NETWORK RAIL
WRITTEN SUBMISSION

Network Rail’s responsibilities are to provide freight operators with a robust and reliable network with sufficient paths to meet their reasonable requirements in accordance with our licence conditions and the needs of their customers.

Freight and passenger traffic both require access to the same rail network, both require a robust and reliable network and consistency of performance however whilst passenger train operating companies require the same product on a daily basis, freight customers have a more varied day to day demand for the use of the network and require Network Rail to react quickly to new business or to situations when customers’ requirements change. Unlike train operating companies which provide passenger services, freight operators who operate within a very competitive environment both within rail and with road, do not have franchise agreements nor do they enjoy the same level of protection than train operating companies enjoy.

Overview of the industry in Scotland

UK wide around £30 billion worth of goods are carried by rail each year across the length and breadth of the country, from coal for electricity generation, to whisky for export or goods destined for supermarket shelves. 14 million tonnes of freight was transported by five freight operating companies to, from and within Scotland in 2013/14. 47% of the volume was exported, 14% imported and 39% of the volume moved internally within Scotland. Network Rail would highlight that the majority of rail freight movements within Scotland should not and cannot be considered in isolation; inter-connection with the rest of the UK, the port network, and Europe is a crucial driver for growth potential and is essential to determine which routes will require investment to support and realise growth forecasts.

Network Rail’s Freight Market Study is part of the long term planning process and predicts unconstrained growth for Scotland from 14 million tonnes to 26 million tonnes by 2026. Most of the growth is predicted to occur in the domestic and maritime intermodal sectors which would increase rail’s competition with road haulage.

Each freight train can remove between 70 - 80 HGVs from the roads and by taking lorries off the roads rail freight prevents around 600 casualties each year in addition to delivering significant environmental benefits. The average intermodal train serving the central belt of Scotland is around 700m long.

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1 Colas, DB Schenker, Direct Rail Services, Freightliner and GB Railfreight
2 This figure is based upon an annual growth for biomass of 26.7% however as the Scottish position on biomass is not confirmed, this projected growth may not materialise as envisaged.
3 Rail Delivery Group (RDG), Keeping the lights on and the traffic moving: sustaining the benefits of rail freight for the UK economy
1. Can you identify the main infrastructure and policy obstacles to the free flow of freight in Scotland, whether carried by rail, road, air or sea?

The National Planning Framework (NPF) sets the context for development planning in Scotland in addition to providing the framework for the spatial development of Scotland as a whole. Whilst the final versions of the Scottish Planning Policy (SPP) and National Planning Framework (NPF) commit to improving rail services and reducing journey times between Inverness and Aberdeen, Edinburgh and Glasgow, and from both Aberdeen and Inverness to the Central Belt, rail freight receives less attention within the Government’s planning priorities, potentially a missed opportunity to modernize the rail freight industry in Scotland. Network Rail does note that the Infrastructure and Capital Investment Committee’s report on National Planning Framework 3 does consider rail freight and raised the possible need for additional capacity which we welcome and would strongly support. We also note the specific references to the role of rail freight in the ‘Grangemouth investment zone’ and ‘freight handling capacity on the Forth’ national developments.

Network Rail promotes the use of the network for both passenger and freight services. Any licensed operator can request a route across the network if there is capacity and in adherence to Section 1.18 of our Network Licence passenger and freight operators are treated equitably. Future growth in the rail freight industry could be achieved through additional access to the network which would enable further services to be timetabled. Generally Network Rail maintains the network during the night and as such must balance the timetable against the need to service and maintain the infrastructure and assets. Where significant volumes of time critical freight is available, investment is necessary to allow maintenance of the network to be undertaken whilst services continue to run.

Freight moved by rail is a small proportion of total freight movements within, to and from Scotland, and challenges therefore exist in developing robust and cost effective business cases for rail freight so that it can be competitive with road and other modes of freight transportation. The Scottish rail freight industry recognises that there are considerable opportunities for modal shift with a large number of untapped markets. Scotland has a number of markets in which rail freight has had little success in penetrating including perishable goods such as fish and meat, fish food, timber and biomass. Further research is required to understand which markets are most viable for rail.

2. How can Scotland’s rail, road, air and sea freight routes to the rest of the UK, to Europe and worldwide be improved?

Rail freight companies require rail to better or at least be comparable with road in terms of cost, journey time and reliability. The impact on the end customer of a train not arriving at destination when expected could be the equivalent of over 30 lorries worth of goods not reaching their market in time.

