

Welsh Government response to
Periodic Review 2013
Consultation on the variable usage charge and on a freight-specific charge

August 2012

1. The Welsh Government welcomes the opportunity to comment on the proposed charging structure for rail freight.
2. The Welsh Government views rail freight as a very important part in the development of a sustainable transport system. A key aim of the Wales Freight Strategy is to encourage freight to switch from road to rail and sea and consequently we have been supporting and investing in mode switch projects. We are therefore concerned that the Office of Rail Regulation's (ORR) proposals aim specifically at a reduction in rail freight flows in certain sectors. The approach also seems to be at odds with UK Government and EU policy.
3. The outlined proposals are for a freight specific charge that would increase charges for certain commodities, which could be described as the 'captive rail freight market', to a degree that would lead to a reduction in the corresponding traffic flow. The proposals would apply the freight specific charge to: coal for electricity generation, spent nuclear fuel and iron ore and potentially coal for other purposes. Imposing the proposed charge on the latter two commodities in particular would have a serious impact on the Welsh economy. A significant volume of coal is still transported by rail in South Wales. The Welsh Government would not wish to see a significant increase in the costs associated with this transportation. Rail freight associated with Tata Steel's operations in Wales accounts for a very large proportion of UK freight volumes and a significant increase in rail freight cost could severely reduce competitiveness of UK steel production in this global market.
4. Table 4.2 in the proposal sets out the aim to adjust the charge to achieve a reduction in freight flows for each market segment between 5-10%. In addition to the Welsh Government's concern regarding the principle and size of this reduction, it is also not at all clear how this could be implemented and monitored. For example, how would it be determined if a reduction in freight traffic is due to charge increases or due to wider market impacts? Furthermore this suggests that charges would fluctuate; imposing unnecessary uncertainty on all parts of the rail freight sector and its customers.
5. To encourage further investment in rail freight infrastructure and services, it is essential to have as much certainty and transparency as possible with regard to charges. We would therefore advocate a relatively simple charging structure with clear rates that are set at the outset and that does not unduly penalise rail freight customers who have no or reduced mode choice and that does not aim at a reduction in freight traffic flows.