



Claremont House, 130 East Claremont Street, Edinburgh, EH7 4LB, Tel: 0131 524 5150

Chairman: Cllr Russell Imrie Partnership Director: Alex Macaulay

10 August 2012

Our Reference: SES-Rail

Mr. Joe Quill
Office of Rail Regulator
1 Kemble Street
London
WC2B 4AN

Dear Mr Quill,

Consultation on the variable usage charges and on a freight-specific charge

SEStran welcomes this opportunity to comment on the consultation document.

SEStran (South East Scotland Transport Partnership) is the statutory transport partnership covering the eight local authorities in and around Edinburgh. The area has a population of more than 1.5 million people which is around 30% of the Scottish population but the Region's relative importance to the Scottish economy extends well beyond this figure.

Freight transport is therefore of great significance to the area and the Regional Transport Strategy is very much focused on sustainable transport. A regime that attracts a shift from road to rail is therefore of great importance to SEStran.

SEStran is (or have been) involved in several European freight transport initiatives and several of these involve attracting freight to rail and water modes, such as:-

Dryport; Examination of scope for inland port/freight facilities

Connecting Foodports; Improve food product distribution throughout the Region and relevant links to Europe

WEASTflows; Improve sustainability of East-West freight flows in North West Europe.

We do not have sufficient experience of the Rail Industry to be in a position to provide in-depth comments on all the detailed questions in your consultation paper but would be pleased if you could take note of the following comments:-

Freight Charges (general)

Both passenger and rail freight operations share common objectives in

- Maximising the share of total traffic carried on sustainable modes, and
- Reducing road traffic in congested areas

It could therefore be argued that rail and passenger operators should be treated reasonably similar in respect of charges to use the rail network.

Your consultation document appears to suggest that freight is not paying its way by contributing only 1% of total Network Rail income although accounting for about 7% of total train km (section 10; Executive Summary).

It is however also the case (based on table 2.1) that 63% of Network Rail income is in the form of direct Government Grant, and a further 10% comes from property, station charges and other non-track related income. Freight therefore makes up around £55 million or 3.7% of the total £1495 million 'track income' from the operators.

Furthermore, freight operators do not receive any direct public sector revenue support whereas a significant part of passenger operators' income is in the form of Government franchise payments. It could therefore be argued, in respect of track access charges that rail freight and passenger operators charge back to their customers, that there is currently a reasonably fair balance between the two rail sectors.

There is also no doubt that increases in track charges levied on rail freight operators will be passed onto customers which in the end will mean the consumers. With the current economic recession in mind, it must at least be questionable if this is the 'right' time to consider increased rail freight charges.

We would therefore be concerned should there be increases in freight track access charges beyond what is based on general Network Rail cost increases and taking into account anticipated Network Rail efficiency measures.

Increases in freight charges beyond this will result in a transfer of freight from rail to road and a less sustainable transport environment.

Response to some of the specific questions.

Question 4.49; Do you agree with our proposed approach to satisfying the Access and Management Regulations with respect to levying a new freight-specific charge?

Question 4.54; Do you agree that certain market segments should be exempt from the new charge?

Question 4.56: Do you consider it is appropriate to cap the new charge for particular market segments according to its impact on the associated freight traffic?

Question 6.83; Do you agree with our proposal, on the basis of MDS Transmodal's analysis, to not levy a mark-up on certain rail freight commodities, including intermodal, construction materials and metals?

Question 6.84: Do you agree with our proposal to levy the proposed charge on Electricity Supply Industry (ESI) coal traffic?

Question 6.86: Do you agree with our proposal to levy the proposed charge on spent nuclear fuel traffic?

Based on the foregoing, SEStran would in principle disagree with increases in rail freight charges.

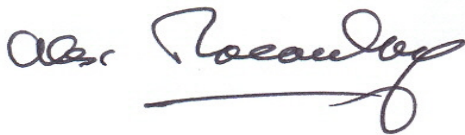
However, should there be no option than to increase the overall contribution by rail freight operators towards Network Rail costs, SEStran agrees that it makes reasonable sense to target those sectors where the resulting sustainable impact (i.e. risk of transfer from rail to road) will be least – which in accordance with the MDS Transmodal analysis is for ESI coal and spent nuclear fuel traffic.

We also support the proposal to cap this additional charge to ensure transfer from rail to road within the ESI coal sector is limited to a specific ceiling, although we would argue that this ceiling should be less than the proposed 10%.

I trust that this response will be of assistance.

Should you wish to discuss the issues further, please contact myself alex.macaulay@sestran.gov.uk tel 0131 524 5152, or Trond Haugen trond.haugen@sestran.gov.uk tel 0131 524 5155.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Alex Macaulay', with a long horizontal flourish underneath.

Alex Macaulay
Partnership Director

CC. Russell Imrie, Chairman of SEStran