

HSRG / RIA SME Supplier Survey Findings

April 2021

Context

In March 2021, the High Speed Rail Group (HSRG) and Railway Industry Association (RIA) created and issued a joint survey to SMEs in the rail supply chain, inviting them to share their opinions and expectations of HS2.

This survey was divided into two branches, one for HS2 suppliers and one for non-HS2 suppliers. Suppliers were asked about how they expected HS2 to impact their businesses regarding turnover, staffing, and skills. Non-suppliers were asked about any barriers faced to applying for HS2 contracts, the expected impact on their business should they win a contract, and opinions on the Eastern Leg.

This survey was open for around one month, during which time there were 113 responses from SMEs, including businesses both in the HS2 supply chain (61 responses) and outside (52 responses) across the UK.

Key Findings

1. **Overwhelmingly, respondents were positive about the impact of HS2 on their businesses**, with 63% of suppliers saying that they have experienced an increase in turnover as a result of their work on the project. In terms of staffing, 61.5% have taken on more staff and 38.5% have hired more apprentices due to the work on the project, with 69.2% investing more in the skills of their workforce.
2. **Expectations among suppliers for HS2 are very high**, with 82.7% expecting to see growth in their company as a direct consequence, compared to just 13.5% who do not. Significantly, beyond expecting growth, a huge 96.1% explicitly believe that **HS2 will be very or somewhat important for the future of their company**. Only two respondents from all suppliers said that it was neither important nor unimportant, and none said that it was unimportant.
3. **On the Eastern Leg, suppliers by a wide margin anticipated a negative impact to their business should the Government cancel the West Midlands to Leeds portion of the route**, 76.9% to 19.2%. Asked about how specifically it would impact them, 80.5% of respondents expect reduced revenue projections, 46.3% would downsize staff levels, and even 19.5% would consider moving to other markets.
4. **Over two thirds (67.2%) of respondents said that they hoped to win a contract to work on the Eastern Leg of HS2**
5. **Non-HS2 suppliers had primarily *not* bid for HS2 contracts**, with 65.6% not having done so compared with only 27.9% who had. The reasons for this were extremely varied, although many said that contracts for their sector were not yet available. Otherwise, responses included not being large enough to fulfil any of the contracts, or not understanding the process.

6. **More than half of non-suppliers who responded said that they faced barriers to becoming a supplier for HS2, 54.1% to 36.1%.** This includes 18% who found the application process to be confusing, and 18% who felt unable to meet the specifications of the contract. Other individual responses included a number of mentions of poor visibility for contracts out to tender.
 7. **Despite barriers, 83.6% intend to bid for HS2 contracts in the future,** with respondents saying that winning a contract would boost turnover (88.5%), they could hire more staff (82%), invest more in the skills of their workforce (62.3%) and hire more apprentices (57.4%).
 8. **Non-HS2 suppliers were just as optimistic as suppliers about the importance of winning an HS2 contract to the future of their company,** with 90.2% saying that doing so is very important or somewhat important.
-

Analysis

The findings of this survey show that **HS2 is overwhelmingly popular among both supplier and non-supplier SMEs for HS2.**

Both **the whole project, as well as dedicated parts such as the Eastern Leg, enjoy near universal support,** with SMEs considering both to be important to their future. The project is creating tens of thousands of jobs, and the survey finds that SMEs are seeing the benefit of this, either directly through their work on HS2 or with the expectation that winning an HS2 contract will result in growth of their workforce, more apprentices, and an investment in skills.

Many SMEs however have faced barriers to applying for and securing HS2 contracts. A good proportion of these found the application process confusing, with applications difficult to find and insufficient clarity on the process. Despite this, over 80% of these non-suppliers intend to apply for contracts in the future, lending credence to the data showing how important these companies see HS2 to their future.

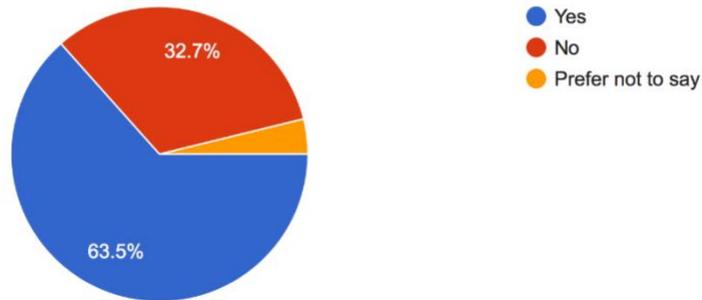
The decision of the future of the Eastern Leg of HS2 will have a definitive impact on suppliers, with over three quarters expecting to be negatively impacted by any cancellation of the section. With over 80% of those expecting to see their balance sheet pared back and almost half likely to cut jobs, the importance of the Eastern Leg to jobs and small businesses is clear. **Any decision taken by Government to limit the scope of HS2 will hurt jobs and communities not just from Tier 1s, but companies of all sizes that work in the industry.**

HS2 is transforming the economic landscape of the country, rebalancing the economy and bringing investment across the line of route and beyond. SMEs will be major beneficiaries of this investment, delivering directly to communities and supporting local jobs.

