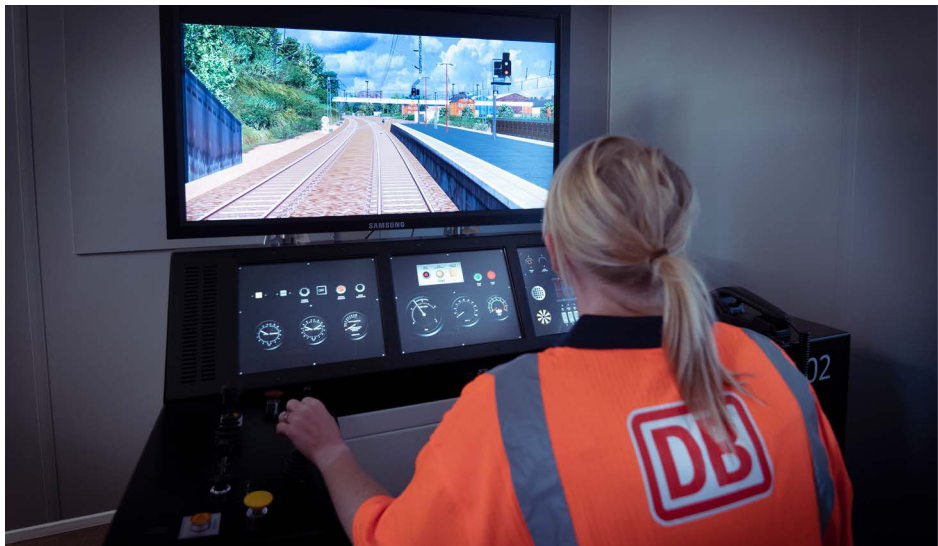




Rail _____
Partners

Freight Britain: An engine for green growth

March 2024



Rail freight underpins Britain's green economy



Rail freight forms the backbone of our economy and, whether we know it or not, we are all rail freight customers. Businesses across the country look to rail freight to transport a broad range of commodities that we depend on in our daily lives such as food and fuel.

There is a growing consensus among parliamentarians of all colours and other decision makers on the importance of supporting a growing, greener rail freight sector.

Delivering an ambitious level of freight growth is key to achieving national strategic objectives. Rail freight already provides significant environmental and economic benefits, and has the potential to do much more, playing a critical role in supporting economic growth and achieving net zero targets.

In December 2023, the government announced a long-term target to grow rail freight by no less than 75% by 2050 across Great Britain. There are also shorter-term targets to grow freight by 7.5% in England and Wales, and by at least 8.7% in Scotland, over the next five years.

These targets should be considered as floors rather than ceilings, as operators and customers have ambitious plans to play an even bigger role within low-carbon logistics supply chains.

Customers are increasingly looking to move their goods to market by rail today – but future growth cannot be taken for granted. To achieve these targets, the sector needs a framework that supports rail freight operators, their customers, and international investors to make significant investments in long-term assets by providing certainty and confidence to the sector.

Our Freight Britain report outlines a policy framework with five steps that will help create the conditions for rail freight growth – removing lorries from our roads and supporting British industry.

Rail freight has a strong track record

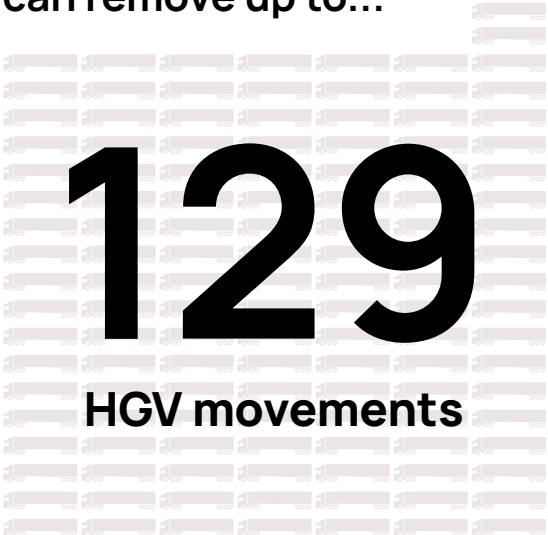
Decongestion

Rail freight helps to decongest the road network. A single freight train removes up to 129 Heavy Goods Vehicles (HGVs) from the roads, a figure that has risen significantly, with productivity improvements from the rail freight sector enabling longer, heavier freight services. Achieving the government's growth target will remove at least 12 million HGV movements per year.

