – the Government should implement a fast-track approval process for critical public transport projects, modelled on the Nationally Significant Infrastructure Projects (NSIP) framework. It should expand its scope to include sustainable transport projects, such as bus network upgrades, light rail systems, and rail electrification. Faster planning processes would also enable quicker delivery of transport improvements in underserved regions, for example reducing productivity gaps such as the £8.8 billion annual shortfall in Manchester.

Establishing long-term funding certainty is essential. The Government should create multi-year transport funding settlements tied to regional growth strategies, ensuring sustained investment. For example, clear funding commitments for buses and a rail electrification programme in the Spending Review.

There must be integration of national and regional transport plans. Disconnected planning between local, regional, and national transport bodies undermines efficiency and effectiveness. The role of sub-national transport bodies (e.g. Transport for the North) should be expanded to include coordinating integrated transport strategies, with a mandate to align with the industrial strategy's objectives for regional growth.

The UK's decarbonisation goals are currently limited by under-investment in clean transport technologies. The Government should continue to provide for Zero Emission Buses and also certainty of orders for rolling stock once the railways are re-nationalised. In addition, it must ensure planning frameworks prioritise low-carbon solutions. A serious commitment to decarbonising transport would attract investment in clean energy sectors and align with net-zero objectives.

15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

Investment in public transport is a cornerstone of the UK's modern industrial strategy. By addressing barriers in planning and integrating transport infrastructure investments with regional growth priorities, the government can unlock the potential of growth-driving sectors and deliver inclusive, sustainable prosperity.

- Public transport improves worker mobility, linking skilled labour to clusters in life sciences (Cambridge), clean energy (Tees Valley), and digital sectors (Manchester).
- Investments in public transport reduce disparities between regions, ensuring all areas benefit from economic growth.
- Fragmented investment priorities hinder strategic coordination. Therefore, public transport should be woven into the 10-year infrastructure strategy, aligning transport investments with the needs of growth-driving sectors and regional clusters.
- High upfront costs for infrastructure deter private investment. The government must back guarantees and offer tax incentives for private-sector investment in public transport.
- Public transport investments (rail, light rail, and buses) offer higher productivity gains and environmental benefits than roads. Public transport should be a priority for capital funding, such as rail electrification or expansion of bus services, over car-dependent infrastructure.
- Poor digital integration in transport networks limits efficiency. Investment in digital infrastructure to enable real-time journey planning, contactless payments, and smart ticketing across all modes of transport is essential. This will improve both public transport efficiency and business logistics.

20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

The key to encouraging growth and innovation is less regulation, not more. Reducing unnecessary regulatory burdens and streamlining processes would enable faster project delivery, encourage private sector involvement, and support public transport as a critical enabler of the UK's modern industrial strategy.

In order to achieve this, the Government should:

- Streamline planning regulations for public transport projects. Lengthy and complex planning processes delay the delivery of critical transport infrastructure, particularly rail (HS2 a prime example), light rail, and bus networks. This impacts regional growth and disincentivises investment. Simplifying the Transport and Works Act Order process for rail and light rail projects to reduce approval times would be highly beneficial. As would introducing a 'fast-track' planning process for sustainable public transport projects, similar to the framework for Nationally Significant Infrastructure Projects (NSIPs). Accelerated project timelines will attract private investment and

allow regions to respond more effectively to economic demands, reducing productivity gaps in underserved areas.

- The privatisation of bus services outside of London has created fragmented networks. The current rules make it difficult and expensive for local authorities to implement franchising or hybrid service models. Existing regulations also discourage innovation in integrated ticketing and service expansion. Simplifying the process for local authorities to implement bus franchising or other service models would encourage integration by mandating that operators participate in regional smart ticketing systems, without imposing unnecessary administrative burdens. Where new regulation would be beneficial is in establishing national standards for bus stops so they are as consistent as railway stations, and GBR, once established, reforming and regulating and simplifying fare structures.
- Align regulation with net-zero transport goals. Regulatory frameworks often fail to incentivise rapid adoption of zero-emission public transport technologies, such as electric buses and rail electrification. Revising vehicle certification rules to simplify the approval process for electric and hydrogen buses, and removing administrative hurdles for local authorities applying for funding under net-zero transport initiatives, such as the Zero Emission Bus Regional Areas (ZEBRA) scheme would speed up the UK's decarbonisation. What's more, lowering barriers to green transport adoption will enable the UK to achieve decarbonisation targets while fostering innovation in emerging clean energy industries.
- Eliminate barriers to integrated transport planning. Disjointed regulations for different transport modes (bus, rail, cycling, etc.) create inefficiencies in achieving integrated networks. By harmonising the regulations governing different transport modes to ensure coordinated planning and investment, and encouraging shared-use infrastructure and integrated ticketing to improve user experience and operational efficiency, will produce integrated networks, enhance connectivity across regions, and enable the growth-driving sectors to access talent and markets more effectively.

By prioritising these reforms, the Government can create a regulatory environment that encourages sustainable and inclusive growth while maximising the economic potential of public transport.

24. How can international partnerships (government-to-government or government-to business) support the Industrial Strategy?

