Rail Partners

Response to the rail freight growth target call for evidence

September 2022

1. Overview Response

The introduction of an ambitious target to treble rail freight by 2050 will have a transformative impact on the logistics sector

About Rail Partners

Rail Partners exists to make the railway better by harnessing the expertise and creativity of private sector operators for the benefit of those who use the railway, passengers and freight customers, and those who pay for it, including taxpayers. Our members are international transport companies delivering passenger and freight services in the UK and internationally.

Summary of response

We believe that the introduction of an ambitious freight growth target can have a transformative impact on the freight sector, enabling rail to support the transition to a decarbonised economy, facilitate economic growth, support the levelling up agenda and help customers across the UK to grow their businesses both domestically and internationally.

In their collective response to the Williams Rail Review, freight operators called for the creation of a freight growth target across Great Britain. Subsequently the 'Plan for Rail' White Paper recommended the creation of such a rail freight growth target. This is a welcome step in ensuring that there is cross-industry commitment to delivering for freight customers – we have seen across Europe and in Scotland how the introduction of a target can shift the industry's approach to rail freight.

We now need to set an ambitious level for the rail freight growth target that will apply across Great Britain, which is why Rail Partners is calling for a trebling of freight by 2050.

Despite having a modal share of just 9% in the freight market, rail freight already plays an important role within a low-carbon logistics sector with each tonne of freight transported by rail producing 76% less than the equivalent transported by road. The use of rail freight also removes the need for 7 million HGV movements per year. Transport is the largest carbon-emitting sector in the UK economy, and so it is essential that action is taken to lower transport emissions now so that the UK Government's legislative commitment to reach net-zero carbon emissions by 2050 is achieved. Therefore, in the logistics sector, modal shift from more carbon intensive modes to rail is an essential step in the transition towards to the decarbonisation of UK supply chains.

Similarly, rail freight provides an essential role within our economy, delivering £2.45bn in economic benefits every year to UK PLC. This can be broken down into £1.65bn in benefits to freight customers (cost, time, and reliability benefits) and £800m in social benefits (decongestion, environmental, and safety). With 90% of these economic benefits occurring outside of London and the South East, rail freight is also helping to rebalance the UK economy.

The economic and environmental case for rail freight growth is compelling and underpins Rail Partners' ask for an ambitious target to treble rail freight by 2050. To stay on track to deliver this long-term, stretching target, we are calling for it to be supported by a series of five-year targets, aligned with Great British Railways (GBR) infrastructure funding periods.

We believe that freight growth should be measured using the 'freight moved' metric, as is currently measured by ORR, because this metric captures two of rail freight's great strengths: volume and distance. Furthermore, in recognition of the GB-wide nature of the rail freight sector, we are calling for a target that will apply across Great Britain, though local targets within each of GBR's regional divisions may be implemented by the strategic freight unit within GBR to ensure that each region is equally focussed on delivering growth within their geography.

The demand for rail freight is here today as customers increasingly look towards rail as a sustainable, cost effective, and reliable way to get their goods to market. Market forecasts produced by Network Rail indicate a trebling of rail freight is a realistic proposition with already prominent markets such as construction and intermodal expected to grow significantly. There are also other market growth opportunities including the emerging high speed freight market, and international freight which have underperformed historically but could thrive under the right conditions.

An ambitious freight growth target, which should be referenced in legislation, would require a policy and operational environment that enables rail freight to flourish. In the short and medium-term it is recognised that there will be limited public funding available to deliver infrastructure schemes, but not all freight growth has to be associated with significant capital investment, there is much that can be done to drive substantial increases in rail freight traffic with the existing capacity on the rail network today.

To support this, a stable and affordable access and charging framework which takes into account the environmental benefits of rail relative to other modes is required. GBR should also take forward methodology which assesses the economic value of freight to make informed decisions about capacity utilisation.

Additionally, targeted investment projects that will create more capacity for rail freight to grow should be prioritised. Incentives which encourage more customers to use rail freight, such as the Mode Shift Revenue Support scheme and Freight Facilities Grant should be expanded, and a wider programme of grants would help to accelerate modal shift would also help to drive freight growth.

Our framework for maximising the effectiveness of a freight growth target

In order to deliver on the positivity towards rail freight outlined in the Plan for Rail, it is important that the rail freight growth target is set up effectively to drive the right behaviours across industry. Rail Partners therefore recommends that:

1. **An ambitious freight growth target to treble freight by 2050 should be set**: an ambitious target is required to maximise rail freight's contribution to the UK economy, and enable rail freight to play a central role in the delivery of the government's legislative commitment to achieve net zero carbon emissions by 2050. This long-term target should be supported by five-year targets aligned with GBR's funding cycles for infrastructure. An ambitious target will drive the public and private sectors to work in partnership to ensure delivery.