Full Results – HS2 Suppliers

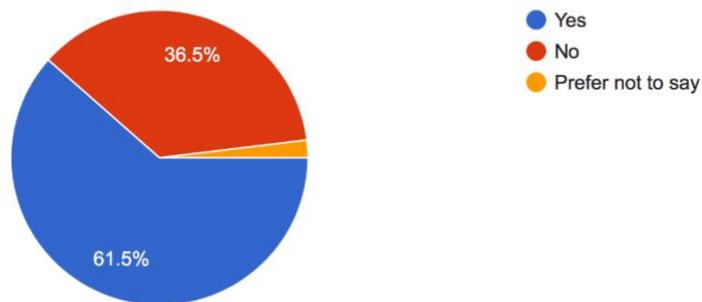
Have you seen your turnover increase as a result of working on HS2?

52 responses



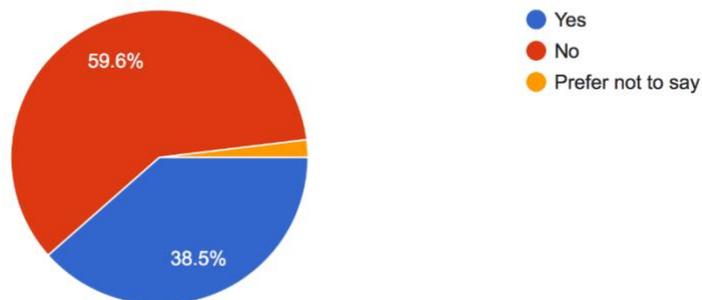
Have you taken on more staff as a result of working on HS2?

52 responses

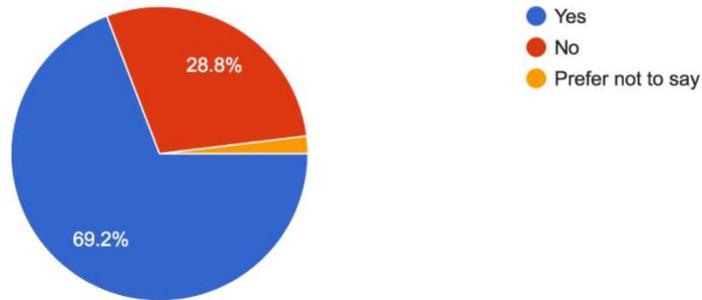


Have you hired more apprentices as a result of working on HS2?

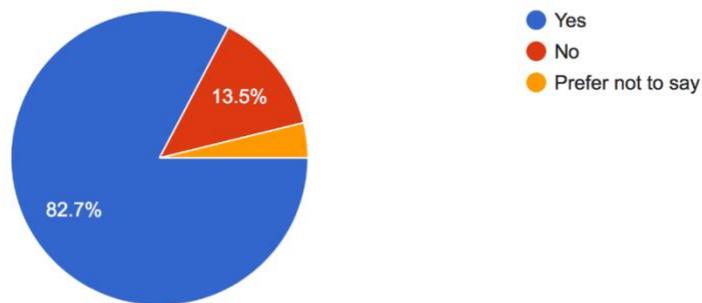
52 responses



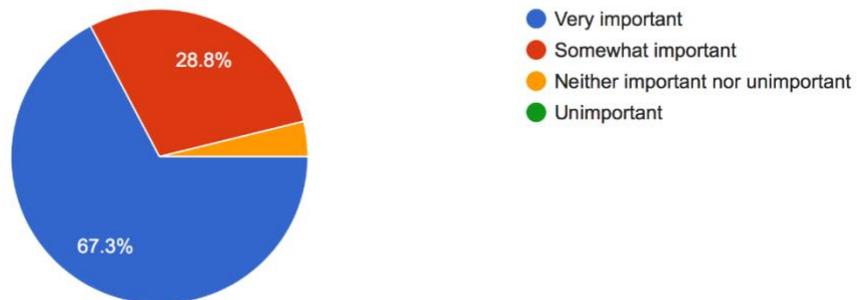
Have you made an investment in the skills of your workforce due to your work on HS2?
52 responses



Do you expect your company to grow as a result of future work on HS2?
52 responses

