



FREIGHT TRANSPORT ASSOCIATION

Alexandra Bobocica
Office of Rail Regulation
1 Kemble Street
London
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4th February 2013

Dear Alexandra,

FTA response to Office of Rail Regulation PR13 Volume Incentive Consultation

Thank you for asking FTA to comment on ORR's consultation on the PR13 Volume Incentive Consultation. The Freight Transport Association (FTA) represents over 14,000 companies spread across the UK relying on or providing the transport of freight both domestically and internationally, to or from the UK. Our members involved in rail freight include shippers of bulk, deep sea and domestic intermodal and retail goods, and also freight operating companies and logistics service providers, accounting for approximately 90 per cent of goods moved by rail.

FTA's primary rail freight focus is to represent the shippers – the ultimate end users – of rail freight who make the decisions about modal choice. We are though also interested in the regulatory and operational policy architecture of the industry to the extent that it affects competition and shipper choice. Indeed we have the main rail freight operating companies in membership, together with logistics service providers and rail freight shippers. Due to our primary representational focus being upon the end users of rail freight services, we will not have detailed answers to give to all of the individual aspects of this further consultation as some will be necessarily more freight train operator focussed, but we will be commenting on the general principles. The questions are as listed by ORR at <http://www.rail-reg.gov.uk/pr13/doc/vi-consultation-questions-dec12.doc>

Overall FTA supports the existence of performance incentives that function efficiently so as to motivate correct behaviours and network efficiency (for freight in our case)

Question 1: Yes, FTA recognises the importance of this issue and the way in which it is managed.

Question 2: Yes, FTA recognises the importance of the role of charges in providing information on costs and uses of revenues etc.

Question 3: FTA has no direct comment.

Question 4: FTA has some concerns over the proposed measures of freight growth. ORR proposes train mileage and gross tonne miles. However, freight mileage has fallen substantially over time due to productivity and efficiency improvements. These include operating longer and heavier trains, gauge enhancement improving payload, and more efficient train plans reducing unproductive running. Historic records of freight train mileage by FOCs suggest therefore that freight train mileage may not be the most appropriate measure of freight growth or the basis upon which to calculate the incentive to encourage this. Gross tonne miles may be a more effective measure.

Questions 5- 7: FTA has concern over the disaggregation proposals. Given that freight tends to operate over more than one route we would have concern over the complexity that this may bring.

Question 8: The proposal for introducing a downside (with suitable guarding against external non controllable factors) should be beneficial.

Question 9: FTA believes that it is important for correct incentives to be applied to help grow freight, regardless of degree of congestion of route.

Question 10: FTA believes that it is wrong to treat certain freight traffics as captive to rail. Shippers can always find alternative modes, generally road, and recent work by shipper members in the ESI coal sector has shown this to be the case. Treating a traffic as "captive" to rail sends negative messages to shippers in those or other sectors and is a disincentive to use rail freight for those considering investment in that mode.

Question 11: It is important that benefits flow to those who have made the investments.

Question 12: See answers to questions 5 – 7.

Question 13: This sounds broadly correct.

Question 14: FTA has no comment as this is a passenger traffic matter.

Question 15: This question may be better addressed to FOCs directly.

I do trust that you find these comments useful. Please contact us if required to discuss any matters further.

Yours sincerely



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