

# Supply

*National SME Engagement Programme*



SME Industry Overview:  
Transport

## **SME Industry Overview: Transport**

By Michael Crosby  
Supply Communications Executive

### **Follow us on Twitter**

[@SupplyContracts](https://twitter.com/SupplyContracts)

### **Connect on LinkedIn**

Michael Crosby: [uk.linkedin.com/in/michaelcrosby2/](https://uk.linkedin.com/in/michaelcrosby2/)

Supply: [http://www.linkedin.com/groups?gid=4571375&trk=my\\_groups-b-grp-v](http://www.linkedin.com/groups?gid=4571375&trk=my_groups-b-grp-v)

## SME Industry Overview: Transport

### Contents

3 | Introduction and contents

4 | The Department for Transport

5 | Railways

8 | Roads

10 | Transport and SMEs

11 | How Supply can help

### Introduction

The transport industry in the UK is one of the country's most varied and lucrative sectors.

In 2013-14, the Department for Transport spent £14.1bn on the country's railways, roads, public transport services, maritime and coastguard operations and much more.

In a statement ahead of the 2014 Autumn Statement, Prime Minister David Cameron made several pledges to create a 'roads revolution' in the UK:

*"The green light given to major projects that have been stalled for years. Action to improve some of the most important arteries in our country – like the A303 and the A1 – which for too long have held parts of our country back. And all underpinned by over £15bn worth of investment.*

*"This will be nothing less than a roads revolution – one which will lead to quicker journey times, more jobs, and businesses boosted right across the country."*

This activity, coinciding with massive investment in the High Speed 2 Rail project, Crossrail and many others, means that the transport industry has never been more lucrative.

This SME Report from the Supply National SME Engagement Programme aims to outline how the Department procures for the UK, where the money is being spent and which upcoming opportunities your business could supply, regardless of your size.

With the transport industry booming, let Supply drive your success.

## The Department for Transport

The Department for Transport (DfT) in the UK is responsible for planning and investing in rail, road and local transport services.

In 2014, the DfT released an update on the Department's performance against targets and in line with the UK Government's strategic agenda.

The Department for Transport's priorities are to:

- Promote UK growth
- Improve the rail networks
- Support local travel
- Invest in roads
- Promote sustainable aviation
- Reform the coastguard and search & rescue helicopter capability
- Implement the Department's cross-cutting reform policies

In 2013-14, the DfT's net expenditure was £14.1bn, up from £13.6bn in the previous year. The most significant areas of spend included railways at £4.5bn; local transport at £4.8bn; and roads at £3.8bn<sup>1</sup>.

The railway and roads expenditure each represented a significant increase on the previous year, £0.1bn and £0.6bn respectively. This is despite the 2010 Spending Review which urged the Department to reduce expenditure by 15% in real terms.

In fact, while the Spending Review had expected the Department's budget to shrink to £12.9bn by 2014-15, it has since revised its predictions up to £13.6bn as a result of the improving economy and in recognition of the upcoming planned investment into the country's roads and railways in particular.

### Upcoming projects

Specific projects which will begin to gain momentum in the coming months ahead of the 2015 General Election are as follows:

---

<sup>1</sup> National Audit Office, *The performance of the Department for Transport 2013-14*, <http://www.nao.org.uk/wp-content/uploads/2014/10/The-performance-of-the-department-of-transport-2013-14.pdf>

## Highways Agency

In order to secure the delivery of the planned investment in roads infrastructure and the benefits to the economy that come with it, the Government has proposed transforming the Highways Agency into a limited company, independent of Government. It is thought that these changes will provide<sup>2</sup>:

- funding certainty and a smarter, more strategic relationship with government
- more independence over delivery and better prioritisation
- a robust and transparent 'performance contract' with the government modelled on similar mechanisms in the regulated sectors
- the ability to hold the company to account for its performance on delivery and operation

If the Infrastructure Bill is passed, the Highways Agency will become a government company from April 2015.

## Driverless cars

Driverless cars will be eligible for road testing on public roads by January 2015 following recent measures announced by Business Secretary Vince Cable<sup>3</sup>.

The Coalition Government believes that driverless cars have the potential to transform the UK's transport network by improving safety, reducing congestion and lowering emissions, particularly CO<sub>2</sub>.

