



Rail Freight: Building a Stronger, Greener Future for Britain

Rail Delivery Group





a Genesee & Wyoming Company

GB Railfreight



Rail Delivery Group



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The national effort to keep Britain moving during the Covid pandemic has been exemplified by critical but often unnoticed essential services. The way we live, work and buy our goods changed almost overnight, but rail freight demonstrated its resilience and flexibility by continuing to deliver – keeping our supermarket shelves stacked, and warehouses fully stocked through the online shopping boom.

Britain's economy relies on quick and efficient supply chains, and the rail freight sector is growing and expanding to help meet those needs. It has been a real success of privatisation over the past 25 years with operators using their expertise and making substantial investments to increase productivity and enhance performance, helping to provide a better service for customers and delivering substantial benefits to society.

New analysis conducted by Deloitte on behalf of the Rail Delivery Group strengthens the case for rail freight, by showing how it provides considerable economic and social benefits to the UK annually, with the north of England, Wales and Scotland among the areas seeing the greatest benefits. That means businesses all around the country have access to more reliable and efficient routes to markets across the world and better connectivity to ports, as well as supporting the movement of goods and materials into our towns and cities.

At the same time, the government has recognised the need to reduce carbon emissions across UK industry by committing to reach net-zero by 2050. Rail freight is already helping to realise this target as part of a low-carbon logistics sector with every freight train on the rail network taking trucks off the road, reducing emissions and congestion.

Our economy is now at a turning point as we look to build back from the pandemic and the railway enters a period of reform. The rail freight sector stands ready to play a central role in the national recovery from Covid, supporting Britain's businesses, creating jobs and decarbonising the UK's supply chains. This can only be achieved by working in partnership with government and the wider railway to unlock rail freight's potential.

Keeping the country moving



Transporting freight by rail plays a key role in the UK economy, delivering significant economic, environmental and social benefits across the country. New analysis from Deloitte shows that the industry delivered £2.45bn of economic benefits to the UK in 2018/19. This is made up of £1.65bn in user benefits (time savings, cost savings, reliability improvements), and £800m in social benefits (reduced congestion, emissions and safety impacts).

Businesses and communities up and down the UK are supported by rail freight, especially in

Northern and Eastern England, Scotland and Wales. Deloitte analysis shows that 90% of the benefits brought by rail freight support communities outside of London and the South East.

Many of the everyday goods we use are transported by freight trains operating as part of a seamlessly integrated logistics network. These services provide vital connections between ports and inland terminals allowing businesses to access markets around the world and import goods and materials reliably and securely.

There are many prominent industries that depend on rail freight. The construction sector uses rail to move materials used to build housing and support infrastructure projects in and out of urban areas in an efficient, low-carbon way.

Britain's car manufacturers have been using rail freight to carry finished vehicles for export from manufacturing sites to the ports for many years. Even the rubbish we produce in our homes and businesses is transported by rail to be processed and recycled.

The rail freight sector also helps support the efficiency of the railway itself, providing 5000 services annually to Network Rail that enable it to repair, maintain and invest in Britain's network so that passengers can move safely and efficiently around the country.

The ability to deliver goods into the centre of towns and cities without the need for more HGVs and vans could deliver even more social and environmental benefits. A renewed focus on rail freight can level up the economy and critically, drive more efficient routes to market for domestic and international trade – potentially lowering the cost of products and services for consumers and industry.

Using the new Deloitte research as its basis, the rail freight sector has collectively identified a series of policies that it now wants to work with government and devolved transport bodies to take forward. These policies will support the sector as it plays a key role in post-pandemic Britain and will help to efficiently deliver some of the government's main priorities such as levelling up the UK and decarbonising the economy.



90% of the benefits brought by rail freight support communities outside of London and the South East



-  As we recover from the pandemic, we must make the best use of capacity on the network, using a benefits-led assessment that considers the relative value of different capacity choices, to allow more freight to run on the rails, with more freight on each train.
-  Upgrading Britain's infrastructure to make it fit for the digital age can allow both freight and passenger trains to run more efficiently.
-  In order to maximise the benefits offered by using rail, government and railway should incentivise businesses to switch their goods from road to rail.
-  An efficient logistics sector needs hubs and terminals in the right places, with strong rail connectivity to help avoid a road-led recovery.
-  Modal shift towards rail freight is an essential step in decarbonising the freight and logistics sector, and wider society.
-  Commitments on infrastructure are required to decarbonise rail freight.
-  Ensuring that the future industry structure supports rail freight growth and unlocks continued third-party investment will allow rail freight operators to deliver greater long-term economic and environmental benefits.