A single rail freight service can remove up to...

129

HGV movements



Economy

Rail freight makes a significant contribution to UK plc. The sector contributes £2.45bn to the UK economy every year and is vital in getting businesses' goods to market domestically and overseas. The sector operates GB-wide with 90% of its benefits accruing outside of London and the South East.

Rail freight contributes

£2.45bn



in economic benefits to UK PLC every year

Decarbonisation

Rail freight is a lower-carbon way of moving goods. Analysis commissioned by Rail Partners shows that rail produces 76% less carbon per tonne than the equivalent road transport. Where electric traction or low-carbon fuels are used, the environmental benefits are even greater.



CO₂

HGV
Road



CO₂

76% LESS

Rail Freight
Rail



90%

of rail freight's economic benefits occur **outside** London and the South East.

Source: Deloitte and Aether

Making rail the mode of choice for freight customers



Customer Benefits

Increasingly customers are looking to domestic and international rail freight services to make their supply chains more sustainable and achieve their own decarbonisation targets.



There are a number of other ways that customers benefit from rail freight services. Customers often cite cost savings resulting from being able to transport large volumes over long distances, as well as time savings and reliability benefits as key reasons for choosing rail. Rail freight also has a strong safety record and is a secure way to transport goods to market - giving customers confidence.



Cost savings



Safety



Sustainability



Reliability



Time savings



Customer Requirements

Currently the costs of moving goods by rail versus road are moving further apart, with road getting cheaper and rail getting more expensive due to sustained increases in rail access charges and rising energy prices. Since 2010, access charges paid by freight operators on certain flows have increased in nominal terms by over 105% (bulk), and over 80% (intermodal). Whereas in the same timescale road fuel duty has been frozen with temporary reductions in place over the past two years. In a competitive logistics sector, and high-inflation environment, addressing this gap is imperative to attract more businesses, to catalyse the significant economic and environmental benefits of moving goods by rail.

To make rail the mode of choice for prospective customers certain assurances and support are required. Firstly, to make rail an option for customers new and existing freight facilities must be connected to the rail network. There must also be capacity on the rail network to facilitate additional freight movements, underpinned by contractual rights provided by Network Rail to operate these trains for an agreed period of time such that customers can plan and invest in moving goods by rail.



Rail connectivity



Affordability



Contractual certainty



Network capacity

Commitment from freight operators



The rail freight sector has invested over £3bn since privatisation to improve the performance, safety, and reliability of freight services.

Decision makers can support future rail freight growth by helping establish a stable climate which gives international investors, who can choose where to invest their capital, confidence to invest in the GB rail freight market.

With the right conditions, the sector will be encouraged to further invest in long-term assets, and in people. This will support rail freight growth and enhance rail's contribution to the economic and environmental prosperity of the nation by:



Procuring greener rolling stock: Operators are looking to make significant investments in new bi- and tri-mode locomotives and more environmentally-friendly wagons. They are also increasingly investing in research and development to life extend and retrofit their existing fleet with innovative greener technology and seeking to widen the use of low-carbon fuels such as Hydrotreated Vegetable Oil (HVO) within their operations. With clarity on how the future rail network will look, operators will be able to invest with confidence in new trains and green technology to support further decarbonisation of the rail freight sector and improve air quality.



Building new and improved facilities: Significant private sector investment is required to build new, and modernise existing, freight facilities connected to the rail network. Such investments can only be made with long-term certainty around access, including through contractual rights to run freight services on the network. Not only will new freight facilities help to drive modal shift, but they will also create additional high-skilled employment across the regions.



Driving innovation and creating high-skilled jobs: As rail freight operates on a GB-wide basis, delivering freight growth will create employment opportunities in local communities across Great Britain, helping address socio-economic inequality. Freight operators will continue to upskill their people to ensure the freight and logistics sector is an attractive career option for young people – including through apprenticeship programmes.