2. **The target should be measured using the freight moved metric and should apply at a GB-wide level, though regional targets could also be set to ensure local focus**: growth should be measured in tonne kilometres using the freight moved metric, this will be simpler to measure over time, and will drive the right behaviours from operators and GBR. Rail freight operates across the breadth of the GB rail network and it is critical that the target reflects this although each of GBR's regions should feel accountable for delivering the conditions for freight growth and therefore the strategic freight unit within GBR may opt to set regional targets which sit beneath the GB-wide target. Commodity-specific elements to the target are not necessary as freight growth should be treated in the round and there should be sufficient flexibility for the target to respond to changing economic and customer trends.

3. **A freight growth target should be supported by the right policies, incentives and investment**: a freight growth target is important because it can stimulate a step-change in the rail industry's approach to freight. To realise freight growth, an ambitious target must be underpinned by GBR and government policies which support the carriage of rail freight, incentives which cement rail freight as the mode of choice for future customers and targeted infrastructure commitments which will create capacity for rail freight and support decarbonisation.

This framework will also provide private sector freight operators, customers, and third-parties with the confidence to make significant complementary investments in long-lived assets and infrastructure to ensure that an ambitious freight growth target is delivered.

1.1. There is a clear route to trebling rail freight by 2050

Rail Partners is calling for a trebling of freight by 2050. While ambitious, there is compelling evidence that this target is achievable with an enabling framework.

Though 2050 is a generation away, the rail freight sector is a long-term, asset-intensive industry and, therefore policy and investment decisions made today will directly affect rail freight's ability to grow in the long-term. To remain on track for a trebling of rail freight by 2050, rail freight moved will need to grow by approximately 4% year-on-year on average, though it is recognised that in reality growth is likely to be 'lumpier' in nature and will reflect the introduction of new infrastructure, policies and wider structural shifts within the economy. Likewise, over a five-year period a freight growth target of 22% on average will be required (based on 4% annual compound growth).

The legislative consultation has outlined that GBR will continue to be funded through five year control periods in the same way that Network Rail is today. The stretching target to treble rail freight by 2050 should be underpinned by shorter term targets which are aligned with GBR's five-year funding cycles. Ahead of each funding cycle, GBR will be required to develop a business plan detailing the funding it will require to manage infrastructure for the next five years. As part of this business planning process, GBR should be required to outline the infrastructure they will deliver and the policies they will adopt to ensure that they will support the achievement of the five year rail freight growth target. This will then enable the regulator to hold GBR to account for creating the conditions to enable the delivery of freight growth, and will provide the rail freight sector with greater clarity on what policies, incentives, and the future network will look like, such that they can make complementary investments.

The Plan for Rail praised the rail freight sector for the agility it has demonstrated in responding to changing customer demands. Over the past decade, historically prevalent markets such as Electric Supply Industry (ESI) coal were replaced with additional construction traffic and a rapidly growing intermodal sector. Despite this, rail freight volumes have largely plateaued over the course of the last decade. This is largely driven by capacity constraints on the network.

Market forecasts produced for Network Rail indicate that there is significant scope for rail freight growth across the scenarios favourable to rail freight.[1] In particular, the forecasts highlight significant further growth opportunities within both maritime and domestic intermodal, and construction markets. Critically these market forecasts are not capacity constrained, therefore to be realised, in some cases adjustments to existing capacity allocation will need to be considered, as well as the delivery of new infrastructure which creates additional capacity for freight services.

There are also other opportunities to grow the freight market which should be explored fully to achieve an ambitious target for rail freight growth. For example, since the Channel Tunnel opened in 1994, international rail freight traffic levels have been underwhelming, struggling to reach anywhere near the levels that were previously forecast. This can be attributed to a wide range of challenges including cost (high track access charges), gauging, and historic perceptions of the Channel Tunnel's performance. More recently, there has been a surge of interest from potential customers keen to import and export goods by rail. This is largely due to cost increases and increased congestion in the South East experienced by the road sector, and the ability for customs checks to be conducted in-land when goods are transported by rail – helping to save customers from border friction and additional administrative costs. Technological improvements have also created new international market growth opportunities, for example introduction of temperature controlled containers has made moving fresh food and medical equipment across borders by rail a credible option. Unlike other freight growth opportunities, there is substantial capacity in the existing Channel Tunnel infrastructure for rail freight to grow, and as the UK commences a new trading relationship with Europe and the Rest of the World, opportunities to grow international rail freight should be prioritised.

