



**NATIONAL SURVEY
OF RAIL FREIGHT USERS
SUMMARY OF RESULTS**

Published by the Office of the Rail Regulator
August 2000

Contents

Regulator’s foreword	1
1. The aims and objectives of the survey	2
2 Methodology	3
3. Research findings	4
Respondents’ current transport usage	4
Respondents’ views on performance	5
Experiences with infrastructure changes	7
Respondents’ views on future trends	8
4. Next steps	10

Regulator's foreword

- 1 The Railways Act 1993 lays upon me a statutory duty to promote the use of the railway network for freight as well as for passengers. In my first weeks as Regulator I challenged Railtrack on the adequacy of its approach to freight in its Network Management Statement and I have recently launched a fundamental review of freight charging policy.
2. In commissioning this survey, I wanted to improve my understanding of what the rail freight industry's customers actually want. But the survey has not been just about the service that current rail freight customers get. I also want to know more about what conditions need to be met to enable rail freight to grow to meet the needs of *potential* customers. This includes warehouse owners seeking rail connections, terminal and port operators seeking to develop rail-served business – in fact, anyone contemplating making a commitment to freight on rail.
3. I have sought the views of the whole industry, not just Railtrack and the train operators and I am grateful for the assistance of the Freight Transport Association, the Rail Freight Group, and the Shadow Strategic Rail Authority in helping to make this possible. It is my intention that this survey will be repeated annually, so as to provide a benchmark of industry performance and to build up a picture of how that performance changes over time. The Government's 10 year plan for transport – '*Transport 2010 – The 10 Year Plan*' *DETR 2000* – calls for 'a more efficient and competitive service from rail freight, benefiting businesses across the UK'. I believe that rail freight growth is not just a desirable goal: it is something we *must* have.

Tom Winsor

Rail Regulator
10 August 2000

1. The aims and objectives of the survey

- 1.1 The Regulator's purpose in commissioning the survey was to identify those parts of the industry where performance and behaviour are restricting the transfer of freight to rail from other modes of transport, and to highlight any constraints on new development and new entry to the rail freight market.
- 1.2 The research brief was to identify the key requirements of the rail freight customer, the extent to which those requirements were being met and to assess the potential effects in terms of increased and continued use of rail for freight. This complements research carried out for the Regulator on '*An economic analysis of the freight market*' available from our website (<http://www.rail-reg.gov.uk>).
- 1.3 It is important to stress that, unlike the economic analysis, the purpose of the survey was *not* to provide an empirical study of the rail freight market. Rather it was to gauge the views and experiences of the various industry parties and thereby to set benchmarks against which future progress could be assessed.

