

Freight Britain

Continuity and
certainty for
rail freight

The rail freight sector is vital to the competitiveness of the UK economy and is an intrinsic part of our everyday lives without many of us realising it.



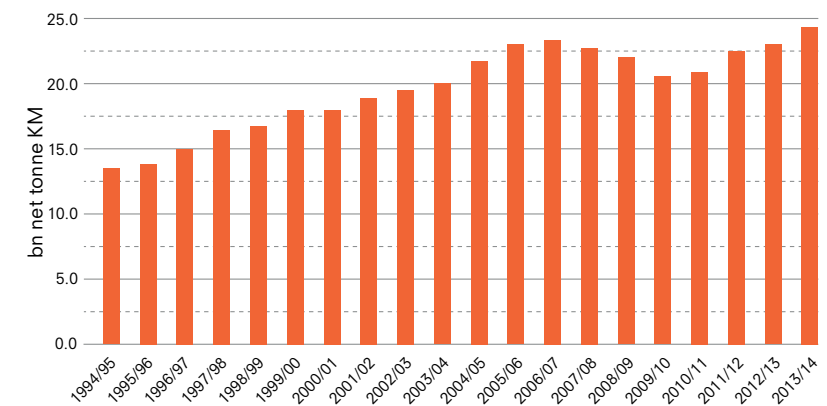
Introduction

Each year the five major rail freight operators transport goods worth over £30 billion – from groceries which keep our supermarkets stocked and half of the fuel used to generate electricity, to high-end goods, such as whiskies and luxury cars for export.

Rail freight has transformed itself since the mid-1990s into a competitive and vibrant industry. Total volumes have increased by over 80 per cent from 13.5 billion net tonne km in 1995 to 24.4 billion net tonne km in 2013–14.¹

Each year the rail freight industry carries goods worth over £30 billion – from high end whiskies and luxury cars to steel, cement and coal.

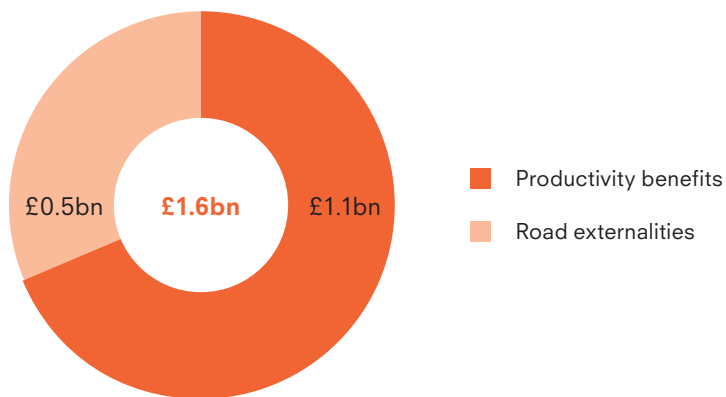
Rail freight traffic (bn tonne KM)



¹ Freight Moved, ORR, 2014


In 2013 KPMG estimated that rail freight delivers productivity gains for UK businesses and congestion and environmental benefits totalling over £1.5 billion per year.² In the last 12 months rail freight has continued to grow and these benefits to the UK economy are now estimated to be worth over £1.6 billion per year.³

2013-14 economic benefits of rail freight



What role does rail freight play in underpinning UK economic growth?

Rail is a key part of the supply chain, serving a diverse range of sectors. The transportation of bulk goods remains a key strength of rail freight, while the burgeoning consumer goods market has driven significant growth in the intermodal (container) sector.



One in four

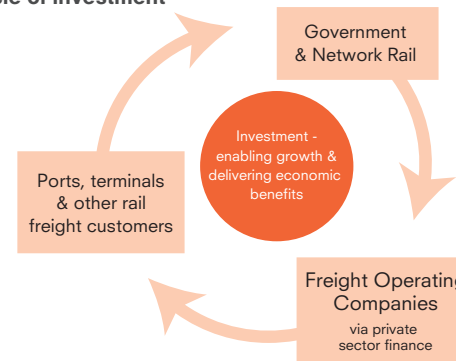
Rail freight currently moves one in four of the containers that enter the UK and over 50% of the fuel used in electricity generation in the UK.

