

Helping rail freight deliver
for its customers



About FTA

Freight Transport Association represents the transport interests of companies moving goods by rail, road, sea and air. Its members consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight. They also operate over 220,000 goods vehicles on road – almost half the UK fleet. The main UK rail freight operating companies belong to FTA as do the major global logistics service providers operating in the European and UK markets.

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Summary

Optimisation of the performance of all modes of transport is a key FTA objective. We have updated our policy advice about how the performance of rail in the multimodal supply chain may be optimised so that it continues to grow by delivering for its customers, whether their business is in bulk products such as aggregates and construction, container logistics, retail or other industrial products and automotive. Our key recommendations are that there needs to be:

- a long term, stable fiscal environment
- a consistent measure of the environmental impact and benefits of rail freight
- funding and support for innovation and technology
- a focus on efficiency improvements by the system operator
- a joined-up approach to the planning of freight
- robust contingency planning

Introduction

Growth in rail freight is important to supply chains because of the congestion and environmental benefits it can bring. By moving large volumes over trunk hauls, economies of scale can also be achieved, especially where consignors and road and rail freight businesses work in partnership. The record levels of intermodal rail freight movements and construction sector moves by rail are to be celebrated, and also indicate the sector is one that should be supported to help it secure further growth. It is vital that rail remains



competitive with developments in road freight, and whilst the sector continues to innovate and increase productivity, new traffic – whether from existing users or, more challengingly, from new customers – will only be won if rail freight continues to focus on increasing its efficiency. Governments should also ensure that the right conditions exist to allow it to do so.

Our previous advice, the *Agenda for More Freight by Rail*, published in 2014, identified four key themes where improvements were needed: costs and competitiveness; service availability and flexibility; network access; and, international services. In total, the UK's leading retailers identified 14 important measures where progress was needed to achieve forecast growth of 30 per cent by 2019.

Government, rail industry and customer investment is optimising the rail network for rail freight users. But since 2014 there have been important changes, because of which this advice has been updated.

- Achieving growth has become much more difficult than anticipated. Due to Government policy, electricity supply industry coal traffic has significantly reduced,



although coal does still provide an important source of power for the UK, at approximately 20 per cent of peak load. However, rail freight is playing an important role in the economic functioning of Britain by moving goods to and from UK ports. There has been continued growth in deep sea intermodal container traffic and aggregates traffic, more than domestic intermodal retail traffic, but this has put pressure on more congested parts of the network (in the south). Together, container and construction traffic now accounts for nearly two-thirds of rail freight volumes. To ensure a continued increase in such traffic over this congested mixed use network, there needs to be a focus on the most efficient way that more capacity can be made available for future development. The role of the National System Operator (NSO) and Network Rail Freight and National Passenger Operators' Route (FNPO) is crucial here in ensuring freight network access planning and timetabling across a network which is now devolved regionally to the individual Network Rail routes. This is especially important as most freight crosses Network Rail route boundaries

- In response to these challenges, the Department for Transport (DfT) and Transport Scotland have launched rail freight strategies since the *Agenda for More Freight by Rail* was published. Our advice has been revisited to better align with the aspirations set out in these documents

DfT: *"The full economic and carbon benefits of rail freight will only be realised if the industry is able to grow in key sectors and achieve its potential. However, structural changes in the rail freight market, including the decline in traditional bulk rail freight commodities such as coal, along with changing patterns of consumption driven by the rise of internet shopping and next-day deliveries, present challenges for the traditional operating model of rail freight. The rail freight industry will need to innovate and respond to these challenges. Government recognises the importance of a stable policy framework to enable rail freight to grow and achieve its potential."*

Transport Scotland: *"The Scottish Government's vision is for a competitive, sustainable rail freight sector playing an increasing role in Scotland's economic growth by providing a safer, greener and more efficient way of transporting products and materials."*

- Rail freight has become more productive and volumes have grown by 33 per cent since privatisation but the turnover of the sector was broadly similar in 2017 as in the mid-1990s. KPMG estimates productivity gains of around £1.1 billion for British business and congestion and environmental benefits of £0.5 billion per annum from rail freight

Customers' issues and recommendations for growth

1 A long-term, stable fiscal environment

Rail freight needs a long-term, stable fiscal environment to be competitive, so that freight operators and customers can plan with certainty.