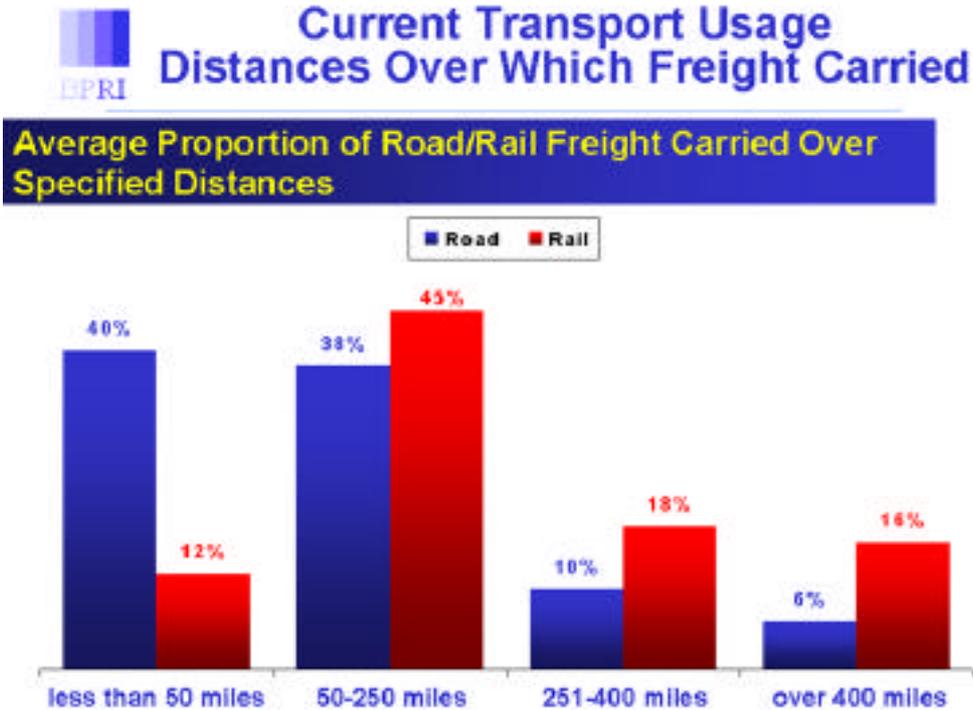
2. Methodology

2.1 Business Planning and Research International Limited ('BPRI') were selected as consultants for the project in part because of their previous experience of research in the transport and logistics fields. The exercise that they undertook involved contacting by telephone a sample of over 200 potential and existing customers, logistics companies and port and terminal operators, and asking them to complete a questionnaire. Care was taken to ensure that the individual completing the form was in a position to influence modal choice and respondents were typically distribution managers or logistics specialists. This questionnaire was also posted on the ORR website and on the websites of the Freight Transport Association and the Rail Freight Group. The response rate was good, with approximately 65% of questionnaires dispatched returned to BPRI.

