



The Importance of Rail Freight

Summary

- Rail freight is a key part of the UK supply chain, helping improve UK economic efficiency for manufacturers, retailers and traditional bulk trades
- Use of freight trains reduces the environmental impact of the supply chain in the UK
- Each extra container train can remove 50 lorries from Britain's congested roads
- Rail can help enable Britain's increasing demand for imported containerised goods to be met efficiently
- Rail freight use is growing in sectors such as retail and consumer goods
- Rail allows British industry to participate in global supply chains

Rail freight is vital for the future economic well-being of the British economy. It has an essential place in securing continuing competitiveness and business wealth creation through its part in an integrated supply chain. Rail freight has a particularly large potential for the UK over the next 30 years as containerised imports increasingly become the basis.

Too often, any political discussion on rail is automatically taken to mean passenger rail. In fact, around 30 per cent per cent of the traffic carried on the British rail network is freight trains, rather than passenger.¹ Whilst the political imperative behind a focus on passenger traffic is understandable, it is vital to consider freight as an equally important part of the rail network's offering to the British economy.

Rail freight and the economy

Rail freight – what does it do for the UK?

Rail plays a highly significant part in the economic well-being of Britain. Rail freight moves an estimated 43.5 million tonnes of goods to and from the UK's ports. Sixty five per cent of intercontinental trade to the north of England and beyond arrives by rail from the UK's southern gateway ports. Each day, rail handles up to 1,000

containers moving through the Port of Southampton. Every year rail transports more than a quarter of a million containers through the Port of Felixstowe, carried on 22 freight trains per day.

As well as import (and export) containers, rail is traditionally strong in transporting heavy and bulk commodities. For example, rail transports coal that produces a quarter of the UK's electricity. Eighty per cent of stone used for construction in London is supplied by rail, while nationally, rail's share is nearer to one-fifth. Also, a third of metal products in the UK are delivered by rail, and around half of Corus' (the UK's largest steel manufacturer) deliveries are made by rail.

Rail freight declined its use from the 1950s until the mid 1990s. Since there has been a 66 per cent growth in tonne kilometres moved. However, this still represents only about 12 per cent of the UK surface transport market, so rail has great growth potential that will help ease congestion and pollution due to rail's greater efficiency than road in both of these areas. Network Rail forecasts continued growth in container traffic. For these reasons, retailers such as Marks & Spencer, Superdrug, Argos and ASDA are increasingly using rail as part of their supply chain solution with rail performing the trunk movement (replacing road due to environmental and congestion concerns impacting upon the supply chain) from import point to distribution centre and road performing the final delivery to store. (Source: *Freight on Rail*).

¹Defined by tonne kilometres. Source: ORR

Industry background

Who operates rail freight?

Unlike the vast majority of passenger rail services where private companies run services under a time limited franchised arrangement to a Department for Transport specification, rail freight is a commercial service provision by private freight train operating companies for private freight customers, sometimes through an intermediary logistics service provider.

The Government's role in rail freight is to set the safety and regulatory environment. It also gives grants for the establishment of freight facilities and to support environmental benefits of certain traffics being moved from road to rail if that would bring a proven societal benefit to the environment.

There are now several rail freight operators in the UK. This all helps to increase customer choice and service levels through competition. Rail freight's competitive market has seen investment exceeding £1.5 billion in over 400 new locomotives and 3,000 wagons to meet customer demands and growth since the late 1990s. The longevity of rail freight assets (eg 30 years minimum for a freight locomotive) necessitates certainty in the regulatory and policy environment on the part of both providers and users of rail freight.

Rail freight interchanges

Except for certain bulk commodities, few goods can complete their entire journey by rail alone. Therefore the customer needs to have access to a convenient point where goods are put on the railway or taken off it. The interchange used will depend on whether a customer is a regular or occasional user and the volume and type of product that is to be moved. These interchanges can be of a number of different types from private sidings to larger strategic rail freight interchanges which can serve a whole region, and deal with at least four container trains per day on a land size of at least 60 hectares (*figures from English Planning Bill 2007*)

Passenger and freight – a mixed use rail network

Britain's rail network is a mixed traffic railway where both passenger and freight traffic operate on the same lines. Freight traffic in terms of kilometres travelled is approximately 10 per

cent of the rail network total, but when its weight factor is adjusted then it increases to around 30 per cent. In terms of trains per day there are some 1,000 freight trains and around 19,000 passenger trains. On this measure freight is five per cent of the total, but the freight journeys will be longer which comes back to the 10 per cent number quoted above. (*Source: National Rail Trends*)

Recent strong growth in passenger traffic has and will continue to put increased pressure on this mixed traffic railway because of the equally strong freight traffic growth. A factor complicating this is the need to build into the timetabling process adequate potential capacity for freight services to run so that the freight sector can respond to short notice changes in demand from customers. It is encouraging that Government has stated that it will ensure that its policies and regulations do not adversely affect passenger or freight growth by allowing one to grow at the expense of the other.

