

**National Assembly for Wales : Enterprise and Business Committee
Inquiry into international connectivity through Welsh ports and airports
Submission from the Rail Freight Group
February 2012**

Introduction

- 1 Rail Freight Group (RFG) is pleased to submit this evidence to the Enterprise and Business Committee's inquiry into international connectivity through Welsh ports and airports.
- 2 RFG is the representative body for the UK rail freight industry. Our objective is to grow the volume of goods moved by rail freight in a cost effective way. We work to influence Governments and rail policies in support of rail freight and to help our members develop their rail freight services.
- 3 Rail freight operates wholly in the private sector and its customers' needs are often linked to global supply chains and distribution strategies which cross international boundaries. RFG has therefore concentrated this submission on those issues that impact on the movement of rail freight to and from Welsh ports and on those factors which affect RFG members' decision making. We have not commented on other areas being investigated by the inquiry which are outwith RFG's remit and scope.

General Policy Framework

- 4 RFG notes that, unlike most other aspects of transport policy, ports' policy for Wales is not devolved and remains the responsibility of the UK Department for Transport (DfT). Continuing close co-operation and co-ordination between DfT and the Welsh (WG) is therefore essential to ensure that the latter's policies regarding road and rail links between Welsh ports and their hinterlands and markets, including those in England, are complementary to UK Port Policy. This point is also made in paragraph 1.6 of DfT's "National Policy Statement for

Ports”, published on 26 January.

- 5 RFG believes that a competitive, commercially led market place works most effectively for rail freight and therefore we do not favour models where Governments specify the precise framework for port development across the UK. Freight movements are unlikely to respond to regional and local development plans which are not based around national and international distribution patterns and on appropriate cost criteria. Companies will only switch ports where it fits, operationally and financially, with their logistics and distribution networks and plans.
- 6 RFG believes that Governments should, however, set consistent and clear incentives and frameworks to deliver outcomes which are deemed to be in the national interest such as are contained in the “National Policy Statement for Ports”.

Demand Forecasting

- 7 DfT developed and maintain forecasts for port traffic in the UK, and the impact on inland distribution. Generally, these forecasts are based around the current situation, where the ports in the South East tend to dominate, with little consideration of scenarios where ports in other areas, such as Wales, increase in relative significance.
- 8 The forecasts for port traffic have underpinned in part the development of rail freight forecasts including RFG’s own “Updated Rail Freight Demand Forecasts to 2030” published in October 2011 http://www.rfg.org.uk/userfiles/file/Rail%20Freight%20Demand%20Forecasts%20to%202030_ver2.pdf and widely accepted by DfT and the rail freight industry. These figures indicate an overall doubling of rail freight by 2030, with the growth concentrated in the intermodal sector including deep sea and short sea container flows to/from the ports as well as domestic flows.
- 9 While these forecasts assume the continued dominance of the South East ports, other ports are developing their capabilities – including

Bristol, Liverpool and Tees and such developments could generate a shift in distribution patterns to and around the UK. Developments at Bristol and Liverpool in particular could present a threat to existing and potential flows through Welsh ports but could also represent an opportunity if they succeed in attracting vessels towards the west coast of the UK. Should the schemes progress as planned, forecasts for inland distribution may therefore need to be adjusted.

- 10 Development of Welsh ports to handle new and additional traffic could also generate additional rail freight. Many of the Welsh ports, including some of smaller facilities, are already rail connected, improving opportunities for viable rail freight services.
- 11 The development of additional activities on the port estates can also increase demand for rail services. Changes in supply chain patterns, including the establishment of regional and national distribution centres at ports, (“Port-Centric Logistics”) are already occurring elsewhere in the UK and could form the basis for developments at Welsh ports. In addition, the role of Welsh ports in relation to traffic flows between Ireland, the UK and the rest of Europe is an area to which rail freight could contribute significantly.

Rail Access to Ports

- 12 The Wales Route Utilisation Strategy published by Network Rail in 2008, shows that while the North and South Wales main lines, plus the Marches Route from Newport to Chester and Crewe are capable of handling traffic loaded to the maximum axle weight, all these routes plus the lines from South Wales through the Severn Tunnel and to the Midlands have a restricted ‘loading gauge’ that constrains rail movement of many of the larger containers now used in both deep-sea and short-sea shipping unless specialised wagons are used.
- 13 The Freight Route Utilisation Strategy published by Network Rail in 2007 indicated a long term aspiration to enhance the loading gauge capability of the lines from the Severn Tunnel and Gloucester to Cardiff to the “W10” dimensions required to allow 9ft 6ins high containers (increasingly used in both the deep-sea and short-sea shipping) to be

transported on normal wagons. Extension of this capability westwards to Port Talbot, Swansea or Milford Haven would become an aspiration in the event of a port development at any of these locations, as would provision of this capability along the North Wales main line if there were developments at Holyhead.