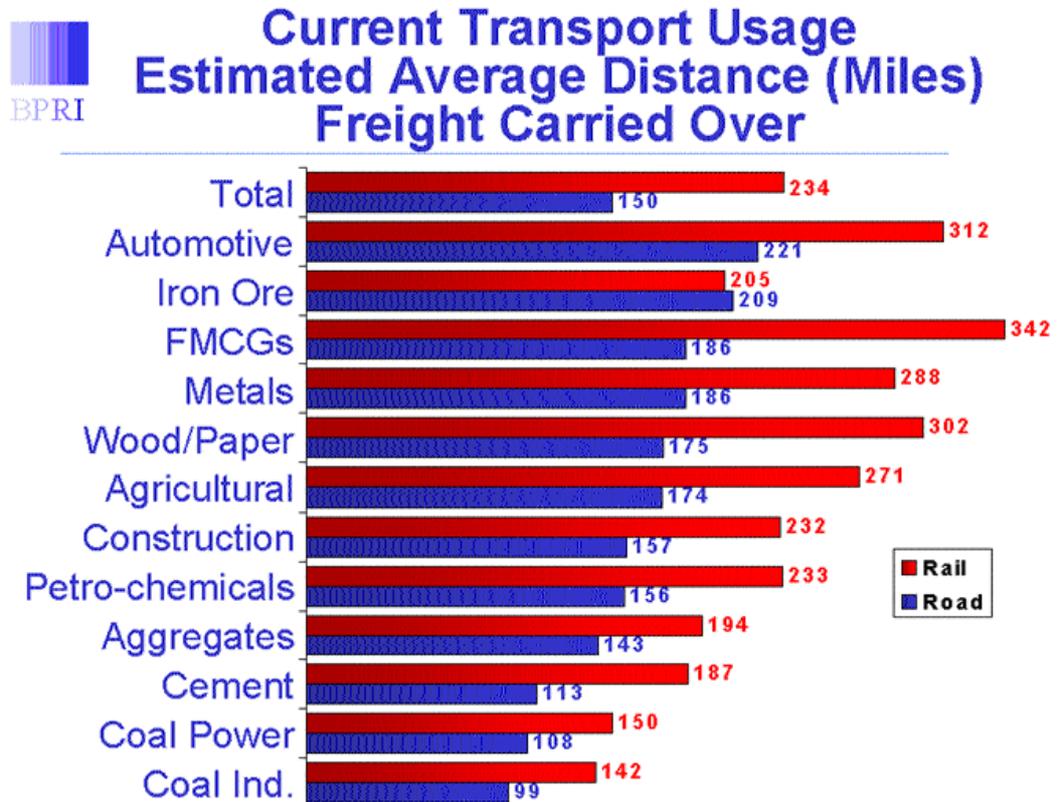
3. Research findings

Respondents' current transport usage

- 3.1 Responses from existing rail customers showed that they use road transport more than they use rail, with some 69% of the total freight which is transported by rail customers being transported by road and only 25% of it by rail. This may be because rail lists among its freight customers some of the biggest logistics companies, who are, of course, major shippers across all modes, land, sea and air. This finding may also reflect the fact that in many cases rail provides trunk haulage with collection and/or final delivery taking place by road.
- 3.2 Nevertheless the findings are consistent with statistics produced elsewhere which suggest that the growth of rail freight is outstripping that of road freight and indeed of the economy more generally. For example, 64% of customers reported that their use of rail had increased over the last five years compared to 49% of customers reporting that their use of road had increased over the same period.
- 3.3 Respondents were asked what percentage of firstly their road and secondly their rail freight was carried over various distances. (For ease of completion the questionnaire offered four choices: less than 50 miles, 50-250, 251-400 and over 400 miles.) The table below shows the results averaged across the whole sample.



- 3.4 As expected the survey confirms the strong negative correlation between the use of rail and the use of road for freight. The more freight that moves by rail the less moves by road and the further the distances covered by rail haulage the shorter the distances covered by road.
- 3.5 Responses were then further broken down by commodity and the table below shows the results, again averaged across the whole sample.



Respondents' views on performance

- 3.6 The industry as a whole has long acknowledged the need for continual improvements in service quality. However, there are clearly a number of factors that contribute towards customer satisfaction and the survey sought to establish a relative prioritization. As the table below shows, respondents regard price and service reliability as the most important factors in making a modal choice, but place less emphasis on, for instance, total journey time.



Current Transport Usage Average Importance of Factors in Choosing Transport Mode



3.7 The comments of one customer illustrate the point;

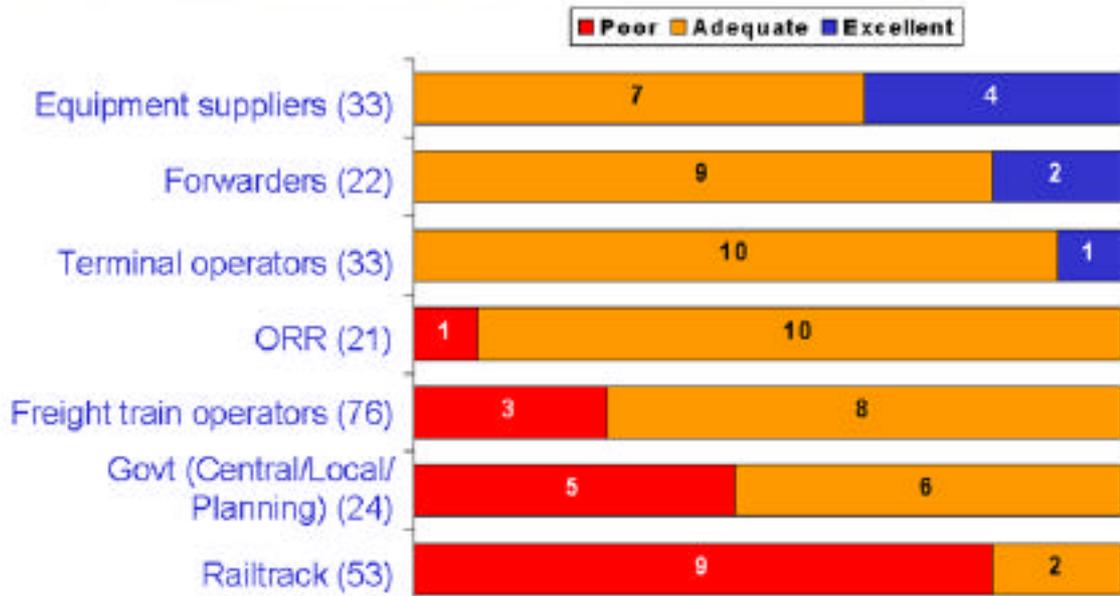
'It is impossible to seriously consider rail as a viable alternative to road until such time as the service offering can provide a reliable and cost effective way to transport goods'.