There are also emerging markets that can contribute to the realisation of freight growth. As supply chains become tighter and consumers become increasingly time sensitive, there is scope

[1] MDS Transmodal published rail freight forecasts for 2043/44 for Network Rail. There are two scenarios which demonstrate a trebling of rail freight is achievable by 2050. These are Scenario B 'Factors which favour rail relative to road, high market growth' and Scenario F ' Internalisation of externalities'

for a prominent high speed logistics market to develop within the railway. This is a sector that has received significant recent investment including through the procurement of repurposed passenger stock for palletised freight.

1.2. Freight moved should be used as the metric to measure growth

The metric used to measure freight growth should be freight moved, measured in tonne-kilometres as currently done by ORR. The target should apply at a GB-wide level so that it reflects the nature of rail freight operations, though regional targets could be introduced by GBR to ensure that all of its regional divisions are focussed on delivering growth on their network. To provide flexibility and ensure that growth across all existing and future rail freight markets is treated equally, market-specific targets should not be introduced.

Rail Partners believes that freight moved is the best metric for assessing freight growth. It is a simple metric and is easily measurable on a consistent basis over time. As noted in the call for evidence paper, there are trade-offs with each option, however we believe that using freight moved is the best measure as it captures both distance and volume. Alternative options including number of freight trains, carbon reduction and freight distance travelled could create perverse incentives which do not maximise the economic and environmental benefits that rail freight can deliver. Similarly, metrics such as modal transfer and economic value could be difficult to measure consistently and therefore should be avoided.

Given the strong carbon credentials of rail, we have called for a trebling of rail freight by 2050 as it aligns with the government's legislative commitment to reach net-zero carbon emissions across the UK economy by 2050. Supporting mode shift from road to rail, and growing the rail freight market are critical steps to decarbonising the transport and logistics sector. It is estimated that a trebling of rail freight will remove the need for some 21 million HGV movements per annum and save 4.2 million tonnes of CO_2 every year – though there is scope for further carbon savings as the rail freight sector itself decarbonises through investment in new locomotives, clean energy, and other assets.

The Plan for Rail has outlined that GBR will have five regional divisions, initially aligned with Network Rail's five regions. It will be imperative that each regional division is equally focussed on delivering rail freight growth within their area in order to achieve the national target. The strategic freight unit within GBR will have an important role to ensure that each region is contributing to the growth of the rail freight sector, even when the freight service does not start or end in their region. To support this, while the overall target should apply at a GB-wide level, the strategic freight unit should consider implementing specific targets for each regional division to provide additional accountability at a regional level for the delivery of growth, and the unit can also ensure that there is collaboration between regions to share best practice on growing rail freight. The regional targets should not be considered a ceiling. There will need to be recognition that geographical freight movements might differ to those forecast.

Rail Partners does not believe that individual targets should be set at a market specific level. It is important that all opportunities for rail freight growth are considered, and therefore a cross-market freight growth target should be set. This will ensure that market growth opportunities across different commodities receive equal focus. Furthermore, in a dynamic freight market, a broader target will provide sufficient flexibility for the future freight growth targets to respond to changing economic circumstances and customer demand trends. Though we are not calling for commodity-specific targets, it will be important that GBR understands the requirements of individual markets in order to grow.

1.3. A target must be supported by policies, incentives and investment to achieve freight growth

Setting a freight growth target is the first step in a shift in approach to rail freight in the UK. Freight growth will be realised through a blend of better use of existing capacity, targeted infrastructure schemes to accommodate freight, and increased incentives to encourage customers to use more freight.

Rail Partners acknowledges that in the short and medium term there will be limited funding available to invest in freight schemes, but freight growth does not necessarily need to be coupled with capital expenditure and there other ways to achieve growth by making optimal use of existing infrastructure.

A long-term access and charging framework that is stable and affordable can drive private sector investment to grow rail freight

A key enabler of freight growth is through the retention of a stable and affordable access and charging framework. The access regime plays a central role within the freight sector, underpinning significant private sector investment from freight operators and customers as it provides sufficient assurance that they will be treated fairly when it comes to capacity allocation, that access rights will be honoured and that they will have reasonable certainty of receiving a return on their investment. Maintaining an investable framework is therefore critical to the realisation of freight growth. Similarly, a stable and affordable charging framework helps rail freight to compete with other modes in a highly competitive freight sector. In recognition of the wider economic and environmental benefits realised from transporting freight by rail it is important that these factors are considered in the charging regime so that access charges are affordable and send the right signals to operators and customers.