Creating the conditions for freight growth



For the sector to invest in assets and infrastructure with long lifespans, creating a supportive framework is vital to provide confidence and greater certainty to the market.

Rail Partners has identified a series of policy interventions that maximise the complementary relationship between public and private investment and will provide private sector operators with the confidence to build on their track record of investing in rail freight. In return this will lead to fewer HGV movements, reduce carbon emissions, and deliver significant economic growth across Great Britain.

1. Address the widening gap between road and rail costs to create a level playing field between freight modes

Within a price-sensitive freight and logistics sector, for freight customers to choose rail it must be affordable. Currently, the gap between road and rail costs is increasing and this must be addressed to secure future growth. To make rail more competitive a review of taxation and incentives should be undertaken considering the external benefits and costs associated with transporting freight by different modes.

A more creative approach to charging should be introduced to lower the cost of access to the network for rail freight services. This should include time-limited discounts for new traffic and lower charges for using greener trains, helping to bridge the gap between road and rail costs while promoting the use of low-carbon fuels and electric trains by freight operators.

2. Maintain and expand already successful grant schemes to remove more lorries from roads

There are two grants used to support modal shift in Great Britain, the Mode Shift Revenue Support scheme and Freight Facilities Grant.

The Mode Shift Revenue Support scheme is highly effective, removing 900,000 HGV movements per year at an average benefit-cost ratio of more than 6:1, representing high value for money for taxpayers. Small adjustments to simplify the existing scheme could improve its effectiveness, while increasing focus on environmental outcomes and allowing it to respond to changing market conditions in the freight sector. To build on the success of the current scheme and help address the widening gap between road and rail costs and support further modal shift, the annual budget should also be doubled to £40m when it comes up for renewal in 2025.

The Freight Facilities Grant has been instrumental in Scotland, supporting the construction of new or modernised rail-connected freight facilities where – in the absence of grant funding – the initial cost would prevent investment. A GB-wide scheme should be introduced to drive freight growth and remove lorries from roads.



3. Offer long-term access to the rail network

Rail freight operators have access contracts underpinning their ability to run trains on the rail network, with existing rights due to expire in the next few years. Rail freight is an asset-intensive industry so freight operators and their customers will need to make significant investments in assets such as new low-carbon traction, and rail-connected facilities – to achieve a return over a longer period. Long-term access rights to the railway are therefore an important building block of freight growth, providing investors with the confidence around access, which support sizeable financial commitments. When existing rights are renewed, freight access contracts should be set at ten years by default.

4. Provide reliable infrastructure necessary to support rail freight growth

The rail industry must ensure that it is efficiently using the rail network and identify opportunities to extract more capacity from the existing system. However, investment is necessary to create additional capacity and unlock bottlenecks on core routes. Clear commitments and timelines will give the rail freight industry confidence to make investments to capitalise on committed new infrastructure. The Ely Junction Upgrade, part of government's Network North proposals, has broad consensus across political stakeholders and should be taken forward as a priority. Following the HS2 decision, there is also a need to identify a solution that addresses the capacity challenges on the West Coast Mainline, preserving existing services and ensuring space for future growth.

Analysis from the Chartered Institute of Logistics and Transport estimates that just 60 miles of additional infill electrification would allow around 2 million decarbonised train miles annually. Therefore, small infill projects that would enable significant shifts from diesel to electric traction including the Thameshaven branch line to London Gateway and the Felixstowe to Ipswich branch line should be delivered in the next five years.

5. Deliver a reformed railway

There is broad consensus that the current market structure for rail freight works and should not be changed, but that a commitment to delivering freight growth is needed. Since the publication of the government's Plan for Rail white paper, progress on delivery has been delayed. The recent announcement of the rail freight growth target was welcomed by industry, and now further detail on wider industry structures and processes is needed to support the delivery of the target. This should include a Strategic Freight Unit with senior leadership representation within any new arm's-length body to provide accountability and function as an enabler of freight growth. Future legislation must include a statutory duty on the new body to promote rail freight to safeguard operators and ensure they are sufficiently prioritised.



Rail Partners members



GB Railfreight

Rail_____

Partners

contactus@railpartners.co.uk
Golden Cross House, 8 Duncannon St,
London, WC2N 4JF
www.railpartners.co.uk
