



Operating Freight on Alternatively Funded and Operated Infrastructure

An RFG Position Paper

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Government and Network Rail are keen to encourage third party investment into rail infrastructure, and are actively looking at options which will enable this. This could include simple projects such as new stations or other facilities, smaller projects such as flyovers, new technology and even full route reopening such as East – West and the Wisbech branch.

The rail freight sector has in some respects led the way for privately funded infrastructure, with investment in new ports, terminals and locomotives and wagons. There are several proposals for new strategic rail freight interchanges in active development, and co-funding of Network Rail infrastructure investments at some locations.

Yet there are also challenges. The experience of operating freight on HS1, a privately owned concession, highlights the differences in operation, charging and regulation which can arise and which can be barriers to use. Although good progress has been made with HS1, the lessons learnt can be helpful in considering how best to approach freight within alternatively funded and operated infrastructure.

Our key points are:

A Presumption of Freight Use

All too often freight is an afterthought in project development, or worse, it is assumed that freight will not operate or can be re-routed away. Including freight as a key part of the scope is therefore imperative, considering both existing rights, and the capacity for growth. Even for new stations, the changes to passenger services can and do impact on freight and must be considered.

There must be an agreed position on freight use which is debated and consulted from the outset with all parties. **For new infrastructure there must be a presumption of freight use.**

Operation as part of the National Rail Network

Particularly for new and reopened rail lines, different operational models are being considered, including the provision of passenger rail services. For freight, it is likely that any service will not be wholly captive to the route, but will continue to destinations elsewhere on the national rail network. **To facilitate seamless journeys it is therefore essential that freight capacity and operation is managed holistically through Network Rail's system operator function.** This should include aligning freight capacity in timetabling, providing a coherent framework for engineering access for freight and managing day to day operations to ensure good performance.

Network wide regulation for freight

Some alternative funding mechanisms could require changes to the way that some elements of railway regulation are undertaken. HS1 for example has an entirely unique regulatory process, albeit that it is under the jurisdiction of the ORR. For freight, this adds a significant regulatory burden, and could also create 'boundary issues' for new routes which link into the national rail network. **Regulation for freight must therefore be done on the same basis as the rest of the UK network.**

Affordable Access Charges and Payments

Rail freight charges are, by law, set to recover the wear and tear costs imposed by the traffic. This recognises the competitive position with road freight, where for most commodities a higher level of charge will result in traffic loss to road. For alternatively financed projects, the ability for freight to pay a premium charge is thus limited. Whilst payments via a franchise can be backed off by Government, this option is not available for freight. As such, **alternative funding agreements must be based on a freight access charge which is consistent with those for the rest of the network.**

Recognising the Opportunity

Rail freight delivers environmental, productivity and economic benefits to the UK and to regions. These benefits can form an important part of the case for investment in transport infrastructure, even where direct financial returns may be limited. **Freight benefits should therefore be a significant consideration in the business cases for new investment.**

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