² Keeping the lights on and the traffic moving, 2014, Rail Delivery Group
³ All economic benefit figures in 2012/13 prices

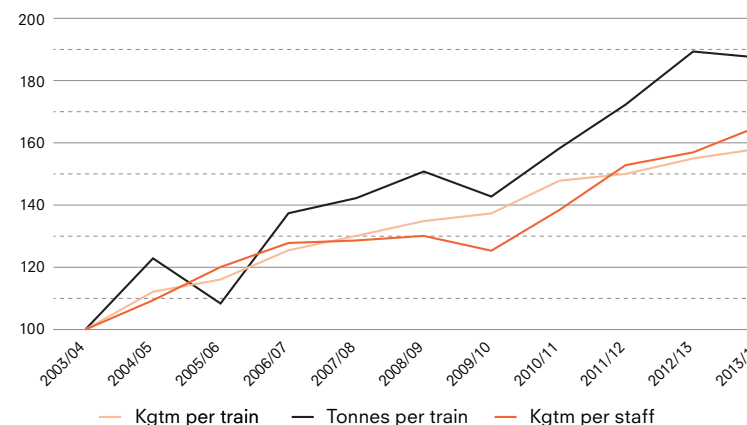
The movement of containers by rail has grown by 30 per cent since 2006/7,⁴ and now one in four containers entering the UK is moved by rail. Although growth in this sector has led rail to increasingly compete directly with road, the two modes also work collaboratively: while rail can move large volumes of freight over long distances, road is essential to cover the last mile of delivery to the customer.

The growth in volumes has been possible as a result of significant investments made by the rail freight operators as well as ports, terminals and other customers, in addition to government. This has allowed rail freight to increase productivity and efficiency and compete with other modes. Train numbers have fallen by 30 per cent since 2003, yet freight tonnes lifted has increased by 30 per cent resulting in an increase in tonnes per train of over 80%.⁵

Virtuous circle of investment



Indexed rail productivity (2003/04 = 100)



⁴ Freight Moved, ORR, 2014
⁵ Freight Moved and Number of freight train movements, ORR, 2014

Examples of Government, Network Rail and Ports investment



- 1** Teesport: new rail terminal and contribution to gauge clearance work on the mainline
- 2** Port of Hull: rail loading facilities for biomass
- 3** Port of Liverpool: handling facilities for biomass



- 4** Port of Felixstowe: new rail terminal (Felixstowe North)
- 5** London Gateway: new rail-connected deep-sea port
- 6** Port of Southampton: contribution to the gauge clearance work between Southampton and Nuneaton

Major CP5 investments in the freight network:

- Southampton to West Coast Main Line train lengthening programme – allowing longer freight trains to operate from the south coast port.
- Felixstowe to Nuneaton route enhancements – increasing capacity to allow more container trains to access terminals around the country from the Port of Felixstowe.
- Electrification of the Barking to Gospel Oak Line - allowing electric freight trains to run from London Gateway and Tilbury to terminals around the country.

Rail freight operators have collectively attracted over £2 billion of investments in locomotives, wagons and other capital equipment since the mid-1990s to enhance capacity and improve reliability and performance.⁶

Government and Network Rail have made significant investments in the rail freight network.

In Control Period 4 (2009-14) government investment in rail freight totalled over £500 million. Already in Control Period 5 (2014-19) a further £206 million has been committed to the Strategic Freight Network in England and Wales and £31 million to the Scottish Strategic Rail Freight Investment Fund to increase capacity and allow longer, heavier, larger gauge trains to run on the network.⁷

Ports, terminals and other customers have all made significant investments. In the last eight years, Britain's ports have invested over £250 million in rail-connected facilities to handle container and bulk traffic.⁸

These separate, yet interdependent investments have been crucial in growing volumes and have meant that freight operators can carry more cargo on heavier, longer trains and also release capacity for other services on the network.