As a result, should these projects be given the full go-ahead after testing, opportunities could arise in areas such as automotive engineering, legal policy, IT capability and risk management.

A £10 million competition to host driverless car trials in three major UK cities is expected to begin in the coming months.

---

<sup>2</sup> Department for Transport, *Government Response to consultation on transforming the Highways Agency into a government-owned company*, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/307286/ha-response-web-version.PDF](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307286/ha-response-web-version.PDF)

<sup>3</sup> GOV.UK, *UK Government fast tracks driverless cars*, <https://www.gov.uk/government/news/uk-government-fast-tracks-driverless-cars>

## Aviation

In November 2014 the Airports Commission published its final report<sup>4</sup> recommending how the UK should maintain its global aviation hub status and increase its air travel capability.

The publication is now out for public consultation on the three main proposals contained in the report:

- Gatwick Airport second runway
- Heathrow Airport extended northern runway
- New Heathrow Airport north west runway

Following the consultation, a decision will be made on one of the above options and the contract will be put out to tender to improve the UK's air transport in a major development operation.

The final decision will define the terms of the contract and the services required, although construction, parts, architecture, infrastructure development and major planning are expected to be needed.

## 2015 and beyond

With these changes set to be implemented before the next General Election, 2015 is set to be a bumper year for firms looking to work with the Department for Transport.

In particular, massive new contracts and investment are planned in both rail and road transport in the coming months, including infrastructure developments which Prime Minister David Cameron believes will create a transport 'revolution' and present great opportunities for companies of all sizes in 2015 and beyond.

---

<sup>4</sup> Gov.uk, *Airports Commission publishes consultation on shortlisted options for a new runway*, <https://www.gov.uk/government/news/airports-commission-publishes-consultation-on-shortlisted-options-for-a-new-runway>

## Rail

Currently, four million journeys are made every day on a UK rail network that spans the entire country. Railways now connect the UK to mainland Europe, with modern high speed trains capable of travelling at speeds of up to 300kph with journey times between London and Paris of just two hours fifteen minutes.

At £4.5bn, spend on the railways was £0.1bn (2%) higher than in 2012-13. Of this, in 2013-14 over two-thirds (71%) of the expenditure on railways was in the form of grants to Network Rail, the owner and operator of Britain's railway infrastructure (£3.2bn) .  
Crossrail

Crossrail is currently the largest infrastructure project in Western Europe , receiving £1.1bn of funding from the Department for Transport in 2013-14, representing 23% of the Department's total expected funding towards the programme.

The construction of Crossrail is under way and the railway is expected to open fully in 2019. The contract to build the Crossrail trains was awarded to Bombardier in February 2014 with the new trains expected to start running in 2017 and sub-contracting opportunities available until 2019.

In March 2014, the Department and Transport for London (TfL) announced the extension of Crossrail to Reading. In August 2014, the Department also announced it was considering proposals to extend Crossrail to Hertfordshire.

Services across central London will start in 2018 and will increase rail transport capacity in the capital by 10%.

There is also a planned funding and feasibility study scheduled for Crossrail 2.