Building a national recovery



As we recover from the pandemic, the Prime Minister and the Government have committed to levelling up all regions and strengthening connectivity across the United Kingdom.

A growing rail freight sector is ideally placed to help support levelling up, as it operates on a truly national scale across the UK. It connects businesses to markets and brings investment across the country by connecting strategic economic locations like ports, distribution hubs, and quarries. Key regions for rail freight activity include:

- 📍 East of England, home to some of the UK's largest global trading ports
- 📍 The industrial heartland in the North West of England and Yorkshire and the Humber.
- 📍 The Midlands, home to large logistics and manufacturing hubs.
- 📍 South Wales, home to steel manufacturing/metal exporting.
- 📍 Scotland and the major hubs of the Central Belt.
- 📍 London, a hub for construction traffic and a critical link to ports and the Channel Tunnel.

The potential exists for rail freight to do more as a key pillar of Britain's freight and logistics network. New analysis from Deloitte shows that a single rail freight path can generate up to £1.5 million each year, meaning that space made for more freight trains on the rail network will immediately deliver additional economic benefits with no investment required.

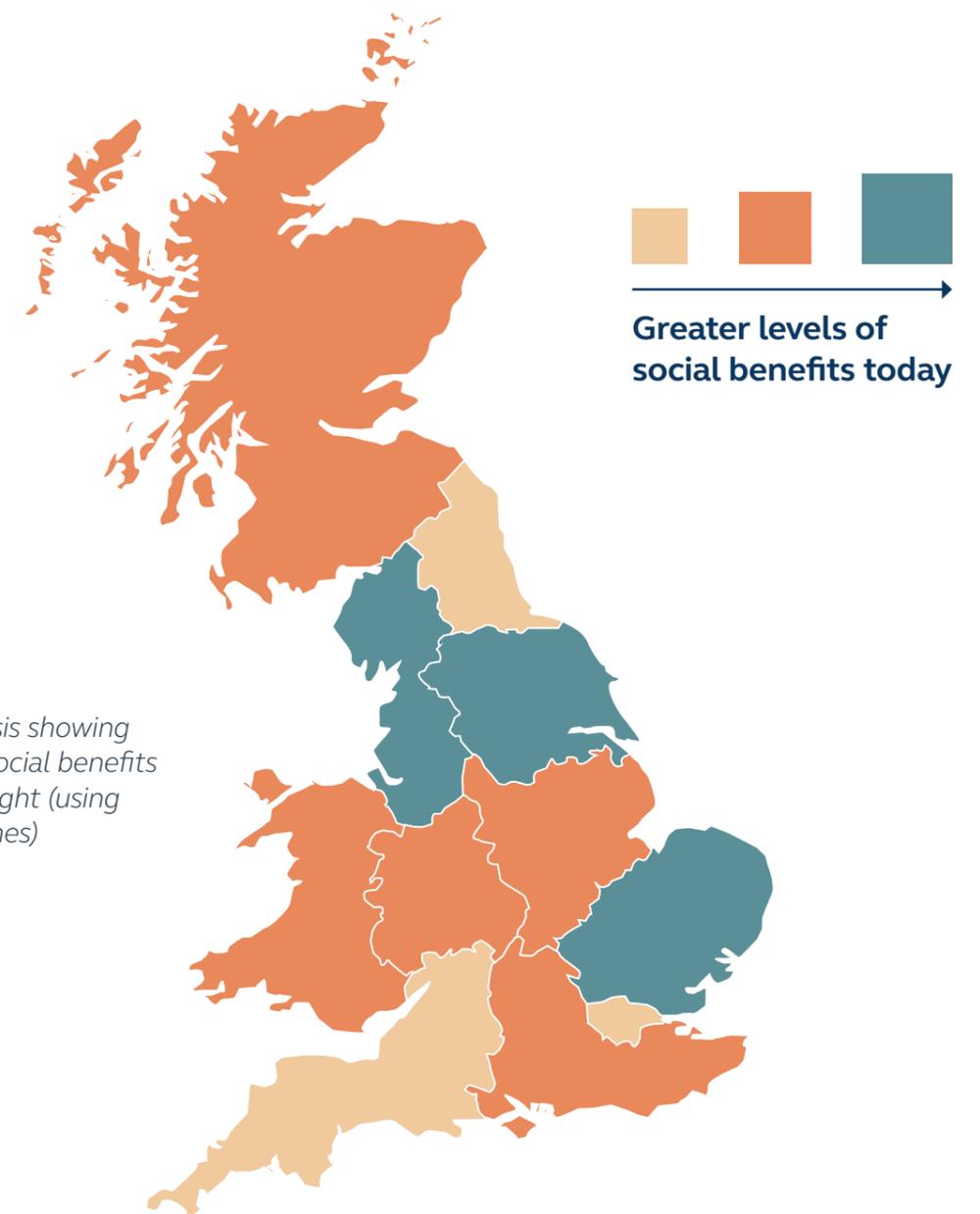
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During the pandemic freight companies have been able to run longer and heavier services over more direct routes, providing considerable benefits to businesses and society. Allowing these trains to continue, and other more efficient and productive services to be planned in the timetable, will help support Britain's recovery and growth.

