FREIGHT TRANSPORT ASSOCIATION

Ben Worley
Senior Regulatory Economist
Network Rail
Kings Place
90 York Way
London
N1 9AG

1st March 2013

Dear Ben,

FTA response to Network Rail Consultation on the phasing in of the freight-specific charge, applying the variable usage charge cap, updating your estimate of freight avoidable costs and updating/phasing in the freight-only line charge

Thank you for asking FTA to comment on Network Rail's consultation on the phasing in of the freight-specific charge, applying the variable usage charge cap, updating your estimate of freight avoidable costs and updating/phasing in the freight-only line charge.

The Freight Transport Association (FTA) represents over 14,000 companies spread across the UK relying on or providing the transport of freight both domestically and internationally, to or from the UK. Our members involved in rail freight include shippers of bulk, deep sea and domestic intermodal and retail goods, and also freight operating companies and logistics service providers, accounting for approximately 90 per cent of goods moved by rail.

FTA's primary rail freight focus is to represent the shippers – the ultimate end users – of rail freight who make the decisions about modal choice. We are though also interested in the regulatory and operational policy architecture of the industry to the extent that it affects competition and shipper choice. Indeed we have the main rail freight operating companies in membership, together with logistics service providers and rail freight shippers. Due to our primary representational focus being upon the end users of rail freight services, we will not have detailed answers to give to all of the individual aspects of this further consultation as some will be necessarily more freight train operator focussed, but we will be commenting on the general principles.

Overall Network Rail will be aware both that ORR's decision to introduce a freight-specific charge remains both a matter of dispute and that the related matter of both the definition and quantum of freight avoidable costs remains a matter of contention. This must be borne in mind in our response.

Question 1: Coal sector members of FTA fundamentally dispute the estimated income from the FSC set out in Table 2, arguing that the forecast traffic from ESI coal is seriously overestimated. This is due to total demand for ESI coal being likely to decline over the period to 2018-19 as the LCPD power station closures take effect, as restrictions due to the Industrial Emissions Directive take effect as carbon price support has a progressively higher impact.

Moreover, the introduction of the FSC itself will further reduce traffic as coal is forced from rail to road, as long distance flows (e.g. from Scotland to England) are displaced by shorter distance flows (e.g. from English ports to English power stations) and as the overall transport of coal falls because the FSC makes coal relatively less competitive with gas.

The illustrative profile thus needs a fundamental revision to take into account of these above factors.

Beyond this, both the quantum and definition of freight avoidable costs requires further detailed work. This will also apply to Iron Ore for the steel industry. The wide range of estimates of FAC gives no confidence whatsoever that the ORR decision, and therefore Network Rail's proposal, are based on soundly solid foundations.

In addition, FTA's members dispute the definition of FAC. A large part of these costs are attributed to infrastructure on the mixed part of the network used only be freight trains. However, these sections of track exist to separate passenger and freight traffic and to give priority to passenger traffic. Whilst they would not be required on a passenger-only network, equally they would not be required on a freight-only network. The definition thus needs a fundamental reassessment with a consequent reassessment of FAC.

Question 2: We are not in a position to comment directly on this. This question may be better directly addressed to Direct Rail Services (an FTA member).

Question 3: As per Question 1, if the values and traffic set out in Table 4 are envisaged as being maintained through to 2018-19, they arguably represent a gross over-estimate requiring fundamental revision for all the reasons set out in response to Question 1.

Question 4: While it is good that these charges are being phased in (as per ORR's decision), FTA opposed and continues to oppose their imposition.

I do trust that you find these comments useful. Please contact us if required to discuss any matters further.

Yours sincerely

Chris MacRae
Manager – Rail Freight Policy
Freight Transport Association
Direct Line: 01892 552355
Mobile: 07818 450353
Fax: 01892 552339
www.fta.co.uk