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4 In complying with the general duty in condition 1.2, the licence holder shall co-operate with any potential provider or potential funder so as to identify ways in which its reasonable requirements in respect of the allocation of capacity on the network could be satisfied.
The Freight Market Study unconstrained forecasts predict a growth opportunity of up to 140% by 2043 when compared to 2011. To cater for this growth Network Rail, in partnership with the rest of the rail industry, will continue to work with business and government to move more freight onto rail, improving our quality of life and substantially reducing carbon emissions. To ensure that our rail freight routes to destinations outside Scotland improve we recognise that there are a number of steps that could be taken.

In order to develop capacity across the network the UK Government provide funding for the Strategic Freight Network (SFN) for England and Wales while in Scotland there is the Strategic Rail Freight Investment Fund to enhance the network for freight traffic. Noting that almost 50% of product moves to, from and within Scotland is exported to England, Europe and wider export markets, consistency of policy and funding both north and south of the border would be helpful. Furthermore effective industry coordination and joint working would ensure the potential of both funds are maximised.

The fastest growing market sector on rail is domestic and maritime intermodal traffic. This sector requires rail to be highly competitive with road and therefore is heavily reliant on robust and reliable performance, efficient journey times and a rail network that gives parity with the road network. This can require investment in gauge enhancement and infrastructure works to achieve capacity enhancements.

As part of the Long Term Planning Process (LTPP) Network Rail is working with industry partners to develop the Scotland Route Study which we anticipate will reach “Draft for Consultation” towards the end of 2016. This will indicate the investment required in the network over the next 30 years to permit the anticipated passenger and freight growth. In addition there may be opportunities to increase capacity on the existing network through investment in the Digital Railway (including in cab signalling) which may be a more efficient way to deliver the required capability.

The rail freight industry has grown 70% since privatisation. It is a competitive sector with operators competing directly with each other as well as with road and ship. Whilst competition provides choice for businesses seeking to transport freight, it also drives efficient behaviour across the industry although, on occasion, greater collaboration would also be beneficial for the sector. Ensuring this balance between incentivised competition and meaningful collaboration requires further consideration. For example whilst rail is especially good at moving large volumes over long distances, given the right conditions it can also be equally as effective over shorter distances and although road haulage is more flexible and offers more potential for back-loads, there may be opportunities for rail customers to work more closely together to review how loaded running both north and south could be improved.

The benefits of rail are maximised when the origin and destination either both have, or are close to, a rail connection but road transport is often required at the beginning and end of the journey. A road operation can exist without rail but there can very rarely be a rail operation without an element of road transport. For efficient modal switch there needs to be harmony between both road and rail. A whole industry approach should be taken to logistics planning and a review of rail and road policies
should be undertaken to make sure that there is equity in relation to policy decisions and investment for both road and rail networks.

It is recognised that Scottish produced goods have further to travel to get to market however small volumes in remote locations, which have journey times by rail that are not competitive with road, also present challenges to the rail freight industry. Consideration should be given to maximising rail haulage from a centralised location and consolidating the traffic to optimise the benefits that using rail can provide.

Network Rail recognises that there is a need to protect key strategic sites for future rail freight terminals and developments. These sites require: good road and rail connections; planning support to manage the interface with line-side neighbours; and a footprint large enough to accommodate commercially viable services (this will vary by location ie 775m in the Central belt and shorter for locations such as Inverness and Aberdeen) and provide adequate storage facilities. Following Network Rails 2014 acquisition of 105 freight sites nationwide, Network Rail is looking at opportunities to invest in the development of this estate to promote greater modal shift and expand freight user related lease income.

Through involvement in the Rail Development Group (RDG) Freight committee, Network Rail recognise the critical impact that visibility of future consecutive control period access charge regimes can have on long term investment decisions.

In order to facilitate growth, freight end users need to be open to changing their logistics solutions to incorporate rail. Rail cannot always easily replicate road and as such the benefits of moving goods by rail are not always realised. Support mechanisms to encourage alterations to loading, packaging and flexibility can help encourage modal shift to rail.

Furthermore Network Rail believe that that freight would benefit from longer term funding and access charge stability beyond the current control period (CP5) to provide certainty and confidence to the sector to plan and invest and we support the work of the Rail Delivery Group (RDG) on this.

3. How can the Scottish Government structure its freight grant schemes to support the switch of freight to more sustainable modes of transport?

