



campaigning
by the
Railway Development
Society Limited

Freight Group

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Dear Joe,

Periodic Review 2013: consultation on a freight specific charge for biomass

Introduction

Railfuture is grateful for the opportunity to participate in this consultation.

Railfuture is a national voluntary not for profit organisation limited by guarantee, and structured in England as twelve regional branches and two national branches in Scotland and Wales.

Abstract

One of our principal concerns relates to the fact that road hauliers already enjoy privileges denied to rail freight operators and the ORR's proposals would make a level playing field even more remote.

For example, HGV Vehicle Excise Duty has been frozen since 2000 when Gordon Brown reduced the rates in response to the fuel tax protests. This will not increase for the majority of operators under the UK Vignette scheme, as compensation for the daily lorry charge will be made.

Road hauliers do not have to pay for use of the road network on a mileage basis other than the cost of diesel used. Road hauliers do not have to pay for infrastructure upgrades for heavier vehicles such as road over rail bridge strengthening and maintenance, the cost of which is paid for by local authorities and rail budgets. HGV taxes are thought to cover only a fraction of their true costs to society and the environment.

If rail access charges are increased as suggested, road taxes should be raised in parallel with them otherwise environmental, road safety and congestion relief objectives will not be met.

Consultation Questions

Q1. To what extent might higher access charges increase biomass road transport?

The biomass market is at the development stage, with much investment still required for new and adapted rail freight wagons and loading and unloading infrastructure. A rail freight price increase would alter mode choice even to larger power plants, where the current cost differential supports bulk trainload services over the use of road vehicles.

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The situation could be compounded at dedicated biomass road transshipment facilities at which without the establishment of new or reinstated rail connection the use of rail would be precluded.

Q2. Should a biomass freight specific charge be calculated on the basis of avoidable costs as was done for the commodities on which caps have already been set?

Parity with other commodities must also take into consideration road transport competition.

Q3. Should the charge be modified, for example to reflect calorific value or exempt small stations?

Modification of charges may add to complexity; however the exemption of smaller stations could be appropriate to encourage rail connections.

Q4. Should freight avoidable costs be allocated to biomass using the same methodology as that used for the other market segments to which a freight specific charge applies?

Commonality with other market segments provides clarity on charging bands.

Q5. Is the resulting cap on the freight specific charge, of £4.04 per kg_{tm}, for biomass reasonable? How would such a charge affect existing biomass flows and development of future flows?

The initial freight specific charge might be challenging to operators, despite the cap in place. Where fixed medium to long-term contracts are in place between power generators and rail freight operators, how would rail freight operating companies be able to absorb any increased track access charges in the absence of customer contract surcharges? To make rail less price competitive with road transport is nonsensical and could deter the development of future flows.

Q6. Should a freight specific charge for biomass be phased in? Would it be appropriate to apply the same phasing to a biomass freight specific charge as to the ESI coal freight specific charge?

Notwithstanding our previous comments, it is essential to phase the envisaged charging policy.

Note that already there are serious concerns from the Scottish coal sector that increased charges for rail over road will act as a tipping point thus transferring bulk coal traffic back in favour of road haulage operations. In light of this more mature rail freight market having problems biomass will certainly need a longer gestation period.

Q7. Should biomass be subject to a freight-only line charge, calculated on the same basis as for other market segments?

No. Additional freight-only line charges would erode the slim profit margins of Freight Operating Companies' further. This would potentially remove their cost competitive rates to end-users.

Summary

Despite volumetric and velocity advantages offered by moving large quantities of dry bulks by railway from import ports to co-firing power plants compared to any given road transportation operation the latter mode has always adapted quickly to changes in transportation economics. Power generating and industrial companies looking at their bottom line, will chose the most attractive supply-chain package available.

The resulting increase in lorry traffic brings the obvious safety, social and environmental damage to our roads, towns and local communities.

Yours sincerely,

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