



**Transport Select
Committee Inquiry into
Investing in the Railway –
Written Evidence from
GB Railfreight**

1 Brief Introduction to GB Railfreight

- 1.1 GB Railfreight (GBRf) was set up by John Smith in 1999 with two employees and zero contracts. Fourteen years later and it has become the fastest growing freight operating company, employing around 650 people and generating annual turnover in excess of £100 million.
- 1.2 At present, GBRf operates around 850 trains a week, cementing its position as the UK's third largest freight operator in terms of number of trains run. Some of the main routes it operates on include the Midlands Main Line, East Coast Main Line and West Coast Main Line. It also operates to/from ports across the UK, including the port of Tyne, Immingham, Liverpool, Felixstowe, Redcar, Blyth, Bristol, Southampton, Hull, Cardiff, and Teesport.
- 1.3 GBRf helps carry goods worth over £30 billion for many of the UK's core industries. Its specialist teams design transport answers for companies working in coal, biomass, infrastructure, petrochemical, construction, and intermodal, amongst others.

2 Justification for submitting evidence to consultation

- 2.1 Rail freight is one of the most effective ways to transport goods across the country and, as such, is vital to the smooth running of Britain's economy. In order to keep the economy moving, it is essential that freight operators engage with UK policy-makers at all levels, in order to create suitable conditions for sustained growth in the long-term.
- 2.2 Earlier this year, we responded to the Transport Select Committee's invitation for ideas for future inquiries. We raised issues around wider transport strategy alignment and rail electrification. When this inquiry was announced and the views of GB Railfreight referenced in the Committee's public statement, we thought it important for us to respond and further develop some of the ideas adhered to.

3 Executive Summary of response

- 3.1 From a freight perspective, there are various schemes being promoted in Control Period 5 that will have a significant impact on the industry by 2019. These include capacity enhancements to the Felixstowe-Nuneaton corridor, gauge enhancements across the network and research into capacity constraints at northern ports.
- 3.2 Operators can assist Network Rail in its delivery plans through both commercial and non-commercial collaboration. For example, GB Railfreight is currently in a partnership with the infrastructure provider to develop technologies that will improve train performance. The ORR and RDG both have a crucial role to play in encouraging non-commercial collaboration, creating an environment where operators can play a greater role in strategic decision-making. However, the industry views the ORR's current route-level efficiency benefit sharing (REBS) mechanism as inadequate in achieving this. We should instead look to the RDG freight group, who are working on an alternative proposal that will bring benefits to Network Rail.
- 3.3 Network Rail has successfully prioritised many important schemes in CP5, such as the need for more Strategic Rail Freight Interchanges (SRFIs), a rolling electrification programme across the country and greater connectivity in the North. Yet there are still areas which it needs to look at in greater detail. GBRf would like to see an emphasis placed on electrification schemes that have a wider and more direct impact on the rail industry, and a more effective alignment of projects with other infrastructure providers, especially the Environment Agency.
- 3.4 Reclassifying Network Rail as a public body could open up its funding to greater Government scrutiny, leading to a reduction in its Statement of Funds Available (SOFA) and a constraint on possible schemes for Control Period 5. Commentators have described many scenarios post-September 2014, but GBRf would like the Government to be pragmatic and continue to invest in rail infrastructure, allowing Network Rail to further improve efficiency on our network
- 3.5 GBRf is not in a position to assert whether the right balance has been met between passenger and freight investment, but around the challenges of additional freight capacity, the Government needs to look at the wider transport picture and thoroughly evaluate the balance of investment priorities between road and rail freight.
- 3.6 Electrification of the network will have a considerable impact on the cost-efficiency and carbon efficiency of rail freight transport, provided operators are incentivised to invest in electric locomotives. This incentive stems, in large part, from electrification of those routes that are most utilised and beneficial for the industry. While the 'Electric Spine' is an important scheme in the medium term,

GBRf recommends prioritising the Nuneaton to Hams Hall and the Felixstowe to Ipswich routes in Control Period 5, allowing operators to switch to electric traction in the shorter term.

- 3.7 For Control Period 6, it is crucial that the Government looks into developing proposals that reserve capacity on the classic network once HS2 is built. Furthermore, it needs to continue prioritising increased capacity, the support of SRFIs, rail infrastructure into northern ports and electrification. One other area it would be useful to look into would be the inclusion of freight interests in passenger franchise specifications on both the classic and high-speed networks.

4 What are the main features of the rail investment plan for 2014-19 (Control Period 5)? How will the railway be different in 2019 following delivery of the plan?