## High Speed 2

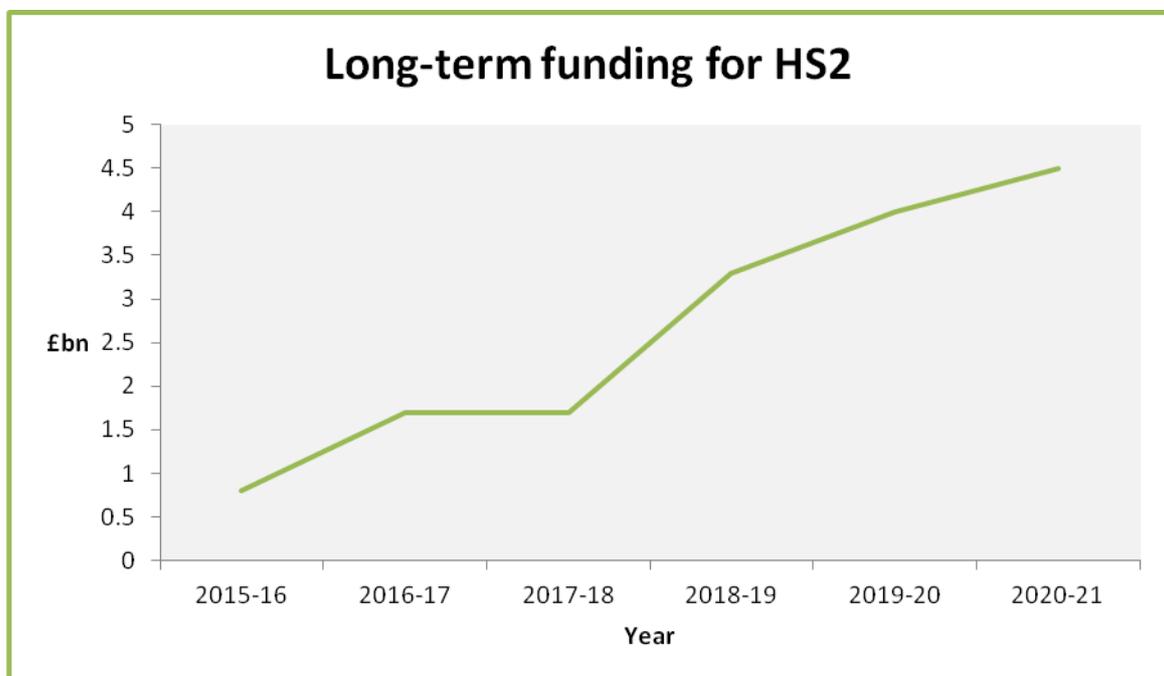
High Speed 2 (HS2) aims to create a new high speed rail network linking the north and south of England.

It will include nine new high speed rail stations – at London Euston, Old Oak Common in west London, Birmingham International, Birmingham Curzon Street, Manchester Airport, Manchester Piccadilly, East Midlands Parkway (Toton), Sheffield Meadowhall and Leeds New Lane.

In addition to the stations listed above, connections will be provided at various points across the HS2 network onto existing rail lines, enabling high speed trains to continue on to eight out of the UK's ten largest cities. This means the vast majority of the country's major urban economies will be directly connected with high speed services, with trains travelling at speeds of up to 400kph.

In 2013-14, £173m was paid by the Department in respect of the HS2 programme, with an additional £208m paid by High Speed 2 Limited, an executive NDPB funded by the Department .

The planned funding outline for the next six years is as follows:



The new HS2 network is predicted to support 100,000 jobs across the country and rebalance the economy, bringing two thirds of the population of the North of England within two hours journey time of London.

<sup>5</sup> NAO, *The performance of Department for Transport 2013-14*, <http://www.nao.org.uk/wp-content/uploads/2014/10/The-performance-of-the-department-of-transport-2013-14.pdf>

## ScotRail award

Scottish Transport Minister Keith Brown MSP recently announced the award of the Scottish Government's largest ever contract for the ScotRail franchise.

Dutch rail operator Abellio will take over ScotRail services from First in April 2015, after promising to invest millions in improving services.

Included in the new franchise, worth up to £6bn, are measures to make train travel more attractive across the board<sup>6</sup>.

The contract contains numerous clauses designed to improve the current network for both commuters and rail staff. These include reduced fares for jobseekers, free Wi-Fi, advance fare of £5 between any two Scottish cities, a commitment to the Living Wage even for sub-contracting organisations, and at least 100 new apprenticeship places.

Mr Brown said: *"We've already ensured that regulated rail fares will stay in line with inflation or less, and Abellio has come up with some truly innovative ways to make rail even more affordable, such as the £5 intercity fare anywhere in Scotland and reduced ticket prices for jobseekers and those newly in work, as well as a Price Promise for guaranteed best value fares.*

*"There will be benefits all over the country, with faster services between all our cities, new trains in the Central Belt, a Great Scenic Railway scheme bringing more tourists to the north, the south west and the Borders and major shopping developments at the stations at Aberdeen and Inverness. Glasgow will be the new base for Abellio in the UK with around 200 jobs."*

The UK has a rich history of railway development since pioneering their construction during the nineteenth century. To this day, railways continue to power our economy. The current and planned investment in infrastructure and service improvements provides clear evidence that the Government aims to ensure that the UK remains at the forefront of rail travel excellence, creating opportunities for business for years to come.