3.8 Respondents were asked to assess the performance of rail freight organisations with which they had recent contact, in the following categories: response times, flexibility and adaptability, innovation, communication, customer focus, delivery of service, project capabilities, professionalism, market knowledge, availability of information, and competitive pricing. These categories have been divided into three grades – 'poor', 'adequate' and 'excellent' – and the table on page 7 shows how the various rail freight organisations were rated.

3.9 Railtrack scored a 'poor' rating in nine of the eleven categories and just an 'adequate' rating in the professionalism and market knowledge categories.

3.10 The freight operating companies did somewhat better. One of the respondents in the Ports and Terminals category said that rail provided *'an excellent service for the longer distance delivery of containers'*. In general however, responses suggested that the freight

Number of Factors Rated Poor/Adequate/Excellent



operating companies are struggling to reach the required levels of performance. Aspects rated as 'poor' were: delivery of service, competitive pricing and project capabilities.

- 3.11 The results show 'excellent' ratings for equipment suppliers for communication, customer focus, professionalism and market knowledge, while forwarders scored 'excellent' ratings for customer focus and market knowledge.

Experiences with infrastructure changes

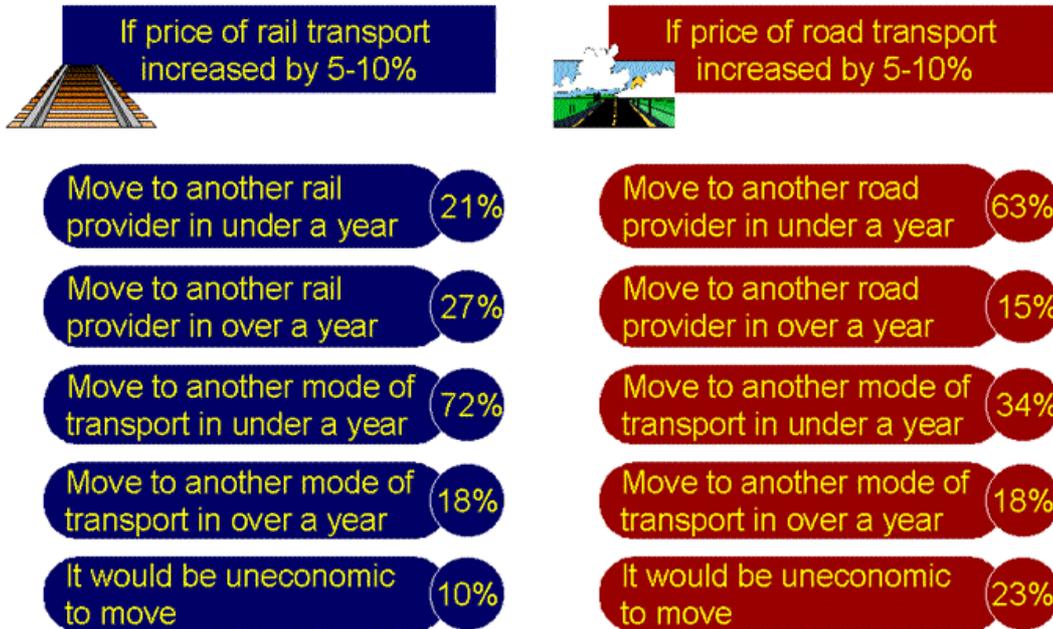
- 3.12 Nearly three quarters of customers and potential customers surveyed reported that they had, in the last three years, considered or undertaken a project which involved a physical change to the rail network or constructing a connection to the Railtrack network. Of these customers, 67% said that their proposal resulted in a pre-feasibility study which was generally conducted by Railtrack free of charge. Of those who undertook pre-feasibility studies, 24% did not go forward with a full feasibility study. The reason given by 44% of those deciding not to proceed was the cost of the project identified in the pre-feasibility study, but 11% of those who did not go beyond a pre-feasibility study cited the cost of the feasibility study itself as the main obstacle.