Rail operators and customers have invested in new, more efficient locomotives and rolling stock. However, due to the higher cost and longer life and asset payback period of the equipment, rail freight investment works on a 10 to 30-year horizon, much longer than road freight; wagons have a 30-year life and for locomotives this can be even longer. However, the Office of Rail and Road (ORR) reviews track access and other network charges every five years (periodic fiscal determinations for Network Rail).

The disconnect between short-term fiscal planning and longer-term financial commitments for assets has led to 'shocks' and reduced investment in the past.

We recommend that Government and ORR put in place a longer time frame for the fiscal regime for rail freight to help business planning and investment decisions so that uncertainty over the outcome of future five-yearly ORR reviews is removed.

2 A consistent measure of the environmental impact and benefits of rail freight

Over the last six years, rail freight in the UK is estimated to have saved two million tonnes of pollutants, by taking the place of 31.5 million HGV journeys and saving 6.4 billion HGV kilometres thus helping other road users.

Rail freight offers substantial environmental and congestion benefits, compared with carrying the same tonnage by road, producing less than a tenth of the carbon monoxide, around a twentieth of the nitrogen oxide, less than nine per cent of fine particulates and around 10 per cent of the volatile organic compounds. This is true for diesel traction, which provides most rail haulage, while electric trains are even less polluting.





Customers would like to be able to make direct comparisons with other modes, such as road and short sea shipping, so they can judge environmental trade-offs when selecting a mode of transport. It is important that governments can correctly assess the environmental impact of investment and policy decisions, including designing urban clean air policies that affect freight.

Customers recommend that governments (UK and Scottish), regulators, industry bodies and freight operators, agree standard reporting measures and a consistent approach to measuring emissions.

Government is urged to reconsider its pausing of the rail electrification programme in England and Wales so that air quality improvements can be delivered more quickly.

3 Funding and support for technology and innovation

Greater use of technology is essential to reduce network costs and allow more efficient use of the network and assets. The following should be priorities.

- A quicker response to short-term planning train requests to put more trains on the network at short notice to meet customer demand and allow rail to compete with road

Network Rail should deliver improvements in investment in better train planning capacity and path approval processes to get more capacity out of the existing network at quicker notice with automation of train planning systems

- Technology, including greater use of remote condition monitoring, should be used to prevent asset failure and allow improved predictive maintenance, asset utilisation and reduced costs, as well as increased wagon operational quality

Greater use of remote condition monitoring of network assets by Network Rail, freight operators and leasing companies would produce efficiency and utilisation benefits

- Funding for research and development in new technology to reduce further the environmental impact of diesel locomotives. The longer-term development of alternative options to diesel locomotives capable of hauling heavy freight in the UK will support the UK Government policy of improving air quality
- Significant investment in new wagon designs and sets has taken place, but there are still a substantial number of older wagons that do not take advantage of the latest designs and materials to ensure they allow better utilisation and more environmentally-friendly freight

Government (UK and Scottish) funding for research and innovation could help achieve a greater fleet population of more volume efficient and infrastructure and noise-friendly wagons making better use of train length and capacity. A more efficient approval process for new wagons is also required

- Rail freight is a private sector commercial activity, delivered in response to fluctuating private sector customer needs. This makes developing a business case for private investment in these technologies problematic. The cost of rail freight assets is also by definition greater than their road equivalents