---

<sup>6</sup> Guardian, *FirstGroup loses ScotRail franchise to Abellio*,  
<http://www.theguardian.com/business/2014/oct/08/firstgroup-loses-scotrail-franchise-abellio-shares>

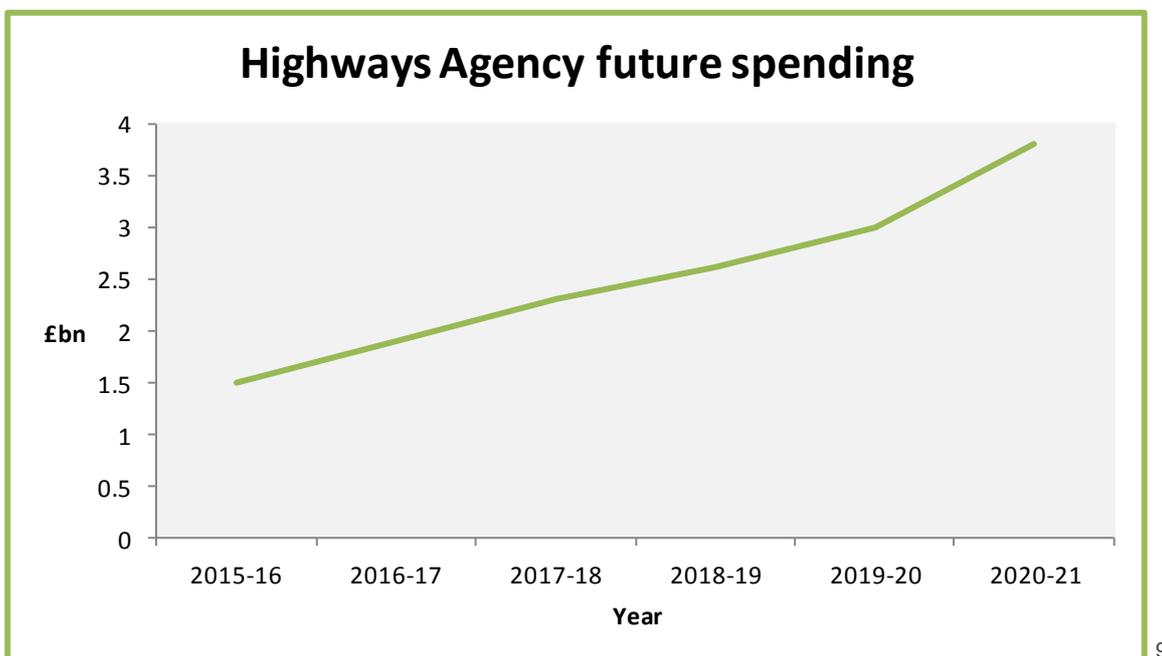
## Part Three: Roads

The Government's *Managing, improving and investing in the road network* report, last updated in June 2014, unveiled £28bn of investment into UK road infrastructure by 2020-21<sup>7</sup>.

This spending will include some of the following projects:

- £30m contribution to support the construction of a new Garden Bridge across the River Thames in London
- £5m during 2014-15 on a large-scale electric vehicle readiness programme for public sector fleets
- £12bn on maintaining the road network, which includes over £6bn resurfacing as much as 80% of the strategic road network
- £500m of additional capital investment by the end of the decade to support uptake of low emission vehicles<sup>8</sup>

Overall planned spend by the Highways Agency in the coming years is as follows:



<sup>7</sup> GOV.UK, *Managing, improving and investing in the road network*, <https://www.gov.uk/government/policies/managing-improving-and-investing-in-the-road-network>

<sup>8</sup> UK Government, *National Infrastructure Plan*, 2013

## Autumn Statement 2014

Announcing a new era of investment into the UK's roads recently, Prime Minister David Cameron said that historically a lack of spending on the country's road network had *"for too long held parts of our country back."*

Speaking at the CBI Annual Conference ahead of the 2014 Autumn Statement, Mr Cameron said that an additional £15bn new road renewal programme would provide much-needed improvements to the UK's roads as well as providing new business opportunities to firms up and down the country.

