



**National Union of Rail, Maritime and
Transport Workers**

(RMT Union)

**Competition and Markets Authority Inquiry
Consultation**

**Impact of Hitachi Acquisition of Thales on
Digital Signalling, Network Rail and
Transport for London**

RMT Union is Britain's largest specialist transport union and has more than 80,000 members from almost every sector of the transport industry. RMT is by some distance the largest rail union and represents all grades of rail workers. RMT welcomes and thanks the Competition and Markets Authority for the opportunity to submit this evidence to their inquiry.

Executive Summary

RMT Union is firmly against Hitachi's merger and acquisition of Thales as RMT is wholly against the privatisation and further fragmentation of our railway infrastructure, renewals and enhancements. Following the full privatisation of the UK's track, signalling, tunnels, bridges, level crossings and all but a handful of the stations in 1994 under Railtrack Plc there was subsequently a series of railway disasters linked directly to the operational decision making and cost-cutting of Railtrack.

Railtrack was brought back under Government control in 2002 as Network Rail but since then successive governments have allowed and encouraged unabated outsourcing of our railway infrastructure to private companies including Hitachi and Thales. On that basis RMT is wholly opposed to this merger which will only serve to entrench the privatised model.

- **Outsourcing profiteering**

The Office of Rail and Road analysis of Network Rail's spending shows that in 2021/22 they spent £3.9 billion¹ on renewals. Commercial profits on renewals projects are reckoned within the industry to be around 6%. That means that outsourced renewals work is likely to have generated profits of around £235 million last year.

Insourcing even half of Network Rail's outsourced renewals work would save around £115 million in commercial profits, enough to prevent the cuts in maintenance work that Network Rail have proposed as part of their 'Modernising Maintenance' Programme.

- **Skills gap**

The UK rail industry faces a "critical skills shortage" which will come to a head in the next five to 10 years, according to new research by City & Guilds and the National Skills Academy for Rail (NSAR).² The further outsourcing and monopolising of these skills on our railways will only serve to exacerbate this skills shortage and the Government should be pursuing a programme of investment in skills to provide good, well paid apprenticeships and jobs within Network Rail rather than relying solely on large companies like Hitachi to solve this themselves.

- **Network Rail Funding**

¹ <https://dataportal.orr.gov.uk/media/2036/rail-industry-finance-uk-statistical-release-2020-21.pdf>

² <https://www.cityandguilds.com/news/november-2020/back-on-track>

Following the publication of Network Rail's Strategic Business Plan for Control Period 7 (CP7 – 2024 to 2029)³ RMT Union has deep concerns with the current and future cost-cutting at Network Rail that we believe significantly threatens the safety of passengers and railway workers. Following the publication of Network Rail's Strategic Business Plan for Control Period 7 and the subsequent Draft Determination from the Office of Rail and Road⁴.

RMT is very concerned that the Government is now underfunding the railway to such an extent that it compromises the safety, resilience and reliability of our railway for the next five-year period and that this amounts to a dangerous managed decline. The current underfunding of Network Rail therefore places a stronger emphasis on the need to avert the monopolisation of enhancements and renewals on our railway by a single company like Hitachi. The Government should instead be pursuing a programme of insourcing to ensure the best possible value for money and the development and protection of skills on our railway.

- **Monopolies and the Carillion Collapse**

Monopolies that dominate market pose a risk to the public sector. Lessons should be learnt from the collapse of outsourcing giant Carillion. Carillion maintained a near monopoly over the construction and maintenance of physical public infrastructure, particularly road, rail, and hospitals. Its collapse into liquidation in 2018 left the UK taxpayer with a bill of at least £150 million, not to mention placing the tens of thousands of workers in its supply chain into insecurity.

The inadequate infrastructure built for Network Rail by Carillion, was cited as a crucial factor in the fatal derailment of a passenger train at Carmont in 2020. The Rail Accident Investigation Branch Report into this fatal derailment found that “the company that was contracted to construct the drain, Carillion, did not undertake construction in accordance with the designer’s requirements. Consequently, the drainage system was unable to perform as the designer had intended when it was exposed to particularly heavy rainfall on 12 August 2020.”⁵

³ <https://www.networkrail.co.uk/wp-content/uploads/2023/05/England-and-Wales-CP7-Strategic-Business-Plan.pdf>

⁴ <https://www.orr.gov.uk/search-consultations/periodic-review-2023-draft-determination>

⁵ <https://www.gov.uk/raib-reports/report-02-slash-2022-derailment-of-a-passenger-train-at-carmont>