- 3.13 A number of the respondents took the opportunity to comment on this issue specifically. One customer wrote: *'You have to negotiate with Railtrack to get the feasibility study at a sensible level'*. Another commented that *'the costs and timescales (of an infrastructure project) are increasingly out of proportion with the rest of industry'*. One of the respondents in the terminal or port operator category said: *'Railtrack quoted £40,000 admin (sic) charges for a small network change in which the actual work would cost £80,000'*. One customer, however, did comment that the train operating company had been *'very helpful and provided assistance throughout the project to build a new railhead access to our site'*.

Respondents' views on future trends

- 3.14 The survey results suggest that it is much simpler for a customer to move business from rail to road than it is to move it from road to rail. Demand elasticities are apparently greater for rail than for road, not merely in relation to price but also in relation to a range of performance measures. Clearly, once business has been won, rail has to continue to meet the required performance standards in order to retain it. One logistics consultant commented that *'emerging markets e.g. FMCG by rail are using rail as a pilot. If the pilot fails then they will switch back to road'*.
- 3.15 Respondents were asked how frequently their organisations reviewed modal choice in relation to transport strategies. The vast majority of respondents, some 84%, said that modal choice was reviewed on a continuing basis with the most significant barrier to modal shift from road to rail being price.
- 3.16 When asked what effect a 5-10% increase in the cost of rail transport would have, 72% of rail users said they would switch to another mode within the year. A similar increase in the cost of road transport would encourage 34% of road users to switch to another mode. The table below provides further detail.
- 3.17 Whilst respondents seemed to appreciate the efforts made by operational staff (*'people on the ground invariably give maximum effort to achieve objectives'*) the survey results indicate some dissatisfaction with the strategic level approach to rail freight. One respondent said *'Freight doesn't get a fair shout compared to passenger traffic. Joined up thinking is required.'* A particular theme was the need for a well-constructed strategy for investment in rail freight. One current user commented *'Railtrack's unwillingness to promote and encourage the development of infrastructure for freight is very detrimental*

Future Trends Effect of Price Increases



to the industry'. Another said 'Until Railtrack alter their attitude to freight (i.e. we only get 7% of our revenue from freight so why bother?) we will not see rail compete with road haulage.'

3.18 The survey results seem to suggest that rail freight is at something of a crossroads. There appears to be a large potential market for freight if rail can get the price and the service quality right. If not, then the indications are that recent gains will be threatened.

4. Next steps

- 4.1 This survey, the first of its kind conducted by ORR, will provide the Rail Regulator with data which will make a valuable contribution to the formulation of regulatory policy. The year 2000 survey should also provide a benchmark against which progress can be measured as the rail freight industry responds to the challenges raised by an increasingly dynamic and demanding market.
- 4.2 Any comments on the results of this survey will be welcomed by the Regulator and should be addressed to: Andy Lewis, Freight Market Regulation, Office of the Rail Regulator, 138-142 Holborn, London EC1N 2TQ, tel: 020 7282 2099 fax: 020 7282 2042 e-mail: rng.orr@gtnet.gov.uk. Further copies of this document are available from the ORR library.