*"At its heart is the biggest, boldest and most far-reaching road improvement programme in four decades – over 100 improvements to our major roads. Hundreds of extra lane miles on our motorways and trunk roads, the green light given to major projects that have been stalled for years."*

*"[There will be] action to improve some of the most important arteries in our country – like the A303, A1 and A27 – which for too long have held parts of our country back, all underpinned by £15 billion worth of spending."*

The Autumn Statement on 3 December will outline plans for improvements to the A303 to the south-west, the A1 north of Newcastle to Scotland, the A1 Newcastle-Gateshead western bypass, the Trans-Pennine roads in the north of England, the A47 in the east of England and the A27 on the south coast. It is also thought that, as part of the new measures, Chancellor George Osborne will announce that a tunnel will be built under Stonehenge on the A303.

Mr Cameron added: *"This will be nothing less than a roads revolution – one which will lead to quicker journey times, more jobs, and businesses boosted right across the country."*

The £15 billion of spending to be announced in the Autumn Statement is in addition to the £9 billion being spent over this Parliament. It means that by 2021, the Government will have spent over £24 billion on the country's major roads.

The investment will not only provide contract opportunities for both large and small companies but is also designed to improve the UK's roads network to allow greater levels of connectivity for firms across the UK.

---

<sup>9</sup> NAO, *The performance of Department for Transport 2013-14*, <http://www.nao.org.uk/wp-content/uploads/2014/10/The-performance-of-the-department-of-transport-2013-14.pdf>

Improving Britain's transport links helps to connect people and businesses with one another, fostering improved working relationships as well as creating new business opportunities.

### **Businesses back roads investment**

The British Chambers of Commerce (BCC) said that businesses are 'crying out for road improvements.'

Adam Marshall, Executive Director of Policy at the BCC, gave his backing to the Prime Minister's plans, saying: *"The Prime Minister's desire to radically increase roads spending in the next parliament is shared by companies across the UK.*

*"His plan to give certainty to many long-overdue road schemes will be cheered by businesses and their employees, for whom gridlock and disruption has become a way of life.*

*"However, big construction schemes must be complemented with a less sexy but no less important drive to fix our existing roads, which have suffered years of underinvestment. Any roads plan for the future must address the ever-poorer state of Britain's existing roads as well as adding much-needed new ones."*

As Mr Cameron's roads revolution takes hold in the UK, it will be businesses of all sizes as well as the general public which can benefit from the investment and new travel opportunities.

## Part Four | Transport and SMEs

While the investment listed above is certainly lucrative and should provide a major boost to business and the UK economy as a whole, large-scale organisations can often be seen to have the monopoly on large-scale projects such as these, leaving many small firms feeling as though they consistently face an uphill battle to win any of these contracts.

However, despite the size of the overall contracts, the Department for Transport is keen to encourage smaller firms wherever possible to enter the supply chain and bid for business.

The current Coalition Government put small firms at the forefront of their business policy when taking office in 2010, and has made huge progress in helping SMEs take advantage of new contract opportunities.

In 2012/13, the DfT spent 4.9% of its overall direct expenditure with small businesses, up from just 2.9% in 2011/12<sup>10</sup>.

In addition, a further 8.5% of the Department's budget went to SMEs indirectly via sub-contracting opportunities in the supply chain. So, no matter how large the contract, there are always opportunities for small firms to get involved further down the contracting ladder.

The most significant SME spend area for the Department for Transport in recent years has been in construction. While £137m of spend was awarded to SMEs in 2012-13 – representing 4% of DfT's total – plans are in place to award construction contracts worth £15m to SMEs by 2015, meaning almost 11% of the Department's spend with SMEs will be in the construction industry by next year.

The Department for Transport recently unveiled its SME Action Plan, which laid out the Department's plans to encourage more SMEs to enter the procurement process and start winning more transport opportunities.

As part of the SME Action Plan, the DfT seeks to<sup>11</sup>:

---

<sup>10</sup> GOV.UK, *Making Government Business More Accessible to SMEs: Two Years On*, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/231994/SME\\_Two\\_Year\\_On\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/231994/SME_Two_Year_On_Report.pdf)

<sup>11</sup> GOV.UK, *2012/13 Department for Transport SME Action Plan*, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/3694/targets.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3694/targets.pdf)

## **Improve direct spend**

The Department aims to increase the direct spend with SMEs by making sure processes are 'SME friendly', removing any remaining barriers by changing the way the Department carries out financial assessments and reviewing standard insurance clauses in contracts.

