ORR consultation on the variable usage charge and on a freight-specific charge

1. The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 18,000 members in train operating companies and freight companies as well as London Underground and light rail systems.

2. ASLEF is deeply concerned by the proposed changes to variable track access charges and the planned introduction of a new freight specific charge. The benefits of rail freight are very clear and the Union is glad to see these recognised in the consultation.

3. The union would contend that rail freight has been a real success story over the past two decades. Between 1997 and 2006-07 the rail freight market increased by 70% in terms of net tonnes carried and whilst this has slightly fallen due to the economic downturn, rail freight faces a positive future with growth expected to increase by a further 30% in the five years from 2014. The sector's growth should also be supported on the basis of the environmental and economic benefits it generates.

4. Rail freight produces 70% less carbon dioxide per tonne carried than road transport and also relieves the equivalent of 6.7 million road journeys a year. The sector has many safety benefits which are worth considering given that HGVs are over three times more likely to be involved in fatal accidents than cars due to a combination of size, lack of proper enforcement of drivers' hours, vehicle overloading and differing foreign

operating standards. According to police figures, HGVs are involved in 9% of fatal collisions although they make up only 3% of traffic.

5. ASLEF would also reassert the economic benefits of rail freight which has an important role in reducing road congestion, a problem which is estimated to cost businesses £24 billion per annum. Considering that an average freight train can remove 60 HGVs journeys from our roads the benefits of a growing rail freight sector are clear.

6. For this reason and the fact that the Climate Change Act commits Government to reducing transport carbon dioxide emissions by 80% by 2050, rail freight should be promoted as much as possible. It is therefore for this reason that ASLEF is extremely concerned that the ORR are proposing a policy of effectively pricing certain goods off rail and on to roads.

7. ASLEF would like to question whether it is within the role of the ORR to undertake such a consultation. One of the principle roles of the ORR is "helping the mainline railway meet the long-term challenges." One of the current challenges is to facilitate freight growth. In fact the Rail Command paper published by the Department for Transport this year states, "one of the key future roles of the existing rail network will be to continue to support the growth of freight services."

8. As the regulator of the industry the ORR's job should be to ensure the safe running of the railway but also to ensure its growth and success. To suggest a policy which deliberately looks to reduce the amount of freight taken by rail appears to be outside of the remit of a regulator.

9. Also it is unclear what limits there may be to the "10% allowance". There are many questions as to whether it is 10% that is acceptable every control period or whether or not it can be added cumulatively. Without any stated

limits, it would be possible for a long attack on rail freight that could lead to its ultimate demise on the UK rail network.

10. Questions can also be asked as to how the figure of 10% was arrived at. Why is it acceptable for a tenth of traffic to fall rather than 5% or 15%? This figure seems rather arbitrary.

11. ASLEF also has concerns over the complexity of a new freight charge. It is worth noting the Guidance to the Office of Rail Regulation published by the Secretary for State for Transport in which she states, “the Secretary of State wishes ORR to have regard, in exercising its statutory functions, to the importance of sustaining efficient and commercially predictable network-wide freight operations, including in decisions about access rights and charging structures.” This new charge would in fact have the opposite effect and make the industry far less predictable. This would increase the competitive advantage held by road freight. Road only has to pay two charges, an annual VED and fuel duty. Rail freight already pays seven separate charges. Complicating the ability to quote for new business would make attracting further customers on to rail even more difficult.

12. The union would also ask why distance based charging is acceptable on rail when the idea is constantly rejected for road. Once again this makes it more difficult for the more sustainable rail freight industry to compete with the polluting road haulage companies.

13. Whilst the ORR is only looking to impose this charge on certain materials, this will affect some lines more than others. For example lines heavily used by coal traffic will start to have less traffic. This may in turn make freight flow generally less viable, eventually leading to a reduction of intermodal traffic on these lines and meaning more of this freight going on road as an unwanted consequence of the new charge.

14. Investment in the private rail freight industry involves an assessment of commercial risk. Whether this is investing in a freight operating company or indeed simply contracting one to move goods. This risk is a normal consideration when considering an investment. However when this overlaps with the political risk that this change would encompass it adds extra uncertainty. This may well deter investors and damage confidence in the whole sector going forward. Again this could lead to other types of traffic such as intermodal freight suffering as an unintended consequence.

15. In addition ASLEF feels that other knock on affects have not been considered. Fewer coal, nuclear fuel or iron ore services will inevitably lead to the need for fewer locomotives and terminals as well as less maintenance. This means that if the successful and predicted growth of other rail freight continues there will simply not be the capacity for this traffic. In turn this will lead to goods having no other choice than to turn to the roads.

16. The very purpose of the new charge is for rail freight to pay Network Rail a higher proportion of the costs that would have been avoided if freight journeys had not used the infrastructure. However it should be remembered that lorries are up to 160,000 times more damaging to road surfaces than the average car and some of the heaviest road repair costs are therefore almost exclusively attributable to the heaviest vehicles. In addition HGVs only pay between one to two thirds of the costs they impose on society, depending on the way it is calculated. Penalising rail freight but not road haulage creates an uneven playing field.

17. The union would also question what role the ORR should be taking in terms of the UK’s energy policy. The consultation predicts a fall in the use of coal for the energy supply industry. However by pricing coal off of rail rather than predicting the trend of the UK energy supply industry, the ORR is in danger of dictating it.

18. ASLEF is hugely concerned about the impact of the ORR's proposals on our members in the rail freight industry. The union deeply regrets any reduction in jobs that would follow any such charge being introduced and notes that the impact of the proposed changes on employment in the industry is not considered once in the consultation. If tonnes lifted are reduced by 10%, tonne miles of traffic operated are estimated to reduce by 25%. The Union would therefore like to know what impact assessment has been undertaken regarding potential job losses, should the proposed measures be undertaken. It is essential that such assessments are undertaken and considered.

19. Rail freight has been a fantastic success story for the railways. Over the past decades it has grown significantly leading to less road congestion, pollution and traffic accidents as well as boosting the economy. As the consultation notes, the industry "only receives limited grant support from government to encourage modal shift from road to rail." Yet due to "tighter economic and fiscal conditions," it is seeking to reduce "cross subsidy." It seems illogical to reduce a successful, green and progressive sector which is forecast to have a bright future in order to pay for the mistakes of the financial sector. It is by investing and promoting industries such as rail freight that we can grow our economy and realign it to be more diversified and solid. Creating the circumstances that would see it reduce is therefore not only bad for the industry itself, but for the British economy as a whole.

Mick Whelan
General Secretary
ASLEF
77 St John Street
London
EC1M 4NN