As emphasised in our response to the consultation on the legislative changes to implement rail reform, it is imperative that rail reform does not create further uncertainty on the future access and charging framework. Therefore we are calling for ORR's competition duty to remain unchanged, and minimal changes to the Access and Management Regulations. In a reformed railway, where GBR acts as the contracting authority for private passenger operators in addition to its responsibilities as the infrastructure manager, it is critical that legislation continues to support fair and non-discriminatory GBR policies and provides ORR with strong powers to hold GBR to account effectively for its decision making.

Incentives can help to make rail freight the mode of choice for customers

Additionally, Rail Partners is calling for an expansion of market incentives to enable more customers to move their goods by rail. Within a price sensitive, and highly competitive freight market, customers are highly driven by cost when deciding how to transport their goods to market. Also, the fixed costs associated with investing in rail connected facilities can be prohibitive for freight customers, preventing modal shift.

To encourage more customers to choose rail, the Mode Shift Revenue Support (MSRS) scheme should be increased. MSRS helps to support the moving of freight from road to rail on flows where rail would not otherwise be able to compete on cost within a highly price sensitive customer base. Currently, the scheme awards around £20m in funding every year, and despite this relatively small sum it has been instrumental in supporting new-to-rail traffic and has removed the need for 900,000 HGV movements every year. The MSRS scheme also has a track record of delivering significant value for money for government. In 2019/20 successful schemes had an average benefit/cost ratio of over 6:1. Therefore, we believe that there is a compelling case for at least doubling the funding to support the introduction of more rail freight flows.

The Freight Facilities Grant (FFG) should be reintroduced in England to help support the capital costs of rail freight facilities. The scheme part-funds new rail connected facilities and the condition that a pre-agreed proportion of the freight traffic is moved by rail once the development is complete. Supported by the grant, freight customers are able to make significant investments in these facilities that without the grant would not happen due to the prohibitively high costs. FFG is currently available in Scotland and Wales (though there have been no successful schemes in the latter for well over a decade). The recent opening of the Highland Spring facility in

Blackford, Scotland is an example of the benefits of the scheme in other parts of the UK. When assessing each grant application, devolved transport authorities can only consider the benefits within their nation but if the scheme were to exist at a GB-wide level the wider benefits of cross-border services could also be considered.

By making optimal use of the existing rail network, significant freight growth can be realised

In a post-pandemic economy facing significant financial constraints, much of the short-term rail freight growth is likely to occur through making best use of existing capacity on the rail network. The DfT's Rail Environment Policy Statement has committed to taking forward the methodology developed by Deloitte for the Rail Delivery Group assessing the value of a freight path which can help to inform future decisions on capacity allocation and timetabling. Particularly as the railway builds back from the pandemic, making optimal use of the network is important to maximise rail's contribution to economic recovery.

There are also numerous instances where freight operators have been able to run longer, heavier and more direct services since the start of the pandemic. Such initiatives have improved the productivity and carbon performance of freight services, delivering benefits to customers as well. Further opportunities for such innovation should be explored, and do not necessarily require a reduction in passenger services, as often small tweaks to timetables can help to identify latent capacity in the system to enable additional freight services to fun.

Furthermore through the digitalisation of the timetabling process, it is also likely that there will be opportunities for rail freight growth. Digitalisation will help to simplify the timetable development process reducing both time and cost across the industry. It will help to ensure that existing capacity is used optimally and will help to identify further opportunities to run more rail services. Also, while there are some reservations about the delivery of the wider digital railway programme and it is important that freight operators do not bear the costs of implementation, it is recognised that digital signalling could help to find additional capacity for freight services.

In the longer-term targeted infrastructure investments will enable a trebling of rail freight by 2050

It is understood that as the rail industry and wider economy recovers from the pandemic there will be limited finances available to invest in additional rail infrastructure. However the freight market has recovered strongly from the pandemic, with customer demand buoyant. As such 'no regrets' freight schemes with relatively low cost that will unlock significant freight growth should be prioritised.

Rail Partners and its freight operator members have identified a series schemes of varying size and cost across the GB network that will support the realisation of freight growth across a range of commodities. These schemes are outlined below, and should not be seen as an exhaustive list, but are acknowledged as major opportunities to support the realisation of a trebling of freight by 2050.