The Highways Agency will also review its prequalification and tender processes and take appropriate action to streamline and simplify all procedures to identify and target key categories of spend across DfT.

For example, the Driving Standards Agency, Vehicle and Operator Services Agency and the Maritime and Coastguard Agency will actively investigate how they can use Cloud Store to improve the number of SME opportunities in forthcoming ICT projects.

## **Increase SME second tier suppliers**

The Department aims to actively work with lead suppliers on its new Transport Related Technical Advice and Research Framework to improve and measure engagement of SMEs in supply chain.

The Highways Agency will promote use of Project Bank Accounts across Agency contracts in an effort to inject more finance into the supply chain. PBAs allow small construction firms working with government to receive payment for work completed within five days, ensuring prompt payment and helping to reassure small firms that they will be fully compensated.

In addition, the Highways Agency will explore with industry how the Agency can promote visibility and increase SME participation through the supply chain.

## **Implement the 'Hearts and Minds' campaign**

The Hearts and Minds campaign is an internal departmental attempt to put the issue of SME procurement at the forefront of the minds of DfT staff and internal shareholders.

Measures already taken to promote SMEs internally included a letter circulated to senior staff from the Permanent Secretary to encourage the promotion of SMEs, the publication of a 'myth busting' paper on the internal website, a notice in the internal staff bulletin raising awareness of SMEs, and holding events for procurers and their internal customers to share ideas.

### **Improve communication**

The DVLA will take action to enable the organisation to more easily identify SMEs during the pre-market engagement phase of procurement exercises by use of an SME marker.

The Highways Agency will review the effectiveness of existing communication routes and develop and implement a package of measures to improve engagement and communication to SMEs.

### **Increase payment and competition**

The Department also recognises the importance of quick payment to all companies, especially SMEs, and is committed to meeting the Government's prompt payment targets of 80% of vendors paid within five days of receipt of invoice, and 98% within 30 days, in keeping with the Better Payment Practice Code – an advantage to any supplier.

It is important to remember that when selling to the Department for Transport, the size of your firm does not matter. With an obligation to consider bids from SMEs in order to allow more competition in the supply chain, small firms will be given equal consideration when contract award decisions are made.

*"Your tender will be successful if it is the one that offers us the best value for money."*

**- Department for Transport**

The Department for Transport has a target of awarding 18.6% of procurement spend to small businesses by the end of financial year 2014-15. This is an extremely challenging goal and the Department will be under great pressure to deliver in the coming months, meaning that more opportunities will have to be awarded to SMEs in 2015.

## How Supply can help

For businesses such as yours, it is important to make the most of rising confidence in the public sector procurement market and the Government's increased focus on helping SMEs grow their business.

Having visibility of the right opportunities for your business from the start is vital in gaining first-mover competitive advantage, and Supply gives you more opportunities than anyone else.

The Supply National SME Engagement Programme provides a key route to finding new public sector contracts and awards information.

There's a Supply subscription that's right for your business – whether you are a sole trader, a micro business or a small or medium-sized enterprise. You can also choose from 'low value' or 'low and high value' subscriptions to suit your needs.

The Supply National SME Engagement Programme is your partner throughout the process of winning government contracts. From sourcing and delivering contracts relevant to you via your unique daily email alert to guiding you through the process with the help of reports, blogs, newsletters and discounted training events, Supply gives you the best possible head start in winning new business.

Supply published over 58,000 UK contract notices in 2013 alone, making it the clear choice to help you grow your business in the public sector.

## **[Win more Government business with the Supply National SME Engagement Programme](#)**

**Disclaimer**

This document is submitted in response to a request for an overview of the provision of Supply and related services and is provided for the sole purpose of adjudication of the document in response to this opportunity.

**Confidentiality Statement**

All information contained in this document is provided in confidence for the sole purpose of adjudication of the document in response to this opportunity. It shall not be used for any other purpose and shall not be published or disclosed wholly or in part to any other party without the prior written permission of BiP Solutions Limited. These obligations shall not apply to information which is published or becomes known legitimately from some source other than BiP Solutions Limited.

2013 © BiP Solutions Limited (BiP)

No part of this document or accompanying material may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the copyright holder.