Consistent with the objectives of the Scottish Government to encourage growth in rail freight and reduce emissions, the Scottish Strategic Rail Freight Investment Fund (managed by Network Rail on behalf of the rail industry) supports sustainable rail transport for freight, thereby reducing the supply chain’s transport emissions and reducing road congestion. The £31million fund for the period 2014 – 19 (Control Period 5) enables strategic infrastructure interventions on the Scottish network to enable rail freight to deliver against these objectives. Projects which are planned to be delivered in this current control period include enhancement of the network in the Mossend area; electrification of the Edinburgh South Suburban line, gauge clearance works at Carmuirs, and improvements between Elgin and Inverness. Network Rail welcomes the fund and the contribution it will make towards encouraging growth and productivity in rail freight in Scotland.
Network Rail appreciates the support of the Scottish Government in retaining freight grants. There is recognition by the rail freight industry in Scotland that rail freight grants have not been utilised to their full potential however there are a number of reasons to explain the lower than anticipated take up of grant opportunities which include the rules governing what the grant funds may be used for and how the grants may be staged, both of which may restrict potential projects.

Support mechanisms, both policy-led and investment should ensure the right incentives exist to support the use of rail. The requirement to bid for and spend the grant within a relatively short time period does not adequately support the business planning process; for example if grants were rolled over from one year to the next this additional flexibility could further unlock growth. Investment in rail is a long term commitment and grants should also provide a degree of longevity. Furthermore Network Rail would also suggest that a more holistic approach would further support growth. Grants could also be utilised to support infrastructure changes required on the network which would support terminal development. Additionally grants could generate enhanced benefits if they could support investment in mobile equipment such as terminal cranes or wagons.

4. Are there any European initiatives which could provide further opportunities for Scottish freight transport?

The EU’s Connecting Europe Facility (CEF) is a fund to which Network Rail and governments can apply for co-funding for projects. This is mainly focused on the corridors of the Core Network, which includes Edinburgh-Glasgow and the West Coast Main Line. For specific projects this can be a suitable way to leverage extra funding. The TEN-T Core Network Corridors have a strong freight focus in England which, as a knock-on effect, could benefit intermodal freight from Scotland to Felixstowe, Southampton or the Channel Tunnel.

Network Rail is actively engaged in European rail policy and strongly supports the European commission’s approach to market opening. Given the challenges faced by British (or other third country) freight operators running in other member states this is an important aspect to helping grow international rail freight. The liberalising measures in the Fourth Railway Package are essential for removing the many barriers to competition that still exist in some member states and we strongly support it.

European policy for interoperability, certification and licensing all complement market opening, and are all of particular interest to rail freight operators seeking to run international services.

5. How can the freight industry make a contribution to greenhouse gas emissions reduction?

Climate change is a major challenge facing the world and Network Rail is keen to play its part in ensuring sustainable economic growth by enabling freight, and passengers, to travel with lower carbon emissions than other modes, thereby helping the Government meet its carbon reduction targets.
Road transport in the UK contributes 21% towards our carbon emissions with 7% of that from road freight. Per tonne of cargo, rail freight produces 76% less carbon dioxide than road freight. Each freight train removes up to 80 HGVs from the roads, which will also support safer and less congested roads.

Rail freight also produces fewer harmful gases than road freight in terms of other emissions that impact upon people’s health – less than a tenth of the nitrogen oxide and fine particulates of road haulage per tonne carried when compared to road transport.

In relation to freight the most efficient use of the rail network is to transport high volume, long distance flows or shorter distance bulk flows.

Furthermore investment in the expansion of the electrified rail network also supports enhanced environmental benefits.

6. Which policy changes, or infrastructure improvements, are required to increase the flow of goods through Scotland’s major sea ports?

Whilst noting the specific focus on Scotland’s major sea ports, consideration should be given to the interface between different modes of transport and sea ports. It is disappointing to note that (apart from coal imports), the ports which do have a rail connection in Scotland rarely make use of the rail network. Rail must be an integrated part of the system, which could be enhanced through the planning and delivery of better facilities.

Integrated planning is required to support this type of investment. Consideration should be given to the suitability of the statutory development planning and development management system, and other powers such as those available under Transport and Works (Scotland) Act 2007 to deliver these facilities.

26 January 2015
## Rail Freight Key facts

### Cleaner

Per tonne of cargo, rail freight produces 76% less carbon dioxide than road freight.

This saves 1.8m tonnes of carbon in Britain every year – equivalent to that saved by more than 230,000 solar panels.

Rail freight produces less than a 1/10 of the nitrogen oxide and fine particulates produced by road haulage per tonne carried.

### Cheaper

On average one freight train replaces 60 lorry journeys. Removing 10% of road freight would save British industry nearly £1bn per year.

A gallon of fuel moves a tonne of goods 246 miles by rail but only 88 miles by road, on average.

Road congestion costs the British economy up to £8bn every year.

### Safer

Lorries contribute to a disproportionate number of accidents per mile travelled; Department of Transport figures suggest that between 1999 and 2008 there were 117,000 accidents involving HGVs.

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**Distance a tonne of goods can travel on a gallon of diesel**

- **246 miles** Rail
- **88 miles** Road

*Image*