

This report, *Analysis of road and rail costs between coal mines and power stations*, by MDS Transmodal, examined the transport costs via road and rail between mines and power stations identified to us by an interested party and applied cost models to these journeys under various scenarios including options for higher rail track access charges. No confidential information or data is contained in the report. The executive summary of the report is set out below. However that interested party has asked us to redact the report for reasons of commercial sensitivity, and, in this instance, we have consented to remove the report from wider publication.



# Analysis of road and rail costs between coal mines and power stations

January 2013

## 1. EXECUTIVE SUMMARY

This report describes the impacts on costs and mode choice of significantly increasing rail track access charges (TAC) for coal travelling from road-only Scottish mines to power stations (Longannet, Fife and Drax, North Yorkshire). To use rail from a road-only mine requires a road haul to get to a local coal rail terminal.

For transport from Scottish road-only mines to **Longannet**, currently direct-by-road and road-then-rail costs are typically similar – depending on the location of the mine. MDS Transmodal's Coal Power Station Transport Model and stage 2 report for the ORR<sup>1</sup> suggests that increasing TAC by £10 per thousand net tonne kms would increase traffic from Scottish road-only mines direct-by-road to Longannet by 34%. With this 34% increase in traffic, coal from Scottish road-only mines direct-by-road to power stations would make up 1% of the coal transported in Britain to power stations.

For transport from Scottish road-only mines to **Drax**, road-then-rail costs are currently much (around £13 per tonne) cheaper than direct-by-road. Increasing TAC by £15 per thousand net tonne kms still leaves road-then-rail £7 per tonne cheaper than direct-by-road.

Even then, with a very optimistic road scenario with a 10% reduction in fuel prices, 10% reduction in drivers' wages, and an additional 10% reduction in the road price due to finding a suitable backload, road-then-rail is still £3 per tonne cheaper than direct-by-road. We therefore believe traffic from Scottish road-only mines to Drax would **not** switch from using rail to going direct by road, even with the largest TAC increase considered.

For rail-connected mines to power stations, no local road haul is required to use rail. Therefore the choice to use rail, even over short distances is more clear-cut. None of the TAC increases considered would cause a mode shift from rail to road from rail-connected mines.

If coal traffic were reduced by 40% overall, the efficiencies associated with economies of scale for coal rail terminals may be slightly reduced. This would not have a significant impact on overall transport costs.

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<sup>1</sup> Impact of changes in track access charges on freight traffic, July 2012: <http://www.rail-reg.gov.uk/pr13/PDF/mdst-freight-tac-changes-jul2012.pdf>