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Dear Mr Coates

Freightliner Group (representing Freightliner Limited, Freightliner Heavy Haul Limited and Freightliner Maintenance Limited) welcomes the opportunity to provide a short response to the ORR consultation on monitoring Highways England. Freightliner is a logistics operator specialising in rail. We move over 700,000 containers a year to and from deep sea ports and over 20 million tonnes of bulk goods. Based in the UK, Freightliner also has subsidiary operations based in Poland, Germany, the Netherlands and Australia.

### Support new role

We welcome the addition of Highways England into the ORR's portfolio. With many similarities between the modes and the skills and expertise already in place at the ORR to monitor, benchmark and report on performance, this represents a logical step and a great opportunity to improve the integration between the two modes.

Road and rail are similar in many ways. Both modes have large asset bases (>£50bn), both transport significant amounts of passengers and freight and are critical to the economic success of the UK and both have similar funding cycles. They also share many of the same challenges, including growing capacity constraints. The two modes are of course also highly competitive, and therefore the introduction of a common approach to monitoring and reporting on performance is welcome.

### Competitive environment

Rail operates in an intensely competitive environment. The five major freight operators compete both intra and inter-modally for tenders and to develop new traffic to rail. In the intermodal sector rail competes directly with road to transport containers from the ports to inland distribution centres across Great Britain. This is a market which road dominates, transporting around 70% of all containers that enter the country.

The competition between the modes will continue to intensify as growth in the rail freight sector will largely be driven by the intermodal sector with rail less reliant on the traditionally suited bulk commodities, for example coal. This means that rail freight will increasingly be competing directly with road, making it increasingly important that government policy provides an equitable approach across the two modes.

In this context we welcome the appointment of a common regulator to oversee both modes. For government to make informed choices and be able to take a holistic approach to transport infrastructure planning there must be comparable information available about all modes. We would therefore like to see information published on the full costs and benefits of road and rail schemes. This would be particularly helpful where separate schemes are proposed along parallel road and rail

corridors. Having a consistent approach and methodology to forecasting the costs and benefits of such investments would allow holistic investment decisions to be made and ensure that an enhancement to one mode does not jeopardise an adjacent investment in the other mode. This will help ensure that government receives the maximum value from its infrastructure investments and will help promote a level playing field between the modes.

### **Comparing performance**

The railways are a real success story. Passenger numbers and freight volumes have grown significantly since privatisation, with 80% more freight moved by rail now, compared with the mid-1990s. The forecasts suggest that freight volumes could more than double over the next 30 years and with that the economic benefits will continue to grow. However, these are unconstrained forecasts and significant investments will be required from all parties, including government and the private sector, to increase the capacity and capability of the rail network, in order to realise this growth.

In order to bid for future funding to deliver these enhancements Network Rail will be required to provide estimates for the costs of these projects, just as they have done ahead of previous Control Periods. It would be helpful to compare these estimates with the equivalent estimates produced for road schemes. Understanding how each mode produces estimated costs for such projects, how much contingency is included and the assumptions made about how future costs are forecast would be beneficial, particularly in the context that a number of rail schemes in the current Control Period are running over budget.

Understanding whether similar issues exist across the strategic road network and determining how road schemes are assessed if they do overspend could be very valuable. The inclusion of Highways England in the ORR's portfolio will mean that they are well positioned to share best practice between the modes and understand what lessons can be learned. It is important that the equivalent data is available in areas such as expenditure against budgets and delivery of key projects so that the two modes can be directly compared.

One of the major challenges facing many organisations is ensuring that they have the adequate skills and expertise to deliver their projects. Rail is no exception and over the years there have been a number of resource issues that have hampered the delivery of key schemes, e.g. signal design and signal testers. Ensuring that the personnel have the appropriate skillsets to deliver on future projects is a key requirement that requires long-term planning. It would potentially be very helpful to learn how Highways England tackle this problem and understand what lessons can be learned.

### **Iterative process**

We support the ambitious approach to monitoring and enforcement that the ORR has proposed. Reviewing the monthly reporting from Highways England has already started, with the delivery of the benchmarking programme due to start in the autumn followed by the first six monthly monitoring report in November.

It is likely that there will be issues with the availability and quality of data and the KPIs selected may have to be tweaked as the initial results come in. However publishing these reports within the first year of the ORR's new role will help flush out such issues and therefore it is right that the monitoring and reporting programme is ambitious. As these reports are published over the next six months we are keen to continue to input and feedback on the efficacy and usefulness of the monitoring.

### **Further discussions**

We welcome the ORR's new responsibilities and are encouraged that the ORR has affirmed that it will be an opportunity and not a distraction from their rail duties.

Clearly road and rail share many similarities but they are also very competitive. Therefore having a regulator responsible for both modes will provide a better understanding of the similarities and differences as well as the competition which exists between them. This in turn should enable the ORR to advise government better and, we hope, promote a level the playing field between the modes.

If you require clarification on any of the points raised in this response, or would like to discuss any areas in more detail, please do not hesitate to get in contact with me.

Yours sincerely

*Peter Graham*

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