- 14 The subsequent development by DfT and Network Rail of the Strategic Freight Network, the latest additions to which were announced in the Chancellor's Autumn 2011 Financial Statement, does not include any developments of the Welsh rail network which will therefore continue to be constrained, particularly in terms of loading gauge.
- 15 Current plans for electrification of the Great Western Main Line as far as Cardiff could offer one significant benefit to rail freight but also represent a significant lost opportunity. There is a clear synergy between electrification and enhanced loading gauge dimensions as any structures that need to be rebuilt are reconstructed at the improved gauge, usually "W10". However, certain structures which would need to be modified for gauge enhancement may not need attention for electrification. As a result the industry is lobbying for gauge clearance to be undertaken in parallel with electrification and funded accordingly. Assuming this is the case, the current constraint on moving containers to/from the ports of Newport and Cardiff will be removed.
- 16 However, based on the present plans the "Relief Lines" between the Severn Tunnel and Cardiff will not be electrified as part of the scheme. This means that electric hauled freight trains will not be able to access the ports of Newport and Cardiff. Similarly, unless electrification is extended to Swansea there will be no possibility of electric hauled freight trains reaching the ports of Port Talbot and Swansea.
- 17 RFG is pressing Network Rail for electrification to cover the Relief Lines between the Severn Tunnel and Cardiff as well as west from Cardiff to Swansea. Such additional works are essential to unlock the potential of the South Wales ports and the support of Welsh Government (WG) for these extensions to the existing plans is vital. Even though rail freight

currently makes little use of electric traction, this will change as a wider electrified network is created on freight routes, providing the adjacent yards and facilities are also electrified and the power supply is sufficient for freight trains.

18 In a similar context, electrification of the North Wales Main Line, with consequent provision of W10 gauge capability through to Holyhead, would provide new opportunities for rail freight to and from the port, particularly for the movement of containers. The potential for viable freight flows along this line to be developed was illustrated in the March 2011 TAITH report of its North Wales Rail Freight Study.

19 In addition to securing improved capability for the rail lines serving the main ports in Wales, it is equally important that the capacity to handle the existing flows as well as growth in rail freight is protected when plans for upgrades of the track layouts or signalling, and for additional stations and/or passenger services are being developed. Again, WG have a significant role to play in ensuring this protection.

Funding of improved rail links to ports

20 DfT has long maintained its policy that, in general, the sponsor of a port development should also pay for any enhanced inland links required on the basis that they are the sole beneficiaries. While RFG agrees there is a role for developer contributions to local requirements, which can be closely linked to the specific growth arising from the development, it does question whether this principle should extend, for example, to the strategic trunk networks.

21 The costs of rail enhancement schemes are significant and, if the port developer is expected to fund in full the capacity it will use, it is likely that the level of costs could become a barrier to the port investment itself. Care must be taken to balance the expected contributions against the need for developments to proceed and, where such developments are expected to provide wider economic benefits to the region, we would expect this also to be taken into account. It is in this context that RFG again believes WG can play a significant role.

Role of the Welsh Government

22 A number of areas where WG can play a role in creating the right circumstances for port developments to proceed have been highlighted above. It is therefore unfortunate that the Wales National Transport Plan (NTP), particularly the prioritised version published in November 2011, lacks any strategy for freight movements either by rail or by road. Indeed, there is a danger that many of the proposals for rail passenger traffic in the NTP could have a detrimental effect on both existing and potential rail freight movements, including those arising as a result of developments at Welsh ports.

23 There is also a need for close alignment of WG and DfT policies. Which Government controls the funding is not necessarily that important, but it is vital strategies and decisions are aligned. Most rail freight flows in Wales, including those that may come from future port developments, are, and will continue to be, cross border with England. Investment decisions must therefore reflect this reality. It would not make sense, for example, if Welsh ports could not be developed because DfT was unwilling to support any network upgrades required on the English side even though WAG would support the enhancements required up to the Border.

Conclusion

24 RFG believes the current rail network in Wales presents a barrier to the development of ports in Wales, and that investment will be required to allow rail to play a full role in serving any increase in traffic through those ports. In particular, significant investment in the provision of enhanced loading gauge capability will be required if the development of the ports is to be based around handling containerised traffics, although electrification in South Wales could present an opportunity in this context. However, it is essential that the costs of enhancing the rail network do not bear on the developers to such an extent that the expansion of the ports becomes unviable.