Rail connections to Europe are vital to achieving the goals of the UK's Industrial Strategy. International partnerships can support the Strategy's objectives:

- Strengthening UK-EU rail connections to drive trade and economic growth. UK-EU trade remains a significant portion of the UK's international trade, however, rail connectivity between the UK and the Continent is under-developed compared to other European countries, limiting trade and investment opportunities. Expanding rail capacity through the Channel Tunnel and investing in new cross-border routes to key industrial and commercial hubs in Europe would make trade smoother. Building on the UK-France Le Touquet Agreement, the government could collaborate with France, Belgium, and the Netherlands to develop direct freight and passenger links. Better international rail connexions will provide businesses in growth-driving sectors (such as advanced manufacturing, clean energy industries, and life sciences)

efficient and lower-carbon transport options to access European markets. This supports long-term, sustainable growth.

- Collaborating on green and sustainable transport initiatives. The Industrial Strategy emphasises net-zero commitments, and rail is among the most sustainable transport modes. However, rail's potential as a low-emission alternative to short-haul flights and HGV is under-utilised. The Government should therefore partner with European governments to implement joint initiatives promoting green transport corridors.
- Unlocking the potential of digital trade via rail connectivity. The Strategy identifies digital trade as a core growth area, but physical connectivity is essential for enabling the logistics that underpin trade in goods and services. Collaborating with governments and businesses in Europe to integrate rail services into digital trade agreements (e.g., digital customs technologies) would reduce administrative barriers for cross-border rail freight. Creating data-sharing agreements to track and streamline goods movement across borders would also accelerate trade in physical goods linked to digital services (e.g., e-commerce) and create efficiencies for businesses in growth-driving sectors such as advanced manufacturing.
- Business leaders and investors require reliable and seamless travel to major European markets, but existing international rail passenger services lack sufficient routes and capacity. Facilitate competition on HS1 so as to expand direct passenger rail services between the UK and cities such as Amsterdam, Frankfurt, and Paris.
- Investment in station upgrades and infrastructure improvements for cross-border services. Streamline passenger rail border processes (e.g., expand pre-clearance facilities so they are on par with those available for flights). Improved passenger rail connectivity will boost the UK's attractiveness as a location for businesses and professionals in key growth-driving sectors, enhancing economic competitiveness.
- Enhancing resilient supply chains via rail. The Strategy emphasises resilient supply chains, but over-reliance on road and air freight introduces vulnerabilities to global disruptions. Partnering with European governments to expand rail freight links for critical goods such as pharmaceuticals, semi-conductors, and clean energy materials, would support supply chain resilience while fostering international collaboration in growth-driving sectors such as life sciences and advanced manufacturing. The Government should establish dedicated rail freight corridors for key industries, and seek agreement on collaborating on shared facilities and rolling stock for transporting critical goods.

28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

Prioritising investment in public transport is critical for unlocking the potential of city regions and sectoral clusters. Improved public transport networks not only enhance connectivity and productivity but also address environmental challenges and social inequalities, making them central to achieving the goals of the Industrial Strategy.

Local Growth Plans should prioritise integrated transport networks and ensure that public transport infrastructure connects high-potential clusters within and between city regions. For example, linking advanced manufacturing hubs in Greater Manchester with clean energy

clusters in Derby would create collaborative opportunities for growth-driving sectors.

City regions and clusters often face distinct challenges such as labour market mobility. Insufficient public transport reduces access to jobs in growth-driving clusters. Addressing this would unlock talent and reduce local productivity gaps. Many cities and regions lack efficient, affordable public transport, which hinders private investment and economic agglomeration. Devolving greater powers to Mayoral Combined Authorities to direct funding and resources toward transport projects that connect local talent to sectoral clusters would solve this. Examples include expanding tram networks in the West Midlands or re-opening under-used rail lines to connect rural areas with urban centres.

Sectoral clusters thrive when businesses, suppliers, and workers are well-connected. This can be achieved by improving freight and commuter rail connexions for efficient transport of goods and people. Using tools such as the National Wealth Fund to co-invest in public transport infrastructure projects would directly support key clusters and reduce development timescales.

Analysis shows that poor connectivity contributes significantly to the £47 billion productivity gap in city regions outside London. Adopting a 'transport-first' approach in regional investment decisions, with funding tied to measurable improvements in productivity and access would address this. For example, in Greater Manchester an expanded tram and bus network would help tackle the £8.8 billion productivity gap caused by transport barriers. In Glasgow and Leeds, enhanced commuter rail services and affordable bus services would facilitate inter-city and intra-city mobility.

Incentivise private investment in public transport. Incentivising partnerships between local authorities and private sector stakeholders would develop cutting-edge transport solutions. For example, collaboration with clean energy firms to deploy electric buses in Aberdeen. Private investment can complement public funding for transport improvements. Local Growth Plans should identify key transport projects and create investment opportunities for private partners. This would be strengthened by removing the risk of private investment through long-term government commitments to sustainable transport policies. Public-private partnerships can fund major rail infrastructure projects, such as high-speed regional rail connecting Northern cities, aligning with international best practices – as is being explored currently as a replacement for HS2.

The Industrial Strategy's success depends on aligning transport investments with other national priorities. Transitioning to low-emission public transport supports the broader energy transition. What's more, affordable, accessible transport reduces social inequality and improves access to education and jobs, fostering long-term economic growth.