Because of loading gauge restrictions there is a smaller market for new and updated technology. So we believe that to ensure that rail freight can deliver its potential growth some form of state funding for innovation from Government will be vital in ensuring it can compete effectively with other modes and offer the enhanced services necessary for optimal supply chain efficiency

- Digital Railway – we support Network Rail’s aspirations for the Digital Railway to support dynamic planning of the railway, in-cab signalling and traffic management for Driver Advisory Systems to make rail freight more responsive and efficient

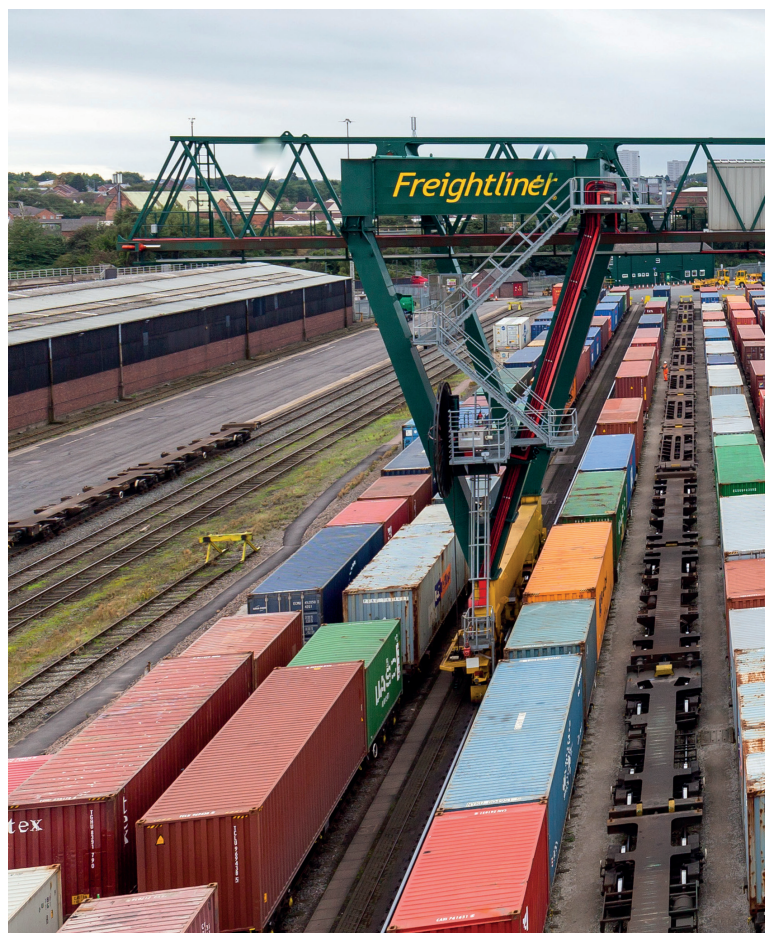
4 A focus on efficiency improvements by the system operator

Further improvements in rail freight speed, utilisation, responsiveness to changes in demand and integration with the rest of the network are needed to increase uptake.

Decreasing end-to-end freight journey times would drive lower costs through better locomotive, driver and wagon utilisation and give greater returns on multi-million pound investments in freight traction and rolling stock. Making rail freight more competitive compared to road would also lead to more modal shift. We need continued emphasis on more freight being moved per train so that network capacity is used to ensure the best value as the network gets busier.

We need more timetable optimisation to minimise looping and stopping time so as to enable capital investment and environmental benefits to be realised. For example, Transport Scotland’s High Level Output Specification (HLOS) sets a target for an increase of 10 per cent in freight train average speeds. Average freight train actual speeds remain at 25mph, with bulk sector traffic speeds lower, although intermodal speeds are closer to 35mph; the average freight train speed needs to be increased. Causes of slow speeds include the following:

- the pathing and looping of freight trains to allow passenger services to pass; this increases the cost to customers and fuel and emissions and infrastructure wear because of stopping and starting of heavy freight



trains which then take time to get back up to line speed

- the requirement to support customer aspirations towards 24/7 operations is essential as end-users, especially those in the FMCG sector, want to be able to move freight on a flexible basis, including on a Saturday night. This is still the case even if it means that engineering works have to be factored in, with forward planned diversions and changes to paths and timing. Most retail road operations are able to run 24/7 (with the exception of Christmas Day) and the lack of consistent paths across the weekend can act as a block to using rail if dependable lead times are to be ensured for a retail customer base

Further work needs to be undertaken by Network Rail and freight operators to improve end-to-end pathing and increase operational efficiency by allowing more round-trip working. There needs to be a more formalised process of keeping one arterial route open to traffic during maintenance, for example, for Anglo-Scottish traffic and this is especially important with the process of Network Rail devolution. There needs to be a plan for national ‘deconfliction’ of engineering works



As highlighted during the Shaw Review and in the Network Rail route devolution process, most freight services cross Network Rail route boundaries

Sufficient and demonstrable importance should be given to the Network Rail Freight and National Passenger Operators' Route by Network Rail and ORR to help deliver cross route boundary operations and engineering access and freight enhancements. Network Rail routes need to support more freight running and ORR needs to promote regulated outputs that support freight to complement the work of the Freight and National Passenger Operators' Route

Most freight journeys, particularly intermodal and bulk freight, have a road leg at one if not both ends. Even a small uplift in HGV gross vehicle weights for intermodal operations could tip the balance in favour of a rail leg as part of an intermodal flow and would allow it to become more competitive as a part of a supply chain with better road freight utilisation at either end

The Government should consider allowing higher HGV gross vehicle weights for combined transport operations within a defined radius of the rail terminal to

reduce the penalty currently imposed due to the higher unladen weight of the intermodal unit

5 A joined-up approach to the planning of freight

Customers need the security of knowing that the paths they need will be available before they commit to develop sites for rail freight. The role of the Freight and National Passenger Operators' Route and the National System Operator is crucial here as freight moves across Network Rail route boundaries.

The industry train path approval process for new services does not give firm access rights for paths until the next review. But it takes time for new locations to be set-up, for example, between six to nine months for a new bulk aggregates site to receive planning permission or five years to develop an intermodal terminal.

Network Rail should devise an easier process of Terminal Access Options to support growth so that before site investment takes place, customers have certainty that new traffics will have the network access to make them viable, and develop strategic capacity in the timetable allocated to freight growth that Freight Operating Companies can bid into.

Land use and local, as well as national, planning policies need to work to support the development of rail freight. Protection of existing rail freight terminals and operations against new noise-related environmental restrictions is vital. A holistic land use planning and spatial development approach should incorporate potential for rail freight connections for new warehousing or industrial premises.

The role of Network Rail as National System Operator is key, as is the role of the Freight and National Passenger Operators' Route, to champion and develop freight.

The UK and Scottish Governments should take greater account of the needs of freight in the tendering and specification of passenger franchises on lines of route used by freight and should properly examine timetabled passenger train loadings, versus passenger trains per hour, on mixed traffic routes to achieve overall rail network efficiency.

6 Robust contingency planning

Unplanned delays happen on all modes of transport. While rail has high levels of operational performance, even with an excellent network risk management

approach it is essential that there are robust contingency plans in place for when things go wrong.

Recent experience shows that challenges remain for the network operator in respect of disaster recovery planning for freight.

Network Rail's contingency planning response to events such as industrial action or emergency closure of key viaducts should consider all users of the network and recognise the importance to the economy of running freight.

As the climate warms up and more extreme weather events are anticipated, the temperature envelope in which physical assets must operate will also be affected. This needs to be built into resilience planning for these assets.

Network Rail and freight operators' contingency planning for rail freight should be continuously reviewed and developed and cross-industry support given to the Network Rail Freight and National Passenger Operators' Route as it undertakes this work.

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