



FREIGHT TRANSPORT ASSOCIATION

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

27th January 2012

Dear Mr Worley,

PR13: Freight Caps

Thank you for asking FTA to comment on Network Rail's proposals on freight caps for PR13. 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. To this end we are grateful for the opportunity to comment on the issue of Freight Caps in respect of its intrinsic impact upon freight. 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 consultation as some will be necessarily more freight train operator focussed.

Our primary policy objectives in respect of rail freight are on reduction in cost and the establishment of certainty of cost for the end user or potential end user (the shipper), together with continued competitive service improvements equivalent to those in the road freight sector. This is essential in terms of attracting and retaining traffic to rail and to help make rail a viable logistics option as part of supply chains. This is also crucial to help achieve carbon targets by facilitating modal shift to less polluting means of transport. Therefore, these policy objectives form an important background to our response.

As regards variable usage charges, we agree that the underlying assumptions of continued freight growth are correct. However, we feel that there needs to be certainty in a continuing reduction of the variable usage charge profile to reflect continued efficiencies in Network Rail's delivery of the infrastructure as per the Regulator's determination. This is essential to both attracting and retaining traffic on to rail.

In relation to freight only line charges, our previous views on the principle of this remain as before. We oppose the imposition of mark-ups on traffic segments where market analysis shows that this can be borne by these markets. While we accept that such mark-ups on

charges in these market segments are allowed under the relevant EU Directive, we feel that irrespective of whether the market segments to which they are applied can indeed bear such mark-ups, it sends a bad signal to other market segments. Particularly in the case of existing or potential retail traffic business, the impression given that markets where rail is the only modal choice such as ESI coal are to be charged more on account of that is deeply worrying. While we accept that there is no intention to apply it to other markets such as retail, the impression given is a negative one that damages confidence in rail freight in the boardrooms of the very potential customers that rail needs to be attracting. The list of freight only lines and the definition used itself seems logical, but to us of less importance than the points of principle already mentioned. Likewise, the level of charges, though we oppose mark-ups, has to be set with certainty for the end user.

I hope that you will find these comments useful. Please do not hesitate to contact us to discuss further any aspect of our response.

Yours sincerely



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