Both HS2 and the Transpennine Route Upgrade have received funding through the Integrated Rail Plan and we are keen to see both projects progressed quickly. Other schemes have robust business cases, and some of them currently have not been progressed through the Rail Network Enhancement Pipeline (RNEP) which has not been updated since 2019. We believe that these schemes are key to a trebling of rail freight volumes.

Infrastructure to support a trebling of rail freight volumes

1. HS2 (including Golborne link alternative) to release capacity on the conventional network
2. Transpennine Route Upgrade
3. Felixstowe to Nuneaton railway upgrade
4. Syston-Trent gauge enhancements
5. Eaglescliffe-Northallerton gauge enhancements
6. W10a-W12 gauge enhancements between Didcot and Cardiff on GWML
7. W12 gauge clearance on classic network from Channel Tunnel to Wembley Yard
8. Angerstein Wharf chord

The Whole Industry Strategic Plan will be important in providing a longer-term view to planning and investment decisions in the railway. The freight sector is asset intensive, and operators invest in assets such as locomotives and wagons with lifespans in excess of 30 years. Greater clarity on what the future network will look like is important and provides shareholders with the confidence to make investments in the next generation of freight locomotives and wagons – helping to grow the freight market and supporting carbon emission reductions.

We have called for the prioritisation of some short and relatively low-cost infill electrification schemes for freight which, if delivered, would enable a significant proportion of rail freight services to transfer from diesel to electric traction.

Infill electrification priorities for freight

1. Thameshaven Branch Line linking to London Gateway
2. Link line between the Great Western Mainline at Acton and the West Coast Mainline and the North London Line
3. Felixstowe-Ipswich Branch Line
4. Connections to key container terminals
5. Link lines between the East Coast Mainline to terminals in Leeds and Wakefield
6. Corby to Syston and Erewash Valley
7. Teesport to Northallerton
8. Nuneaton to Birmingham Grand Junction (via Hams Hall and Landor Street Junction)
9. Basingstoke to Southcote Junction and Oxford to Denbigh Hall Junction
10. Power supply upgrades on key mainline routes such as ECML and WCML

2. Response to call for evidence questions

Note: As a trade body that does not itself transport goods by rail, Rail Partners is only responding to Part Two of the call for evidence on designing a growth target.

Designing a growth target

Understanding your views on rail freight growth

Question 1: On a scale of 1 (low importance) to 5 (high importance) how important is rail freight growth to your organisation?

Five

Question 2: On a scale of 1 (highly ineffective) to 5 (highly effective), how effective do you think a growth target will be in incentivising rail freight growth?

Five

Question 3: How do you think a target can incentivise rail freight growth?

If set at an ambitious level and the commitment to have a freight growth target is enshrined within legislation, the target will have a transformative impact on the approach to rail freight in the UK.

We have seen how the introduction of a freight growth target in Scotland has renewed Transport Scotland's approach to rail freight. It has broadened decision makers and the rail industry's understanding of what rail freight can deliver and the benefits that it provides, ensuring that stakeholders at a national and local level are equally committed to, and accountable for, the delivery of freight growth.

If an ambitious freight growth target is set, and there is confidence within the rail freight sector that GBR will be strongly incentivised and held to account for its delivery, significant private sector investment can be unlocked. The target will create an investable framework which enables the shareholders of freight operators and customers to make major investments in new assets (e.g. locomotives and wagons), and infrastructure (e.g. new rail connected facilities) to ensure that rail freight growth can be realised. Without a commitment to freight growth, it will be unclear that investors will receive a return on their investment which will stifle capital injections. Also, the introduction of a freight growth target will help to focus policy and investment decisions that will support freight.

The freight market is highly competitive, and despite the strong economic and environmental rationale for transporting more goods by rail, rail has a comparatively modest modal share of around 9%. When a freight growth target is in place it will place greater focus on developing a policy framework that enables rail freight to flourish and drive modal shift to support economic, environmental and levelling-up objectives. This can be achieved by maintaining a long-term, stable and affordable access and charging framework and delivering a wider set of incentives to encourage freight customers to choose rail including through an expansion of the MSRS scheme, the reintroduction of the Freight Facilities Grant in England, and by creating a level playing field across the freight and logistics sector which supports less polluting modes.

A freight growth target will also help to mitigate some of the perverse incentives that could exist within GBR, as an entity which will specify passenger services contracts and will hold revenue risk for some passenger operators, in addition to its operational duties as the infrastructure manager.

Historically there has been an insufficient focus within the rail industry on delivering for the freight sector. This has meant that freight has struggled to secure investment in infrastructure, even in cases where there is a compelling economic case for such investment – such as the Ely Area Capacity Enhancement scheme. A freight growth target will help to create a 'can do' attitude within the rail sector which seeks to actively identify opportunities for freight growth to ensure that the target is realised.