- 🕒 Making small changes to the timetable can enable more freight to run, much more quickly and efficiently. This will deliver immediate economic and environmental benefits for everyone.
- 💡 Developing and using a reliable and effective way of comparing the benefits of different rail services, based on the framework pioneered by Deloitte, will help make decisions easier and faster.





Upgrading Britain's infrastructure to make it fit for the digital age can allow both freight and passenger trains to run more efficiently.

- Network enhancements that boost rail freight capability should be prioritised. These schemes will allow more freight to run, increasing benefits to businesses and society, and getting goods quickly to where they need to go.
- Making sure that ongoing and planned railway investments, like the Transpennine Route Upgrade, Felixstowe to the Midlands and the North, HS2 and East-West Rail, deliver for both freight and passengers, will maximise the economic and environmental benefits of every upgrade, increasing capacity and improving connectivity.

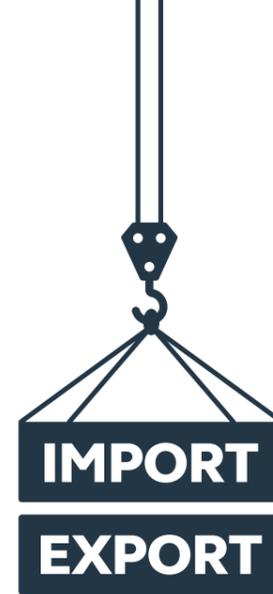
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- Ambitious targets for national and regional growth are needed to help focus both government and the rail industry on delivering for rail freight, with the aim of tripling freight volumes by 2050.
- The charges for using rail to transport goods should be affordable and provide long-term certainty to operators and customers to encourage mode shift towards rail.

In all transport modes it is essential that no region or nation is left behind. Leaving the European Union has altered our supply chains and created new commercial opportunities, changing the way in which we can move goods around the country and internationally.

As we move into a new era for the railway, government and industry should look to enable further private sector investment in rail freight. This will help spur economic growth and build on the benefits that rail freight already delivers.

A concerted effort to unlock land and build new connections to the network, as well as maximising the value of existing facilities, will help encourage modal shift to rail and avoid the negative impacts of a road-led recovery. It will also help ensure that the rail freight industry continues to benefit regions and communities across the whole country. Deloitte has shown how establishing rail freight hubs can lead to more efficient supply chains and increased productivity, by clustering activity in one place. This allows businesses to share infrastructure and find suitable suppliers and workforce more easily.



An efficient logistics sector needs hubs and terminals in the right places, with strong rail connectivity to help avoid a road-led recovery.

- Making sure that new hubs and terminals are well-located, and that existing facilities are efficiently served, will help to boost local productivity by bringing together different customers and businesses in one place.
- A planning system that protects existing rail sites and makes space for and access to new ones, will help give third parties the confidence they need to make investments in new facilities.



For Britain, for the environment

The UK government has legislated to reach net-zero carbon emissions by 2050. The rail freight industry is ready to help realise that commitment and is already taking steps to make it happen.

By carrying large quantities of containerised and bulk goods, Deloitte analysis shows that rail freight already removes the need for 7m lorry journeys each year. Each year, this saves around 1.4 million tonnes of CO₂ emissions.

While rail freight is playing a prominent role as part of a low-carbon logistics sector, there is still much that a growing rail freight industry can do to support a greener future. Deloitte's research has shown that with the right incentives and infrastructure in place, the environmental benefits of rail freight could double.

Accelerating modal shift from road to rail will help to reduce carbon emissions and congestion on our roads. As freight customers increasingly look towards rail freight as a sustainable solution within their supply chains there must be capacity on the rail network to accommodate this growth and in a price sensitive logistics sector rail freight also must be able to compete with other modes.

To make the best use of capacity on the rail network, decision makers must be armed with the data and tools to assess the trade-offs between different services. By building on the framework to assess paths as outlined in Deloitte's 'Assessing the Value of Rail Freight' study, there will be opportunities for additional rail freight capacity to unleash suppressed demand and facilitate greater modal shift.