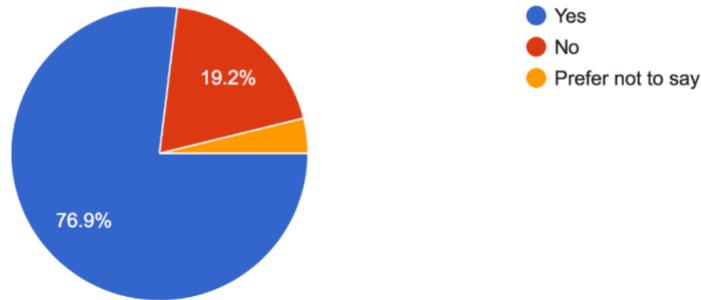


How important do you see HS2 as being for the future of your company?
52 responses



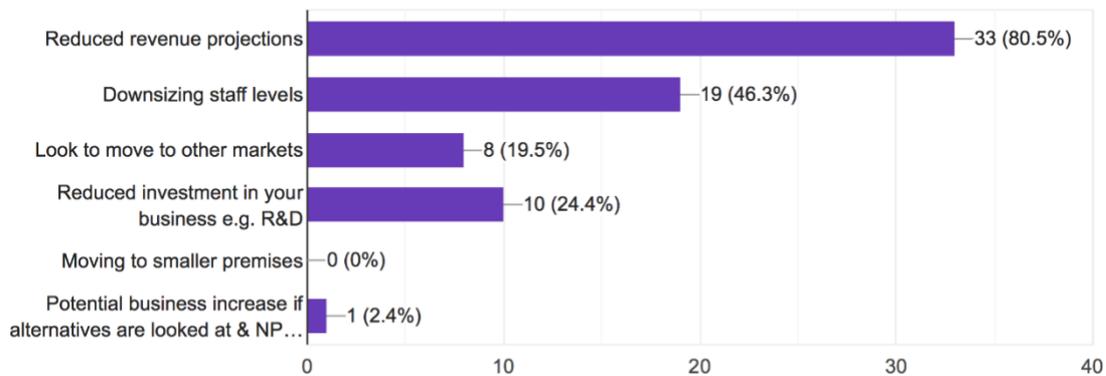
Do you anticipate a negative impact to your business if the Government cancels the Eastern Leg of HS2 from West Midlands to Leeds?

52 responses



If Yes, please select the potential impact the cancellation of the Eastern Leg would have to your business. Please select all that apply.

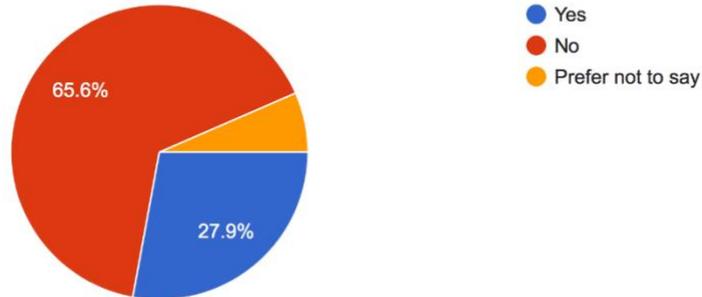
41 responses



Full Results – Non-HS2 Suppliers

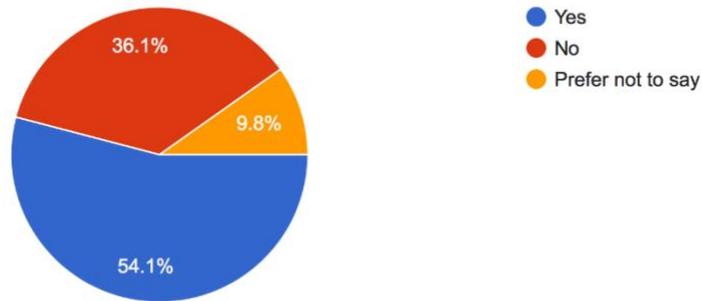
Have you bid for any HS2 contracts?