- 4.1 In the Government's National Policy Statement for National Networks (NN NPS), it affirmed its strategy to facilitate the freight mode shift from road to rail. Network Rail has successfully aligned its policy focus with the Government's in its investment plan for CP5, citing various projects that will have a significant and positive impact on the rail freight industry, supporting its growth over the next five years.
- 4.2 In our submission to the Department for Transport's NN NPS consultation, we emphasised our support for many of these proposals, in particular phase 2 of capacity enhancements to the Felixstowe-Nuneaton corridor. This corridor is crucial to the flow of freight from the Port of Felixstowe to the West Midlands, and through an array of schemes that includes signal remodelling and a double-tracking of the line, capacity will be freed up on the Great Eastern Main Line and services to London and the West Midlands improved.
- 4.3 Other developments that GB Railfreight is also supportive of, and which will boost passenger and freight services following their delivery in 2019, include gauge enhancements across the network and research into freight demand and capacity constraints at northern ports. With the potential growth of the intermodal market over the next few decades, as reflected in Network Rail's *Freight Market Study*, we need to look into improving rail infrastructure into our ports and ensure that we have the capacity to sustain any growth that takes place.

5 Is Network Rail confident that it can deliver its planned investments and meet its targets for efficiency and punctuality? How should train operators assist in ensuring that Network Rail delivers? How will the Office for Rail Regulation ensure that planned investments represent value for money?

- 5.1 GB Railfreight believes it's important that both freight and passenger operators support Network Rail in its drive for greater efficiency and punctuality. At present, we are working with the national infrastructure provider, trialling new technologies to improve train performance. This partnership has already seen the deployment of various technological innovations across the rail sector, including forward-facing CCTV cameras in drivers' cabs, tasked with helping in the investigation of incidents and helping restore normal services post-incident, and tablet computers in the locomotives that help the drivers with their scheduling and provides long-term analysis of performance data.

- 5.2 Despite this collaboration, we understand that operators may not necessarily want to enter into commercial arrangements with the network provider. This is why the roles of both the Office of Rail Regulation (ORR) and the Rail Delivery Group (RDG) are so important. The start of CP5 saw the replacement of the ORR's efficiency benefit sharing mechanism (EBSM) with the Route-level efficiency benefit sharing (REBS) mechanism. This encourages Network Rail and rail operators to work together to improve efficiency on the network, but unlike the previous system, it means that operators will share in both Network Rail's gains and losses.
- 5.3 GB Railfreight is supportive of anything that encourages collaboration, but the industry feels that the ORR needs to ensure that incentives to improve cost-efficiency and performance are true incentives that place the risk with those best-placed to benefit. Unfortunately REBS leaves operators with a lot of the accountability, but limited responsibility in the decision-making process. Operators need to have more active involvement in strategy development if they are going to share in both the gains and losses of Network Rail. One possible solution is a larger influence at GRIP 2.
- 5.4 The RDG can also assist in increasing the involvement of operators in the decision making process and ensuring that Network Rail and specifically freight operators are working in harmony. With regards to the latter, the creation of the Rail freight group within RDG has been incredibly influential in supporting a more joined-up mode of thinking. It has already proposed an alternative scheme to REBS, one which freight operators have already indicated they are more likely to enter into. Furthermore, it's Long-Term Sustainability Group, of which we are a part, recently published its first report, *Keeping the Lights On and the Traffic Moving*, looking into the economic and environmental impact of the sector and future constraints on growth. As we move forward, we can continue to work together on projects that are aimed at improving performance on the rail system.

6 Has Network Rail prioritised the right schemes for the purpose of improving the railway's resilience?

- 6.1 Network Rail has focused on the proposals put forward by the Government in its *High Level Output Specification 2012* and Draft National Networks Statement, when prioritising schemes for CP5. We are supportive of the strategic priorities set out in these documents, including the need for increased capacity, more Strategic Rail Freight Interchanges (SRFIs), enhancing North-Eastern connectivity and completing the Northern Hub, a rolling programme of electrification and the creation of the 'Electric Spine'.
- 6.2 Being a primarily private-funded industry, it's important that the right support and infrastructure exists to incentivise investment. SRFIs and enhanced capacity in

and out of northern ports allows freight operators to invest in more resilient and sustainable rolling stock and grow with fewer constraints.

- 6.3 Electrification raises slightly more difficult issues, given the heightened costs of electric locomotives. While we support the rolling programme, it's important that Network Rail prioritises the right schemes to encourage freight operators to invest in electric locomotives now. The 'Electric Spine' is a useful project in the medium-term, but we believe Network Rail should focus on electrifying routes that have a more significant impact across the rail freight industry in the short-term. More specific routes will be provided in a later answer.
- 6.4 Following the recent extreme weather experienced across the country, any resilience schemes need to also take account of the strategies of other infrastructure bodies such as the Environment Agency and local planning authorities. Integrated strategies need to be formed with them to ensure that different resilience schemes don't conflict. The occurrences at Cowley Bridge are a good example of a lack of alignment.