⁶ Keeping the lights on and the traffic moving, 2014, Rail Delivery Group

⁷ 2012/13 prices

⁸ Keeping the lights on and the traffic moving, 2014, Rail Delivery Group

Why choose rail freight?

Investment has been crucial in delivering efficiency and productivity gains, that have made rail freight more competitive and better able to compete directly against road transport.

Rail freight's customers have benefited. Intense internal and external competition have resulted in savings being passed down to the rail freight customer.

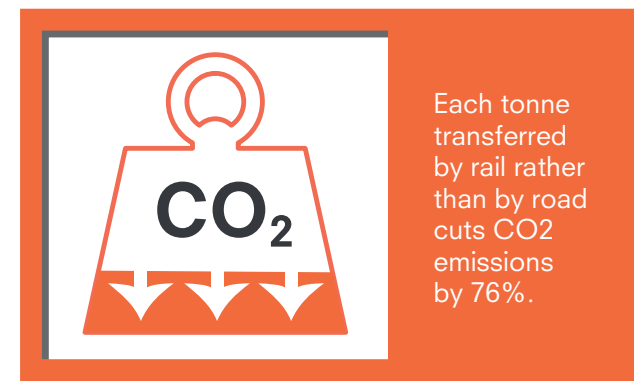
The resulting productivity benefits for UK plc are valued at over £1.1 billion per year – helping to underpin UK economic growth.

Rail freight has a key part to play in meeting governments' economic and environmental targets. Government has committed to significantly reduce carbon emissions and growing rail freight's share of the surface freight market will be crucial in meeting these objectives.

In comparison to road which dominates the market, rail offers significant environmental benefits including:

- Reducing CO₂ emissions: rail freight reduces CO₂ emissions by up to 76 per cent compared to road.⁹
- Reducing air pollution: rail freight produces up to 10 times less small particulate matter than road haulage and as much as 15 times less nitrogen oxide for the equivalent mass hauled.¹⁰

Investments by rail freight operators and government have further enhanced rail freight's green credentials. Improvements to the capability of the rail network and the acquisition of new rolling stock have allowed freight operators to run more efficient, longer and heavier trains. Further investments will be required to grow or maintain market share which will be crucial to supporting a greener economy.



⁹ Value and Importance of Rail Freight, Network Rail, 2010

¹⁰ Value and Importance of Rail Freight, Network Rail, 2010

How can rail freight underpin regional growth and benefit our local communities?

Rail delivers a variety of goods across the length and breadth of the UK, supporting growth across the regions.

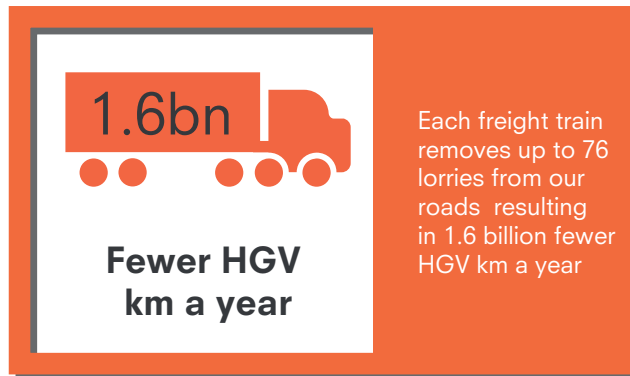
Ports, power stations, terminals and distribution centres have all made significant investments in the regions to improve the performance and capability of rail freight. This has in turn stimulated local economies by providing employment opportunities and investment in local areas. Of the more than 5,000 staff employed by freight operating companies, over 80 per cent are based outside the South East of England.