The Mode Shift Revenue Support (MSRS) scheme and the Freight Facilities Grant (FFG) both support customers in moving their goods by rail. MSRS helps to support the moving of freight traffic from road to rail on flows where rail would not otherwise be able to compete. FFG (currently only in place in Wales and Scotland) helps to support the capital costs of rail freight facilities. Increasing the budget of MSRS would drive further modal shift to rail and generate even greater benefits. Expanding FFG to align across all three nations in Great Britain would help rail freight grow and reduce the carbon footprint of the logistics sector.



Modal shift towards rail freight is an essential step in decarbonising the freight and logistics sector, and wider society.

The Deloitte research has shown that reductions in carbon emissions can be achieved by facilitating both the growth in existing flows, like intermodal and construction materials, and the development of new flows such as parcels and light logistics.



Enhanced appraisal methodologies which better capture the benefits of rail freight, based on the Deloitte framework, should be used to allocate capacity on the rail network.



The Mode Shift Revenue Support scheme should be expanded to help increase the amount of freight carried by rail. The Freight Facilities Grant should be reintroduced in England to support the capital costs of rail freight activity.

Network Rail's Traction Decarbonisation Network Strategy (TDNS) has identified electrification as the most frequent appropriate technological solution for both passenger and freight services demonstrating positive net present value. Electrification is a tried and tested solution that not only reduces carbon emissions, but enhances performance, reduces journey times and improves air quality.

The government is therefore urged to commit to a long-term programme of electrification to enable the railway to decarbonise. Such a commitment will help to create greater certainty across the rail freight sector and support investment in new rolling stock and research into new technologies. Electrifying small sections of the network would enable rail freight to move away from diesel traction, and it is estimated that electrifying just 500 route miles would allow 70% of freight journeys to be electrically hauled.

Commitments on infrastructure are required to decarbonise rail freight

Ongoing investment in infrastructure changes will help power rail freight growth, by stimulating the procurement of new electric locomotives and the development of enhanced, modern rail freight facilities.



Government should commit to a long-term programme of electrification, prioritising some infill schemes for rail freight, thereby supporting private sector investment into greener fleets.



Research, Development and Innovation funds in the rail sector should appreciate the operational and commercial requirements of rail freight in order to accelerate the creation and deployment of new low-carbon technologies across the sector.

Reforming the Railway

The publication of the Williams-Shapps Plan for Rail has paved the way for the biggest structural change to the railway in a generation, with the introduction of Great British Railways (GBR). The Plan for Rail also recognises the fact that over the last 25 years the rail freight sector has exemplified the benefits of private sector involvement in rail, increasing productivity through significant outside investment and evolving quickly to meet the ever-changing demands of the economy.

A reformed railway must create a platform for rail freight to build on its successes. That means ensuring that the future regulatory and contractual framework enables continued private sector investment and helps more freight customers choose to move their goods by rail. An investible sector also requires legislative protection, including in terms of a future access regime and maintaining long-term track access charges that support modal shift to rail. Likewise, as freight operators will sit outside the remit of GBR, contractual incentives are needed to support the delivery of a high-performing railway.

Freight operates on a national basis and this needs to be reflected within the new structure. The nationally co-ordinated rail freight team within GBR will have an essential role to play as the single point of contact for freight operators and customers. This team should be well-resourced and act as a strong voice for freight among GBR's regional divisions to make sure that timetabling and infrastructure decisions are coordinated nationally. It should also look to refine and adopt the outputs of new research, such as the framework for assessing paths developed by Deloitte.

The commitment to introduce a government-set freight growth target made in the Plan for Rail is welcomed and setting this target at an ambitious level will help to keep the wider industry focussed on delivering the best for freight customers. The rail freight industry stands ready to work with GBR to help deliver an efficient and effective railway that brings the maximum benefit to the country.

Ensuring that the future industry structure supports rail freight growth, and unlocks continued third-party investment, will allow rail freight operators to deliver greater long-term economic and environmental benefits.



The future charges, incentives and access regimes must provide freight operators with the confidence they need to unlock sustained investment to support decarbonisation and drive further growth.



A central point of coordination for freight is needed within the new structure, that understands the national nature of rail freight and maintains a GB-wide approach to network planning.



Delivering the vision

The Williams-Shapps Plan for Rail recognises the important role of the rail freight sector in the UK, noting its track record of unlocking major private sector investment and delivering significant economic and environmental benefits to all regions. The Plan for Rail sets out the vision for a growing rail freight sector at the centre of a modern, green and efficient railway.

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