Understanding your views on measuring a growth target

Question 4: Of the options described in Table 1, what do you think is the best metric for measuring a future growth target?

As outlined in the call for evidence document, there are trade-offs associated with each metric for measuring freight growth. It is vital that the metric used strongly incentivises modal shift and maximises rail freight's economic and environmental contribution. We strongly believe that 'freight moved' is the best metric as it captures both the volume and distance of a rail freight service.

Freight moved strikes the right balance between distance and volume – two of rail freight's key strengths. It strikes an equal balance between each metric, ensuring that long-distance lightweight movements, for example some intermodal services and short-distance, high tonnage services (e.g. construction traffic) – both of which save significant lorry miles and reduce carbon, are adequately captured within the growth target.

There are concerns that alternative metrics such as carbon reduction, freight distance travelled and total freight trains operated could create perverse behaviours which do not encourage modal shift and could result in less carbon and cost-efficient freight services operating in order to ensure the target is delivered. For example if the metric used was trains operated, it would not encourage GBR to allow freight operators to seek productivity improvements through running longer, heavier services. Regarding a carbon target, realising this would be heavily dependent on the roll-out of electrification and the strategy and timing of electrification is unclear. Furthermore, whatever the fuel source, rail is the most environmentally-friendly mode of moving freight around the UK and therefore that needs to be incentivised and encouraged regardless of fuel.

Likewise, it is considered that using economic value and modal transfer as metrics could be administratively challenging as both would be difficult to assess. The modal transfer metric would not easily account for changes to the freight market, for example if total freight volumes across all modes were to grow.

Question 5: Are there any other metrics that you would suggest for measuring a future rail freight growth target?

See above answer, we are supportive of using the freight moved metric for the freight growth target.

Question 6: Over what timeframe should the growth target be set?

Rail Partners is calling for an ambitious target to treble rail freight by 2050.

We have selected this timescale because it aligns with the government's legislative commitment to decarbonise the UK economy by 2050. We are calling for a trebling because there is compelling evidence within freight forecasts that with favourable policies and sufficient infrastructure, increasing the rail freight market by 200% in just under 30 years is entirely credible. The demand for rail freight is there, with our members reporting a significant increase in approaches from customers wanting to move their goods by rail as it represents a reliable, sustainable, environmentally friendly and affordable way to transport their goods to market. This long-term target will ensure that there is a strong commitment to rail freight growth, which will enable freight operators and the wider sector to make significant complementary investments – building on freight operators' strong track record of private investment with over £3bn having been invested since the privatisation of the sector.

However, we recognise that a long-term target could create short-term inaction and with an ambitious target to treble rail freight, it is important that decisions are made now which support the growth of the rail freight sector in the future. To address this, we believe that the overarching 2050 target should be supported by interim short-term targets aligned with GBR's infrastructure funding. It is noted in the Plan for Rail that GBR will be funded for infrastructure through five-year funding periods, so short-term targets should be set which GBR must work with industry deliver over the five-year control periods. Ahead of each funding allocation, GBR should be required to develop business plans detailing the policies they will adopt, and the infrastructure they will deliver in order to realise the five-year growth target. To stay on the right trajectory for a trebling of freight by 2050, it is estimated that freight will need to grow by approximately 22% over each five year period.

Question 7: Across what geography should the rail freight growth target apply?

The principal target should be set at a GB-wide level reflecting the national nature of freight services and government's strong commitment to union connectivity.

The strategic freight unit within GBR will have a critical role to play in ensuring that each of GBR's regional divisions, as outlined in the Plan for Rail, are equally invested in securing freight growth and are performing their statutory duty to promote rail freight.

Most freight services operate over long-distances and typically cross several of Network Rail's Route and Regional boundaries and so it is important that freight movements that do not start or finish in a specific GBR region are treated equally. However, it remains important that each of GBR's regional divisions feel accountability towards the delivery of freight growth in their area. To support this, the strategic freight unit within GBR should consider implementing regional targets across each of GBR's regional divisions to increase regional accountability. The strategic freight unit should also encourage co-ordination and collaboration across the regions, for example to share best practice which support freight growth and ensure holistic planning decisions.

