Rail Delivery Group

National Rail   BRITAIN RUNS ON RAIL

Mr Paul McMahon
Managing Director, Freight and National Passenger Operators
Network Rail
1 Eversholt Street
London NW1 2DN

11 November 2016

Dear Paul,

I am writing in response to the Freight Network Study Draft for Consultation.

As you are aware the RDG Freight Group is the industry forum that delivers leadership and strategic direction for the rail freight sector, as well as establishing the industry position on freight issues and promoting the benefits of rail freight to the UK economy. It aims to participate with the wider industry to promote best practice, to deliver efficiency and improve value for money.

It aims to build on the successful productivity gains already delivered by the rail freight industry, as well as champion and promote the Strategic Freight Network making the case for continuing investment and ensuring enhancements already delivered are fully exploited.

The RDG Freight Group has three active subgroups:

Network Policy Group – to deliver whole-industry cost savings through an improved expression of freight access rights and 'smarter' use of the network.

Freight Joint Board – to focus on performance and operational matters.

Freight Investability and Sustainability Group – to deliver an acceptable track access charging and incentive regime that provides certainty and business sustainability for the rail freight sector beyond the current control period.

The Rail Freight Strategy 'Moving Britain Ahead' was published recently. The RDG Freight Group is taking forward several of the actions contained within this strategy under the four identified priorities of Innovation and Skills; Network Capacity; Track Access Charging; and Telling the Story of Rail Freight.

The RDG has produced two documents that promote the value of rail freight: *Freight Britain* and *Keeping the lights on and the traffic moving.* Freight Britain shows how rail freight operators transport goods worth over £30 billion each year. KPMG estimated (2013) the economic benefits of rail freight to the UK economy were £1.6 billion per year. One in four of the containers that enters Britain is transported by rail and this has grown by 30% since 2006/07. Each tonne transferred by rail rather than by road cuts CO2 emissions by 76%. Each freight train removes up to 76 lorries from our roads resulting in 1.6 billion fewer HGV km each year. Rail freight operators have invested over £2 billion in locomotives, wagons and capital equipment since the mid 1990s and Britain's ports have invested over £250 million in rail-connected facilities.

RDG welcomes the publication of the Freight Network Study as a vital part of the rail industry's Long Term Planning Process. This is an important document as it sets out in a single place the priorities for enhancing the rail network.

We support the two identified priorities: (1) Increasing the future capacity of the network – to enable more trains to operate; and (2) Enhancing its capability – to make more efficient use of the rail freight network.

It is a necessarily lengthy document that brings together a number of different reports and studies into a single location. This is particularly useful for external stakeholders and freight customers. However, the length of the document does mean that an important concise narrative needs to be developed and we recommend that this is signed off through the RDG Freight Group.

The RDG and wider industry has been actively involved in the Freight Network Study Working Group. This is the stakeholder body that has helped to develop the Freight Network Study and gives us the assurance that a thorough participative approach has been followed. We look for this voice for freight to be maintained across other programme control boards at both a national and route level.

The RDG are keen to make sure the iterative process continues to retain alignment with the Strategic Freight Network (SFN) as well as the emerging Initial Industry Advice (IIA). This has been achieved thus far and we ask that this alignment remains the focus over the next few important months.

The market commodities overview in the Freight Network Study and the range of future options for investment along lines of route is particularly helpful to funders and industry players because it places the customer at the heart of decision-making and long term planning. The rail freight sector is intensely competitive, with five main operators competing across all commodities and with all modes. This has changed markedly since the mid-1990s when there were just two rail freight companies operating largely within discrete sectors.

These are tough times for rail freight, particularly given the long term decline in coal traffic. But there is an opportunity for rail freight to continue to take lorries off our roads and contribute to the success of businesses across the country. Intermodal and construction continues to grow and further innovation will enable new markets to emerge. The underlying market analyses must increasingly include the wider freight market trends and dynamics if modal shift is to be accelerated.

We welcome the spotlight on enhancements as the structural changes in the sector further emphasise the need for continued investment in our rail network. We would encourage a greater focus on the outputs from enhancements rather than inputs, as well as certainty about future charging arrangements. In the light of current funding constraints, next steps should be to better understand the value for money of the various options and prioritise accordingly.

A stable long term charging regime is necessary to enable continued sustainable investment, improve customer confidence, modal shift and economic benefits to the UK economy. Alongside this, the RDG continues to press government for a level playing field with road. Track access rights need to reflect the flexible requirements of freight customers given network capacity constraints.

The RDG recognises the need to develop strategic rail corridors that provide for longer trains, enhanced gauge clearance, faster end-to-end journey times, increased axle weights, improved access to the network (overnight and weekends) and sufficient capacity to accommodate growth.

Going forward, RDG continues to engage with Network Rail's Freight and National Passenger Operators (FNPO) route. The importance, clarity and transparency of Network Rail's system operator role is also paramount in the efficient use of capacity (e.g. enabling longer trains in the short term).

RDG stand ready to work through the consultation responses on this Freight Network Study as active members of the Working Group.

Yours sincerely

Elizabeth de Jong

Elizabeth de Jong,
Director of Policy, Rail Delivery Group