Limits of rail freight – road movement

As already mentioned, few traffics can complete their entire journey by rail alone. Delivery to road/rail interchanges is normally arranged by the customer. Railway companies can arrange for onward movement of freight, however customers will often have preferred road transport companies and can arrange the delivery to the destination themselves. There have to be adequate out and back volume flows to make a traffic economically viable by rail: otherwise the short notice of road movements can prove more attractive. This is an important point to remember: not all traffics are suitable for rail; like all modes it has its limitations

The future

Rail freight has great potential to grow and to reduce congestion on UK national trunk roads. Congestion on the roads currently costs British business £17 billion per annum – as road congestion from cars and vans increases, rail's competitive advantage will grow. Also, greater regulatory restrictions on lorry drivers' hours of duty and work via the working time directive and drivers' hours regulations, and rising road vehicle fuel costs, together with a shortage of lorry drivers are all leading to a growth in the use of rail freight as an economic alternative.

Case study

John G Russell Transport: logistics service provider

"The reasons Russell uses rail freight are many and varied but the main current most valid reasons are:

- rail freight is structured around timetabled services and as such we can – with minor changes – adjust our planning to include rail deliveries between our customers' distribution centres in the south of the UK and their stores/outlets/regional distribution centres in Scotland/North of England
- many of our customers products are required to be consolidated into rail vehicles/containers prior to onward movement then on arrival at the receiving terminal there is generally a requirement to cross dock so it is extremely important that rail freight services are reliable both for departures and arrivals given the sensitivities of delivery transmissions/customer requirements
- rail freight is very reliable having as good or better statistics as passenger services and this enables us to be confident that if we elect to use a service then it will generally perform as expected
- rail freight currently enables us to remove 30,000 lorry journeys per year from the M1, M6 and M74 which is both good for the environment but also reduces fuel used by vehicles, drivers' hours are more manageable on local runs and repairs and maintenance of roads is greatly reduced which all adds up to greater efficiencies of use

Russell continues to invest time and money into short and long-term rail development as the current, and long-term, benefits are visible to all not only from a financial standpoint but also for improving operational efficiencies and the helping to decrease emissions and generally help reduce impact on the environment."

Kenneth Russell – Director



Rail freight and public policy – FTA’s view

The following would help deliver increased use of rail for freight services in this country.

Operating costs

Network Rail and the rail freight operators must reduce costs through increased efficiency in operations to provide an economically competitive offering. The regulator should ensure this process happens

Service

Network Rail must provide a seven day accessible freight network, and strive toward the achievement of 24 hour operation – as this is what freight users have with other modes and it is what they need.

Network capability

Congested ‘pinch points’ and size restrictions must be removed, the low capacity lines upgraded to allow more freight traffic. This would increase availability and reduce costs.

Terminals

The UK planning system needs to allow the adequate development of rail freight terminals.

International

The liberalisation of rail freight services throughout Europe must be achieved to facilitate cross border rail freight’s ability to offer a competitive service to other modes. Affordable Channel Tunnel freight access is also key to this.

Environmental performance of rail – its part in an integrated supply chain

As discussed, the retail sector now is increasingly looking to rail to offer environmentally sound logistics solutions as part of its supply chain package. This represents a considerable future potential growth for rail freight. Rail produces less than one per cent of total UK CO₂ emissions, whereas road produces 21 per cent. A typical freight train can remove 50 lorries from Britain’s roads. Over the last six years, rail freight is estimated to have saved two million tonnes of pollutants, 6.4 billion lorry kilometres or 31.5 million lorry journeys. Importantly, when compared with carrying the same tonnage by road, rail produces less than a tenth of the carbon monoxide, around a twentieth of the nitrogen oxide, and less than nine per cent of the fine particulates and around 10 per cent of the volatile organic compounds. Every tonne of freight carried by rail produces at least 80 per cent less carbon dioxide than if moved by road. (Source: Freight on Rail)

Few retail stores are rail connected, but distribution centres can be. Therefore a number of retail companies have been experimenting with intermodal rail freight services delivering on the key trunk haul routes into local distribution centres for onward road distribution to the stores. Rail can’t replace road, but the two modes can be complementary, not exclusive, and co-modality – with rail trunking while road performs the collection/delivery leg – is increasingly being sought as a logistics solution.

According to statistics, ASDA Wal-Mart has suggested that it saves some four million road vehicle miles per annum by using a rail freight service. Marks and Spencer claim 40 per cent of goods arrive by rail at its national distribution centre.