A GB-wide target is also important to ensure that optimal investment decisions are made. There are already many examples where decision making has been devolved has resulted in ineffective decision making that compromises rail freight's ability to grow. As freight services operate on a GB-wide level, whole system decision making is absolutely key to ensuring that appropriate planning decisions are made. For example, there may be a specific piece of infrastructure which is limiting rail freight's ability to grow at a local level (e.g. from a major port or terminal), which is limiting the number of freight services that can be accommodated to customers across the UK supporting businesses in different regions. If targets are set, and investment decisions are made at a local level, the broader benefits across the network from achieving freight growth may not be adequately considered in decision making.

It is important to stress that the target should not create a ceiling for rail freight growth opportunities. This is particularly important in relation to national/regional targets because actual geographical freight movements might differ to those forecast.

In Scotland, a freight growth target was introduced for CP6 and this has catalysed a step change in approach to rail freight. Scotland is ahead of the game when it comes to the focus and policies to support the rail freight sector. Within Scotland there is widespread recognition that to achieve significant freight growth they are dependent on investment in infrastructure across England, so it is felt that a joined-up approach will be most effective.

Question 8: Should the rail freight growth target be designed to cover all market sectors, or should there be several market-specific targets?

The rail freight growth target should be set across all commodities and market specific targets are not necessary.

Though rail freight market forecasts indicate that there is greater scope for rail freight growth across specific commodities (e.g. construction and intermodal), it is important that rail freight growth is treated in the round. A failure to do this could mean that undue focus is given to specific commodities, and un-forecasted growth within some commodities is not realised because it exceeds the market-specific target set.

The rail freight market is fluid, as we have seen over the past decade with previously prominent markets such as coal having declined significantly. It is therefore important the growth target is commodity agnostic so that it can be dynamic to changing market trends and economic circumstances.

Though it is acknowledged that national freight operators have diverse customer portfolios and transport a wide range of commodities, if market specific targets were introduced, it could send signals to freight operators and customers that they should focus on specific commodities where there is greater focus in achieving growth opportunities. It is important that a freight growth target harnesses the commercial expertise within the freight sector and sends a strong signal to explore all market development opportunities. While Rail Partners is not calling for commodity-specific targets to be introduced, it will be important that GBR understands the requirements of individual markets so that is able to create the conditions in a which all markets have the opportunity to grow.

Understanding your views on delivering a growth target

Question 9: How can the public and private sector work together better to ensure a future growth target is delivered?

Rail Partners has called for a renewed public-private partnership in order to ensure that the implementation of the recommendations of the Plan for Rail are delivered in a cost efficient way which delivers for freight customers.

In the context of freight growth it is important that all aspects of the rail freight industry, whether under public or private ownership, work together and share responsibility for the delivery of an ambitious freight growth target. Clear lines of communication are a key aspect to this. As such there is an important role for the strategic freight unit within GBR acting as the single point of contact for freight operators and customers, providing clear accountability and managing the relationship with GBR's regional divisions. This will help to ensure that all GBR staff understand the operational and commercial realities of the rail freight market, which can then be duly considered through planning, investment, and timetabling decisions, to enable the delivery of freight growth.

As recognised in the Plan for Rail, a largely private rail freight sector has demonstrated agility and strong commercial focus to respond to changing customer demands and economic circumstances. This has meant that the decline in coal traffic has been largely offset with the introduction of new freight flows, and in particular an expansion of the construction and intermodal markets. Indeed, since privatisation freight volumes have increased by 84%, excluding coal. The rail freight sector also demonstrated its resilience during the pandemic to ensure that critical freight flows continued to run.

It is therefore important that this commercial expertise within the freight operator community is harnessed within a reformed railway. The market development function and responsibility to drive demand should largely remain with private freight operators, though there will also be a critical role for GBR who can support freight growth by implementing policies which make the rail freight offer attractive to potential customers. As referenced earlier in our response, these policies will also help to unlock private sector investment building on the £3bn private operators have invested since privatisation to improve productivity, performance and reliability.

GBR's core role for the delivery of freight growth is by increasing the supply of rail infrastructure to enable freight growth. This is both through the way that it allocates existing capacity on the rail network and investment in new infrastructure to enable more freight to run on the network. The Whole Industry Strategic Plan can provide a long-term planning horizon detailing when major infrastructure projects will be delivered and enabling the private sector to make significant complementary investments. The prioritisation of freight schemes should be decided in a collaborative way between both freight operators and GBR, while acknowledging the funds made available by government for improvements in rail infrastructure.

Question 10: What is needed from the supply side of the rail industry (commercial operators, GBR and Government) to support the growth of rail freight?