61 responses



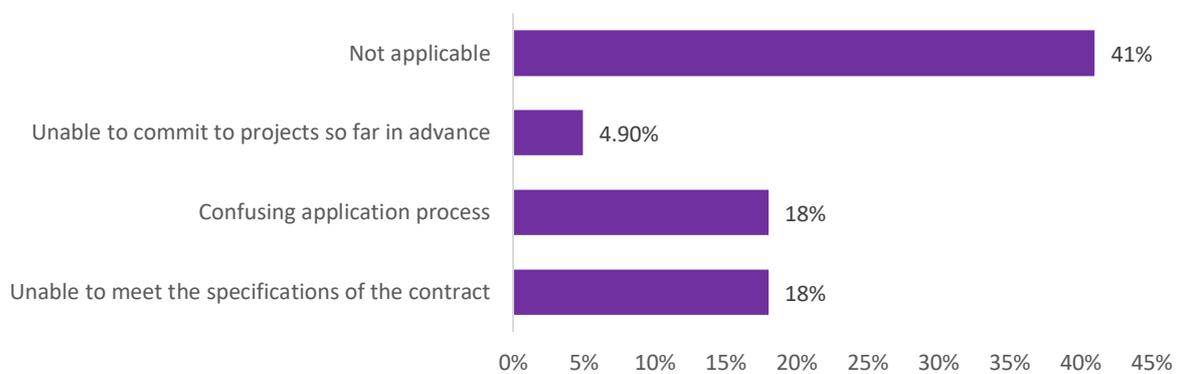
Have you faced barriers to becoming a supplier for HS2?

61 responses

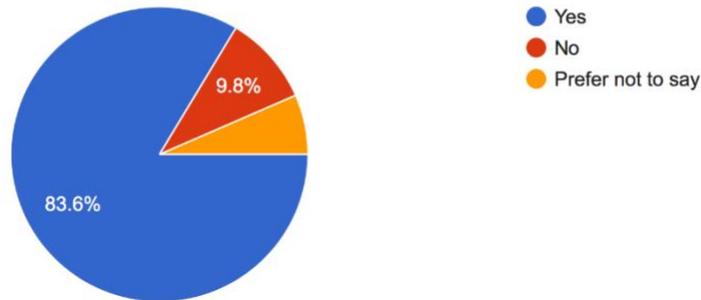


If yes, what barriers have you faced? Please select all that apply.

61 responses

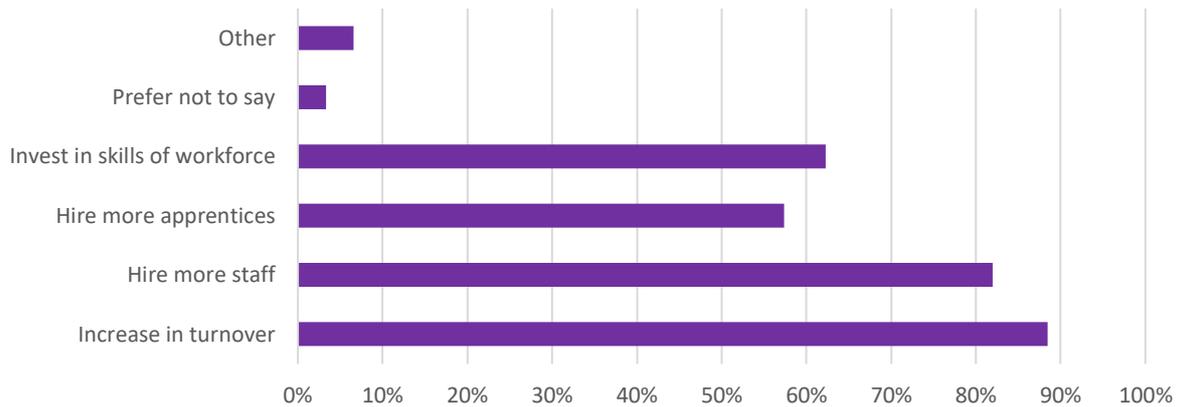


Do you intend to bid for future HS2 contracts?
61 responses

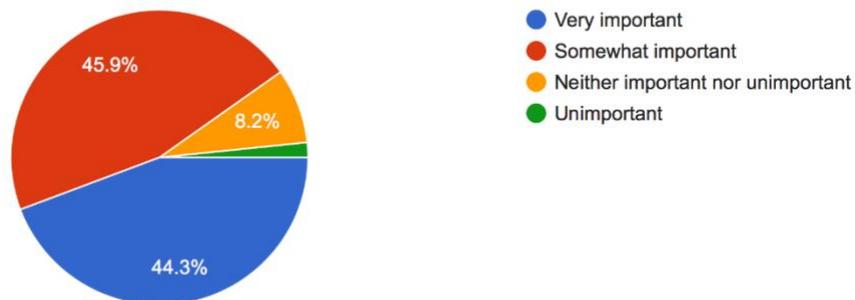


What would the impact be on your business if you won a contract to work on HS2? Please select all that apply.

61 responses



How important would winning a contract to work on HS2 be for the future of your company?
61 responses



If applicable, do you hope to win a contract to work on the Eastern Leg of HS2 from West Midlands to Leeds?

61 responses