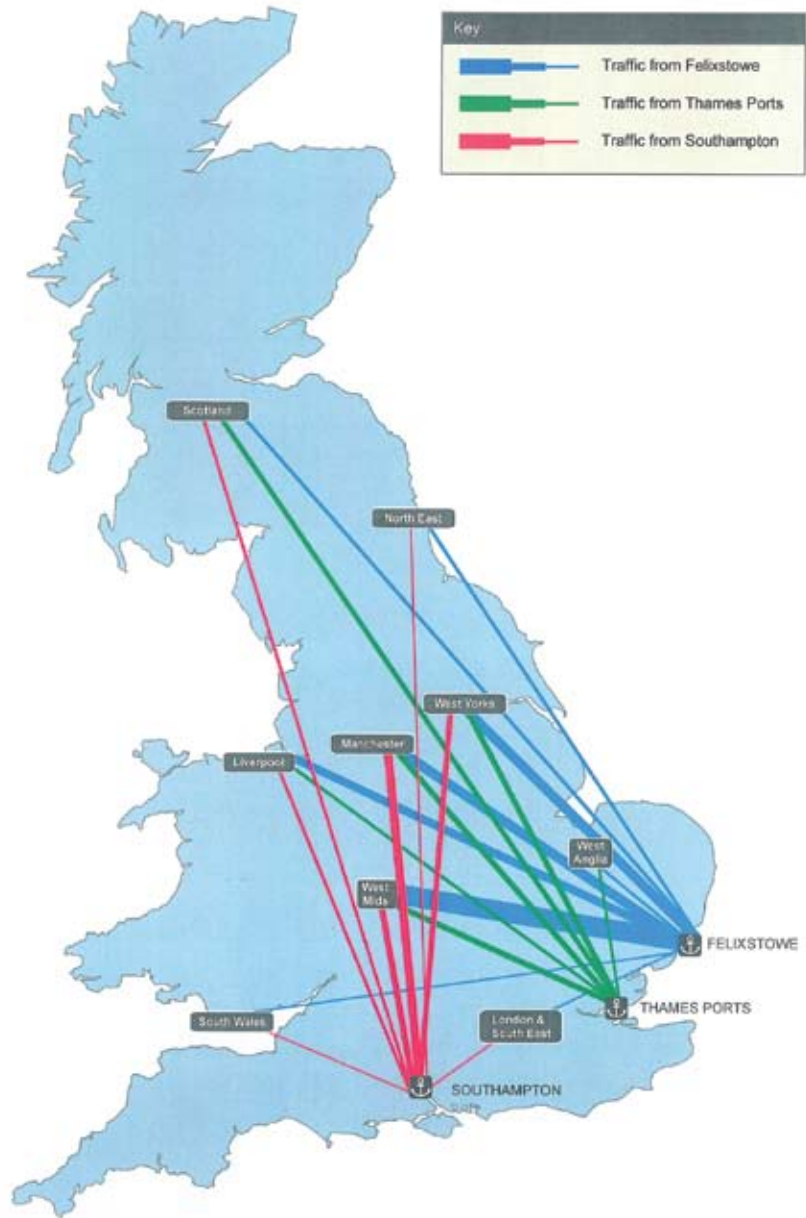
Rail freight forecasts to 2015 and 2030

- Marginal upward revision since earlier forecasts
- Including growth in domestic traffic with new distribution centres
- Consistent with 13–14 per cent rail modal share to rail linked distribution site

	2006	2015	2030
Tonnes (millions)*	123.7	130.3	197.8
Tonne km (billions)	23.5	31.0	50.4
Trains ('000s)	409	434	634
% tonne km by rail	12.6	15.0	20.7



Network Rail's schematic map of intermodal traffic flows anticipated in 2030



About FTA

Freight Transport Association represents the transport interests of companies moving goods by road, rail, sea and air. FTA members operate almost half the UK road freight fleet and consign over 90 per cent of the freight moved by rail and over 70 per cent of sea and air freight.

For further information on rail freight policy matters, please contact:

Chris MacRae

Rail Freight and Global Supply Chain Policy Manager
 tel: 01892 552355
 mobile: 07818 450353
 email: cmacrae@fta.co.uk

Christopher Snelling

Head of Rail Freight and Global Supply Chain Policy
 tel: 01892 552245
 mobile: 07931 778732
 email: csnelling@fta.co.uk



FREIGHT TRANSPORT ASSOCIATION

HERMES HOUSE, ST JOHN'S ROAD, TUNBRIDGE WELLS, KENT TN4 9UZ

TELEPHONE: 01892 526171 FAX: 01892 534989 WEBSITE: www.fta.co.uk