campaigning
by the
Railway Development
Society Limited

Freight Services Development Committee

Please Reply to:
3 Ilford Court,
Wiltshire Close,
Taunton,
Somerset
TA1 4JT

Tel: (01823) 275348
E-Mail: philip.bisatt@railfuture.org.uk

Mr. Joe Quill
Office of the Rail Regulator
One Kemble Street
London
WC2B 4AN

7th August 2012

Dear Mr. Quill,

Periodic Review 2013 - Consultation on the variable usage charge and on a freight-specific charge

Railfuture is a national voluntary organisation structured in England as twelve regional branches and two national branches for Scotland and Wales.

We are pleased to submit this response to the 'Periodic Review 2013 - Consultation on the variable usage charge and on a freight-specific charge', which has been prepared by the Freight Services Development Committee.

We note that one of the duties of the Office of the Rail Regulator is to promote the use of the railway for the carriage of passengers and freight. It is thus the duty of the Regulator to enable operating companies to plan their business with reasonable assurance, which as we understand in the railway industry, can only be done through long-term planning. Many railway assets have a life in excess of 30 years and no one will invest in such equipment without a stable policy direction.

Freight Operating Companies receive relatively little financial return on their investment. They are, however, providing an important and much appreciated service for the community. The general public wants more of the benefits that rail freight provides in terms of lower levels of carbon emissions, noise levels, safety and physical intrusiveness when compared to the movement of goods by road. These benefits to the community are familiar to you, as you have summarised them accurately in the consultation commentary. The ORR's promotion of rail freight is therefore appreciated and great care must be taken not to undermine this. Failure of any of the FOCs would be nationally disastrous. It is in all our interests to ensure that they have the confidence to invest for continued growth and that their customers have sufficient confidence in their future to commit to rail.

Railfuture is not against an appropriate general increase in charges for rail freight across the board to reflect inflation, but it is not appropriate to bring in geographically-based charging that would give one region of the country an advantage over another. Our national geography more or less dictates the position of the major distribution centres and obviously also our ports. One set of ports must not be disadvantaged against another group by the ORR.

Nor is it appropriate for raw materials, the sources of which come and go, to be priced by the implementation of a premium access charge. The railway must be ready to serve 'as they come' and to adapt when they go. If commodities of national importance are to be carried from a source, be it port or mine or quarry, they must be on rail. We do not believe it is the role of ORR to put a premium on access charges on the basis of what it believes the market will bear. The likelihood is (as was demonstrated during industrial disputes in the 1980s) that many such traffics will simply transfer to road – they are not in reality a captive market for rail. It is true that large steel plants, coal-fired power stations, etc. are unlikely to move owing to their huge capital costs, and this geographical inertia means that it is cheaper to in societal costs to bring the raw materials over distances that are not always logical in transport terms. If carriage of coal and iron ore is made more expensive, the cost will simply be passed on to the consumer and this will damage the competitiveness of British industry. At worst, a premium on top of access charges may see the export of manufacturing employment from the UK altogether.

It needs to be remembered that rail freight is already subject to intense (indeed, we would argue, unfair) competition with road transport. Road hauliers enjoy a number of privileges denied to the rail industry and it is not a level playing field even without increases in selective track access charges. For example, road hauliers do not even pay sufficient tax to cover the direct cost of wear and tear on the roads, let alone external costs. Some road costs are even charged to the railway's budget, such as the cost of maintaining road over rail bridges, of which there are about 6,000 across the country. It was reported recently that one road bridge would have to have £1.3m spent on it by Network Rail (not the road haulage industry!) so that it is strong enough to continue to carry 44-tonne lorries. Other bridge costs are paid for by local authorities out of general taxation.

It is our understanding that already the access pricing mechanism is extremely complex. It does not seem appropriate to add another layer of bureaucracy. Road hauliers are not faced with such a complex access-charging regime when taking to the national road network.

You have the power through your actions to remove traffic from the rail network, but you do not have the power to get it back. Costs can certainly be reduced but this should be through operators working together with Network Rail.

Finally, but very importantly, the Government has set a UK target of reducing carbon emissions by 80% by 2050, and by 34% by 2020 (relative to 1990 levels). De-carbonisation of freight transport through a modal shift from road to rail seems certain to be a key route to achieving this, and it would be folly to tilt the playing field even further towards road transport than is already the case.

Yours sincerely,

P Bisatt

Philip Bisatt
Railfuture
Vice-Chairman
Freight Services Development Committee