- **What impact would these concepts or actions have on rail freight growth?**
- **What are the potential trade-offs (e.g. capacity or access) to deliver these concepts or actions?**
- **Which one of these concepts or actions would be most significant from a costs and benefit perspective?**

Freight operators are already commercially motivated and incentivised to grow their businesses. Motivation of private operators to grow is not an issue given their commercial position. The incentives required on the supply side are related to GBR's and Government's role. Freight growth can be supported through changes in how capacity is allocated on the rail network, a stable and affordable access and charging framework, and through strategic planning and investment in infrastructure to grow the rail freight market. To support this, Rail Partners has called for a methodology which better assesses the value of rail freight services to be taken forward by DfT and GBR, that will help to inform decisions relating to both infrastructure investment and capacity allocation.

It is clear that in a post-pandemic economy with heavily constrained finances much of the short-term rail freight growth is likely to come through making optimal use of existing capacity. As outlined in the Value of Rail Freight report produced by Deloitte on behalf of RDG last year, there are instances where there is a compelling case for the introduction of an additional freight service in place of an existing off-peak passenger service with low utilisation but in many cases there is opportunity for freight growth without facing a trade-off between passenger and freight. For example, during the pandemic, freight operators were able to run longer, heavier, and more direct services, providing significant productivity benefits to customers – the innovation demonstrated by freight operators and customers, working in collaboration with Network Rail, should be furthered to enable additional efficiency improvements to be identified. Even just small tweaks to passenger timetables could help to unlock latent capacity on the rail network for freight services to run. Similarly, a transition towards digitalised timetable processes will deliver cost and time savings to operators and Network Rail thus helping to deliver more efficient timetables which make best use of the finite capacity on the rail network. Taking digitalised timetabling forward should be a priority for GBR.

Maintaining a stable and affordable access and charging framework is a key to element to the realisation of freight growth. As mentioned above, private sector operators already face a strong commercial incentive to grow the rail freight market, but this must be coupled by a framework that creates the right conditions to unlock investment. The access framework provides clarity on how the rail network will be used, and in a new industry structure where GBR is both responsible for capacity allocation and as well as awarding and managing most Passenger Service Contracts (PSCs), it is critical that there are sufficient protections in the access policy to ensure that capacity is allocated in a non-discriminatory way, and does not adversely affect freight services. Robust access rights help to unlock investment by providing private sector operators with sufficient confidence they will able to achieve a return on their investment, by exercising their contractual rights to continue to run their services into the future. An affordable charging regime is also important as it enables rail freight to compete with other modes within a price sensitive freight and logistics sector, and stable charging enables customers to make the decision to switch from more carbon intensive modes to rail.

In addition to stable and affordable charging, further incentives should be introduced to help make rail freight the mode of choice for potential customers. Rail Partners has called for the expansion of the Mode Shift Revenue Support (MSRS) scheme, which helps to address the cost differential between road and rail, in recognition of the wider environmental benefits realised by transporting goods by rail, where it would not make commercial sense for a customer to use rail freight in the absence of financial incentives. As outlined on page 6 of our response we have called for the MSRS budget to be doubled to further reduce carbon emissions and road congestion resulting from the movement of freight within the logistics sector. Additionally, the Freight Facilities Grant (FFG) has delivered significant benefits in Scotland, by helping to address the relatively high fixed costs associated with developing rail connected facilities through a co-funding arrangement. In order to maximise the benefits of the FFG scheme, we believe that there is a compelling case for expanding the grant so that it applies across the rail network reflecting the GB-wide nature of rail freight services.

In the longer-term, as outlined on page 7 and 8, Rail Partners has identified a series of infrastructure and infill electrification schemes for freight which would enable freight growth and accelerate the transition towards non-diesel traction in the rail freight sector across Great Britain. Both the Transpennine Route Upgrade and HS2 have received funding commitments through the Integrated Rail Plan. If these schemes are delivered effectively, ensuring that there is strong integration between passenger and freight services, and optimal interfaces between the high speed and classic network, significant freight growth opportunities can be realised. Other projects such as the Ely Area Capacity Enhancement scheme (part of the Felixstowe to Nuneaton railway upgrade) have been stalled for some time, suffering from scope creep which has resulted in spiralling costs. The freight elements of the scheme have the strongest economic case and a renewed focus on prioritising the freight aspects would lower the costs of the scheme and result in an expansion of rail freight services from key ports in the Anglia and Thames region. Also, gauge enhancements can help support the carriage of longer, heavier freight services, particularly aiding growth in the construction market. Our list also identifies opportunities for gauge improvements which could enable intermodal services to operate on more direct routes, thereby providing productivity improvements to customers and freeing up space on other lines for additional freight services to run.