Over the last decade, significant investments in rail infrastructure have been made across the country by Britain’s ports including investments at Teesport, Hull and Liverpool. These investments are absolutely essential if the benefits of the investments made by government and rail freight operators are to materialise.

Rail freight also makes our towns safer and more pleasant places to be. Each freight train removes up to 76 lorries from the roads, resulting in 1.6 billion fewer HGV kilometres every year.¹¹ Fewer lorries reduces congestion and the resulting externality benefits are substantial. These externality benefits, including the reduction in congestion and the wider environmental and safety benefits, generated by rail freight are worth over £0.5 billion a year to the UK.

What role does freight play in delivering for the wider railway?

Rail freight companies work in partnership with passenger operators and Network Rail to help keep the network open and keep passenger trains running on time. Freight companies run trains which clear key lines in autumn and remove snow and ice in the winter, improving performance for all trains on the network and giving passengers a more reliable service.



11 Impact on road haulage, ORR, July 2013

Freight locomotives also haul the trains which maintain and enhance the rail network – delivering supplies and equipment to worksites and removing spoil and other waste from improvement works around the country. The ability to use freight companies locomotives to operate these network services reduces the cost of running the railway and saves the taxpayer up to an estimated £88 million per year.¹²

Freight locomotives are also used to haul the trains which inspect, monitor and test the track and other railway infrastructure, helping to improve safety and reliability across the network. In addition, freight locomotives known as ‘Thunderbirds’ are often deployed to rescue broken-down trains across the network. These ‘Thunderbirds’ are an example of how rail freight operators help keep the network open and the trains running – working together to support our railway.

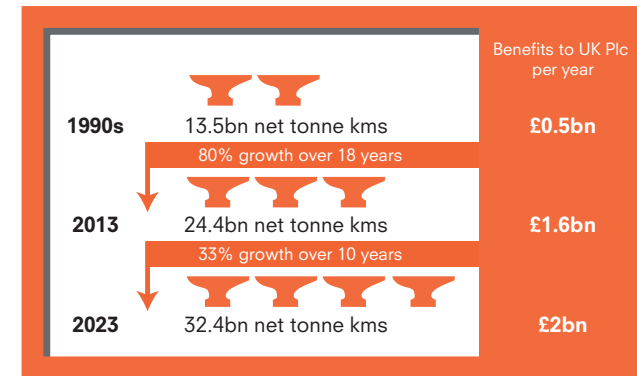
How can rail freight build on its success and continue to deliver for Britain?

The culture of collaboration and partnership not only helps keep the railway open and trains running on time, but is crucial when it comes to investment. Investments made by all stakeholders have driven improvements in the capacity and capability of the rail freight network. This relationship has been fundamental in growing freight volumes by 80 per cent since the mid-1990s.

Continued investment from all parties will be required to drive further efficiency and performance gains and grow volumes as the economy grows.

A stable operating environment is essential for freight operators and other private organisations to be able to make these continued long-term investments. Key to providing this stability is certainty in the long-term charging and regulatory regimes.

The rail freight sector wants to build on its success and forecasts suggest that the benefits of rail freight to the UK economy could rise to nearly £2 billion per year by 2023. These economic benefits are considerable and stability and certainty for rail freight are vital to achieving them.



12 LEK, Estimating Freight Avoidable Costs, 2012



Rail Delivery Group

The Rail Delivery Group was set up in 2011 and brings together the owners of Britain's passenger train operating companies, freight operators and Network Rail to provide leadership to Britain's rail industry.

- Its mission is to promote greater co-operation between train operators and Network Rail through leadership in the industry and by working together with Government, the supply chain and stakeholders.
- It is committed equally to the long-term health of the railway as well as the need to see improvement in the shorter term.
- It does this by developing strategies for the industry to put into practice and by proposing solutions for policy makers to implement.

For more information about this report, contact freight@raildeliverygroup.com or visit www.raildeliverygroup.com