7 How might reclassification of Network Rail as a central government body in September 2014 affect rail investment?

- 7.1 One of the larger benefits of rail privatisation was the guaranteed flow of investment to the rail infrastructure provider. When Network Rail becomes a central government body and £30 billion is added to the national debt, its Statement of Funds Available (SOFA) will become more open to scrutiny. As an arms-length organisation, Ministers had previously limited opportunity to interfere with the SOFA, which meant Network Rail wasn't at the whim of the Government's austerity programme. With this renationalisation, it's possible that the level of funds available for the body and for rail investment could suffer.
- 7.2 GBRf recognises that the way Network Rail was previously structured allowed it to provide significant investment in our rail infrastructure and offered efficiency savings across the network. Despite these upcoming changes, we would like the Government to be pragmatic and continue providing the infrastructure provider with the funds it needs to carry on working productively.

8 Is the balance between passenger and freight investment right? What additional demand for freight movements might be released with a different balance of investment?

- 8.1 It's difficult to evaluate what the balance between passenger and freight investment should be and whether Network Rail has achieved that in its CP5 strategy. What's more, the wide-spanning impact of both passenger and freight

investment means the decision is one that rests, and should continue to rest, with Government. Nevertheless, GB Railfreight recognises that both investment programmes do need to align if the most effective outcome is to be reached for both industries.

- 8.2 If we want to look at the wider transport picture when discussing the release of additional demand for freight movements, it's useful to assess the current investment balance between the road and rail sectors as a whole. Recent work undertaken by the Liverpool City Region indicated that with the right investment in the released capacity that HS2 provides on the classic network, there will be a net saving of 150 million road miles. This figure could undoubtedly be larger if a review was taken into investment priorities between road and rail freight.

9 How will electrification affect the passenger experience of the railway, rolling stock requirements and rail freight?

- 9.1 Electrification has positive impacts for rail freight from both a cost-efficiency and carbon-efficiency perspective. Main line and infill electrification schemes can allow for longer, faster and heavier freight trains, and higher and wider freight wagons. This will allow freight operators to transport greater amounts in a reduced time period, lowering costs and boosting rail freight's competitiveness when compared with road. Moreover, electric trains are considered more operationally reliable than diesel trains and less liable to break down.
- 9.2 However, as highlighted in our submission to the Transport Select Committee's inquiry into the Government's draft National Network's National Policy Statement, electrification programmes are only effective if operators are incentivised to invest in electric locomotives. As part of our goal to reduce our carbon footprint, GB Railfreight recently purchased the company's first ever electric locomotives, to be used on various routes across the UK. In order to maintain similar private sector investment in the long-term, the right routes need to be electrified.
- 9.3 Above, we mentioned the benefits the 'Electric Spine' will bring to the network, but we also affirmed that there are various electrification schemes that will have more widespread benefits and a greater impact in the short-term. If Network Rail undertakes these schemes, freight operators will be more likely to invest in electric locomotives and efficiencies achieved.
- 9.4 We propose that in CP5, the Nuneaton to Hams Hall and the Felixstowe to Ipswich routes be prioritised. These serve as key freight routes across the Midlands and would benefit various freight companies operating out of the Port of Felixstowe. Furthermore, these schemes will allow rail freight companies to operate existing services immediately, using existing available traction. In order to provide

diversionary routes for planned engineering services, Network Rail should then build on these developments and plan to electrify the Ipswich to Nuneaton via Ely route in CP6, offering full capability of electrified traction out of services from Felixstowe.

10 What should be the priorities for investment after 2019 (Control Period 6), particularly in relation to connecting the classic railway with High Speed 2?

- 10.1 Control Period 6 should build on many of the priorities accounted for in Control Period 5. There needs to be continued gauge enhancements across the network, especially in the Trans-Pennine region, more significant investment in rail infrastructure at UK ports, and Government support for private investment in SRFIs and warehouse facilities, in order to facilitate the potential growth of various freight markets, especially intermodal traffic.
- 10.2 With regards to High Speed 2, GB Railfreight is very supportive of the project, provided reservations are made for additional freight capacity on the classic network. The Secretary of State for Transport, Patrick McLoughlin MP, has already stated that a central objective of HS2 is to create more capacity for rail freight, but we need to ensure that legislation is put in place that allows this to happen. Shifting the Phase 1 hub to Crewe is a welcome step, as it maximises freight potential from the project, removing bottlenecks that would've occurred on a network as a result of the original Phase 1 proposals.
- 10.3 One other issue that has received limited attention and is important to evaluate now and after 2019, is the creation of specifications for franchises on both the classic network and HS2 that account for the impact passenger services have on freight. Network Rail must make sure that poor passenger services don't damage capacity benefits open to the freight industry, given experiences from HS1 that highlighted the importance of having robust specifications for both forms of traffic.